

CITY OF PORTSMOUTH NEW HAMPSHIRE



COMPREHENSIVE
ANNUAL FINANCIAL
REPORT
JUNE 30, 2014

Memorial Bridge

The Memorial Bridge was the first major vertical lift bridge constructed in the eastern United States. Built between 1920 and 1923, the bridge was a joint venture between the states of New Hampshire and Maine and the Federal Government.

The Memorial Bridge was dedicated as a World War I memorial. The plaque over the Portsmouth entrance pictured on the front cover reads:

*MEMORIAL TO THE SAILORS AND SOLDIERS OF
NEW HAMPSHIRE
WHO PARTICIPATED IN THE WORLD WAR 1917-1919*

Five year-old Eileen Dondero (pictured on front) was selected to cut the ribbon at the dedication on August 17, 1923. Eileen Dondero Foley later served as the Portsmouth's Mayor for sixteen years.

The Memorial Bridge was in service for 88 years when on July 27, 2011, the bridge was permanently closed due to significant safety concerns. The bridge was removed in February 2012. The construction of the new Memorial Bridge was completed and on August 8, 2013 the New Hampshire Department of Transportation held a public ribbon cutting celebration at which Mayor Foley once again cut the ceremonial ribbon.

To date the innovative bridge has received ten awards and recognitions including Top Ten Bridges in the US by Roads and Bridges Magazine, Gold Award for Highway/Infrastructure by Design-Build Institute of America, New England Chapter and the American Council of Engineering Companies' Engineering Award for Excellence.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Comprehensive Annual Financial Report

For the Year Ended June 30, 2014



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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, 2014

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION:</u>	
Transmittal Letter	1
Organizational Chart	18
Directory of Officials	19
GFOA Certificate of Achievement	20
<u>FINANCIAL SECTION:</u>	
Independent Auditors' Report	21
Management's Discussion and Analysis	24
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	43
Statement of Activities	44
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	46
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	47
Statement of Revenues, Expenditures, and Changes in Fund Balances	48
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	49

	<u>Page</u>
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	50
Proprietary Funds:	
Statement of Net Position	51
Statement of Revenues, Expenses, and Changes in Fund Net Position	52
Statement of Cash Flows	53
Fiduciary Funds:	
Statement of Fiduciary Net Position	54
Statement of Changes in Fiduciary Net Position	55
Notes to Financial Statements	57
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress	88
SUPPLEMENTARY STATEMENTS AND SCHEDULES:	
Governmental Funds:	
Combining Financial Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds	92
Combining Statement of Revenues, Expenditures, and Changes in Fund Equity - Nonmajor Governmental Funds	98
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position - Private Purpose Trust Funds	105
Combining Statement of Changes in Fiduciary Net Position - Private Purpose Trust Funds	106
Combining Statement of Changes in Assets and Liabilities - Agency Funds	107

STATISTICAL SECTION:

Financial Trends

Net Position by Component	110
Changes in Net Position	111
Fund Balances, Governmental Funds	112
Changes in Fund Balances, Governmental Funds	113
Combined Enterprise Fund Revenue, Expenses, and Changes in Fund Net Position	114
General Government Tax Revenues by Source	115

Revenue Capacity

Property Tax Levies and Collections	116
Assessed and Estimated Full Value of Real Property	117
Principal Taxpayers	118
Property Tax Rates per \$1,000 of Assessed Value - Direct and Overlapping Governments	119
Utility Fund Net Budget, Billable Volumes and Rates	120
Portsmouth's Share of the Rockingham County Tax Apportionment	121

Debt Capacity

Ratios of Long Term Debt Outstanding and Legal Debt Limits	122
Ratios of Outstanding Debt by Debt Type	123
Direct and Overlapping Governmental Activities Debt	124

	<u>Page</u>
<i>Demographic and Economic Information</i>	
Demographic Statistics	125
Principal Employers	126
<i>Operating Information</i>	
Operating Indicators by Function	127
Capital Asset Statistics by Function	128
City Government Employees by Function - Full Time Equivalents	129



CITY OF PORTSMOUTH

Municipal Complex
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November 15, 2014

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, 2014, 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, senior services, 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

The City of Portsmouth continues to lead the region in low unemployment rates. As of June 2014, the unemployment rate was 3.2%, compared to 3.9% in June 2013. This compares favorably with unemployment rates for the State of New Hampshire, New England and the Nation, which were 4.3%, 5.7% and 6.3% respectively.

Employment in the NH portion of the Portsmouth MetroNECTA at the end of June 2014 was 59,600 jobs. This un-benchmarked figure represents an overall increase of 1,000

jobs or 1.7% from June 2013. The largest year-to-year employment increase was in the Government sector with an increase of 300 jobs, followed by the Education/Health sector with an increase of 200 jobs, and the Finance, Information, Leisure/Hospitality, Trade, Transportation and Utilities and the Manufacturing sectors posted the next highest gains with 100 jobs each. The Professional and Business sector lost 100 jobs and there were no net increases experienced in the Mining, Logging and Construction sector.

In addition, the New Hampshire Economic and Labor Market Information Bureau projections for 2010-2020 (updated in 2013) show strong employment growth continuing for Rockingham County in a variety of sectors. Leading the way are the construction, Health Care and Social Assistance, Professional, Scientific and Technical Services.

A recent report by PolEcon Research projects that the locus of economic activity “is shifting to the seacoast.” This assertion is based on the increasing share of innovation and growth in key industries in the area. It is also attributed to the concentration of highly-skilled, educated people locating to the area and driving the competitive advantage of the seacoast. These trends bode well for the City and region and highlight the need for continued diligence in developing a diverse economy, maintaining and preparing an educated workforce, preserving quality of life, and continuing sound fiscal management.

Construction activity for the City of Portsmouth remained steady for FY14. On the commercial/industrial side, the City issued six (6) permits for new commercial projects with a total construction value of \$20 million. By comparison, in FY13, nine (9) permits were issued for new commercial/industrial projects with a total construction value of \$15.3 million.

Most construction permits issued in FY14 were for renovations, repairs and fit-ups versus new projects. Through June 30, 2014, 194 permits with a construction value of \$19.4 million were issued for commercial/industrial renovations and tenant fit-ups. By comparison, in FY13, the City issued 204 permits with a construction value of \$14 million for similar work.

On the residential side, 307 permits were issued of which 21 were for new dwellings and 286 for renovations. In the prior fiscal year, 325 residential permits were issued of which 33 were for new dwellings and 292 for renovations.

Notable commercial development activity in FY14 includes progress or completion of several projects started in FY13. In the Central Business District, the final phase of the Portwalk project is almost complete. It includes a 72,000 square foot, 120-room Hampton Inn and Suites and a second building with 113 luxury apartments, ground floor retail and a surface parking deck.

Three other significant projects broke ground during FY14 in the downtown. At 233 Vaughan St., construction began on a new, 4-story, \$15 million mixed-use project which includes commercial use on the first floor and 6-8 residential units on the upper floors including luxury units on the top floor. On Daniel Street, the former city-owned Connie Bean Recreation Center will be converted into two connected buildings - one a 3½-

story, 14,000 square foot mixed-use property and a 2½ story, 7,000 square foot residential building with 19 lower level parking spaces. Adjacent to this project, a mixed-use structure at 67-77 State Street will add more retail and residential uses to the new Memorial Bridge gateway with the construction of a 5-story, 9,138 square foot building.

Other proposed downtown activity seeking final land use permits includes:

- A 4-story, mixed-use development at 111 Maplewood Avenue;
- A proposed 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 to be located adjacent to the Sheraton Harborside Hotel and Conference facility;
- A mixed-use development with first floor retail and residences on the upper levels is proposed at 173-174 Market Street.

Recent activity in the Islington Street corridor includes a tea shop and surf shop at 601 Islington Street. The new Gateway Village at 1039 Islington Street is an 11,500 square foot, 4-story commercial property currently available for lease. Further east in the corridor is the recently approved mixed retail/residential condominium project at 275 Islington (formerly Olde Port Traders).

The Southgate Plaza on Lafayette Road is in the midst of a \$24 million redevelopment including a Cinemagic Stadium theatre cinema with ten giant screens, high-backed leather seats, and Dolby Digital surround sound. Also included in the redevelopment is 20,000 square feet of new retail and the renovation of 12,600 square feet of the old strip mall. Retail offerings include Air Zone Family Playground, a cycling studio, frozen yogurt shop and a refurbished diner.

Pease International Tradeport is an important regional economic driver to the City's economic profile. There are currently over 250 companies and 8,549 workers, most in well-paying technology and advanced manufacturing jobs. In 2013, Inc Magazine's list of the 5,000 fastest growing companies included 24 New Hampshire firms. Six (6) of those firms were located at Pease Tradeport.

The Great Bay Community College at Pease provides important workforce training for local employers and has announced plans for a new student center and recreation facility. Other significant developments at Pease Tradeport in FY14 include construction of a 40,000 square foot office for Sprague Energy. The new office building for Hospital Corporation of America at 25 New Hampshire Avenue is under construction. This LEED-designed facility also includes an 11-acre redevelopment for a gas station, convenience store and other uses.

Teledyne DGO recently relocated its facility from Seabrook, NH to Pease Tradeport. The defense oil and gas company brought 120 jobs and expects to add another 20 workers by December 2014. Also, Optima Bank opened a full-service branch bank at the Tradeport further adding to the amenities and services available to Tradeport workers and businesses.

In FY14, the Pease International Airport expanded its offerings with new passenger service on Allegiant Airlines between Portsmouth and Orlando-Sanford, Florida. This service augments passenger flights already offered on several charter and private jets that operate out of the airport. This year, the Air National Guard 157th Air Refueling Wing located at Pease Tradeport announced that it was selected as the U.S. Air Force's top choice to receive twelve new KC 46A refueling tankers adding 100 new jobs with a payroll of \$7 million and indirect economic benefits of \$45 million in construction contracts.

The Portsmouth real estate office space market is active. Colliers International real estate advisory firm reported the fourth quarter 2013 Portsmouth submarket vacancy rate at 13% for real estate and 4.2% for industrial property. The current lease rate for Class A office space is \$19.92 per square foot (gross) which is slightly up from \$19.85 per square foot in the fourth quarter of 2012. Class B office lease rate is \$17.62 per square foot, up from the \$14.64 per square foot in the third quarter of 2012. Portsmouth's industrial subsector average lease rate for warehouse/distribution space is \$6.86 per square foot compared to \$4.10 per square foot last year. The rate for R&D/flex in the third quarter of 2013 was \$9.33 per square foot down slightly from \$10.72 last year.

The Portsmouth Naval Shipyard (PNSY) located in Kittery, Maine just across the Piscataqua River, is the U.S. government's oldest continuously operating naval shipyard and the largest regional employer. This submarine overhaul and refueling facility has a highly skilled technical workforce. The PNSY regional economic impact report for calendar year 2013 showed a total of 5,831 current employees, up from 5,313 in 2012, with a payroll of \$414 million. The shipyard purchased \$38 million of goods and services in 2013 making it a significant source of indirect expenditures in the region.

The Shipyard is currently consolidating and modernizing the structural shop functions entailing two major construction projects. The first was an \$11.9 million energy and repair contract funded in FY 13. In January 2014, an additional \$11.5 million was allocated to improve operational efficiency by consolidation of three structural shops. PNSY also received funding for two Virginia-class submarine overhauls. This appropriation allows for predictability for the workforce and avoids furloughs.

Portsmouth's creative economy continues to drive its reputation as New Hampshire's premier cultural tourism and culinary destination. The concentration of theatres, historic homes, restaurants, museums, and galleries drive this sector of the economy and fuel a creative workforce of actors, writers, historians, musicians, and graphic design and architectural firms. Through a series of music, arts, seafood, beer and film festivals, these businesses attract visitors year-round which in turn support the growing hospitality and leisure industry. As in the past, Portsmouth has been the fortunate beneficiary of several positive articles and received several recognitions and accolades in a variety of media. A list of representative examples of this recognition follows:

- Portsmouth featured in Boston Sunday Globe as an established cultural hub; July 5, 2014
- Portsmouth listed as one of twelve coolest US road trip destinations on buzzfeed.com; July 2014
- Portsmouth listed in Huffington Post link to Fodors.com *15 of New England's Most Picturesque Towns*; June 2014
- Portsmouth's Strawberry Banke listed in Connie's Corner online blog Top 10 Unique Travel Destinations of the World
- Portsmouth ranked first in the 10 Most Exciting Places in New Hampshire by Motov.com real estate blog; June 1, 2014
- *Fodors.com* includes Portsmouth in its list of 15 most picturesque New England towns to visit; May 2014
- Portsmouth one of eight cities mentioned in *The Insider Blog: Best Cities for People Who Hate Paying Taxes*; April 1st, 2014
- Portsmouth ranked number 6 in *The Most Underrated Beautiful US Cities* by Alex Flux; Feb 2014
- *The National Complete Streets Coalition*, a program of Smart Growth America, ranked the City of Portsmouth #7 out of the top 15 nationwide organizations leading the country in comprehensive Complete Streets policies.
- Portsmouth ranked #9 out of the 10 most Romantic Cities in *Travel + Leisure*, a travel magazine February 2014
- Portsmouth ranked the 6th best place in New Hampshire to Raise a Young Family by *Nerd Wallet Finance*; December 2013
- Portsmouth listed as fourth in AARP.org report on the 10 Best Places to Retire; April 2013
- Portsmouth cited on top of *Coastal Living's* list top of dream beach towns; September 2013
- Portsmouth and local businesses highlighted in article in *The Montrealer*; Aug 16, 2013
- Portsmouth ranked as fifth best city for primary physicians by ValuePenguin; August 2013

Major Initiatives and Accomplishments

In Fiscal Year 2014, the City continued working on a number of major financial, economic and community development initiatives as well as citywide infrastructure upgrades and improvements funded through a variety of sources.

Parks and Playgrounds - In FY14, the City continued its strategy of making consistent investments in its.

- Cater Park and Playground located at the corner of State and Columbia Street: This project included the replacement of worn components of the existing play equipment as well as the replacement of swings and spring toys and the

installation of new park benches and an Omnispinner (similar to a merry-go-round). The basketball court was also painted and striped and a new backboard was installed.

- Haven School Playground: The City held a series of three public meetings to obtain input on the parks condition, proposed improvements, and to review an improvement plan. The City's design team is currently creating a construction drawing package which will be used to bid the project for spring 2015 construction.

Streets, Sidewalks and Facility Improvements - In FY14, the City continued investment in the vital infrastructure of streets and sidewalks as follows:

- Completed construction of Streetscape Improvement Project on Ranger Way including new concrete sidewalks, granite curbing, paving, signage and landscaping.
- Completed paving work on Elywin Road.
- Completed painting of the Hanover Parking Facility stair towers.
- Continued the Citywide Sidewalk Reconstruction Program and the Pavement Management and Rehabilitation Long-Range Plan.
- 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 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. The project will include streetscape improvements to facilitate traffic calming.
- 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.
- Completed construction to 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.
- Continued repair of the High/Hanover Parking Facility deck spalling, repainting of structural steel, and replacement of joint sealant.
- Continued the design of Phase 3 Improvements to the McDonough Street Neighborhood Area.
- Began construction of the Sagamore Bridge replacement project.
- Began construction of a new concession stand/bathrooms located at Prescott Park. The work will be completed in FY15.
- Began upgrades to the Andrew Jarvis Drive Lafayette Road intersection. This improvement will allow the addition of a right turn lane out of Andrew Jarvis Drive to reduce congestion before and after school. The staff worked to secure an easement to allow this upgrade to be done.

State Bridges - The Department of Public Works in cooperation with the New Hampshire Department of Transportation (NH DOT) are working on replacing seven (7)

State owned bridges in the City. These bridges have been “Red listed” by the NHDOT and require near term replacement funded 100% by the State of NH. In FY14, construction began on the Islington and Maplewood bridges and the following two bridges were completed.

- The Lafayette Road Flyover Bridge which, included a signalized intersection. This new intersection has improved safety and included streetscape elements that enhance the gateway nature of this location.
- The Middle Road Bridge over Route 1.

Memorial Bridge Streetscape - In FY14, the City continued to work closely with the State of New Hampshire to complete the Memorial Bridge replacement project. Although the bridge construction was completed and opened to vehicular traffic in the summer of 2013, related projects such as the replacement of the City’s Scott Avenue Bridge leading up to the Memorial Bridge, renovation of the Memorial Park in front of the bridge and the creation of a new Harborwalk Park adjacent to the bridge were all completed in FY14. This resulted in expanded public access to the waterfront and included 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. A pier addition to the Harborwalk Park is anticipated to be completed in FY15.

Public Outreach – The City and Public Works Department (DPW) continue to work on Public Outreach by utilizing various techniques to provide information to the public.

In FY14, DPW partnered with the Public Library during National Public Works Week to highlight the broad spectrum of public works responsibilities throughout the City. The children’s story hour focused on public works activities complete with hard hats and safety vests. At the end of the hour the children gathered around a sidewalk tractor for a photo opportunity. Display boards were created at the Library to highlight each division within the department. Additional displays focused on safety and featured interesting photos from the Wastewater Treatment Plant. Household Hazardous Waste Bookmarks, Stormwater Crosswords, and Water Conservation workbooks were made available to visitors to advertise events and raise awareness.

The Adopt-A-Spot program continues with great participation. Sixty-five traffic islands and pocket parks are maintained by individuals and groups throughout the City. In addition, several of the available locations are rain gardens which include an educational component with the Hodgson Brook Restoration Program staff. These gardens are specifically designed to filter Stormwater prior to the water’s discharge into the brook and must be maintained properly.

African Burying Ground - The City continued its planning and fundraising efforts to return a once forgotten segregated burying space for African and African-descended people to sacred ground and in August 2014, held a consecration ceremony to mark the

start of project construction. A ceremony marking the completion of the construction of this project is planned for the spring of 2015.

The City, guided by an African Burying Ground Committee and a group of dedicated project volunteers, have worked on this project since October 2003 when a series of coffins were uncovered during infrastructure upgrades in the heart of the 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 descent, 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. To date, a total of \$1.1 million dollars has been raised from a combination of individual, family, foundation, and governmental grants.

Portsmouth Middle School. In FY14 the Portsmouth Middle School Project progressed on its multi-year \$40.8 million program. Early phases now complete included the removal of the 1970s building wings for a new student common area and creation of an addition for educational spaces. These phases also include the construction of an additional gym to better serve youth recreational needs through the Recreation Department. Phase 3, which includes the renovation of the original Middle School, was readied for the 2014-2015 school year and work is continuing on the final improvements. The work in phase 3 included renovation of the existing spaces as well as new systems, finishes, lighting, and technology upgrades.

Lincoln Area Sewer Separation Project - The Sewer Division, as part of the Combined Sewer Overflow Long-Term Control Plan, continued work on the last phases of the Lincoln Area Sewer Separation project. This 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 has included water, sewer, drainage and streetscape upgrades on Richards Avenue from South Street to Lincoln Avenue; Union Street from Middle Street to South Street; Wibird Street from Middle Street to South Street; Park Street; Chauncey Street; and Hawthorne Street. A total investment of over \$50 million has gone toward these projects since their inception.

Wastewater Treatment Upgrades - Throughout FY14 the Sewer Division continued Environmental Protection Agency (EPA) Consent Decree-required design of wastewater system upgrades. The City is proceeding to design and construct a 6.13 MGD treatment facility capable of treating to a total nitrogen of 8 mg/L on a season rolling average basis at the Peirce Island location. The City procured the services of AECOM Engineers through a proposal and interview process to implement the design of the upgrades. This work commenced in June 2013. The 30% Final Design Report was completed and forwarded to EPA on July 31, 2014 included design plans, basis of design and updated cost estimates. The estimate of project cost was determined to be \$86 million. Value Engineering was performed the first week of August by ARCADIS U.S., Inc. The value engineering workshop resulted in a number of recommendations being incorporated into the design. The plans were updated and the costs estimate was reduced to \$80 million.

Concurrently, the City has also been exploring regional treatment options at the Pease Wastewater Treatment Facility. The Towns of Exeter and Stratham approached the City in early 2014 with a request to explore treatment options regionally as an option of their upgrading Exeter's facility. Studies have been undertaken on their behalf and the City is providing information with respect to potential partnering opportunities.

Stormwater System Initiatives - City staff continued to track and assess the potential regulatory requirements related to the pending EPA Municipal Separate Storm Sewer System (MS4) stormwater requirements. One of the requirements of the current stormwater permit draft requires an assessment all of our stormwater infrastructure. To accomplish this task, the City's Department of Public Works employed the services of two University of New Hampshire students to intern in the GIS department. These interns used global positioning equipment, cameras and their own eyes to track down and inspect the City's stormwater infrastructure during the spring/summer of 2014.

After training on the equipment and the proper procedures for performing the inspections the interns began assessing the City's stormwater system. The work started in the Hodgson Brook area because that watershed has been the focus of a lot of work and attention over the recent years. It took about a month to finish this area and the focus shifted to other areas of the City. The information gathered from the assessments of storm drains, pipes and outfalls will help the City identify maintenance and capital projects to help improve the stormwater system and water quality throughout the City. The city intends to continue this effort until the entire system has been assessed.

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 Portsmouth Middle School project is substantially complete and will be certified under the Northeast Collaborative for High Performance Schools (NECHPS). This green building methodology similar to the LEED process 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 Public Works Department completed upgrades to its facility lighting. These upgrades are anticipated to save over \$10,000 annually in electricity costs. Additional upgrades are anticipated for Street Lights and other City owned buildings.
- The City's Department of Public Works, working with the Hogden Brook Watershed association constructed a bio-retention rainwater treatment system in the Pannaway neighborhood.

- The City, working with its consultant and with significant public input, began developing a bicycle/pedestrian master plan that will provide guidance on the coordination of future improvements to both bicycle and pedestrian infrastructure throughout the City

Character-based Zoning -The City has begun implementing “Character-based zoning” in the historic downtown area as a means of addressing the scale and character of development more directly. Character-based zoning places a greater emphasis on site and building design than the City’s existing Zoning Ordinance. The purpose of implementing Character-based zoning for downtown Portsmouth is to provide more certainty about how new buildings will relate to their surroundings. 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 continued through the year; and in April 2014 the City Council enacted the recommended ordinance amendments, creating three new Character Districts and associated development standards. The Council also approved funding to extend character-based zoning to additional areas in the North End and the Islington Street corridor during FY15.

Plan Portsmouth - The Planning Department continues to provide current information about planning projects and development review processes through the Plan Portsmouth website (<http://www.planportsmouth.com/>). The new website enhances the accessibility of development permitting information by including copies of agendas and application materials for each of the land use boards and advisory committees. In addition, the website provides information about ongoing departmental projects such as the Bicycle and Pedestrian Plan, the Wayfinding Program, and the Master Plan. In addition to the website, the Planning Department uses two Twitter accounts (@PlanPortsmouth for general planning information, and @FBZPortsmouth for the form-based zoning projects) to promote key initiatives and upcoming meetings.

3-D Model of Historic District - A project begun in FY14 and completed shortly thereafter was the creation of a computerized 3-D model of the historic downtown, as an aid to the Historic District Commission and the public in evaluating proposed development projects. The HDC now requires applicants for major developments to provide a 3-D model that the City can insert into its own model, so that views from various perspectives can be created and analyzed. The Plan Portsmouth website includes a public portal for viewing the 3-D model.

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 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. The City will begin its Master Plan Process later this year and will incorporate findings from the study and a new study which was just started which will take a more in depth look at impacts to salt marsh habitat which could occur with rising sea levels.

New Parking Garage - At its January 21, 2014 meeting, the City Council requested that the Economic Development Commission (EDC) analyze and report back with a suitable location for a downtown parking garage. In response, the EDC established a subcommittee and considered a total of twenty private and municipal properties as candidates for a public-private partnership to construct a municipal parking garage. Two sites emerged as most suitable and the City is currently undertaking due diligence measures and negotiating with a private property owner to achieve the goal of a second public parking garage downtown.

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 FY14, the City hired RSG Associates for project designs and construction plans/cost estimates. The improvements could begin in mid-FY15 as part of the phased implementation of the gateway improvements.

Wayfinding - In April 2014, the City completed development of a city-wide Wayfinding Plan that identified appropriate wayfinding types, messaging, locations, and a uniform and recognizable design menu that is unique to the City. The City was assisted by MERJE, a consulting firm with extensive community wayfinding experience, in the preparation of the Plan. The Plan documents are available online at www.planportsmouth.com/wayfinding.html. The fabrication and installation of the first phase of wayfinding signs is anticipated to begin in the fall of 2014. The signs and improvements included in this phase are for the public parking locations in the downtown core. The next phase of fabrication and installation, anticipated to begin in the spring of 2015, will focus on vehicular and pedestrian signage and web-based tools.

Public Transportation -The City of Portsmouth is a member community of the Cooperative Alliance for Seacoast Transportation (COAST) regional bus service. COAST operates both fixed-route bus service as well as on-demand service for ADA riders. As a member community, Portsmouth pays annual dues that support COAST's operations. Three of COAST's regional fixed-route buses provide service to Portsmouth – Route 2 (connecting to Rochester, Somersworth, Dover, Newington), Route 7 (connecting to Exeter, Newmarket, Stratham, Greenland, and Newington), and the Clipper Connection (providing express commuter service between Portsmouth Naval Shipyard, Portsmouth Market Square, Pease Tradeport, and Rochester). In addition, COAST operates two fixed-route buses within Portsmouth city-limits – Lafayette Rd Trolley (Route 41) and Pease Tradeport Trolley (Route 40). Region-wide COAST services continue to see an increase in ridership. City staff represent the City on the COAST Board of Directors and continue to work closely with COAST to evaluate the routes in Portsmouth in order to improve efficiencies, overall ridership, and consider potential expansions of service.

During the month of December, the City collaborates with COAST to provide free weekend service around the Downtown on the Vintage Christmas Trolley. This service is provided to support Portsmouth's annual Vintage Christmas event.

COAST has been operating the Downtown Loop Trolley in July and August since 1999 with 30% of the funding provided by the City of Portsmouth and about 70% provided by a match from federal congestion mitigation and air quality funds (CMAQ). The 30-minute loop travels from Russell Street to Market Square, Parrot Avenue and South Mill Pond parking lots, City Hall, Strawberry Banke / Prescott Park, and Peirce Island.

Downtown Parking Shuttle - In response to direction from the City Council as follow-up to the Blue Ribbon Committee on Transportation Policy's recommendation to maximize existing available public parking infrastructure and increase access to public parking, the City contracted with TransAction Corporate Shuttles to operate a free Downtown Parking Shuttle. The shuttle, which runs between the Connect Community Church (CCC) parking lot on Market Street to the Hanover Parking Garage, started operating on May 2nd providing services on Fridays from 4:00 p.m. to 1:30 a.m., Saturdays from 12:00 p.m. to 1:30 a.m. and Sundays from 12:00 p.m. to 10:00 p.m.

Senior Services - On May 6, 2014 the City of Portsmouth's Senior Activity Center at Community Campus opened to offer a centralized gathering space for seniors including a drop-in lounge, fitness, wellness, and social activities. Passive and active recreation/fitness classes are offered throughout the week. From May-June the Center was open Tuesday, Wednesday and Thursday from 9:00 a.m. to 3:00 p.m., and starting July 1, 2014 the Center opened Monday-Friday 9:00 a.m. to 3:00 p.m. The 2,400 square foot space at Community Campus has been donated to the City from the Mark Wentworth Home through October 2015. The Senior Activity Center is on the COAST route and a destination of the Senior Transportation shuttle. The hope is to expand programming at the current facility throughout the next year, before moving to another more permanent site.

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 FY14. The Statewide Education Property Tax assessment process remains essentially the same. Each Fall, 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 2014, Standard & Poor’s Rating Group (S&P) affirmed the City's bond rating to AAA citing its very strong budgetary flexibility, strong budgetary performance, very strong economy, very strong liquidity, strong debt and contingent liabilities position, and very strong management conditions with strong policies.

S&P states, "the stable outlook reflects our view of the city’s consistent financial performance, which has resulted in very strong reserves, and its strong management”.

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 \$7,481,532, a net decrease \$4,263 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, 2014, the Unassigned Fund Balance is 12.67% 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 FY14, the amount of net annual debt remains within the policy limits at 7.6%.

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 nineteen consecutive years from 1995 to 2013.

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 nine consecutive years; fiscal year beginning July 1, 2006, to 2014. 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.

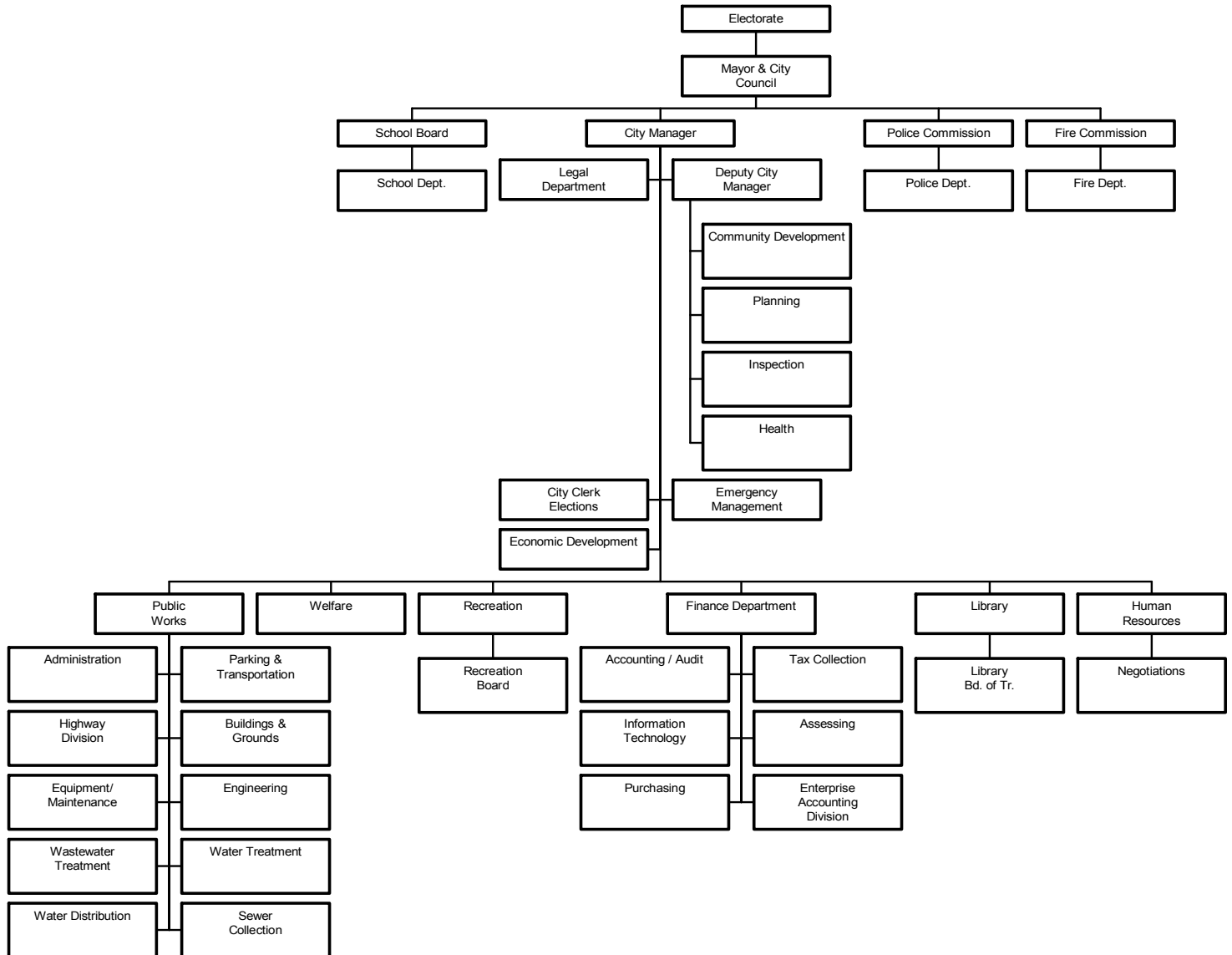
I wish to further express my sincere appreciation to Andrew Purgiel, Deputy Finance Director, and Nancy Carmer, Economic Development Manager, who assisted and contributed to the preparation of this report.

Sincerely,

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

Judith A. Belanger
Finance Director

City of Portsmouth Organizational Chart



DIRECTORY OF OFFICIALS

CITY COUNCIL

Robert J. Lister, Mayor
James Splaine, Assistant Mayor

Stefany Shaheen
Esther E. Kennedy
Brad Lown

M.Chris Dwyer
Zelita Morganr
Eric Spear
Jack D. Thorsen

BOARD OF EDUCATION

Edward McDonough, Superintendent

Leslie Stevens, Chairman
Dexter Legg, Vice Chairman

Ann M. Walker
Tom Martin
Patrick Ellis

Jeff Landry
Nancy Novelline-Clayburgh
Helene "Lennine" Mullaney
Gary Epler

FIRE COMMISSION

Fire Chief Steven Achilles

Richard Gamester, Chairman

Michael K. Hughes
Jennifer Mosher-Matthes

POLICE COMMISSION

Police Chief Stephen DuBois

John F. Golumb, Chairman

Brenna Cavanaugh
Gerald W. Howe

PRINCIPAL EXECUTIVE OFFICERS

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

City Attorney
Finance Director
Deputy Finance Director
Assistant City Manager/Community
Development Director
City Clerk
Tax Collector
City Assessor
Director of Public Works
Recreation Director
Library Director
Human Resource Director
Chief Building Inspector
Public Health Director
Planning Director
Welfare Administrator

Robert Sullivan
Judith Belanger
Andrew Purgiel
David Moore
Kelli Barnaby
Becky Benvenuti
Rosann Maurice-Lentz
Peter Rice
Melvin Wilson, Jr.
Steven Butzel
Dianna Fogarty
Robert Marsilia
Kimberly McNamara
Frederick Taintor
Ellen Tully



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Portsmouth
New Hampshire**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

INDEPENDENT AUDITORS' REPORT

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

Additional Offices:
Andover, MA
Greenfield, MA
Manchester, NH
Ellsworth, ME

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, 2014, 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, 2014, 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 December 15, 2014 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

December 15, 2014

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, 2014. 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 \$237,961,962 an increase of \$24,633,906 in comparison to the prior year.
- As of the close of the current fiscal year, total assets of governmental activities exceeded liabilities by \$158,299,124, an increase of \$17,543,377 in comparison with the prior year.
- At the end of the current year, total assets of business-type activities exceeded their liabilities by \$79,662,838, an increase of \$7,090,529 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$75,794,500, an increase of \$2,058,646 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,790,868, an increase of \$763,395 in comparison with the prior year.
- Total bonds payable, including unamortized premium and state revolving loans, at the close of the current fiscal year was \$168,303,109, an increase of \$22,533,978 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 43-45 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 46-50 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 51-53 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 54-55 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 57 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</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 85,739	\$ 86,217	\$ 53,231	\$ 36,650	\$ 138,970	\$ 122,867
Capital assets	<u>178,119</u>	<u>159,258</u>	<u>112,261</u>	<u>106,841</u>	<u>290,380</u>	<u>266,099</u>
Total assets	<u>263,858</u>	<u>245,475</u>	<u>165,492</u>	<u>143,491</u>	<u>429,350</u>	<u>388,966</u>
Long-term liabilities	98,987	95,811	82,047	61,890	181,034	157,701
Other liabilities	<u>6,572</u>	<u>8,908</u>	<u>3,782</u>	<u>9,029</u>	<u>10,354</u>	<u>17,937</u>
Total liabilities	<u>105,559</u>	<u>104,719</u>	<u>85,829</u>	<u>70,919</u>	<u>191,388</u>	<u>175,638</u>
Net position:						
Net investment in capital assets	100,313	85,565	50,988	47,883	151,301	133,448
Restricted	17,108	17,239	975	1,138	18,083	18,377
Unrestricted	<u>40,878</u>	<u>37,952</u>	<u>27,700</u>	<u>23,551</u>	<u>68,578</u>	<u>61,503</u>
Total net position	<u>\$ 158,299</u>	<u>\$ 140,756</u>	<u>\$ 79,663</u>	<u>\$ 72,572</u>	<u>\$ 237,962</u>	<u>\$ 213,328</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 \$151,301,230 or 63.6% 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 \$18,083,005 or 7.6% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$68,577,727 or 28.8% 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 \$24,633,906. Approximately 72.5% of the increase is attributed to an increase in investments in capital assets net of related debt. The remaining 27.5% represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses.

The \$3,819,072 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.

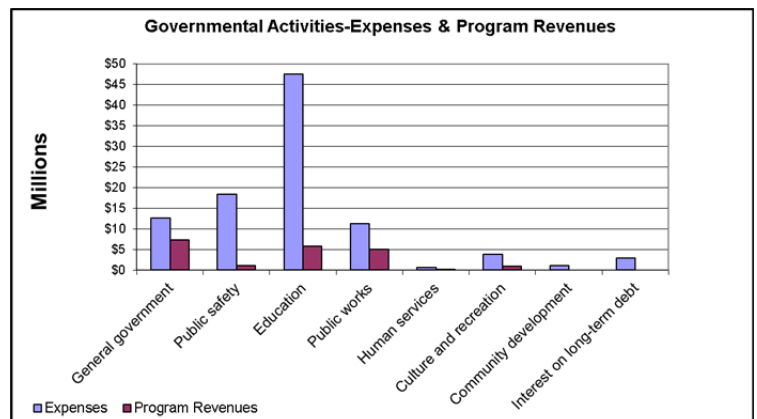
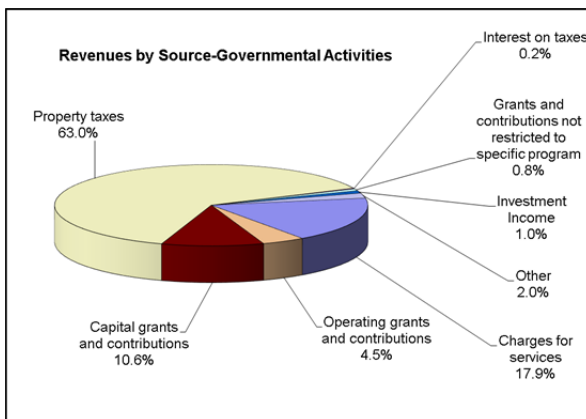
Summary of Changes in Net Position (000s)

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 20,650	\$ 19,500	\$ 22,326	\$ 20,802	\$ 42,976	\$ 40,302
Operating grants and contributions	5,115	4,930	-	-	5,115	4,930
Capital grants and contributions	12,138	3,033	719	785	12,857	3,818
General revenues:						
Property taxes	72,594	69,226	-	-	72,594	69,226
Interest on taxes	280	371	-	-	280	371
Grants and contributions not restricted to specific programs	957	989	-	-	957	989
Investment income	1,143	862	-	17	1,143	879
Other	2,322	1,045	77	70	2,399	1,115
Total revenues	115,199	99,956	23,122	21,674	138,321	121,630
Expenses:						
General government	12,674	12,883	-	-	12,674	12,883
Public safety	18,480	17,576	-	-	18,480	17,576
Education	47,493	44,547	-	-	47,493	44,547
Public works	11,338	10,304	-	-	11,338	10,304
Health and human services	675	690	-	-	675	690
Culture and recreation	3,895	3,635	-	-	3,895	3,635
Community development	1,126	863	-	-	1,126	863
Interest on long-term debt	3,014	3,096	-	-	3,014	3,096
Water operations	-	-	6,502	6,125	6,502	6,125
Sewer operations	-	-	8,508	7,975	8,508	7,975
Total expenses	98,695	93,594	15,010	14,100	113,705	107,694
Change in net position before permanent fund contributions and transfers	16,504	6,362	8,112	7,574	24,616	13,936
Gain on sale of asset	-	1,426	-	-	-	1,426
Contributions to permanent fund principal	18	12	-	-	18	12
Transfers in (out)	1,021	978	(1,021)	(978)	-	-
Change in net position	17,543	8,778	7,091	6,596	24,634	15,374
Net position - beginning of year	140,756	131,978	72,572	65,976	213,328	197,954
Net position - end of year	\$ 158,299	\$ 140,756	\$ 79,663	\$ 72,572	\$ 237,962	\$ 213,328

Governmental Activities. Governmental activities for the year resulted in an increase in net position of \$17,543,377 which is an increase of \$8,766,023 from the prior year change. Governmental activities realized the following significant transactions:

- Property tax, which is 70% of the total revenues, increased by \$3,367,872 or 4.9% from the prior year.
- All other revenues combined resulted in a net increase of \$10,497,891 from the prior year primarily due to state contributions for the construction of the Scott Avenue Bridge and the Sagamore Avenue Bridge totaling more than \$9 million.
- Overall governmental expenses experienced a net increase of \$5,099,741 or 5.4% from prior year primarily due to an increase in health insurance premiums and depreciation of \$1,190,580, and an increase in personnel expenses. The City has fifteen (15) collective bargaining units, of which all contracts were in effect for the total fiscal year. The increase from prior year represents cost of living adjustments (COLA) of 2.4% and an increase in retirement rates as certified by the NH Retirement System (NHRS). The retirement rate increased, depending on membership group, from a range of 21.19% to 26.82%

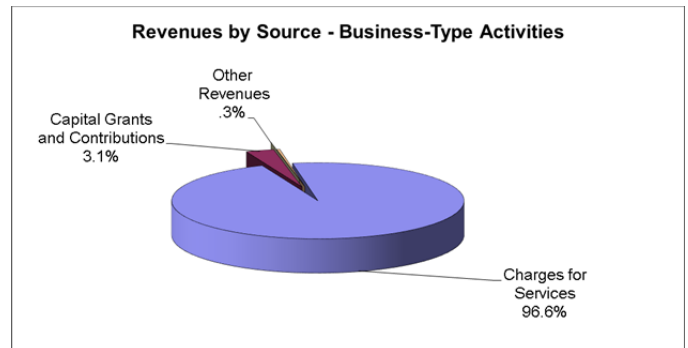
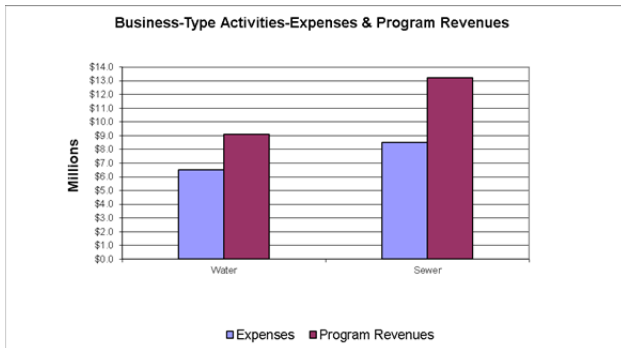
The charts below identifies revenues and expenses by source for Governmental activities.



Business-Type activities. Business-type activities for the year resulted in an increase in net position of \$7,090,529 which is an increase of \$494,256 or 7.5% from the prior year. The key elements of the changes are as follows:

- Operating revenues over operating expenses of \$9,624,040 represent an increase of \$604,837 from the prior year. Charges for services in the business-type activities experienced an increase of \$1,523,576. The water fund experienced an increase in operating revenues of \$275,543 or 3% as a result of an increase of 3% in the billable units subject to a second tier rate. The sewer fund experienced an increase of \$1,248,033 or 10.4% as a result of a rate increase.
- Non-operating revenues of \$77,091 represent a decrease of \$10,355 primarily due to a decrease in investment income.
- Non-operating expenses of \$2,308,682 represent a slight decrease of \$8,870 from interest expense.
- A net decrease of \$65,606 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 \$75,794,500, an increase of \$2,058,646 in comparison with the prior year. This increase is primarily due from the combination of an increase to general fund committed fund balances and incurring expenditures in the Middle School renovation capital project.

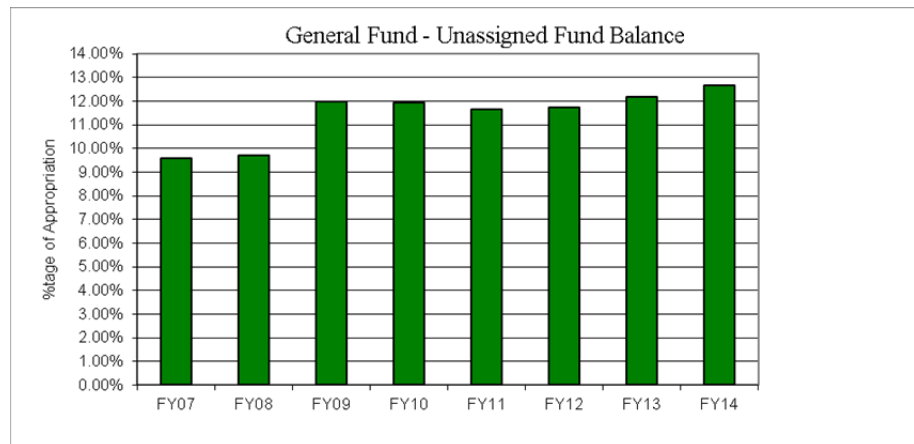
General Fund

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 \$11,790,868 or 12.67% of the final general fund budget. This is an increase of \$763,395 from prior year.

The table demonstrates that over the last six 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 \$44,620,852 or 47.94% of the final general fund budget. This is an increase of \$4,435,389 or 11.04% from prior year. The key factors in this change are as follows

- A decrease of fund balance of \$1,820,500 from budgetary use of fund balance.

- A net increase to fund balance of \$4,385,265 from revenues and other financing sources exceeding final budget estimates net of budgeted use of Fund Balance.
- A net increase of \$1,210,757 from remaining departmental appropriations.
- An increase of fund balance of \$164,551 due to a decrease in abatement liabilities from FY13.
- An increase of fund balance of \$150,201 from excess funding to the Health Insurance Stabilization Account.
- An increase of fund balance of \$207,870 from excess funding to the Leave at Termination Account.
- A net increase of \$137,246 to fund balance from the excess of year end carry forwards over expenditures of prior year carry forwards.

At the end of the current fiscal year, total fund balance of other governmental funds was \$31,173,648, which is a net decrease of \$2,376,743 or 7.08% from prior year. Key factors in this change are as follows:

- A decrease of \$4,668,903 from the continued construction and renovations of the Middle School.
- A net increase of \$1,755,657 from all other Capital Project funds.
- Net decrease in Special Revenue funds of \$214,662 is due largely from operating surplus in parking and transportation and an operating loss in the community development funds.
- An increase of \$751,165 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 \$7,090,529 to a total of \$79,662,838. The water fund increased by \$2,244,506 and the sewer fund increased \$4,846,023.

Unrestricted net position of the water and sewer funds at the end of the year increased \$4,147,778 to a total of \$27,699,734. The water fund unrestricted net assets balance is \$8,830,398, the sewer fund unrestricted net assets balance is \$18,869,336.

Restricted for debt service of \$975,288 is related to the Pease Wastewater Treatment Plant debt which is contributed from the Pease Development Authority.

Net investment in capital assets increased by \$3,105,298, of which the water fund capital assets increased by \$1,837,530 and the sewer fund capital assets increased by \$1,267,768.

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 FY14, 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 \$10.68 per unit; all units over ten units per month was billed at a rate of \$11.75 per unit.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were two supplemental appropriations during FY14. The Planning Department received \$150,000 in additional funding while the Fire Department received \$97,000 in additional funding.

The difference between the final amended budget and actual results is a positive variance of \$5,059,072 with revenues exceeding estimated budgets by \$3,848,314 and expenditures were less than the estimated budget by \$1,210,758. Significant variances include:

- Positive variance in Licenses and Permits of \$992,221 is mainly attributed an excess of \$595,866 as a result of an increase number of motor vehicle registrations \$307,641 in building, electrical and plumbing permits resulting from renovations and new construction citywide.
- Positive variance in Charges for Services of \$1,740,383 primarily consists of an excess of \$588,408 from parking facility usage as a result of an increase in the hourly rate during the second half of the fiscal year, \$620,545 from an increase use of meters, \$166,026 from ambulance fees and \$133,206 in police outside detail.
- Fines and costs experienced a negative variance of \$192,534 mainly attributed to declining parking violations.

- Current operating expenditures resulting in a positive variance of \$201,042 is mainly due to, \$84,262 surplus from the Public Works Department, \$75,720 surplus from General Government, and \$20,198 surplus in the Police Department all primarily as a result of vacancies.
- Non-operating expenditures resulting in a net positive variance of \$1,009,716 is mainly attributed to \$393,568 surplus in debt issuance expenditure and \$735,726 surplus in unused overlay, and a negative variance of \$126,926 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 \$290,379,175 (net of accumulated depreciation), an increase \$24,280,198 from the prior year. This investment in capital assets includes land, buildings, system improvements, and machinery and equipment.

	Capital Assets (000s) (net of depreciation)									
	Governmental Activities		Business-type Activities		Totals		Amount Change	%		
	2014	2013	2014	2013	2014	2013				
Land	\$ 15,650	\$ 15,650	\$ 2,526	\$ 1,930	\$ 18,176	\$ 17,580	\$ 596	3.39%		
Building and improvement	69,779	69,046	23,412	24,234	93,191	93,280	(89)	-0.10%		
Machinery and equipment	7,143	3,328	15,284	16,013	22,427	19,341	3,086	15.96%		
Infrastructure	44,425	36,058	59,644	54,835	104,069	90,893	13,176	14.50%		
Construction in Progress	41,122	35,176	11,395	9,829	52,517	45,005	7,512	16.69%		
Total Assets	<u>\$ 178,119</u>	<u>\$ 159,258</u>	<u>\$ 112,261</u>	<u>\$ 106,841</u>	<u>\$ 290,380</u>	<u>\$ 266,099</u>	<u>\$ 24,281</u>	<u>9.12%</u>		

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

- Construction in progress for governmental activities totaled \$41,122,046 at year end which \$34,530,307 is attributed to the Middle School Renovation project, \$4,306,271 to the Sagamore Avenue Bridge replacement, \$1,167,847 to various street and sidewalk projects and \$672,070 to the Prescott Park Pavilion.
- The Scott Avenue replacement bridge was capitalized at \$7,168,138.
- A variety of furniture, fixtures and equipment in the Middle School were capitalized at \$3,046,882.
- A variety of sidewalk and street construction contributed to capital assets of \$2,692,979.

- General government vehicles capitalized during the current year which included Public Works vehicles of \$854,716, Police vehicles of \$159,334, and Fire vehicles of \$66,387.
- The water fund recognized an outstanding balance as of June 30, 2014 in construction in progress of \$2,457,046 which consisted of \$442,330 for the Lincoln Area 3c project, \$363,110 for the Cass St project, \$938,802 in various NHDOT road projects, and \$429,591 for various other street projects throughout the city. The water fund had additions to buildings, infrastructure and machinery & equipment capital assets of \$1,733,315 during the year which consisted of \$1,072,849 for the Lincoln Area 3B project, a new excavator at \$141,375 and various other infrastructure and building improvements at \$519,091.
- The sewer fund recognized an outstanding balance as of June 30, 2014 in construction in progress of \$8,938,270 which consisted of \$1,790,458 for the Lincoln Area 3C project, \$2,723,659 for the Cass St project and \$3,624,665 for the preliminary design of the Peirce Island wastewater treatment plant. Additions to buildings, infrastructure and machinery & equipment capital assets of \$5,252,317 during the year consisted of \$4,461,701 for the Lincoln Area 3B project, \$194,150 for aeration equipment, 469,630 for land on Mechanic Street, and \$126,836 for an easement.

Additional information on the City of Portsmouth's capital assets can be found in note 9 on pages 71-73 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 \$168,303,109 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		Business-type		Totals	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 80,070	\$ 78,202	\$ 43,245	\$ 23,915	\$ 123,315	\$ 102,117
State revolving fund loans	1,097	1,310	34,654	35,828	35,751	37,138
Unamortized premium	5,940	5,142	3,298	1,373	9,238	6,515
Total Assets	\$ 87,107	\$ 84,654	\$ 81,197	\$ 61,116	\$ 168,304	\$ 145,770

The City of Portsmouth’s total debt increased by \$22,533,981 or 15.46% during the current fiscal year. The key factors in this net increase are:

- Reductions of outstanding debt principal (excluding premium) in the amount of \$11,834,828.
- The issuance of General Obligation bonds (excluding premium) and State Revolving Fund loans of \$31,645,874 for the following projects:
 - \$5,750,000 for Facility, streets and sidewalk improvements.
 - \$3,300,000 for Middle School construction.
 - \$5,595,874 for Lincoln Sewer Separation project.
 - \$10,000,000 for Peirce Island Waste Water Treatment Plant upgrades.
 - \$3,500,000 for Pease Waste Water Treatment Plant upgrades.
 - \$3,500,000 for the Hobb’s Hill Water Tank replacement.

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, 2014, 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 \$4,481,154,370. 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, 2014	Authorized Unissued as of June 30, 2014	Total Gross Debt as of June 30, 2014	% of Legal Debt Service Used
Municipal	3.00%	\$ 134,434,631	\$ 28,155,000	\$ 1,600,000	\$ 29,755,000	22%
Landfill closure ⁽¹⁾	N/A	-	1,097,144	4,641,897	5,739,041	N/A
School	7.00%	313,680,806	51,915,000	-	51,915,000	17%
Water	10.00%	448,115,437	24,971,873	13,162,303	38,134,176	9%
Sewer ⁽¹⁾	N/A	-	52,926,791	3,110,425	56,037,216	N/A
Total		\$ 896,230,874	\$ 159,065,808	\$ 22,514,625	\$ 181,580,433	

⁽¹⁾ Exempt from Debt Limit

Additional information on notes payable and long-term debt can be found in Notes 14 and 15 on pages 74-78 of this report.

ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGETS AND RATES

As of June 30, 2014, the unemployment rate was 3.2% down from 3.9% in FY13. The state's unemployment average for the same period was 4.3%, the average rate for New England was 5.7% and the nation's average rate was 6.3%.

The budget and tax rate for the General Fund for FY15 has been approved by the Department of Revenue Administration. The total budget is \$96,641,762, an increase of \$3,556,625 or 3.82% from the prior year final budget. The tax rate has been set at \$18.10 per \$1,000 of assessed value. This is an increase of \$.19 or 1% 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 along with \$200,000 from unassigned fund balance in the fiscal year 2015 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 FY15 from FY14 and has not increased since FY11 remaining 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 FY14 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 \$10.68 to \$11.21 per unit for the first 10 units of water consumed per month. The rate for consumption over 10 units per month increased from \$11.75 to \$12.34 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, 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 68,504,419	\$ 46,441,668	\$ 114,946,087
Investments	9,319,044	-	9,319,044
Receivables, net of allowance for uncollectibles:			
Property taxes	2,015,409	-	2,015,409
User fees	-	3,758,385	3,758,385
Departmental and other	881,571	403,864	1,285,435
Intergovernmental	1,961,363	196,266	2,157,629
Loans and interest	24,702	-	24,702
Inventory	21,687	218,843	240,530
Other current assets	-	4,798	4,798
	<u>82,728,195</u>	<u>51,023,824</u>	<u>133,752,019</u>
Total current assets			
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	826,456	-	826,456
Departmental and other	-	2,207,396	2,207,396
Loans	2,184,501	-	2,184,501
Capital assets:			
Land and construction in progress	56,772,452	13,921,382	70,693,834
Other capital assets, net of accumulated depreciation	121,346,218	98,339,124	219,685,342
Total non-current assets	<u>181,129,627</u>	<u>114,467,902</u>	<u>295,597,529</u>
TOTAL ASSETS	263,857,822	165,491,726	429,349,548
LIABILITIES			
Current:			
Accounts payable	2,713,911	2,194,237	4,908,148
Accrued liabilities	1,461,494	886,463	2,347,957
Deposits held in custody	-	29,410	29,410
Retainage payable	851,281	502,003	1,353,284
Unearned revenue	65,593	15,000	80,593
Tax refunds payable	985,428	-	985,428
Other current liabilities	493,547	154,796	648,343
Current portion of long-term liabilities:			
Bonds and loans payable	8,589,956	5,453,592	14,043,548
Other liabilities	823,560	48,788	872,348
Total current liabilities	<u>15,984,770</u>	<u>9,284,289</u>	<u>25,269,059</u>
Noncurrent:			
Bonds and loans payable, net of current portion	78,516,593	75,742,968	154,259,561
Net OPEB obligation	3,578,501	240,571	3,819,072
Other liabilities, net of current portion	7,478,834	561,060	8,039,894
Total noncurrent liabilities	<u>89,573,928</u>	<u>76,544,599</u>	<u>166,118,527</u>
TOTAL LIABILITIES	105,558,698	85,828,888	191,387,586
NET POSITION			
Net investment in capital assets	100,313,414	50,987,816	151,301,230
Restricted externally or constitutionally for:			
Grants	6,349,861	-	6,349,861
Debt	-	975,288	975,288
Permanent funds:			
Nonspendable	1,633,062	-	1,633,062
Spendable	5,407,443	-	5,407,443
Restricted by enabling legislation	3,717,351	-	3,717,351
Unrestricted	40,877,993	27,699,734	68,577,727
TOTAL NET POSITION	\$ 158,299,124	\$ 79,662,838	\$ 237,961,962

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, 2014

	<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	\$ 12,673,802	\$ 7,421,658	\$ 500	\$ 23,190
Public safety	18,479,571	1,196,161	400,114	-
Education	47,492,836	5,884,555	3,944,335	1,770,306
Public works	11,337,941	5,092,527	411,737	9,647,492
Health and human services	675,256	100,002	-	-
Culture and recreation	3,895,264	955,544	356,343	2,217
Community development	1,125,562	-	1,733	694,659
Interest on long-term debt	3,013,917	-	-	-
Total Governmental Activities	<u>98,694,149</u>	<u>20,650,447</u>	<u>5,114,762</u>	<u>12,137,864</u>
Business-Type Activities:				
Water services	6,501,919	9,114,578	-	110,920
Sewer services	<u>8,508,268</u>	<u>13,210,967</u>	<u>-</u>	<u>608,228</u>
Total Business-Type Activities	<u>15,010,187</u>	<u>22,325,545</u>	<u>-</u>	<u>719,148</u>
Total	<u>\$ 113,704,336</u>	<u>\$ 42,975,992</u>	<u>\$ 5,114,762</u>	<u>\$ 12,857,012</u>

General Revenues:

Property taxes
 Interest on taxes
 Grants and contributions not restricted to specific programs
 Investment income
 Other revenues

Contributions to permanent fund principal
 Transfers, net

Total general revenues and transfers and contributions to permanent fund principal

Change in Net Position

Net Position:

Beginning of year, as restated

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</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
\$ (5,228,454)	\$ -	\$ (5,228,454)
(16,883,296)	-	(16,883,296)
(35,893,640)	-	(35,893,640)
3,813,815	-	3,813,815
(575,254)	-	(575,254)
(2,581,160)	-	(2,581,160)
(429,170)	-	(429,170)
<u>(3,013,917)</u>	<u>-</u>	<u>(3,013,917)</u>
<u>(60,791,076)</u>	<u>-</u>	<u>(60,791,076)</u>
-	2,723,579	2,723,579
<u>-</u>	<u>5,310,927</u>	<u>5,310,927</u>
-	8,034,506	8,034,506
<u>(60,791,076)</u>	<u>8,034,506</u>	<u>(52,756,570)</u>
72,594,154	-	72,594,154
279,531	-	279,531
957,070	-	957,070
1,143,154	239	1,143,393
2,321,745	76,852	2,398,597
17,731	-	17,731
<u>1,021,068</u>	<u>(1,021,068)</u>	<u>-</u>
<u>78,334,453</u>	<u>(943,977)</u>	<u>77,390,476</u>
17,543,377	7,090,529	24,633,906
<u>140,755,747</u>	<u>72,572,309</u>	<u>213,328,056</u>
<u>\$ 158,299,124</u>	<u>\$ 79,662,838</u>	<u>\$ 237,961,962</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 45,770,366	\$ 22,734,053	\$ 68,504,419
Investments	-	9,319,044	9,319,044
Receivables:			
Property taxes	2,841,865	-	2,841,865
Departmental and other	791,289	90,282	881,571
Intergovernmental	-	1,961,363	1,961,363
Loans and interest	-	2,209,204	2,209,204
Due from other funds	297,444	-	297,444
Inventory	-	21,687	21,687
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 49,700,964</u>	<u>\$ 36,335,633</u>	<u>\$ 86,036,597</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 940,750	\$ 1,773,162	\$ 2,713,912
Accrued liabilities	914,273	33,832	948,105
Retainage payable	22,374	828,907	851,281
Unearned revenue	65,593	-	65,593
Tax refunds liability	985,428	-	985,428
Due to other funds	-	297,444	297,444
Other liabilities	493,547	-	493,547
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	3,421,965	2,933,345	6,355,310
Deferred Inflows of Resources	1,658,147	2,228,640	3,886,787
Fund Balances:			
Nonspendable	-	1,654,749	1,654,749
Restricted	-	28,494,530	28,494,530
Committed	26,173,686	1,045,814	27,219,500
Assigned	6,656,298	-	6,656,298
Unassigned	11,790,868	(21,445)	11,769,423
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>44,620,852</u>	<u>31,173,648</u>	<u>75,794,500</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 49,700,964</u>	<u>\$ 36,335,633</u>	<u>\$ 86,036,597</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, 2014

Total governmental fund balances	\$ 75,794,500
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	178,118,670
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,886,787
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(513,389)
• 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>(98,987,444)</u>
Net position of governmental activities	<u>\$ 158,299,124</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, 2014

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 72,865,380	\$ 98,914	\$ 72,964,294
Licenses and permits	5,140,721	-	5,140,721
Intergovernmental	3,139,113	8,074,968	11,214,081
Charges for services	10,876,056	3,781,483	14,657,539
Investment income	64,486	1,078,667	1,143,153
Interest on taxes	279,531	-	279,531
Fines and costs	728,591	19,349	747,940
Contributions	-	569,549	569,549
Other	1,728,132	122,730	1,850,862
Total Revenues	<u>94,822,010</u>	<u>13,745,660</u>	<u>108,567,670</u>
Expenditures:			
Current:			
General government	7,859,924	90,351	7,950,275
Public safety	16,769,878	392,765	17,162,643
Education	40,557,086	5,122,862	45,679,948
Public works	6,256,263	2,914,227	9,170,490
Health and human services	673,703	-	673,703
Culture and recreation	2,416,690	1,178,093	3,594,783
Community development	-	1,039,811	1,039,811
Debt service:			
Principal	7,394,905	-	7,394,905
Interest	3,045,212	-	3,045,212
Capital outlay	1,188,535	16,245,832	17,434,367
Intergovernmental	4,667,200	-	4,667,200
Total Expenditures	<u>90,829,396</u>	<u>26,983,941</u>	<u>117,813,337</u>
Excess (deficiency) of revenues over (under) expenditures	3,992,614	(13,238,281)	(9,245,667)
Other Financing Sources (Uses):			
Bond premium	1,233,245	-	1,233,245
Issuance of bonds	-	9,050,000	9,050,000
Transfers in	1,121,068	1,811,538	2,932,606
Transfers out	(1,911,538)	-	(1,911,538)
Total Other Financing Sources (Uses)	<u>442,775</u>	<u>10,861,538</u>	<u>11,304,313</u>
Net change in fund balances	4,435,389	(2,376,743)	2,058,646
Fund Balances, at Beginning of Year, as restated	<u>40,185,463</u>	<u>33,550,391</u>	<u>73,735,854</u>
Fund Balances, at End of Year	<u>\$ 44,620,852</u>	<u>\$ 31,173,648</u>	<u>\$ 75,794,500</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, 2014

Net changes in fund balances - Total governmental funds	\$ 2,058,646
<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: 	
Capital outlay purchases	24,631,396
Depreciation	(5,728,374)
Effect on gain on disposal of capital assets	(42,293)
<ul style="list-style-type: none"> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. 	
	(230,401)
<ul style="list-style-type: none"> • The issuance of long-term debt (bonds and loans) 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: 	
Issuance of long-term debt, including premium	(10,283,245)
Repayments of debt, including loans	7,394,905
Bond premium amortization	435,389
<ul style="list-style-type: none"> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	
	31,296
<ul style="list-style-type: none"> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 	
Compensated absences	37,923
Net OPEB obligation	(761,865)
Change in net position of governmental activities	\$ <u>17,543,377</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and other sources:				
Taxes	\$ 72,314,739	\$ 72,314,739	\$ 72,378,152	\$ 63,413
Licenses and permits	4,148,500	4,148,500	5,140,721	992,221
Intergovernmental	8,640,930	8,640,930	8,596,797	(44,133)
Charges for services	3,667,742	3,667,742	5,408,125	1,740,383
Investment income	30,000	30,000	64,486	34,486
Interest and penalties	240,000	240,000	279,531	39,531
Fines and costs	921,125	921,125	728,591	(192,534)
Other revenues	180,533	180,533	162,235	(18,298)
Other financing sources:				
Bond premiums	-	-	1,233,245	1,233,245
Transfers in	1,121,068	1,121,068	1,121,068	-
Use of fund balance	1,573,500	1,820,500	1,820,500	-
Total Revenues and Other Sources	92,838,137	93,085,137	96,933,451	3,848,314
Expenditures and other uses:				
Current:				
General government	5,432,157	5,438,589	5,362,869	75,720
Other general government	1,154,318	1,135,303	1,135,114	189
Public works	6,040,782	6,040,782	5,956,156	84,626
Community services	2,926,357	2,926,357	2,916,057	10,300
Regulatory services	1,123,014	1,285,597	1,284,880	717
Emergency management	10,000	10,000	1,981	8,019
Police department	9,174,659	9,174,659	9,154,461	20,198
Fire department	7,434,078	7,531,078	7,531,078	-
School department	39,820,958	39,820,958	39,819,685	1,273
Non-operating	19,721,814	19,721,814	18,712,098	1,009,716
Total Expenditures and Other Uses	92,838,137	93,085,137	91,874,379	1,210,758
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,059,072</u>	\$ <u>5,059,072</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, 2014

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current:			
Cash and short-term investments	\$ 11,647,635	\$ 34,794,033	\$ 46,441,668
Receivables, net of allowance for uncollectibles:			
User fees	1,652,619	2,105,766	3,758,385
Departmental and other	44,040	359,824	403,864
Intergovernmental	172,516	23,750	196,266
Inventory	199,353	19,490	218,843
Other current assets	2,398	2,400	4,798
Total current assets	13,718,561	37,305,263	51,023,824
Noncurrent:			
Departmental and other receivables, net of current portion	456,468	1,750,928	2,207,396
Capital assets:			
Land and construction in progress	3,036,646	10,884,736	13,921,382
Capital assets, net of accumulated depreciation	45,300,332	53,038,792	98,339,124
Total noncurrent assets	48,793,446	65,674,456	114,467,902
TOTAL ASSETS	62,512,007	102,979,719	165,491,726
<u>LIABILITIES</u>			
Current:			
Accounts payable	657,025	1,537,212	2,194,237
Accrued liabilities	412,083	474,380	886,463
Deposits held in custody	13,679	15,731	29,410
Retainage payable	34,510	467,493	502,003
Unearned revenue	15,000	-	15,000
Other current liabilities	154,097	699	154,796
Current portion of long-term liabilities:			
Bonds and loans payable	1,783,057	3,670,535	5,453,592
Other liabilities	25,668	23,120	48,788
Total current liabilities	3,095,119	6,189,170	9,284,289
Noncurrent:			
Bonds and loans payable, net of current portion	24,071,974	51,670,994	75,742,968
Net OPEB obligation	144,959	95,612	240,571
Other liabilities	295,177	265,883	561,060
Total noncurrent liabilities	24,512,110	52,032,489	76,544,599
TOTAL LIABILITIES	27,607,229	58,221,659	85,828,888
<u>NET POSITION</u>			
Net investment in capital assets	26,074,380	24,913,436	50,987,816
Restricted for debt service	-	975,288	975,288
Unrestricted	8,830,398	18,869,336	27,699,734
TOTAL NET POSITION	\$ 34,904,778	\$ 44,758,060	\$ 79,662,838

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, 2014

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 8,191,372	\$ 12,770,225	\$ 20,961,597
Licenses and permits	618,554	248,499	867,053
Departmental revenue	304,652	192,243	496,895
Total Operating Revenues	9,114,578	13,210,967	22,325,545
Operating Expenses:			
Personnel services	2,046,566	2,131,378	4,177,944
Non-personnel services	2,155,570	3,235,760	5,391,330
Depreciation	1,419,960	1,712,271	3,132,231
Total Operating Expenses	5,622,096	7,079,409	12,701,505
Operating Income	3,492,482	6,131,558	9,624,040
Nonoperating Revenues (Expenses):			
Investment income	62	177	239
Bond amortization	31,399	45,453	76,852
Interest expense	(879,823)	(1,428,859)	(2,308,682)
Total Nonoperating Revenues (Expenses)	(848,362)	(1,383,229)	(2,231,591)
Income Before Contributions and Transfers	2,644,120	4,748,329	7,392,449
Capital contributions	110,920	608,228	719,148
Transfers to other funds	(510,534)	(510,534)	(1,021,068)
Change in Net Position	2,244,506	4,846,023	7,090,529
Net Position at Beginning of Year	32,660,272	39,912,037	72,572,309
Net Position at End of Year	\$ 34,904,778	\$ 44,758,060	\$ 79,662,838

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, 2014

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 9,280,457	\$ 12,944,009	\$ 22,224,466
Payments to employees for salaries and related benefits	(2,005,293)	(2,072,109)	(4,077,402)
Payments to suppliers for goods and services	(2,069,519)	(2,981,221)	(5,050,740)
Net Cash Provided By Operating Activities	5,205,645	7,890,679	13,096,324
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers to other funds	(510,534)	(510,534)	(1,021,068)
Net Cash (Used For) Noncapital Financing Activities	(510,534)	(510,534)	(1,021,068)
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(1,980,491)	(6,571,210)	(8,551,701)
Principal payments on bonds	(1,565,329)	(2,874,594)	(4,439,923)
Proceeds from bonds	3,500,000	13,500,000	17,000,000
Proceeds from premium	412,162	1,589,768	2,001,930
Capital contributions	64,425	933,546	997,971
Interest expense	(900,684)	(1,572,053)	(2,472,737)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(469,917)	5,005,457	4,535,540
<u>Cash Flows From Investing Activities:</u>			
Investment income	62	177	239
Net Cash Provided by Investing Activities	62	177	239
Net Change in Cash and Short-Term Investments	4,225,256	12,385,779	16,611,035
Cash and Short-Term Investments, Beginning of Year	7,422,379	22,408,254	29,830,633
Cash and Short-Term Investments, End of Year	\$ 11,647,635	\$ 34,794,033	\$ 46,441,668
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>			
Operating income	\$ 3,492,482	\$ 6,131,558	\$ 9,624,040
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,419,960	1,712,271	3,132,231
Changes in assets and liabilities:			
User fees	166,010	(224,821)	(58,811)
Inventory	(58,827)	758	(58,069)
Other current assets	(2,398)	(2,400)	(4,798)
Accounts payable	265,347	252,306	517,653
Accrued liabilities	11,597	12,753	24,350
Retainage payable	(118,071)	3,875	(114,196)
Net OPEB obligation	30,862	20,356	51,218
Compensated absences	(1,186)	26,160	24,974
Other liabilities	(131)	(42,137)	(42,268)
Net Cash Provided By Operating Activities	\$ 5,205,645	\$ 7,890,679	\$ 13,096,324

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, 2014

	Private Purpose Trust <u>Fund</u>	Agency <u>Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 860,879	\$ 356,832
Investments	5,619,009	-
Interest receivable	<u>80</u>	<u>-</u>
Total Assets	6,479,968	356,832
<u>LIABILITIES AND NET POSITION</u>		
Accounts payable	-	
Other liabilities	<u>-</u>	<u>356,832</u>
Total Liabilities	<u>-</u>	<u>356,832</u>
<u>NET POSITION</u>		
Total net position held in trust	\$ <u><u>6,479,968</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, 2014

	<u>Private Purpose Trust Fund</u>
Additions:	
Investment income	\$ 890,485
Contributions	114,026
Total additions	<u>1,004,511</u>
Deductions:	
Payments to beneficiaries	<u>261,293</u>
Total deductions	<u>261,293</u>
Net increase	743,218
Net position:	
Beginning of year, as restated	<u>5,736,750</u>
End of year	<u>\$ 6,479,968</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 2014, it was determined that no entities met the required GASB 14 (as amended) 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.

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 con-

sumed, 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)	\$ 94,822,010	\$ 90,829,396	\$ 3,992,614
Other financing sources/uses (GAAP Basis)	<u>2,354,313</u>	<u>1,911,538</u>	<u>442,775</u>
Subtotal (GAAP Basis)	97,176,323	92,740,934	4,435,389
Recognize tax revenue on an accrual basis	(536,951)	-	(536,951)
Reverse expenditures of prior year appropriation carryforwards	-	(2,588,685)	2,588,685
Reclassify use of overlay	49,724	49,724	-
Use of fund balance	1,820,500	-	1,820,500
Add end-of-year appropriation carryforwards	-	2,725,930	(2,725,930)
Other reconciling items	<u>(1,576,145)</u>	<u>(1,053,524)</u>	<u>(522,621)</u>
Budgetary Basis	<u>\$ 96,933,451</u>	<u>\$ 91,874,379</u>	<u>\$ 5,059,072</u>

C. Deficits

School Lunch fund had an unassigned fund balance deficit of \$21,445 at June 30, 2014.

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, 2014, \$1,813,223 of the City's cash bank balance of \$116,903,046 was exposed to custodial credit risk as uninsured or uncollateralized. The uninsured amount includes \$787,849 invested in state pool, and \$90,054 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, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Effective Duration</u>	<u>Average Credit Quality</u>
Debt Securities:			
Bond Mutual Funds	\$ 2,325,608	3.22	A3
Other Investments:			
Certificates of Deposits	2,025,093	N/A	N/A
Equity Mutual Funds	<u>10,587,352</u>	N/A	N/A
Total	<u>\$ 14,938,053</u>		

The City's investments 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's policy limits investments to domestic securities.

4. Property Taxes Receivable

Property taxes were committed in October and were due in two installments, on December 12, 2013 and June 3, 2014. Taxes unpaid by December 13, 2013 and June 4, 2014 accrued interest at 12% until September 10, 2014. A tax lien was recorded on all properties with taxes unpaid as of September 10, 2014, 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, 2014 are comprised of (amounts expressed in thousands):

Property Taxes:		
2013		\$ 2,082
2003		36
Unredeemed Taxes:		
2012		415
2011		241
2010		13
2009		41
Other		9
Elderly Liens and Deferred Taxes, net of allowances		<u>5</u>
Total		<u>\$ 2,842</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, 2014 consist of the following:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
Gross	\$ 1,747,531	\$ 2,147,754	\$ 3,895,285
Less: Allowance for doubtful accounts	<u>(94,912)</u>	<u>(41,988)</u>	<u>(136,900)</u>
Total	<u>\$ 1,652,619</u>	<u>\$ 2,105,766</u>	<u>\$ 3,758,385</u>

6. Departmental and Other Receivables

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

	<u>Ambulance</u>	Police <u>Detail</u>	<u>Other</u>	<u>Total</u>
Gross	\$ 1,281,436	\$ 167,263	\$ 271,452	\$ 1,720,151
Less: Allowance for doubtful accounts	<u>(830,102)</u>	<u>(8,478)</u>	<u>-</u>	<u>(838,580)</u>
Total	<u>\$ 451,334</u>	<u>\$ 158,785</u>	<u>\$ 271,452</u>	<u>\$ 881,571</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, 2014 include the following:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
Unrestricted contributions receivable	\$ 500,508	\$ 1,135,464	\$ 1,635,972
Contributions restricted for bonds payable	<u>-</u>	<u>975,288</u>	<u>975,288</u>
Total	<u>\$ 500,508</u>	<u>\$ 2,110,752</u>	<u>\$ 2,611,260</u>

Contributions receivable at June 30, 2014 are due as follows:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
Less than one year	\$ 44,040	\$ 359,824	\$ 403,864
One to five years	-	-	-
More than five years	<u>456,468</u>	<u>1,750,928</u>	<u>2,207,396</u>
Total	<u>\$ 500,508</u>	<u>\$ 2,110,752</u>	<u>\$ 2,611,260</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2014.

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, 2014 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	\$ 297,444	\$ -
Nonmajor Funds:		
Special Revenue Funds:		
School lunch	-	62,276
School categorical revenues	-	114,130
Police grants	-	113,559
Swimming pool	<u>-</u>	<u>7,479</u>
Total	<u>\$ 297,444</u>	<u>\$ 297,444</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 2014:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,121,068	\$ 1,911,538
Nonmajor Funds:		
Special Revenue Funds:		
Community development	-	282,000
School lunch	91,536	-
School categorical revenues	635,216	-
Miscellaneous grants and contributions	543,323	10,250
Conservation	642	-
Swimming pool	150,000	-
City trust funds	-	524,065
Capital Project Funds:		
Building and infrastructure	295,404	100,000
Transportation management	46,285	-
Vehicle/equipment replacement	750,885	-
Technology equipment	214,562	-
Subtotal Nonmajor Funds	<u>2,727,853</u>	<u>916,315</u>
<u>Business-Type Funds:</u>		
Water Fund	-	510,534
Sewer Fund	-	510,534
Total	<u>-</u>	<u>1,021,068</u>
Grand Total	<u>\$ 3,848,921</u>	<u>\$ 3,848,921</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, 2014 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	\$ 101,508	\$ 3,120	\$ (186)	\$ 104,442
Improvements	4,134	-	-	4,134
Machinery and equipment	16,834	5,029	(739)	21,124
Infrastructure	<u>57,075</u>	<u>10,535</u>	<u>(436)</u>	<u>67,174</u>
Total capital assets, being depreciated	179,551	18,684	(1,361)	196,874
Less accumulated depreciation for:				
Buildings	(33,362)	(2,198)	144	(35,416)
Improvements	(3,234)	(147)	-	(3,381)
Machinery and equipment	(13,506)	(1,214)	739	(13,981)
Infrastructure	<u>(21,017)</u>	<u>(2,169)</u>	<u>436</u>	<u>(22,750)</u>
Total accumulated depreciation	<u>(71,119)</u>	<u>(5,728)</u>	<u>1,319</u>	<u>(75,528)</u>
Total capital assets, being depreciated, net	108,432	12,956	(42)	121,346
Capital assets, not being depreciated:				
Land	15,650	-	-	15,650
Construction in progress	<u>35,176</u>	<u>10,205</u>	<u>(4,259)</u>	<u>41,122</u>
Total capital assets, not being depreciated	<u>50,826</u>	<u>10,205</u>	<u>(4,259)</u>	<u>56,772</u>
Governmental activities capital assets, net	<u>\$ 159,258</u>	<u>\$ 23,161</u>	<u>\$ (4,301)</u>	<u>\$ 178,118</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings	\$ 37,141	\$ -	\$ -	\$ 37,141
Machinery and equipment	30,411	417	(267)	30,561
Infrastructure	<u>68,777</u>	<u>5,972</u>	<u>(166)</u>	<u>74,583</u>
Total capital assets, being depreciated	136,329	6,389	(433)	142,285
Less accumulated depreciation for:				
Buildings	(12,908)	(822)	-	(13,730)
Machinery and equipment	(14,399)	(1,146)	267	(15,278)
Infrastructure	<u>(13,940)</u>	<u>(1,164)</u>	<u>166</u>	<u>(14,938)</u>
Total accumulated depreciation	<u>(41,247)</u>	<u>(3,132)</u>	<u>433</u>	<u>(43,946)</u>
Total capital assets, being depreciated, net	95,082	3,257	-	98,339
Capital assets, not being depreciated:				
Land	1,930	596	-	2,526
Construction in progress	<u>9,829</u>	<u>5,925</u>	<u>(4,359)</u>	<u>11,395</u>
Total capital assets, not being depreciated	<u>11,759</u>	<u>6,521</u>	<u>(4,359)</u>	<u>13,921</u>
Business-type activities capital assets, net	<u>\$ 106,841</u>	<u>\$ 9,778</u>	<u>\$ (4,359)</u>	<u>\$ 112,260</u>

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

Governmental Activities:	
General government	\$ 298
Public safety	600
Education	1,562
Public works	2,597
Culture and recreation	496
Community development	<u>175</u>
Total depreciation expense - governmental activities	\$ <u>5,728</u>
Business-Type Activities:	
Water	\$ 1,420
Sewer	<u>1,712</u>
Total depreciation expense - business-type activities	\$ <u>3,132</u>

10. Accounts Payable

Accounts payable represent additional 2014 expenditures paid after June 30, 2014.

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 a State Revolving Loan during the year ended June 30, 2014 in the sewer enterprise fund. The note was accruing interest at 1% during the construction phase and was permanently financed upon completion.

The following are changes in notes payable for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Lincoln Separation	\$ 5,499,591	\$ 96,283	\$ (5,595,874)	\$ -

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 and State Revolving Loans

General obligation bonds and state revolving loans have been issued for both governmental and business-type activities. General obligation bonds and state revolving loans currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/14</u>
Coakley Landfill	\$ 3,605,774	08/01/18	0.85	\$ 901,447
Coakley Landfill OU2	652,330	07/01/19	1.02	195,696
Library	6,960,000	08/01/25	4.00	4,160,000
Capital Improvements 2005	2,945,000	08/01/15	4.00	585,000
Capital Improvements 2006	950,000	06/15/17	4.00	285,000
Capital Improvements Streets Sidewalks 2007	3,450,000	06/15/17	4.00	1,035,000
Capital Improvements to Facilities 2007	1,000,000	06/15/17	4.00	300,000
New Castle Ave. Seawall	600,000	06/15/17	4.00	180,000
FY08 Streets, Sidewalks, Bridges	2,500,000	06/15/18	3.71	1,000,000
FY08 School Improvements	500,000	06/15/18	3.71	200,000
Fire Station 2	3,650,000	06/15/28	3.98	2,540,000
Purchase of Land for Fire Station 2	1,300,000	06/15/28	3.98	910,000
Capital Improvements 2009 Fire Station 2	1,500,000	01/15/29	3.76	1,125,000
Capital Improvements 2009	3,500,000	01/15/19	3.76	1,750,000
Capital Improvements 2010	1,800,000	05/15/20	3.27	1,080,000
School Improvements 2010	500,000	05/15/20	3.27	300,000
Middle School Construction	15,000,000	05/15/30	3.27	12,000,000
Middle School Construction	22,500,000	12/01/31	2.68	20,250,000
Capital Improvements 2011	6,400,000	12/01/21	2.68	5,120,000
Fire Apparatus	500,000	12/01/16	2.68	300,000
Refunding High School	17,325,000	09/15/22	1.40	15,415,000
School Improvements 2013	500,000	06/15/23	2.38	450,000
Streets Sidewalks, Bridge 2013	2,267,000	06/15/23	2.38	2,035,000
Facilities, Streets and Sidewalks 2014	5,750,000	06/01/24	1.78	5,750,000
Middle School Construction	3,300,000	06/01/34	2.87	3,300,000
Total Governmental Activities				\$ 81,167,143

<u>Business-Type Activities:</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/14</u>
<u>Water:</u>				
Upgrade to Motor Control	\$ 300,000	01/01/22	3.98	\$ 120,000
Corrosion Control Program	288,000	01/01/22	3.80	115,200
Constitution Avenue	4,800,000	01/01/22	3.70	2,160,000
Spinney Tank	1,162,560	12/01/22	3.73	523,152
Madbury WTP Design	2,000,000	06/01/28	2.49	1,400,000
Water Treatment Plant	16,000,000	01/15/29	3.94	12,620,000
Water-Raw Water Mgmt	257,697	01/01/29	0.90	33,521
Madbury WWTP	5,000,000	06/01/32	2.72	4,500,000
Hobb's Hill Water Tank	3,500,000	06/01/34	2.87	3,500,000
<u>Sewer:</u>				
Waste Water Treatment Plant Pease	6,586,836	03/01/20	1.02	1,928,702
Sewer Projects Phase I	4,931,361	08/01/21	1.36	1,972,544
Sewer Projects Phase II	8,898,110	12/01/24	1.87	4,893,959
Lower Court Utilities Upgrade	688,563	07/01/27	2.38	481,994
Phase III Sewer	5,508,137	12/01/27	2.38	3,855,696
Sewer-Rye Line Pump Station	1,069,714	11/01/29	2.58	855,771
Sewer-201 Facility Study	1,000,000	01/01/30	2.58	800,000
Bartlett Street	5,290,233	01/01/31	2.62	4,496,698
Sewer PIWWTP	3,000,000	01/01/31	2.68	2,700,000
Sewer LLTP - Plant	8,000,000	09/15/12	2.31	7,200,000
State St Utilities Upgrade	1,500,433	09/01/21	1.36	1,200,347
Lincoln 3C	3,929,000	06/15/33	2.38	3,725,000
Lincoln Separation	5,595,874	06/01/33	3.35	5,316,080
Perice Island WWTP	10,000,000	06/01/34	2.87	10,000,000
Pease WWTP	3,500,000	06/01/34	2.87	3,500,000
Total Business-Type Activities				<u>\$ 77,898,664</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 8,092,905	\$ 3,079,088	\$ 11,171,993
2016	8,062,905	2,787,131	10,850,036
2017	7,742,905	2,449,941	10,192,846
2018	7,017,905	2,140,601	9,158,506
2019	6,687,905	1,879,710	8,567,615
2020 - 2024	26,367,618	5,813,870	32,181,488
2025 - 2029	12,245,000	2,152,022	14,397,022
2030 - 2034	4,950,000	328,687	5,278,687
Total	<u>\$ 81,167,143</u>	<u>\$ 20,631,050</u>	<u>\$ 101,798,193</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,276,641	\$ 2,638,215	\$ 7,914,856
2016	5,243,121	2,432,837	7,675,958
2017	5,243,121	2,252,755	7,495,876
2018	5,243,121	2,074,172	7,317,293
2019	5,233,121	1,897,840	7,130,961
2020 - 2024	23,729,654	7,095,375	30,825,029
2025 - 2029	18,748,200	3,455,430	22,203,630
2030 - 2034	9,181,685	811,061	9,992,746
Total	<u>\$ 77,898,664</u>	<u>\$ 22,657,685</u>	<u>\$ 100,556,349</u>

D. Bond Authorizations/Unissued

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2014 are as follows:

<u>Purpose</u>	<u>Amount</u>
Coakley Landfill	\$ 4,641,897
Commerce Way	1,600,000
Sewer Phase III	2,666,811
Court St. - Phase II	13,328
Rye Line Pump Station	430,286
Madbury Water Treatment Plan	4,000,000
Water System Improvements	1,320,000
Water Capital Projects	<u>7,842,303</u>
Total Bond Authorizations/unissued	<u>\$ 22,514,625</u>

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/13</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/14</u>	Less Current Portion <u>6/30/14</u>	Equals Long-Term Portion <u>6/30/14</u>
<u>Governmental Activities</u>						
General obligation bonds	\$ 78,202	\$ 9,050	\$ (7,182)	\$ 80,070	\$ (7,880)	\$ 72,190
Unamortized premium	5,142	1,233	(435)	5,940	(497)	5,443
Subtotal	83,344	10,283	(7,617)	86,010	(8,377)	77,633
State revolving loans	1,310	-	(213)	1,097	(213)	884
Net OPEB obligation	2,817	762	-	3,579	-	3,579
Other:						
Landfill closure	1,440	-	-	1,440	-	1,440
Accrued employee benefits	6,900	536	(573)	6,863	(824)	6,039
Subtotal	8,340	536	(573)	8,303	(824)	7,479
Totals	\$ 95,811	\$ 11,581	\$ (8,403)	\$ 98,989	\$ (9,414)	\$ 89,575

	Balance <u>7/1/13</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/14</u>	Less Current Portion <u>6/30/14</u>	Equals Long-Term Portion <u>6/30/14</u>
<u>Business-Type Activities</u>						
General obligation bonds	\$ 27,844	\$ 17,000	\$ (1,599)	\$ 43,245	\$ (2,445)	\$ 40,800
Unamortized premium	1,373	2,002	(77)	3,298	(177)	3,121
Subtotal	29,217	19,002	(1,676)	46,543	(2,622)	43,921
State revolving loans	31,899	5,596	(2,841)	34,654	(2,832)	31,822
Net OPEB obligation	189	52	-	241	-	241
Other:						
Accrued employee benefits	585	64	(39)	610	(49)	561
Totals	\$ 61,890	\$ 24,714	\$ (4,556)	\$ 82,048	\$ (5,503)	\$ 76,545

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, 2014 receivable balances, except property taxes that are accrued for subsequent 60 day collections.

The balance of nonmajor governmental funds *deferred inflows of resources* account is equal to \$2,198,277 long-term portion of loans receivable balances of Community Development, Housing Subsidy, and Miscellaneous Grants and Contributions funds and \$30,363 of unavailable revenues of the School Lunch fund.

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, 2014:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Inventory	\$ -	\$ 21,687	\$ 21,687
Nonexpendable permanent funds	-	1,633,062	1,633,062
Total Nonspendable	-	1,654,749	1,654,749
Restricted			
Bonded projects and capital contributions	-	9,433,603	9,433,603
Community development	-	2,530,708	2,530,708
Education	-	508,105	508,105
Public safety	-	145,920	145,920
Public works	-	4,682,499	4,682,499
Conservation	-	918,654	918,654
Recreation	-	688,456	688,456
General government	-	1,267,964	1,267,964
Trusts for education and recreation	-	2,911,178	2,911,178
Expendable permanent funds	-	5,407,443	5,407,443
Total Restricted	-	28,494,530	28,494,530
Committed			
Debt service	12,030,611	-	12,030,611
Health insurance	7,076,022	-	7,076,022
Tax appraisal	3,302,140	-	3,302,140
Compensated absences	1,557,088	-	1,557,088
Claremont Coalition	668,180	-	668,180
Coakley landfill	619,645	-	619,645
Prescott Park dock	720,000	-	720,000
To supplement next year's budget	200,000	-	200,000
Capital	-	1,045,814	1,045,814
Total Committed	26,173,686	1,045,814	27,219,500
Assigned			
Encumbered for:			
General government	472,378	-	472,378
Public safety	169,327	-	169,327
Education	29,933	-	29,933
Public works	539,838	-	539,838
Recreation	21,935	-	21,935
Capital	3,847,612	-	3,847,612
Contingency	798,958	-	798,958
General administration	56,512	-	56,512
Landfill monitoring	287,325	-	287,325
Revaluation	115,691	-	115,691
IT upgrades and replacements	216,789	-	216,789
Ambulance	100,000	-	100,000
Total Assigned	6,656,298	-	6,656,298
Unassigned	11,790,868	(21,445)	11,769,423
Total Fund Balance	<u>\$ 44,620,852</u>	<u>\$ 31,173,648</u>	<u>\$ 75,794,500</u>

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 10.77% - 27.74% of covered compensation. The City's required annual contributions to the System for the years ended June 30 were made as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
City	\$ 3,594,701	\$ 2,816,767	\$ 2,793,387
School	<u>3,164,611</u>	<u>2,473,114</u>	<u>2,450,753</u>
Total	<u>\$ 6,759,312</u>	<u>\$ 5,289,881</u>	<u>\$ 5,244,140</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, 2013, the actuarial valuation date, approximately 104 retirees and 649 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 2014 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, 2014, 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>3,005,989</u>
Net OPEB obligation - end of year	<u>\$ 3,819,072</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>
2014	\$ 1,702,453	52.2%	\$ 3,819,072
2013	\$ 1,702,453	52.2%	\$ 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 advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an opened group basis. This has been calculated assuming the amortization payment increases at an inflation rate of 3.0%.

22. Risk Management

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

23. Beginning Net Position/Fund Balance Reclassification

The City’s beginning net position and fund balances for fiscal year 2013 have been reclassified from the previous fiscal year to conform to GASB Statement 34 definition of funds. Accordingly, the following reconciliation is provided:

Government-Wide Financial Statements:

	<u>Governmental Activities</u>
As previously reported	\$ 140,261,028
To reclass the African Burial Gounds Memorial Park activity out of fiduciary fund into governmental activities	<u>494,719</u>
As restated	<u>\$ 140,755,747</u>

Fund Basis Financial Statements:

	Non-Major Governmental Funds	Major Government al Fund	Fiduciary Funds
As previously reported	\$ 27,487,253	\$ 5,568,419	\$ 6,231,469
To reclass School Renovations Fund out of Major to Non-Major governmental funds	5,568,419	(5,568,419)	-
To reclass the African Burial Gounds Memorial Park activity out of the private purpose fund to special revenue fund	494,719	-	(494,719)
As restated	<u>\$ 33,550,391</u>	<u>\$ -</u>	<u>\$ 5,736,750</u>

24. 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 its proportional share of the retirement system's unfunded liability on their financial statements as of June 30, 2015.

CITY OF PORTSMOUTH, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/13	\$ -	\$ 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

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: to account for certain revenues, including equipment fees and donations and related expenditures incurred in operation of this public library located at 175 Parrott Avenue.
- Library Trust Funds: to account for expendable gifts received by the Library.
- City Trust Funds: to account for the various expendable portions 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.
- School Renovations: to fund Middle School renovation costs.
- 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.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2014

	<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	\$ 2,403,609	\$ -	\$ -	\$ 3,216,684
Investments	-	-	-	-
Departmental and other receivables	-	71,194	3,313	15,775
Intergovernmental receivables	-	-	621,451	10,293
Loans and interest receivable	1,061,328	-	-	23,412
Inventory	-	21,687	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,464,937</u>	<u>\$ 92,881</u>	<u>\$ 624,764</u>	<u>\$ 3,266,164</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 511	\$ -	\$ -	\$ 15,850
Accrued liabilities	570	-	2,529	876
Retainage payable	-	-	-	-
Due to other funds	-	62,276	114,130	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	1,081	62,276	116,659	16,726
Deferred Inflows of Resources	1,054,325	30,363	-	19,923
Fund Balances:				
Nonspendable	-	21,687	-	-
Restricted	2,409,531	-	508,105	3,229,515
Committed	-	-	-	-
Unassigned	-	(21,445)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>2,409,531</u>	<u>242</u>	<u>508,105</u>	<u>3,229,515</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,464,937</u>	<u>\$ 92,881</u>	<u>\$ 624,764</u>	<u>\$ 3,266,164</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>
\$ -	\$ 41,346	\$ 2,688,476	\$ 121,177	\$ 918,654	\$ 245,362
-	-	-	-	-	-
-	-	-	-	-	-
149,190	2,493	-	-	-	-
-	-	-	1,124,029	-	-
-	-	-	-	-	-
<u>\$ 149,190</u>	<u>\$ 43,839</u>	<u>\$ 2,688,476</u>	<u>\$ 1,245,206</u>	<u>\$ 918,654</u>	<u>\$ 245,362</u>
\$ 8,435	\$ 450	\$ 52,376	\$ -	\$ -	\$ 56,719
360	-	22,902	-	-	-
-	-	-	-	-	3,144
113,559	-	-	-	-	-
<u>122,354</u>	<u>450</u>	<u>75,278</u>	<u>-</u>	<u>-</u>	<u>59,863</u>
-	-	-	1,124,029	-	-
-	-	-	-	-	-
26,836	43,389	2,613,198	121,177	918,654	185,499
-	-	-	-	-	-
-	-	-	-	-	-
<u>26,836</u>	<u>43,389</u>	<u>2,613,198</u>	<u>121,177</u>	<u>918,654</u>	<u>185,499</u>
<u>\$ 149,190</u>	<u>\$ 43,839</u>	<u>\$ 2,688,476</u>	<u>\$ 1,245,206</u>	<u>\$ 918,654</u>	<u>\$ 245,362</u>

(continued)

(continued)

	Special Revenue Funds					
	<u>Recreation</u>	<u>Swimming Pool</u>	<u>Library</u>	<u>Library Trust Funds</u>	<u>City Trust Funds</u>	<u>Subtotals</u>
<u>ASSETS</u>						
Cash and short-term investments	\$ 135,713	\$ 145,974	\$ 269,862	\$ 165,225	\$ 191,628	\$ 10,543,710
Investments	-	-	-	24,573	2,719,115	2,743,688
Departmental and other receivables	-	-	-	-	-	90,282
Intergovernmental receivables	-	-	-	-	-	783,427
Loans and interest receivable	-	-	-	-	435	2,209,204
Inventory	-	-	-	-	-	21,687
Total Assets	<u>\$ 135,713</u>	<u>\$ 145,974</u>	<u>\$ 269,862</u>	<u>\$ 189,798</u>	<u>\$ 2,911,178</u>	<u>\$ 16,391,998</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 4,125	\$ 14,989	\$ 21,757	\$ -	\$ -	\$ 175,212
Accrued liabilities	-	6,595	-	-	-	33,832
Retainage payable	-	-	-	-	-	3,144
Due to other funds	-	7,479	-	-	-	297,444
Total Liabilities	4,125	29,063	21,757	-	-	509,632
Deferred Inflows of Resources	-	-	-	-	-	2,228,640
Fund Balances:						
Nonspendable	-	-	-	-	-	21,687
Restricted	131,588	116,911	248,105	189,798	2,911,178	13,653,484
Committed	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(21,445)
Total Fund Balances	<u>131,588</u>	<u>116,911</u>	<u>248,105</u>	<u>189,798</u>	<u>2,911,178</u>	<u>13,653,726</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 135,713</u>	<u>\$ 145,974</u>	<u>\$ 269,862</u>	<u>\$ 189,798</u>	<u>\$ 2,911,178</u>	<u>\$ 16,391,998</u>

Capital Project Funds

<u>Building and Infrastructure</u>	<u>School Renovations</u>	<u>Transportation Management</u>	<u>Transportation State</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Technology Equipment</u>	<u>Subtotals</u>
\$ 2,494,295	\$ 2,126,293	\$ 5,977,914	\$ 756,278	\$ 305,594	\$ 61,670	\$ 11,722,044
-	-	-	-	-	-	-
-	-	-	1,177,936	-	-	1,177,936
-	-	-	-	-	-	-
<u>2,494,295</u>	<u>2,126,293</u>	<u>5,977,914</u>	<u>1,934,214</u>	<u>305,594</u>	<u>61,670</u>	<u>12,899,980</u>
\$ 91,625	\$ 556,279	\$ 246,862	\$ 692,327	\$ -	\$ 7,707	\$ 1,594,800
-	-	-	-	-	-	-
118,235	670,498	37,030	-	-	-	825,763
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
209,860	1,226,777	283,892	692,327	-	7,707	2,420,563
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,156,086	899,516	5,694,022	683,979	-	-	9,433,603
128,349	-	-	557,908	305,594	53,963	1,045,814
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,284,435</u>	<u>899,516</u>	<u>5,694,022</u>	<u>1,241,887</u>	<u>305,594</u>	<u>53,963</u>	<u>10,479,417</u>
<u>\$ 2,494,295</u>	<u>\$ 2,126,293</u>	<u>\$ 5,977,914</u>	<u>\$ 1,934,214</u>	<u>\$ 305,594</u>	<u>\$ 61,670</u>	<u>\$ 12,899,980</u>

(continued)

(continued)

	<u>Permanent Funds</u>			Total Nonmajor Governmental Funds
	<u>City Trust Funds</u>	<u>Library Trust Funds</u>	<u>Subtotals</u>	
<u>ASSETS</u>				
Cash and short-term investments	\$ 468,299	\$ -	\$ 468,299	\$ 22,734,053
Investments	6,570,977	4,379	6,575,356	9,319,044
Departmental and other receivables	-	-	-	90,282
Intergovernmental receivables	-	-	-	1,961,363
Loans and interest receivable	-	-	-	2,209,204
Inventory	-	-	-	21,687
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>7,039,276</u>	\$ <u>4,379</u>	\$ <u>7,043,655</u>	\$ <u>36,335,633</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 3,150	\$ -	\$ 3,150	\$ 1,773,162
Accrued liabilities	-	-	-	33,832
Retainage payable	-	-	-	828,907
Due to other funds	-	-	-	297,444
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	3,150	-	3,150	2,933,345
Deferred Inflows of Resources	-	-	-	2,228,640
Fund Balances:				
Nonspendable	1,629,062	4,000	1,633,062	1,654,749
Restricted	5,407,064	379	5,407,443	28,494,530
Committed	-	-	-	1,045,814
Unassigned	-	-	-	(21,445)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>7,036,126</u>	<u>4,379</u>	<u>7,040,505</u>	<u>31,173,648</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>7,039,276</u>	\$ <u>4,379</u>	\$ <u>7,043,655</u>	\$ <u>36,335,633</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, 2014

	Special Revenue Funds			
	Community <u>Development</u>	School <u>Lunch</u>	School Categorical <u>Revenues</u>	Miscellaneous Grants and <u>Contributions</u>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	506,665	355,045	3,589,290	408,482
Charges for services	-	383,955	-	-
Investment income	11,284	-	-	1,263
Fines and costs	-	-	-	10,831
Contributions	-	-	-	24,450
Other	81,698	-	-	500
Total Revenues	599,647	739,000	3,589,290	445,526
Expenditures:				
Current:				
General government	-	-	-	76,946
Public safety	-	-	-	50,184
Education	-	830,321	4,151,329	-
Public works	-	-	-	377,696
Culture and recreation	-	-	-	80,179
Community development	873,553	-	-	81,203
Capital outlay	-	-	-	-
Total Expenditures	873,553	830,321	4,151,329	666,208
Excess (deficiency) of revenues over (under) expenditures	(273,906)	(91,321)	(562,039)	(220,682)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Transfers in	-	91,536	635,216	543,323
Transfers out	(282,000)	-	-	(10,250)
Total Other Financing Sources (Uses)	(282,000)	91,536	635,216	533,073
Net change in fund balances	(555,906)	215	73,177	312,391
Fund Balances, beginning of year	2,965,437	27	434,928	2,917,124
Fund Balances, end of year	\$ 2,409,531	\$ 242	\$ 508,105	\$ 3,229,515

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>
\$ -	\$ -	\$ -	\$ -	\$ 98,914	\$ -
339,036	-	-	-	-	-
-	-	2,687,911	-	-	-
-	-	-	189	8	-
-	8,518	-	-	-	-
2,025	-	-	-	-	-
-	2,494	-	8,038	-	-
<u>341,061</u>	<u>11,012</u>	<u>2,687,911</u>	<u>8,227</u>	<u>98,922</u>	<u>-</u>
-	-	13,405	-	-	-
333,449	9,132	-	-	-	-
-	-	-	-	-	-
-	-	2,403,779	-	-	132,752
-	-	-	-	-	-
-	-	-	85,055	-	-
-	-	-	-	-	-
<u>333,449</u>	<u>9,132</u>	<u>2,417,184</u>	<u>85,055</u>	<u>-</u>	<u>132,752</u>
7,612	1,880	270,727	(76,828)	98,922	(132,752)
-	-	-	-	-	-
-	-	-	-	642	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>642</u>	<u>-</u>
7,612	1,880	270,727	(76,828)	99,564	(132,752)
<u>19,224</u>	<u>41,509</u>	<u>2,342,471</u>	<u>198,005</u>	<u>819,090</u>	<u>318,251</u>
<u>\$ 26,836</u>	<u>\$ 43,389</u>	<u>\$ 2,613,198</u>	<u>\$ 121,177</u>	<u>\$ 918,654</u>	<u>\$ 185,499</u>

(continued)

(continued)

	Special Revenue Funds					
	<u>Recreation</u>	<u>Swimming Pool</u>	<u>Library</u>	<u>Library Trust Funds</u>	<u>City Trust Funds</u>	<u>Subtotals</u>
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,914
Intergovernmental	-	-	-	-	-	5,198,518
Charges for services	144,838	441,393	76,567	-	46,819	3,781,483
Investment income	-	-	2	4,349	52,649	69,744
Fines and costs	-	-	-	-	-	19,349
Contributions	-	-	3,939	-	352,404	382,818
Other	-	-	-	-	-	92,730
Total Revenues	<u>144,838</u>	<u>441,393</u>	<u>80,508</u>	<u>4,349</u>	<u>451,872</u>	<u>9,643,556</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	90,351
Public safety	-	-	-	-	-	392,765
Education	-	-	-	-	135,905	5,117,555
Public works	-	-	-	-	-	2,914,227
Culture and recreation	132,738	619,305	76,170	886	10,332	919,610
Community development	-	-	-	-	-	1,039,811
Capital outlay	-	-	-	-	-	-
Total Expenditures	<u>132,738</u>	<u>619,305</u>	<u>76,170</u>	<u>886</u>	<u>146,237</u>	<u>10,474,319</u>
Excess (deficiency) of revenues over (under) expenditures	12,100	(177,912)	4,338	3,463	305,635	(830,763)
Other Financing Sources (Uses):						
Issuance of bonds	-	-	-	-	-	-
Transfers in	-	150,000	11,699	-	-	1,432,416
Transfers out	-	-	-	-	(524,065)	(816,315)
Total Other Financing Sources (Uses)	<u>-</u>	<u>150,000</u>	<u>11,699</u>	<u>-</u>	<u>(524,065)</u>	<u>616,101</u>
Net change in fund balances	12,100	(27,912)	16,037	3,463	(218,430)	(214,662)
Fund Balances, beginning of year	<u>119,488</u>	<u>144,823</u>	<u>232,068</u>	<u>186,335</u>	<u>3,129,608</u>	<u>13,868,388</u>
Fund Balances, end of year	<u>\$ 131,588</u>	<u>\$ 116,911</u>	<u>\$ 248,105</u>	<u>\$ 189,798</u>	<u>\$ 2,911,178</u>	<u>\$ 13,653,726</u>

Capital Project Funds

<u>Building and Infrastructure</u>	<u>School Renovations</u>	<u>Transportation Management</u>	<u>Transportation State</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Technology Equipment</u>	<u>Subtotals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	2,876,450	-	-	2,876,450
-	-	-	-	-	-	-
-	-	-	-	-	-	-
169,000	-	-	-	-	-	169,000
30,000	-	-	-	-	-	30,000
<u>199,000</u>	<u>-</u>	<u>-</u>	<u>2,876,450</u>	<u>-</u>	<u>-</u>	<u>3,075,450</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,254,847</u>	<u>7,968,903</u>	<u>1,735,056</u>	<u>4,060,719</u>	<u>990,087</u>	<u>236,220</u>	<u>16,245,832</u>
<u>1,254,847</u>	<u>7,968,903</u>	<u>1,735,056</u>	<u>4,060,719</u>	<u>990,087</u>	<u>236,220</u>	<u>16,245,832</u>
(1,055,847)	(7,968,903)	(1,735,056)	(1,184,269)	(990,087)	(236,220)	(13,170,382)
1,000,000	3,300,000	4,750,000	-	-	-	9,050,000
295,404	-	-	46,285	750,885	214,562	1,307,136
<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
<u>1,195,404</u>	<u>3,300,000</u>	<u>4,750,000</u>	<u>46,285</u>	<u>750,885</u>	<u>214,562</u>	<u>10,257,136</u>
139,557	(4,668,903)	3,014,944	(1,137,984)	(239,202)	(21,658)	(2,913,246)
<u>2,144,878</u>	<u>5,568,419</u>	<u>2,679,078</u>	<u>2,379,871</u>	<u>544,796</u>	<u>75,621</u>	<u>13,392,663</u>
<u>\$ 2,284,435</u>	<u>\$ 899,516</u>	<u>\$ 5,694,022</u>	<u>\$ 1,241,887</u>	<u>\$ 305,594</u>	<u>\$ 53,963</u>	<u>\$ 10,479,417</u>

(continued)

(continued)

	Permanent Funds			Total Nonmajor Governmental Funds
	City Trust Funds	Library Trust Funds	Subtotals	
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ 98,914
Intergovernmental	-	-	-	8,074,968
Charges for services	-	-	-	3,781,483
Investment income	1,008,823	100	1,008,923	1,078,667
Fines and costs	-	-	-	19,349
Contributions	17,731	-	17,731	569,549
Other	-	-	-	122,730
Total Revenues	1,026,554	100	1,026,654	13,745,660
Expenditures:				
Current:				
General government	-	-	-	90,351
Public safety	-	-	-	392,765
Education	5,307	-	5,307	5,122,862
Public works	-	-	-	2,914,227
Culture and recreation	258,483	-	258,483	1,178,093
Community development	-	-	-	1,039,811
Capital Outlay	-	-	-	16,245,832
Total Expenditures	263,790	-	263,790	26,983,941
Excess (deficiency) of revenues over (under) expenditures	762,764	100	762,864	(13,238,281)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	9,050,000
Transfers in	-	-	-	2,739,552 (1)
Transfers out	(11,699)	-	(11,699)	(928,014) (1)
Total Other Financing Sources (Uses)	(11,699)	-	(11,699)	10,861,538
Net change in fund balances	751,065	100	751,165	(2,376,743)
Fund Balances, beginning of year	6,285,061	4,279	6,289,340	33,550,391
Fund Balances, end of year	\$ 7,036,126	\$ 4,379	\$ 7,040,505	\$ 31,173,648

(1) Transfers in and out were netted on page 48 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, 2014

	<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	\$ 55,184	\$ 370,276	\$ 54,373	\$ 376,750	\$ 4,296	\$ 860,879
Investments	-	5,619,009	-	-	-	5,619,009
Other assets	<u>80</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80</u>
Total Assets	<u>\$ 55,264</u>	<u>\$ 5,989,285</u>	<u>\$ 54,373</u>	<u>\$ 376,750</u>	<u>\$ 4,296</u>	<u>\$ 6,479,968</u>
Net position held in trust	<u>\$ 55,264</u>	<u>\$ 5,989,285</u>	<u>\$ 54,373</u>	<u>\$ 376,750</u>	<u>\$ 4,296</u>	<u>\$ 6,479,968</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

For the Year Ended June 30, 2014

	<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	\$ 7,708	\$ 821,980	\$ 7,616	\$ 52,370	\$ 811	\$ 890,485
Contributions	<u>108,551</u>	<u>5,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,026</u>
Total Additions	116,259	827,455	7,616	52,370	811	1,004,511
<u>DEDUCTIONS</u>						
Payments to beneficiaries	<u>108,653</u>	<u>126,036</u>	<u>152</u>	<u>24,936</u>	<u>1,516</u>	<u>261,293</u>
Net increase	7,606	701,419	7,464	27,434	(705)	743,218
<u>NET POSITION</u>						
Beginning of year	<u>47,658</u>	<u>5,287,866</u>	<u>46,909</u>	<u>349,316</u>	<u>5,001</u>	<u>5,736,750</u>
End of year	<u>\$ 55,264</u>	<u>\$ 5,989,285</u>	<u>\$ 54,373</u>	<u>\$ 376,750</u>	<u>\$ 4,296</u>	<u>\$ 6,479,968</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2014

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>
<u>Claremont Coalition:</u>				
Assets - cash and short-term investments	\$ <u>9,535</u>	\$ <u>15,001</u>	\$ <u>(14,278)</u>	\$ <u>10,258</u>
Liabilities - other liabilities	\$ <u>9,535</u>	\$ <u>15,001</u>	\$ <u>(14,278)</u>	\$ <u>10,258</u>
 <u>Art Speak</u>				
Assets - cash and short-term investments	\$ <u>28,202</u>	\$ <u>21,775</u>	\$ <u>(18,033)</u>	\$ <u>31,944</u>
Liabilities - other liabilities	\$ <u>28,202</u>	\$ <u>21,775</u>	\$ <u>(18,033)</u>	\$ <u>31,944</u>
 <u>School Fund:</u>				
Assets - cash and short-term investments	\$ <u>322,191</u>	\$ <u>818,507</u>	\$ <u>(826,068)</u>	\$ <u>314,630</u>
Liabilities - other liabilities	\$ <u>322,191</u>	\$ <u>818,507</u>	\$ <u>(826,068)</u>	\$ <u>314,630</u>
 <u>Totals:</u>				
Assets - cash and short-term investments	\$ <u>359,928</u>	\$ <u>855,283</u>	\$ <u>(858,379)</u>	\$ <u>356,832</u>
Liabilities - other liabilities	\$ <u>359,928</u>	\$ <u>855,283</u>	\$ <u>(858,379)</u>	\$ <u>356,832</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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013 ⁽¹⁾⁽²⁾	2014
Governmental Activities										
Net invested in capital assets	\$ 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	\$ 100,313,414
Restricted	10,931,104	13,270,157	14,389,205	14,514,810	14,103,944	14,696,926	15,701,688	17,147,890	17,238,560	17,107,717
Unrestricted	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	40,877,993
Total governmental activities net position	\$ 68,588,564	\$ 74,872,414	\$ 86,679,374	\$ 94,014,669	\$ 105,492,808	\$ 116,018,660	\$ 125,234,636	\$ 131,978,393	\$ 140,755,747	\$ 158,299,124
Business-type activities										
Net invested in capital assets	\$ 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	\$ 50,987,816
Restricted	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	975,288
Unrestricted	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	27,699,734
Total business-type activities net position	\$ 41,271,385	\$ 42,722,839	\$ 44,543,061	\$ 47,243,725	\$ 48,141,891	\$ 52,469,130	\$ 58,759,375	\$ 65,976,036	\$ 72,572,309	\$ 79,662,838
Primary government										
Net invested in capital assets	\$ 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	\$ 151,301,230
Restricted	11,441,504	13,545,157	16,832,326	16,465,384	15,891,970	16,322,404	17,164,619	18,448,273	18,376,395	18,083,005
Unrestricted	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	68,577,727
Total primary government net position	\$ 109,859,949	\$ 117,595,253	\$ 131,222,435	\$ 141,258,394	\$ 153,634,699	\$ 168,487,790	\$ 183,994,011	\$ 197,954,429	\$ 213,328,056	\$ 237,961,962

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.

⁽²⁾ As Restated

City of Portsmouth, New Hampshire

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013 ⁽³⁾	2014
All governmental funds⁽¹⁾										
Reserved for encumbrances	\$ 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	72,191	65,300	157,500	156,000	95,000	43,500	-	-	-	-
Reserve for perpetual permanent funds	5,227,376	1,319,555	1,588,492	1,588,492	1,588,492	1,588,492	-	-	-	-
Total Reserved	8,820,338	5,580,539	6,293,350	6,696,650	7,414,993	8,121,280	-	-	-	-
Designated Unreserved	12,849,182	13,124,996	13,366,904	16,070,029	16,509,100	18,289,507	-	-	-	-
Undesignated	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	1,654,749
Restricted	-	-	-	-	-	-	27,107,030	37,311,546	29,485,301	28,494,530
Committed	-	-	-	-	-	-	22,466,249	26,363,315	25,056,206	27,219,500
Assigned	-	-	-	-	-	-	5,294,862	5,978,717	6,533,785	6,656,298
Unassigned	-	-	-	-	-	-	10,329,071	10,470,953	11,007,797	11,769,423
Total all governmental funds	\$ 39,094,323	\$ 43,014,801	\$ 46,610,930	\$ 54,321,779	\$ 56,944,603	\$ 69,300,940	\$ 66,829,637	\$ 81,740,918	\$ 73,735,854	\$ 75,794,500
General Fund										
Reserved for encumbrances	\$ 3,520,771	\$ 4,195,684	\$ 4,547,358	\$ 4,952,158	\$ 5,710,359	\$ 6,468,001	-	-	-	-
Reserved for advances	72,191	65,300	157,500	156,000	95,000	43,500	-	-	-	-
Total Reserved	3,592,962	4,260,984	4,704,858	5,108,158	5,805,359	6,511,501	-	-	-	-
Designated Unreserved	12,849,182	13,124,996	13,366,904	16,070,029	16,509,100	18,289,507	-	-	-	-
Undesignated	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	26,173,686
Assigned	-	-	-	-	-	-	5,294,862	5,978,717	6,533,785	6,656,298
Unassigned	-	-	-	-	-	-	10,329,071	10,470,953	11,027,473	11,790,868
Total General Fund	\$ 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	\$ 44,620,852
All other governmental funds										
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 21,142	\$ 21,287	\$ -	\$ -	\$ -	\$ -
Reserve for perpetual permanent funds	5,227,376	1,319,555	1,588,492	1,588,492	1,588,492	1,588,492	-	-	-	-
Total Reserved	\$ 5,227,376	\$ 1,319,555	\$ 1,588,492	\$ 1,588,492	\$ 1,609,634	\$ 1,609,779	\$ -	\$ -	\$ -	\$ -
Undesignated, reported in:										
Special revenue funds	6,941,291	6,893,059	7,816,687	8,440,924	9,301,673	9,347,520	-	-	-	-
Capital projects funds	3,595,443	5,706,133	6,608,544	11,164,120	10,853,843	20,179,357	-	-	-	-
Permanent funds	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	1,654,749
Restricted	-	-	-	-	-	-	27,107,030	37,311,546	29,485,301	28,494,530
Committed	-	-	-	-	-	-	2,506,028	3,731,631	2,432,001	1,045,814
Unassigned	-	-	-	-	-	-	-	-	(19,676)	(21,445)
Total all other governmental funds	\$ 16,225,775	\$ 18,675,070	\$ 21,208,314	\$ 25,387,538	\$ 24,754,244	\$ 34,429,976	\$ 31,217,483	\$ 42,653,564	\$ 33,550,391	\$ 31,173,648

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.

⁽³⁾ As restated

City of Portsmouth, New Hampshire

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013 ⁽³⁾	2014
Revenues										
Real estate taxes	\$ 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	\$ 72,964,294
Licenses and permits	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	5,140,721
Intergovernmental	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	11,214,081
Charges for service	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	14,657,539
Investment income	969,259	1,457,220	2,091,575	972,642	(193,673)	1,084,222	1,520,906	478,213	861,856	1,143,153
Interest on taxes	165,131	161,637	53,211	131,228	136,306	270,299	300,578	266,690	371,247	279,531
Fines and costs	984,797	1,160,661	1,080,900	924,357	970,280	892,889	853,011	848,243	809,832	747,940
Contributions	1,281,741	927,429	729,980	139,248	50,283	306,795	871,594	217,658	2,526,208	569,549
Other	579,262	626,357	576,909	568,229	594,945	441,635	954,176	456,282	715,816	1,850,862
Total revenues	82,885,066	81,124,370	86,865,103	87,572,893	92,977,810	97,216,933	97,211,969	97,568,616	101,132,394	108,567,670
Expenditures										
General government	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	7,950,275
Public safety	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	17,162,643
Education	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	45,679,948
Public works	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	9,170,490
Health and human services	539,600	649,923	604,410	646,877	705,227	692,997	642,402	607,995	663,744	673,703
Culture and recreation	2,611,083	2,699,189	3,336,256	3,072,046	3,007,027	3,064,439	3,207,984	3,268,232	3,194,516	3,594,783
Community development	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	1,039,811
Debt service										
Principal	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	7,394,905
Interest	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	3,045,212
Capital outlay ⁽¹⁾	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	17,434,367
Intergovernmental	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	4,667,200
Total expenditures	86,341,268	87,964,753	90,160,325	89,508,695	96,477,351	103,600,994	100,610,969	115,088,316	113,066,688	117,813,337
Excess of revenues										
Over(under) expenditures	(3,456,202)	(6,840,383)	(3,295,222)	(1,935,802)	(3,499,541)	(6,384,061)	(3,399,000)	(17,519,700)	(11,934,294)	(9,245,667)
Other Financing Sources (Uses)										
Bond premium	-	95,000	-	42,083	208,230	512,701	-	4,369,900	184,652	1,233,245
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	9,050,000
Issuance of refunding bond	-	-	-	-	-	-	-	17,325,000	-	-
Transfers in	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	2,932,606
Transfers out	(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)	(1,911,538)
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(19,622,983)	-	-
Total governmental activities	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	11,304,313
Net Change in fund balances	\$ (2,286,158)	\$ 3,920,478	\$ 3,596,129	\$ 7,710,849	\$ 2,622,824	\$ 12,356,337	\$ (2,471,303)	\$ 14,911,281	\$ (8,005,064)	\$ 2,058,646
Debt Service as a percentage of non-capitalized expenditures ⁽²⁾	8.93%	8.23%	8.91%	8.97%	9.40%	9.59%	10.04%	10.38%	11.88%	10.41%

⁽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.

⁽³⁾ As restated

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			
2014	\$ 20,961,597	\$ 867,053	\$ 496,895	\$ 796,239	\$ -	\$ 23,121,784	\$ 9,569,274	\$ 3,132,231	\$ 2,308,682	\$ 1,021,068	\$ 16,031,255	\$ 7,090,529	\$ 79,662,838
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	1,726,034	1,728,540	843,505	11,473,596	1,451,454	42,722,839
2005	8,697,265	475,729	319,687	2,315,412	82,644	11,890,737	6,585,635	1,778,086	1,172,921	815,688	10,352,330	1,538,407	41,271,385

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			
2014	\$ 8,191,372	\$ 618,554	\$ 304,652	\$ 142,381	\$ -	\$ 9,256,959	\$ 4,202,136	\$ 1,419,960	\$ 879,823	\$ 510,534	\$ 7,012,453	\$ 2,244,506	\$ 34,904,778
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

**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			
2014	\$ 12,770,225	\$ 248,499	\$ 192,243	\$ 653,858	\$ -	\$ 13,864,825	\$ 5,367,138	\$ 1,712,271	\$ 1,428,859	\$ 510,534	\$ 9,018,802	\$ 4,846,023	\$ 44,758,060
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

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
2014	\$ 72,721,967	\$ 143,413	\$ 279,531	\$ 73,144,911
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

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
2014	\$ 72,401,876	\$ 70,320,311	97.1%	\$ 2,081,565	\$ -	\$ 2,081,565	\$ 70,320,311	97.1%	8,540	133	1.6%
2013	70,007,505	67,688,563	96.7%	2,318,942	1,903,461	415,481	69,592,024	99.4%	8,522	172	2.0%
2012	67,841,808	65,297,485	96.2%	2,544,323	2,303,541	240,782	67,601,026	99.6%	8,457	208	2.5%
2011	67,027,315	64,531,067	96.3%	2,496,248	2,483,017	13,231	67,014,084	100.0%	8,360	214	2.6%
2010	64,141,858	61,788,074	96.3%	2,353,785	2,312,864	40,921	64,100,937	99.9%	8,321	204	2.5%
2009	63,263,633	61,011,224	96.4%	2,252,409	2,244,656	7,753	63,255,880	100.0%	8,299	235	2.8%
2008	60,035,344	57,924,795	96.5%	2,110,549	2,110,068	481	60,034,863	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%

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							
2014	\$ 61,620	\$ 2,327,198,200	\$ 1,612,709,460	\$206,444,495	\$ 4,146,413,775	\$ 49,810,200	\$ 4,096,603,575	\$ 16.77	\$ 4,526,473,144	91.6%	
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%	

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 2014 Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>FY 2005 Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Public Service Co of NH	Utility	\$ 171,965,017	1	4.20%	\$ 108,531,311	1	3.56%
HCA Health Services of NH Inc.	Hospital	80,374,800	2	1.96%	41,580,700	2	1.36%
TGM Beechstone LLC	Apartments	42,722,200	3	1.04%			
Service Credit Union	Bank	39,575,360	4	0.97%			
Liberty Mutual Insurance	Office Building	35,443,700	5	0.87%	34,980,200	3	1.15%
Northern Utilities	Utility	32,251,478	6	0.79%			
Inishmaan Assoc LTD Partnership	Apartments	23,578,000	7	0.58%	18,721,860	7	0.61%
Bromley Portsmouth LLC	Retail	21,644,000	8	0.53%	18,259,000	8	0.60%
DSQ Holding LLC	Retail	20,976,100	9	0.51%	18,827,700	6	0.62%
Harborside Assoc.	Hotel	19,485,600	10	0.48%	20,257,100	4	0.66%
Harbor Place Group LLC	Office Building				20,018,400	5	0.66%
325 Corporate Drive II LLC	Office Building				13,910,600	9	0.46%
273 Corporate Dr LLC	Office Building				13,168,400	10	0.43%
Total Principal Taxpayers		<u>\$ 488,016,255</u>		11.91%	<u>\$ 308,255,271</u>		10.11%
Total Net Assessed Taxable Value		<u><u>\$ 4,096,603,575</u></u>			<u><u>\$ 3,047,711,379</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	
2014	\$ 8.72	\$ 5.56	\$ 2.49	\$ 8.05	\$ 16.77	\$ 1.14	\$ 17.91	\$ 16.10
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

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
2014	\$ 7,300,831	\$ 13,100,514	1,538,972	1,151,863	\$ 4.15/5.00	\$ 10.68/11.75	\$ 14.83/16.75
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

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
2013	\$ 4,481,154,370	\$ 45,318,774	\$ 4,526,473,144	\$ 41,972,510,217	10.7843756%	2014	\$ 43,873,563	\$ 4,667,200	\$ 240,257	5.4%
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%

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Issued Debt at June 30										
City Depts.	\$ 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	\$ 27,511,103
City-Unamortized Bond Premium	-	-	-	39,979	37,875	148,923	141,161	847,236	954,977	1,741,039
Landfill	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	1,097,144
School Dept.	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	51,915,000
School-Unamortized Bond Premium	868,578	817,485	766,393	715,300	664,207	1,012,662	941,592	4,526,586	4,186,573	4,198,367
Total Governmental Funds	49,973,866	55,567,869	56,618,869	60,179,850	59,443,747	71,095,345	64,688,608	90,376,774	84,653,598	86,462,654
Water Fund	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	24,971,873
Water-Unamortized Bond Premium	-	-	-	-	627,995	596,597	565,192	533,796	502,396	883,158
Sewer Fund	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	52,926,789
Sewer-Unamortized Bond Premium	-	-	-	-	-	-	-	772,748	870,421	2,414,740
Total Issued Debt at June 30	\$ 80,901,491	\$ 83,975,042	\$ 82,680,590	\$ 83,896,120	\$ 105,816,783	\$ 114,534,857	\$ 106,519,264	\$ 145,103,957	\$ 145,769,131	\$ 167,659,214
Authorized Unissued Debt June 30										
City Depts.	\$ 10,000,000	\$ 17,038,000	\$ 17,500,000	\$ 27,500,000	\$ 12,500,000	-	\$ 6,900,000	-	\$ 1,600,000	\$ 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	\$ 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	\$ 6,241,897
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	13,162,303
Sewer Fund	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	3,110,425
Total Authorized Unissued Debt June 30	\$ 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	\$ 22,514,625
Gross Debt June 30										
City Depts.	\$ 21,892,000	\$ 36,688,000	\$ 40,365,000	\$ 55,589,978	\$ 42,067,874	\$ 27,533,923	\$ 31,061,161	\$ 28,402,237	\$ 28,281,977	\$ 30,852,142
Coakley Landfill	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	5,739,041
School Dept.	35,068,578	33,117,485	31,666,393	29,715,300	27,714,207	64,112,662	61,291,592	60,451,586	59,961,573	56,113,367
Total Governmental Funds	64,615,763	77,247,766	79,260,766	92,321,747	76,585,644	98,237,242	98,730,505	95,018,671	94,195,495	92,704,551
Water Fund	5,911,104	17,626,016	16,631,048	16,303,520	41,503,987	41,100,061	39,656,877	38,303,018	36,701,901	39,017,334
Sewer Fund	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	58,451,954
Total Gross Debt June 30	\$ 118,043,388	\$ 140,957,433	\$ 139,944,377	\$ 150,659,907	\$ 161,349,672	\$ 179,217,999	\$ 178,719,995	\$ 184,114,456	\$ 177,179,630	\$ 190,173,838
Base Value for Debt Limits (1)										
	\$ 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	\$ 4,481,154,370
Legal Debt Limits (% of Base Value)										
City - 3% (2)	\$ 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	\$ 134,434,631
School - 7% (2)	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	313,680,806
Water - 10% (2)	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	448,115,437
Debt Against Legal Debt Limits										
City Depts.	21,892,000	36,688,000	40,365,000	55,589,978	42,067,874	27,533,923	31,061,161	28,402,237	28,281,977	30,852,142
School Dept.	35,068,578	33,117,485	31,666,393	29,715,300	27,714,207	64,112,662	61,291,592	60,451,586	59,961,573	56,113,367
Water Fund	5,911,104	17,626,016	16,631,048	16,303,520	41,503,987	41,100,061	39,656,877	38,303,018	36,701,901	39,017,334
Exempt from Legal Debt Limits (3)	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	64,190,994
Total Debt at June 30	\$ 118,043,388	\$ 140,957,433	\$ 139,944,377	\$ 150,659,907	\$ 161,349,672	\$ 179,217,999	\$ 178,719,995	\$ 184,114,456	\$ 177,179,630	\$ 190,173,838
Unused Capacity of Legal Debt Limits										
City Depts.	\$ 82,915,487	\$ 78,066,990	\$ 84,686,312	\$ 66,929,470	\$ 85,280,313	\$ 95,833,800	\$ 90,271,739	\$ 95,468,267	\$ 98,871,827	\$ 103,582,489
School Dept.	209,482,226	234,644,158	260,120,003	256,163,412	269,431,563	223,745,357	221,818,508	228,579,591	236,730,638	257,567,439
Water Fund	343,447,187	364,890,617	400,206,659	392,094,639	382,989,970	370,125,681	364,786,122	374,598,663	387,144,115	409,098,103
% of Legal Debt Limits Used										
City Depts.	20.9%	32.0%	32.3%	45.4%	33.0%	22.3%	25.6%	22.9%	22.2%	22.9%
School Dept.	14.3%	12.4%	10.9%	10.4%	9.3%	22.3%	21.6%	20.9%	20.2%	17.9%
Water Fund	1.7%	4.6%	4.0%	4.0%	9.8%	10.0%	9.8%	9.3%	8.7%	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 and State Revolving Loans						
Fiscal Year	City Depts.	School Dept.	Total	% of Debt to Taxable Assessed Value	Debt per Capita	% of Debt to Personal Income
2014	\$ 30,349,286	\$ 56,113,367	\$ 86,462,653	2.11%	\$ 4,063	10.1%
2013	27,992,025	56,661,573	84,653,598	2.09%	3,979	10.1%
2012	29,925,188	60,451,586	90,376,774	2.28%	4,262	10.8%
2011	25,897,016	38,791,592	64,688,608	1.66%	3,047	8.5%
2010	29,482,683	41,612,662	71,095,345	1.87%	3,440	9.0%
2009	31,729,540	27,050,000	58,779,540	1.55%	2,864	7.7%
2008	30,424,571	29,000,000	59,424,571	1.59%	2,883	8.0%
2007	25,452,476	30,400,000	55,852,476	1.52%	2,684	7.7%
2006	22,450,384	32,300,000	54,750,384	1.76%	2,608	7.8%
2005	14,905,288	34,200,000	49,105,288	1.61%	2,332	7.2%

Business-Type Activities - General Obligation Debt and State Revolving Loans						
Fiscal Year	Water Fund	Sewer Fund	Total	Debt per capita	% of Debt to Personal Income	
2014	\$ 25,855,031	\$ 55,341,529	\$ 81,196,560	\$ 3,816	9.5%	
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%	

Fiscal Year	Total Debt Primary Government	to Assessed Value	Debt per capita	% of Debt to Personal Income
2014	\$ 167,659,213	4.1%	\$ 7,879	19.6%
2013	145,769,131	3.6%	6,852	17.4%
2012	145,103,957	3.7%	6,843	17.4%
2011	106,519,264	2.7%	5,017	14.0%
2010	114,534,857	3.0%	5,542	14.5%
2009	104,524,582	2.8%	5,094	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%

Data Source:
Finance Department Records

City of Portsmouth, New Hampshire

Direct and Overlapping Governmental Activities Debt As of June 30, 2014.

	End of Calendar Year	Net General Obligation Debt Outstanding ⁽¹⁾	Percentage Applicable to Portsmouth ⁽²⁾	Amount Applicable to Portsmouth
Rockingham County	2013	\$9,168,517	10.7843756%	\$ 988,767
			Subtotal, Overlapping Debt	<u>988,767</u>
City of Portsmouth Direct Debt				<u>86,462,654</u>
Total Direct Debt and Overlapping Debt				<u><u>\$ 87,451,421</u></u>

Data Sources:

⁽¹⁾ Rockingham County Audited Financial Statements are for calendar year-end, therefore, this amount is as of December 31, 2013.

⁽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
2014	21,280 ⁽¹⁾	\$ 853,562,080	\$ 40,111 ⁽⁵⁾	3.2%	4.3%	6.3%
2013	21,273 ⁽¹⁾	836,964,912	39,344 ⁽⁵⁾	4.2%	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%

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	2014			2005		
		Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
US Dept of State Consular Center (2)	Passport/Visa services	1,459	1	4.98 %			
Liberty Mutual	Insurance	1,013	2	3.46	1,800	1	6.55 %
HCA Hospital	Hospital	980	3	3.35	1,020	2	3.71
Lonza Biologics	Biotechnology	792	4	2.71	500	4	1.82
City of Portsmouth (FTEs)	Municipal services	700	5	2.39	715	3	2.60
John Hancock	Finance	400	6	1.37			
Bottomline technologies	Software	365	7	1.25			
Newmarket International	Software	274	8	0.94			
Teledyne D.G. Obrien	Manufacturer	260	9	0.89			
Direct Capital	Finance	250	10	0.85			
US Dept of State National Visa Center (2)	Visa services				380	5	1.38
Erie Scientific/Thermo Fisher	Laboratory equipment				350	6	1.27
US Dept of State National Passport Center (2)	Passport Services				330	7	1.20
Demoulas Market Basket	Supermarkets				300	8	1.09
Pan Am Airlines/Boston Maine	Airline				300	8	1.09
Shaws Supermarkets	Supermarkets				270	10	0.98
Total Principal Employers		6,493		22.18 %	5,965		21.69
Total City Employment (1)		29,274			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.
- (2) US Dept of State National Visa and Passport Centers combined in FY2014 to US Dept of State Consular Center

City of Portsmouth, New Hampshire

Operating Indicators by Function

Last Ten Fiscal Years

Function ⁽¹⁾	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Taxable property parcels assessed	7,960	8,045	8,197	8,268	8,299	8,321	8,360	8,457	8,522	8,540
Registered Voters	16,140	16,269	16,618	17,461	19,188	17,945	18,463	13,858	17,047	15,894
Votes Cast:										
Municipal Election		4,078		4,142		3,904		3,654		4,755
State Primary	2,786				2,009		2,812		3,318	
State General Election			7,665				8,434			
Presidential Primary				9,586				4,832		
Presidential General	12,805				13,135				13,215	
Building Permits	886	913	917	962	833	845	853	866	882	880
Estimated construction value	\$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	\$73,323,755
Public Safety										
Police										
Service Calls	36,192	41,843	40,335	38,248	35,931	33,742	31,115	36,782	38,673	39,963
Number of Arrests	1,424	1,435	1,607	1,553	1,361	1,266	1,189	1,137	1,113	1,144
Number of Traffic Violations										
Citations	1,911	2,037	1,424	1,430	1,113	703	703	402	418	308
Accidents	821	796	731	763	773	703	1,057	1,112	1,121	692
DWI arrests	173	129	166	117	131	89	68	51	57	49
Fire and EMS										
Fire Rescue	2,287	2,309	2,595	2,287	2,535	2,570	2,472	2,473	2,553	2,418
Ambulance	2,443	2,295	2,332	2,338	2,447	2,562	2,970	3,026	3,134	3,124
Education ⁽²⁾										
High School Fall Enrollment	1,134	1,078	1,091	1,073	1,052	1,072	1,120	1,100	1,129	1,075
Public Works										
Parking Enforcement										
Parking violations (Tickets written)	65,496	70,616	72,674	64,901	62,803	58,291	52,806	57,218	48,357	43,371
Streets resurfaced (miles)	3.57	3.58	5.45	3.77	4.20	2.80	0.86	6.69	5.75	9.70
Human Services - General Assistance										
Number of applicants	597	819	700	586	845	681	628	597	684	616
Culture and Recreation										
Public Library										
Circulation of materials	344,514	349,290	375,196	443,371	484,735	488,630	476,721	474,687	449,548	424,828
Annual visits	256,464	262,980	271,774	285,495	293,772	455,834	295,682	275,698	295,485	329,771
Water System:										
Water main breaks	29	29	38	26	32	41	10	27	29	37
Daily average consumption (millions of gallons)	4.3	4.9	4.6	4.7	4.4	4.4	4.5	4.6	4.4	4.7
Peak daily consumption (millions of gallons)	6.4	6.6	7.3	5.7	5.3	5.0	5.2	7.1	7.1	5.6
Sewage System:										
Daily average treatment (millions of gallons)	6.2	6.6	6.2	5.6	6.8	6.7	5.9	5.8	5.4	4.2

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of vehicles	30	31	31	30	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	17	17	18	18	18	19	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	105	105	105	105	105
Number of street lights	1,758	1,758	1,758	1,758	1,758	1,705	1,705	1,705	1,705	1,716
Number of bridges	16	16	16	16	16	15	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	2	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	176	186
Number of service connections	7,882	7,891	7,856	7,887	7,888	7,915	7,955	7,963	8,035	8,023
Storage capacity in gallons (millions of gallons)	9.6	9.6	9.6	9.5	9.5	9.5	9.5	10.4	10	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	5.0	4.5
Number of fire hydrants	1,046	1,015	1,022	1,072	1,081	1,081	1,087	970	970	1,013
Sewage System:										
Miles of sanitary sewers	100	100	107	107	107	107	108	108	108	106
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of service connections	6,153	6,204	6,247	6,252	6,284	6,293	6,310	6,342	6,244	6,392
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	25.3

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Executive	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finance	19.0	19.0	18.5	18.0	17.8	17.8	17.0	17.6	17.6	17.8
Human Resources	3.0	3.0	3.0	3.0	3.0	3.0	3.4	3.4	4.0	4.0
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	5.5	5.5	5.5	6.0	6.0	5.0	5.0	5.5	5.5
Planning	5.1	5.9	6.1	6.2	6.2	6.2	6.2	5.0	6.0	7.5
Inspection	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	5.1
Health	1.0	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total General Government	42.6	44.3	44.0	43.6	44.0	44.0	42.6	42.0	44.1	46.3
Public Safety										
Police - Sworn Officers:										
General Fund Funded	64.3	64.6	64.6	63.6	65.1	64.1	64.0	61.0	59.6	59.2
Grant Funded	4.7	4.4	4.4	4.4	2.9	2.9	1.0	1.0	2.4	1.8
Dispatch	11.0	11.0	10.0	10.0	11.0	10.0	10.0	10.0	10.0	10.0
Parking Enforcement	-	-	-	-	-	-	-	-	-	-
Police - Non-sworn employees:										
General Fund Funded	10.3	9.8	11.2	12.2	12.4	10.4	9.0	9.0	8.9	9.0
Grant Funded	0.8	0.8	0.9	0.9	0.6	0.6	2.0	2.0	2.1	2.1
Total Police Department	91.1	90.6	91.0	91.0	92.0	88.0	86.0	83.0	83.0	80.0
Fire and Rescue	59.0	59.0	59.0	60.0	61.0	61.0	59.0	59.0	60.0	60.0
Fire Clerical	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total Public Safety	150.1	149.6	151.5	152.5	154.5	150.5	146.5	143.5	144.5	141.5
Education										
Administrators	14.2	13.1	14.0	14.0	14.1	14.1	14.1	12.2	13.2	13.2
Teachers	251.9	253.5	253.4	253.9	254.7	253.2	241.9	233.9	241.8	240.96
Clerical	24.8	25.3	25.0	23.8	23.3	22.8	22.5	21.7	20.7	20.7
Paraprofessional	47.6	46.5	41.4	41.4	49.1	46.5	40.0	45.4	43.2	42.7
School custodians	23.3	24.3	24.3	24.3	24.3	24.3	23.9	23.9	25.4	24.9
Security	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Technicians	6.7	8.5	7.0	7.0	6.9	6.9	7.8	7.0	7.0	7.0
System maintenance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0
Total Education	375.5	378.2	371.0	370.3	378.4	373.8	356.2	349.0	356.3	354.4
Public Works										
General Fund functions	57.0	57.0	60.0	60.0	60.7	60.7	60.7	58.5	58.5	59.3
Parking Fund	12.2	13.2	14.2	14.5	14.5	16.9	16.9	16.9	17.5	18.7
Water	24.8	24.8	24.8	24.8	24.8	24.8	24.3	23.3	22.3	22.6
Sewer	22.8	22.4	23.4	23.4	23.4	23.4	22.8	22.8	24.0	27.4
Total Public Works	116.7	117.3	122.3	122.6	123.3	125.8	124.7	121.5	122.3	128.0
Culture and Recreation										
Recreation	8.5	8.5	8.5	8.5	8.5	7.5	4.5	4.5	5.2	5.3
Public Library	15.0	15.0	15.0	15.0	16.0	15.0	20.2	20.2	21.7	20.9
Total Culture and Recreation	23.5	23.5	23.5	23.5	24.5	22.5	24.7	24.7	26.9	26.2
Human Services										
Welfare	2.5	2.0	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5
Total Human Services	2.5	2.0	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5
Community Development										
Community Development	3.9	4.1	4.0	3.9	3.2	2.1	2.1	1.4	1.3	1.3
UDAG	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.2	1.2
Total Community Development	4.9	5.1	5.0	4.9	4.2	3.1	3.2	2.5	2.5	2.4
Total All Functions	715.8	719.9	719.3	719.4	730.8	721.1	699.3	684.6	698.1	700.3
Percent of Total										
General Government	6.0%	6.2%	6.1%	6.1%	6.0%	6.1%	6.1%	6.1%	6.3%	6.6%
Public Safety	21.0%	20.8%	21.1%	21.2%	21.1%	20.9%	21.0%	21.0%	20.7%	20.2%
Education	52.5%	52.5%	51.6%	51.5%	51.8%	51.8%	50.9%	51.0%	51.0%	50.6%
Public Works	16.3%	16.3%	17.0%	17.0%	16.9%	17.4%	17.8%	17.7%	17.5%	18.3%
Culture and Recreation	3.3%	3.3%	3.3%	3.3%	3.4%	3.1%	3.5%	3.6%	3.9%	3.7%
Human Services	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%
Community Development	0.7%	0.7%	0.7%	0.7%	0.6%	0.4%	0.5%	0.4%	0.4%	0.3%
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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