

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Comprehensive Annual Financial Report

For the Year Ended June 30, 2007



**Prepared by:
The Finance Department**

**Judith Belanger
Finance Director**

**Andrew Purgiel
Controller**

**Gail Cunningham
Controller**

City of Portsmouth, New Hampshire
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

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INTRODUCTION



CITY OF PORTSMOUTH

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

December 17, 2007

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, 2007, 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 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 an material misstatements.

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

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

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

PROFILE OF THE GOVERNMENT

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

The Organization of the Government

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

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

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

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

Services Provided

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

Water and sewer services are provided under an Enterprise Fund concept, with user charges set to ensure adequate coverage of operating expenses and payments on outstanding debt.

Budget Process

As required by the City of Portsmouth's Charter, the City Manager submits a recommended six-year Capital Improvement Plan 45 days before the submission of the fiscal year recommended budget. The fiscal year recommended budget must be submitted to the City Council at least 45 days before the start of the fiscal year. The budget is prepared and includes activities of the General Fund and Enterprise Funds by department and functions which require an appropriation.

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

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

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

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITIONS

Local economy

In FY07 there were many bright areas in the overall Portsmouth economic landscape. The City experienced low employment figures, slightly increased employment, improved commercial and industrial vacancy rates and significant private and public investment.

The unemployment rate for the City of Portsmouth remained low throughout the fiscal year, with an average unemployment rate of 2.9% for a local workforce of 13,500 workers. This figure is below the state's unemployment average of 3.7% and the national average of 4.6% during the same period.

According to the NH Economic Labor Market Information Bureau report, employment in the NH portion of the Portsmouth MetroNECTA was 59,400 for all non-farm employment

sectors. This is an increase of 1,900 from the last reporting period. As in the previous year, the largest gain (700 jobs) was in the leisure and hospitality sector reflecting the completion of several local hotel construction projects. This increase was followed by the government sector at 400 jobs reflecting additional employees at the National Visa and Passport centers and other government entities. The financial, manufacturing, business/professional and health/educational sectors remained the same as the previous year. The only sector showing a job loss compared to last year was the construction/natural resources sector with 100 fewer workers.

The loss in construction jobs was reflected in the overall number of building permits issued during the fiscal year. For the third consecutive year, construction indicators during the reporting period showed slower growth in the commercial/industrial sectors. During FY07 the City's Inspection Department issued 12 building permits for new industrial and business construction with a combined construction value of \$20 million. This compares to 19 permits with a construction value of \$39 million in the previous year.

On the residential side, 20 permits for new dwelling units were issued with a total construction value of \$7 million. This represents the same number of permits as the previous year, but 29% more construction value than in FY06.

Permits for renovations to existing structures increased 2% from the previous year with the majority being residential upgrades. During the reporting period, the City issued 358 permits for renovations to existing residential, business and industrial structures, for a combined construction value of \$25 million, compared to \$32 million in total construction value to FY06. Almost three quarters of the renovation permits were issued for residential upgrades with a total construction value of \$8.3 million.

The above construction figures represent a community experiencing substantial building upgrades, additions and renovations rather than new construction due to the city's limited supply of vacant developable land.

According to the New Hampshire Housing Finance Authority, the average cost of a single family home in 2006 increased slightly to \$350,000 while rents crept up to \$1,184 from \$1,086 in the prior year for a two-bedroom apartment including utilities. While this data underscores the fact that Portsmouth continues to be a desirable place to live, the downside is that housing costs continue to limit the ability of many families to find homes or apartments they can afford.

Ongoing city investment in infrastructure continues according to the City's Capital Improvement Plan. Municipal construction projects include sidewalk reconstruction, upgrades of major arterial and neighborhood roads, and sewer and water system improvements. Notable projects for the year include the reconstruction of lower Court Street, New Castle Avenue sidewalk and seawall, and streetscape improvements to lower Congress Street. Other projects include demolition of the Islington Street water tank, and improvements to the Deer Street pump station.

The City is also working to expand the current free wireless access in the downtown. The objective of this project is to expand the existing free Wireless Fidelity (WiFi) spots in the City in collaboration with several partners in the city including the Chamber of Commerce, educational institutions and local businesses. In the process, the project will create an opportunity for technology businesses to test their wireless innovations (VOIP, Podcasts, etc.) in a compact city environment. From an economic development perspective, this project will enable the Chamber of Commerce and the city to build the local high technology business sector, form a strategic alliance with UNH and build on its reputation as a progressive, entrepreneurial, and tech-savvy small city.

Another ongoing City initiative from the Master Plan is improvements to two major corridors that lead into the Central Business District. To that end, the City has hired consultants to develop improvement plans for Islington Street and Market Street. Conceptual planning for these projects will be complete in late winter 2008.

As analysts predicted, the commercial market showed slow signs of improvement in 2007. A recent report released by the New Hampshire branch of CB Richard Ellis, a global commercial real estate brokerage firm, indicates that commercial office vacancy rates in the Seacoast have remained stable over the past year, decreasing only slightly from 16.8% to 16.1%. Commercial rents averaged \$16 to \$21 per square foot in the Portsmouth office market, and \$12 to \$14 in other markets. Downtown Portsmouth and Pease Tradeport remain the most sought after real estate in the region.

The report also indicated that the industrial market showed minor growth. In this sector, the demand for warehouse and distribution space and industrial condominiums accounts for the positive change, whereas construction of speculative industrial buildings is flat. The Portsmouth market leads the region in absorption of industrial space for the last quarter of 2006. Vacancy rates in the industrial sector have improved from the previous two years and average lease rates of \$5.60 have remained the same.

Development and redevelopment project applications including retail, healthcare, hospitality, and commercial have been steady. Several large scale development projects are also underway in the city, particularly in the Northern Tier adjacent to downtown, at the Route 1 traffic circle and at Pease Tradeport.

Several notable projects downtown were completed or are underway. These include construction of a five-story mixed, commercial/residential building at 10 Congress Street adjacent to the North Church in Market Square, which was completed and is occupied; and initiation of two renovation/infill projects that have been proposed for Bridge and State streets.

In the Northern Tier, plans are underway for phase II of the Parade Mall Master Plan. This project includes a pedestrian broad walk and roadway flanked by four mixed use buildings with 70,000 square feet (or 15-20 shops) of retail on the street level; 28 condominiums offering 1,2 or 3 bedrooms; 150,000 square feet of office space; and an extended stay

hotel with 147 rooms. The project will be served by a 325 space underground parking garage.

Also in the Northern Tier, the HarborCorp Westin Hotel and conference facility project completed the local land use approval process and the former Portsmouth Herald building is slated for re-development as is 31 Raynes Avenue on the North Mill Pond waterfront. Collectively, these proposed Northern Tier projects constitute over one million square feet of development. The city continues to explore public/private partnership parking opportunities to support this proposed downtown development.

Notable retail projects in the suburban landscape include the opening of a one-story, 117,193 square foot Home Depot garden center and EMS retail store at the site of the former Portsmouth Business Circle Business Center at 500 Spaulding Turnpike. Two large retail centers off Lafayette Road were also sold and are being renovated. The first is Southgate Plaza, a 165,900 square foot shopping center with 11 tenants including Shaw's, Big Lots, Taco Bell and the Ninety-Nine to Waterstone Retail Development. The plan is to completely renovate and upgrade the center. The second sale is White Birch Plaza, a 40,000 square foot center, which is being renovated and renamed Heritage Commons.

Other developments of note include a proposed mixed-use renovation of the Meadowbrook Motel at the Route 1 Bypass traffic circle. Plans include a new 120-room hotel, a 30,000 square foot retail building, a drive-through fast food restaurant, and convenience store. To the southwest, off Borthwick Avenue, the Portsmouth Regional Hospital is planning a \$63 million, 68,000 square foot expansion for cardiac and diagnostic services. Also slated for construction on Borthwick Avenue is Phase II of the Millennium office building.

Pease International Tradeport continues to increase employment and hit a new high of 6,400 employees in 2006. The relocation of Seacoast Media Corporation to the Tradeport and the continued expansion of Lonza Biologics are testimony to the diversity of companies attracted to the Tradeport. With \$333 million in assessed value and a total market value of \$401 million in taxable private investment, development at the Tradeport is a significant contributor to the City's tax base and to the economic vitality of the region.

Notable activity at the Tradeport aside from that mentioned above is the intention of John Hancock to relocate offices to Pease and lease 102,000 square feet at 164 Corporate Drive. The company plans to hire 200 employees to provide customer care operations and redundant services supportive of its North American operations. New offices are also proposed by Two International Group at 65 and 29 New Hampshire Avenue, and a 69,000 square foot addition is proposed for 100 Arboretum Drive.

In 2006, passenger service at Pease International Airport suffered a temporary setback with the loss of Allegiant Airlines, a discount passenger airline that began making flights from the Pease International Tradeport in October 2005. However, in May 2007, SkyBus Airlines, a no frills airlines from Ohio, began flights from Pease to select second tier

airports. The company plans to roll out flights to new destinations regularly in the coming year as it investigates Pease as a focus airport.

Also new to the airport are two airline organizations. One is Alpha Flying Inc., (AFI), an aircraft management company with 25 fractional ownership planes and its sister company Atlas Pilatus Center Inc. (APC) which services the AFI fleet.

Economic indicators for the city of Portsmouth in FY07 show continued low unemployment, modest job growth, slightly higher housing costs, a stable real estate market and strong private investment. The cost of property and land continues to present challenges for entry level buyers, but the city is committed to exploring opportunities to create workforce housing as well as the possibility of statewide legislation to enlist all communities to work towards this end in order to ensure continued economic prosperity.

Major Initiatives

Northern Tier Feasibility Study Implementation – Phase II of Parade Mall

Redevelopment - The major redevelopment of the urban renewal parcel known as Parade Mall continues with local land use approvals for Phase II. This project, called Portwalk, includes a main pedestrian broad walk and roadway flanked by four mixed use buildings with 70,000 square feet (or 15-20 shops) of retail on the street level, 28 condominiums offering 1,2 or 3 bedrooms; 150,000 square feet of large plate office space and an extended stay hotel with 147 rooms. The project will be served by a 325 space underground parking garage.

Corridor and Gateway Planning – In accordance with the City's Economic Development Commission Action Plan, the City is undertaking conceptual and action planning for two major corridors leading to the City's central business district. Consultants have been hired to prepare plans for the Islington Street corridor and the Market Street gateway off of Interstate 95. Plans will be complete in spring 2008.

Sustainability Initiatives - Under the leadership of the City Council and the guidance of its Committee on Sustainable Practices, the City continues to implement numerous policy and programmatic initiatives, which further the principles of sustainability and insure long-term cost savings for municipal operations. These efforts include completion in January 2007 of the new "green" public library, which received silver-level Leadership in Energy and Environmental Design (LEED) certification. The building design not only focused on using recycled materials and materials that would insure indoor air quality, but the efficient long-term use of water, natural gas and electricity, which has already translated into substantial energy cost savings. The City is also in various stages of design on three new "green" municipal facilities – the Water Treatment Plant, Middle School and fire substation -- all of which will seek LEED certification.

The City continues to make energy efficient, cost saving upgrades to existing municipal facilities as well. For example recent installation of three new energy-efficient motors and drives at the Deer Street Pump Station resulted in an immediate \$83,000 PSNH rebate

and will also result in future, ongoing electricity use reductions and annual cost savings. In addition, the City has expanded its recycling program, which continues to reduce the volume of land filled waste as well as tipping fees; reviewed opportunities to purchase electricity on a more competitive basis; initiated a pilot biodiesel program for the City fleet; completed a grant-funded greenhouse gas emissions inventory to be used as a baseline tool to guide the City toward setting targets to reduce energy consumption and corresponding greenhouse gas emission; and continues to provide residents with water conservation kits and to expand its public transit system.

Streets and Sidewalk Improvements - In FY07, the City continued investment in the vital infrastructure of streets and sidewalks. Construction was started on the replacement of the Newcastle Avenue seawall and associated sidewalk/roadway improvements. These improvements included a new pre-cast seawall, sidewalks, curbing, pedestrian protective rail system, lighting and landscaping. The design of the replacement of the B&M Railroad Bridge on Rte 33, along with safety improvements to the approaches, proceeded into final design with an estimated construction cost of \$6,000,000. In the downtown business district, sidewalk improvements were constructed on Congress Street that included brick sidewalks, landscaping areas, trees and period lighting. Jointly funded projects in the Lincoln Avenue Area and Court Street included new sanitary sewers, water lines, storm drainage, curbing, concrete/brick sidewalks, period lights and trees. Funding was approved to continue the Citywide Sidewalk Reconstruction Program along with the Street Pavement Management and Rehabilitation long range plan. The signal system at the intersection of South Street, Sagamore Avenue and Miller Avenue was replaced with modern equipment to increase vehicle and pedestrian safety, through the Citywide Traffic Signal upgrade program. Last but not least funding was put in place to construct safety improvements to the heavily traveled intersection of Spinney Road at Islington Street.

Water/Sewer Initiatives:

- The City received a new permit from the Environmental Protection Agency (EPA) for the Peirce Island Wastewater Treatment plant which requires an upgrade from advanced primary to secondary treatment. The City has begun a three year project to perform a wastewater master plan that will identify the course of action to bring the city into compliance with the discharge permit. This will include selection of a site for the new plant as well as the treatment technology to be used.
- The Sewer Division substantially completed its upgrade to the Deer Street Pump Station. This station is the second largest pump station in the system. The capacity of the station was increased 33% from 9 mgd to 12 mgd. The new system includes premium efficiency motors and variable frequency drives that were designed for energy efficiency. The station which is located at the entrance to the City's downtown area was upgraded architecturally to provide an aesthetically pleasing structure at this gateway location
- The City substantially completed three collection system projects: the lower Court Street sewer separation project, the Borthwick Avenue sewer main replacement

and the Pleasant Point sewer extension. The lower Court Street project included the installation of 1,200 feet of new separated sanitary sewer, drainage improvements and streetscape upgrades. The project resulted in the elimination of one of the four existing combined sewer overflows remaining in the City. Borthwick Avenue sewer replacement project replaced 2,100 feet of leaking clay sewer pipe with a new PVC sewer line. These projects resulted in a decrease of flow up to one million gallons per day at the Peirce Island Wastewater Treatment Plant. The Pleasant Point sewer extension project expanded the city sewer main to homes with failing septic systems.

- The Water division is in the process of designing a new dissolved air floatation treatment plant. The new plant will replace the existing 50 year old plant on the same site in Madbury. The new plant will allow the City to meet current and future regulatory standards for water quality.
- The Water division distributed over 1,700 water conservation kits during FY07 to residential customers. These kits were purchased by the Water Division and distributed to customers at no expense to the customer. The project is apart of the division's formal water conservation plan.

Long-Term Financial Planning

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

Statewide Property Tax – In September 2006, the New Hampshire Supreme Court ruled unconstitutional part of the State's most recent education funding formula that had allowed Portsmouth to dedicate the Statewide Property Taxes raised in Fiscal Years 2006, 2007 and 2008 to funding education within Portsmouth. This new funding formula had resulted in a major positive financial impact for Portsmouth after being forced since 1999 to raise an additional \$11,750,318 in Statewide Property Taxes for redistribution to other communities. Following the Supreme Court ruling, the Legislature defined an "adequate education" in FY07 and began to cost out that definition in FY08 with an expectation of devising a new education funding formula in the near future. Because the Legislature has not completed the costing process, it is impossible to predict the components and funding mechanism(s) of any future formula, which creates a degree of uncertainty for Portsmouth's financial planning. However, the City is actively monitoring the process and will financially manage should it be forced to raise excess Statewide Property Taxes in the future.

Bond Rating-The City continues to work to maintain its strong position and improve its credit ratings. During FY07, Standard & Poor's bond rating agency and Moody's Investors Service affirmed the City of Portsmouth bond rating of AA and Aa3 respectively. Standard and Poor's indicated that the AA rating reflects the City's strong tax base growth; continued strong financial performance and above-average reserve levels; and moderate

and manageable debt burden. Moody's Investors Service indicated that the Aa3 rating reflects health growth of the City's diverse tax base and a strong, stable financial position with health reserves and manageable debt burden. These bond ratings will result in future savings in interest payments.

HarborCorp Hotel and Conference Facility- HarborCorp LLC has received all land use approvals for this project which involves a public/private partnership to develop the vacant surface parking lot across from the existing Sheraton. The development will include a conference facility containing 18,500 square-foot flexible meeting and banquet space for up to 1000 people, a 200+ room Westin Hotel, 21 condominium residences and shared public/private parking garage with roughly 657 spaces. The project will bring the City an estimated \$750,000 in new annual property tax payments and 300 new full and part-time jobs as well as an estimated \$16 million in indirect economic benefits. The City Council approved a \$15 million municipal bond for the public parking structure which the City will purchase from HarborCorp when built. Project is currently in litigation.

Mayor's Blue Ribbon Committee on Building Reuse- In 2006 Mayor Steve Marchand convened the Blue Ribbon Committee to advise City officials and the City Council on the opportunities associated with six City-owned buildings. The Committee completed its work in January 2007 and submitted a report with recommendations on a consistent process and criteria for evaluating building re-use opportunities. The City is currently working on re-use plans for two of the six buildings. It is working with the Portsmouth Housing Authority on development of elderly housing for the Lafayette School. In addition, the City is also working with the Portsmouth Historical Society on a long-term lease for re-use of the old public library as a visitor welcome and cultural/local history interpretive center.

Adoption of Tax Increment Financing Legislation – in 2006 the City Council adopted New Hampshire RSA 162-K, the state regulation that allows a community to adopt Tax Increment Financing districts (TIF). With this action the City is able to employ a TIF as a method of targeting tax revenue to a specified area of the municipality to finance improvements. The City's Economic Development Commission has researched TIF for potential financing for streetscape and infrastructure improvements for future economic development initiatives.

Water and Sewer - City of Portsmouth is facing significant water and sewer capital costs in the next several years. Water projects include: water supply, treatment and distribution projects. Sewer Projects: continuation of the targeted sewer separations, pump station upgrades and treatment plant upgrades. In consideration of funding these projects, the City is in the process of incorporating recommendations from a water/sewer rate study that was completed in 2006 by an outside consulting firm. The FY08 water and sewer budgets reflect a two-step, inclining block rate structure, eliminating a single user rate for each fund. The inclining block method of billing provides an equitable method of financing operations and capital costs. The large volume users have a greater impact on system capacities, storage volume and pipe sizing; therefore they will be paying a higher average rate. Additional recommendations within the study will be consider, once the City governing documents have been updated.

Relevant Financial Policies

Undesignated Fund Balance

The City's Undesignated Fund Balance ordinance states that the City shall maintain an undesignated fund balance of at least 7% of prior year's appropriation with a goal of 10%. Over that last several years since this ordinance was adopted in 1997, the City has remained within this range. Again in FY07, the undesignated fund balance remained within this range at 9.6%.

Debt Service Planning

It is the policy of the City to keep operational net debt costs at no more than 10% of annual general fund expenditures toward net debt service payments. For FY07, the amount of net annual debt remains within the policy limits at 6.3% and is projected to remain within this limit for the next several years.

Cash Management

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

Cash temporarily idle during the year was invested in Money Market Accounts, Certificates of Deposit and the State Investment Pool. The City has a contract agreement with a financial institution that invests daily balances in overnight investments. Lock box collections are utilized for collection of real estate property taxes, parking tickets, and water and sewer payments.

A computer based cash management system is utilized each month. The average yield on investments was 4.16 percent. All investments held by the City (Excluding Trust Funds) are classified as Category 2 as defined by the Governmental Accounting Standards Board.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Portsmouth for its Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 1988, 1989, and for twelve consecutive years from 1995 to 2006.

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. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting 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 two consecutive years; fiscal year beginning July 1, 2006 and July 1, 2007. 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 our citizens, as well as continue to meet the national standard requirements established by GFOA.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the staff in the Finance Department as well as department heads. I wish to express my sincere appreciation to Andrew Purgiel, City Controller; Gail Cunningham, City Controller; and Nancy Carmer, Economic Development Manager, who assisted and contributed to the preparation of this report.

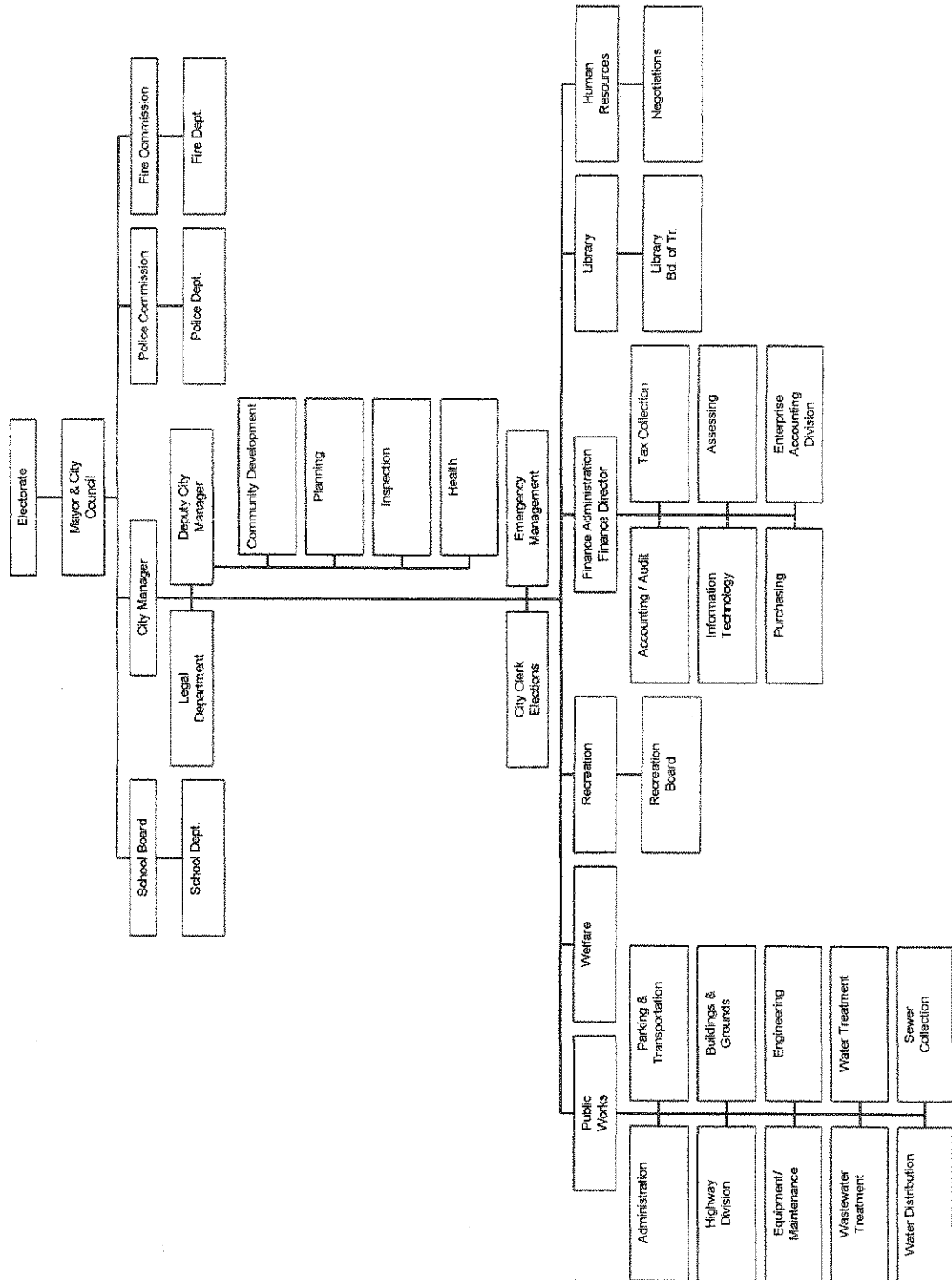
In closing, without the leadership and support of the City Council and that of City Manager John P. Bohenko, the excellent financial results reflected in this report would not have been possible.

Sincerely,

A handwritten signature in cursive script, reading "Judith A. Belanger". The signature is written in black ink and is positioned above the printed name and title.

Judith A. Belanger
Finance Director

City of Portsmouth, NH Organizational Chart



DIRECTORY OF OFFICIALS

CITY COUNCIL

Steve R. Marchand, Mayor

Thomas G. Ferrini, Ass't Mayor

Joanne M. Grasso	M. Chris Dwyer
Ned Reynolds	Laura C. Pantelakos
Harold Whitehouse	Kenneth E. Smith
John Hynes	

BOARD OF EDUCATION

Kent LaPage, Chairman

Nancy Claybrugh, Vice Chairman

John Lyons, Jr	Ann Walker
Henry Hayward	Sheri Ham Garrity
Carson T. Smith	Brendan Ristaino
Mitchell Shuldman	

PRINCIPAL EXECUTIVE OFFICERS

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

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Presented to

City of Portsmouth
New Hampshire

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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President

Executive Director

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FINANCIAL

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portsmouth, New Hampshire, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Portsmouth's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portsmouth, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, is not a required part of the basic financial statements but is supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management

Additional Offices:

regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
November 13, 2007

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, 2007. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

A. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of net assets exceeded liabilities by \$131,222,435, an increase of \$13,627,182 in comparison to the prior year.
- As of the close of the current fiscal year, total assets of governmental activities exceeded liabilities by \$86,679,374, an increase of \$11,806,960 in comparison with the prior year.
- At the end of the current year, total assets of business-type activities exceeded their liabilities by \$44,543,061, an increase of \$1,820,222 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$46,610,930, an increase of \$3,596,129 in comparison with the prior year.
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$7,330,854, an increase of \$377,103 in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$81,914,198, a decrease of \$1,243,359 in comparison to the prior year.

B. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Portsmouth's basic financial statements. The basic financial statements comprise of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Portsmouth's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Portsmouth include general government, public safety, education, public works, health and human services, culture and recreation, and community development. The business-type activities include water and sewer activities.

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for

governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water and sewer operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds of the City of Portsmouth.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the *Governmental Accounting Standards Board*.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2007	2006	2007	2006	2007	2006		
Current and other assets	\$ 54,661,919	\$ 49,707,817	\$ 20,252,938	\$ 19,451,114	\$ 74,914,857	\$ 69,158,931	\$ 5,755,926	8.32%
Capital assets	105,441,113	98,263,748	60,441,748	56,451,488	165,882,861	154,715,236	11,167,625	7.22%
Total assets	<u>160,103,032</u>	<u>147,971,565</u>	<u>80,694,686</u>	<u>75,902,602</u>	<u>240,797,718</u>	<u>223,874,167</u>	<u>16,923,551</u>	<u>7.56%</u>
Long-term liabilities	67,591,469	66,652,401	26,666,160	28,948,563	94,257,629	95,600,964	(1,343,335)	-1.41%
Other liabilities	5,832,189	6,446,750	9,485,465	4,231,199	15,317,654	10,677,949	4,639,705	43.45%
Total liabilities	<u>73,423,658</u>	<u>73,099,151</u>	<u>36,151,625</u>	<u>33,179,762</u>	<u>109,575,283</u>	<u>106,278,913</u>	<u>3,296,370</u>	<u>3.10%</u>
Net assets:								
Invested in capital assets, net of related debt	54,020,817	49,159,962	27,065,756	25,349,267	81,086,573	74,503,229	6,583,344	8.84%
Restricted	14,389,205	13,270,157	930,000	275,000	14,719,205	13,545,157	1,174,048	8.67%
Unrestricted	18,269,352	12,448,295	17,147,905	17,098,572	35,416,657	29,546,867	5,869,790	19.87%
Total net assets	<u>\$ 86,679,374</u>	<u>\$ 74,872,414</u>	<u>\$ 44,543,061</u>	<u>\$ 42,722,839</u>	<u>\$ 131,222,435</u>	<u>\$ 117,595,253</u>	<u>\$ 13,627,182</u>	<u>11.59%</u>

By far the largest portion of net assets reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. As of year-end, net assets invested in capital assets, net of related debt is \$81,086,573 or 62% of total net assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$14,719,205 or 11% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$35,416,657 or 27% may be used to meet the government's ongoing obligations to citizens and creditors.

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

During the current fiscal year, the government's net assets increased by \$13,627,182. About half of the increase is attributed to an increase in investments in capital assets net of related debt. Approximately forty percent of the increase represents the degree to which increases in ongoing revenues have outstripped similar increased in ongoing expenses.

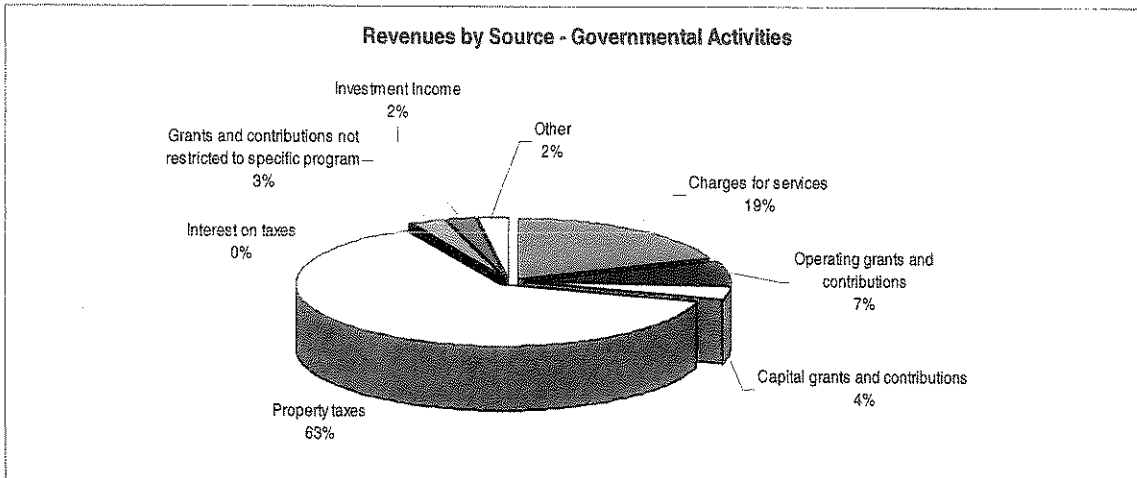
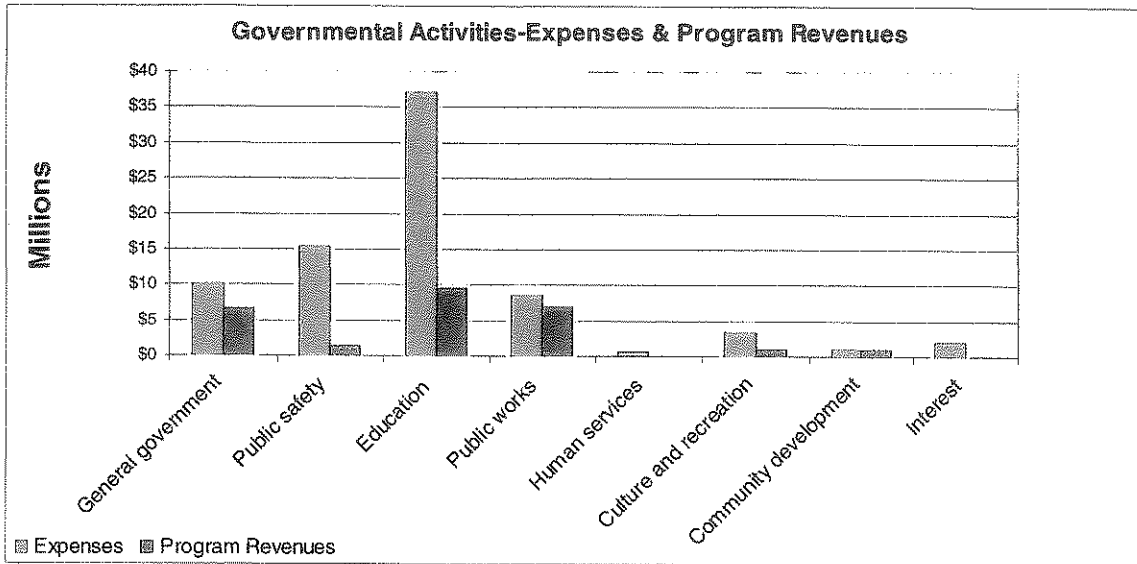
Financial Results- The following is a summary of condensed government-wide financial data of changes in net assets for the current fiscal and prior fiscal year.

Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2007	2006	2007	2006	2007	2006		
Revenues:								
Program revenues								
Charges for services	\$ 16,859,421	\$ 15,709,831	\$ 10,164,407	\$ 10,149,385	\$ 27,023,828	\$ 25,859,216	\$ 1,164,612	4.60%
Operating grants and contributions	6,114,428	6,863,657	-	-	6,114,428	6,863,657	(749,229)	-10.92%
Capital grants and contributions	3,218,420	1,254,435	1,825,343	2,292,234	5,043,763	3,546,669	1,497,094	42.21%
General revenues								
Property Taxes	55,593,628	52,585,511	-	-	55,593,628	52,585,511	3,008,117	5.72%
Interest on taxes	53,211	161,637	-	-	53,211	161,637	(108,426)	-67.06%
Grants and contributions not restricted to specific programs	2,451,530	2,409,456	-	-	2,451,530	2,409,456	42,074	1.75%
Investment income	2,091,576	1,841,714	579,360	400,787	2,670,936	2,042,501	628,435	30.77%
Other	2,200,704	195,370	-	-	2,200,704	195,370	2,005,334	1026.43%
Total revenues	86,582,918	80,821,611	12,569,110	12,842,406	101,152,028	93,664,017	7,488,011	7.89%
Expenses:								
General government	10,104,480	9,377,824	-	-	10,104,480	9,377,824	726,656	7.75%
Public safety	15,380,058	14,751,451	-	-	15,380,058	14,751,451	628,607	4.26%
Education	37,077,191	36,289,831	-	-	37,077,191	36,289,831	777,260	2.14%
Public works	8,606,872	7,937,471	-	-	8,606,872	7,937,471	669,401	8.43%
Health and human services	536,928	661,720	-	-	536,928	661,720	(124,792)	-18.86%
Culture and recreation	3,196,571	2,852,284	-	-	3,196,571	2,852,284	244,287	8.27%
Community development	908,111	1,031,186	-	-	908,111	1,031,186	(123,075)	-11.94%
Interest on long-term debt	2,124,035	2,286,755	-	-	2,124,035	2,286,755	(162,720)	-7.12%
Water operations	-	-	4,025,343	3,880,181	4,025,343	3,880,181	145,162	3.74%
Sewer operations	-	-	5,832,194	6,749,910	5,832,194	6,749,910	(917,716)	-13.60%
Total expenses	77,934,246	75,298,622	9,857,537	10,630,091	87,791,783	85,628,713	1,863,070	2.17%
Change in net assets before permanent fund contributions and transfers	10,648,672	5,522,989	2,711,573	2,212,315	13,360,245	7,735,304	5,624,941	72.72%
Contributions to permanent fund principal	266,937	-	-	-	266,937	-	266,937	100.00%
Transfers in (out)	891,351	760,861	(891,351)	(760,861)	-	-	-	0.00%
Change in net assets	11,806,960	6,283,850	1,820,222	1,451,454	13,627,182	7,735,304	5,891,878	76.17%
Beginning net assets	74,872,414	66,588,564	42,722,839	41,271,385	117,595,253	109,859,949	7,735,304	7.04%
Ending net assets	\$ 86,679,374	\$ 74,872,414	\$ 44,543,061	\$ 42,722,839	\$ 131,222,435	\$ 117,595,253	\$ 13,627,182	11.59%

Governmental activities. Governmental activities for the year resulted in an increase in net assets of \$11,806,960. Governmental activities realized benefits from the following significant transactions:

- An increase of \$8,028,244 or 10% in revenue compared to an increase of \$2,635,624 or 3.5% in expenses.
- Property tax, which is 63% of total revenues, increased by \$3,008,117 or 6%.
- Capital grants and contributions increased by \$1,963,985 or 156% mostly due to state aid received from the construction of the New Castle Avenue seawall.

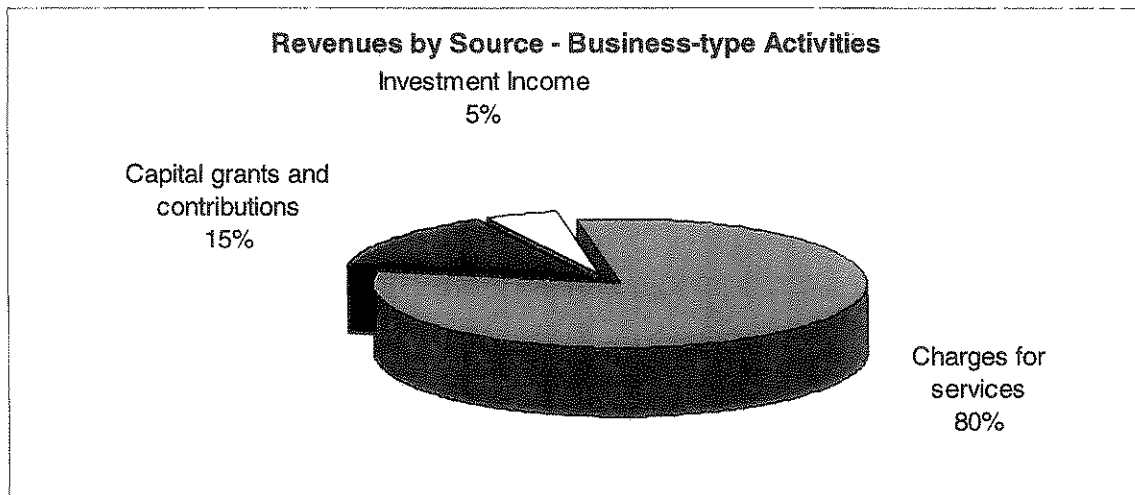
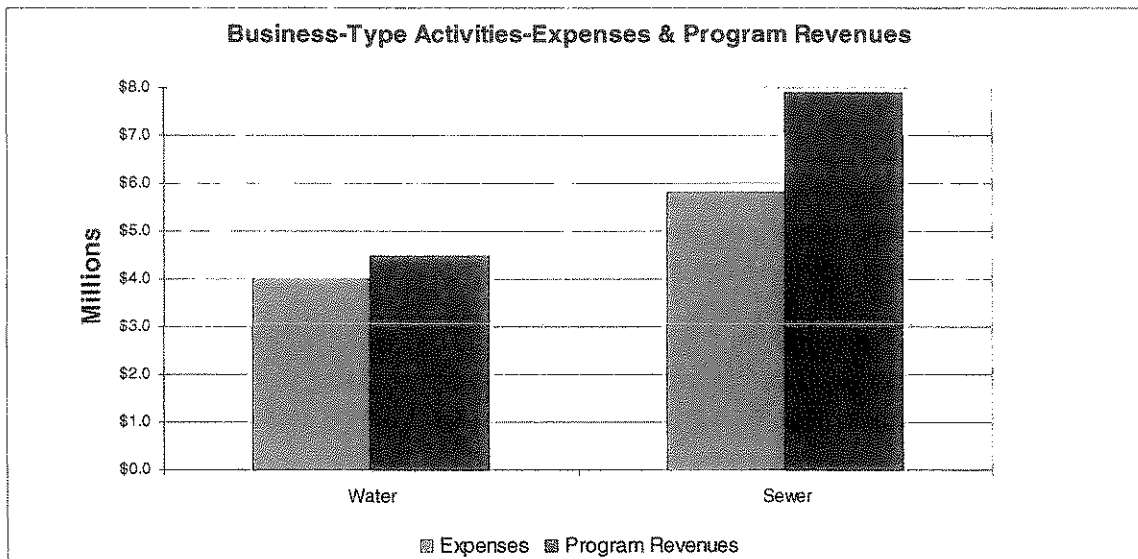


Business-Type activities. Business-type activities for the year resulted in an increase in net assets of \$1,820,222. The key elements of this change are as follows:

- Interest income increase of \$178,573 from prior year due to increased rates and investments.
- Contributions from the Pleasant Point customers for the sewer main extension of \$86,400.
- Grant reimbursement for sewer improvements from the State and Tribal Assistance Grant (STAG) program of \$25,304 and grant reimbursement for

monitoring gasoline ether contamination from the Gasoline Remediation and Elimination of Ethers (GREE) fund of \$32,284.

- Charges for services revenue exceeded expenditures by \$306,870. Electricity expenditures were reduced by \$95,000 due to pump replacements at key pump station location and reconfiguration of water production at various wells.
- The difference between the final water revenue budget and actual results for charges for services was (\$576,923). This was primarily a result of three major industrial users reducing consumption due to changes in their productions coupled with a decrease in the overall demand throughout the City.



D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

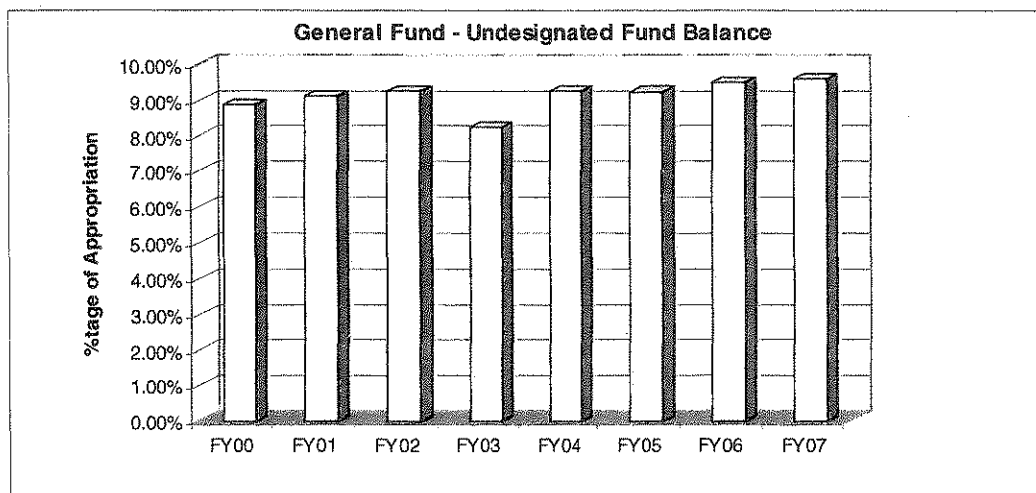
As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$46,610,930, an increase of \$3,596,129 in comparison with the prior year. This increase is attributable to strong results of general fund operations and the issuance of bonds not fully spent on capital outlay by June 30, 2007.

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

City Council adopted in 1997 the "Undesignated Fund Balance Ordinance" which mandates that the city will maintain an undesignated fund balance of at least 7% of prior year's appropriation with an ultimate goal of 10%.

Undesignated fund balance at the end of the fiscal year was \$7,330,854 or 9.6% of the original general fund budget. This is an increase of \$377,103 from prior year.

The following table demonstrates that over the last several years, the undesignated fund balance has remained within this range.



Total fund balance for the general fund at the end of the current fiscal year, was \$25,402,616 or 33% of the final general fund budget. This is an increase of \$1,062,885 or 4.4% from prior year. The key factors in this change are as follows

- A decrease of fund balance of \$2,609,352 from budgetary use of fund balance.
- A net increase to fund balance of \$1,814,343 from revenues and other financing sources exceeding final budget estimates. (Budget and actual comparison on page 42 includes an adjustment of (\$280,908) to recognize taxes on an accrual basis).
- A net increase of \$1,319,588 from remaining departmental appropriations.
- A \$538,306 increase of 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 non-major governmental funds was \$21,208,314, which is an increase of \$2,533,244 from prior year. Key factors in this change are as follows:

- Net decrease of \$3,275,054 from continued construction of the new Public Library, which was completed in the current year.
- Net increase of \$3,745,615 in transportation management, which had a bond issuance during the current year.
- Net increase of \$1,204,449 in building and infrastructure, which had a bond issuance during the current year.

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer funds at the end of the year amounted to \$17,147,305. This amount consists of the Water Fund of \$3,370,212, the Sewer Fund of \$13,777,093.

To provide adequate revenues to meet expenditures for operations, debt service, and capital improvements, the City Council approved new rates in FY07 for the Water and Sewer funds.

The Water fund rate increased from \$1.67 to \$1.85 per 100 cubic feet of water (748 gallons). This rate represents an increase of \$.18 or 10.8% over

last year's rate. This represents an average increase per household of \$15.00 annually or approximately \$1.25 per month.

The Sewer fund rate increased from \$4.70 to \$4.80 per 100 cubic feet. This rate represents an increase of \$.10 or 2% over last year's rate. This represents an average increase per household of \$12.00 annually or \$1.00 per month.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$1,120,952. Major reasons for these amendments include:

- \$299,645 allocated from unreserved, designated fund balance for leave at termination.
- \$1,137,415 allocated from unreserved, designated fund balance for property tax abatements.
- \$316,108 net decrease due to health insurance and water hydrants.

The difference between the final amended budget and actual results is a net excess of \$3,414,839 with revenues exceeding estimated budgets by \$2,095,251 and expenditures were less than the estimated budget by \$1,319,588. Significant variances include:

- Excess revenues in Licenses and Permits are attributed to an excess in building permits of \$318,436 resulting from new construction in the downtown area and Pease Development Authority.
- Excess revenues in Charges for Services consists mainly of \$132,050 from an increase in the Pease Development Municipal Services Agreement payments and \$178,526 from other departments mainly from parking facility leases and usage.
- Excess revenues in Investment Income of \$529,416 resulting from an increase in interest rates and change in investment instruments.
- General government expenditures resulting in a positive variance of \$238,980 is mainly due to vacant positions.
- Non-Operating expenditures resulting in a positive variance of \$1,080,608 is due to \$670,273 in debt service payments and \$406,031 from the estimated county tax.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$165,882,861 (net of accumulated depreciation), an increase \$11,167,624 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	%
2007	2006	2007	2006	2007	2006	Change	Change	
Land	\$ 13,846	\$ 13,846	\$ 1,930	\$ 1,930	\$ 15,776	\$ 15,776	\$ 0	0.00%
Building and improvements	69,816	61,504	15,441	15,762	85,257	77,266	7,991	10.34%
Machinery and equipment	2,898	2,580	6,098	6,604	8,996	9,184	(188)	-2.05%
Infrastructure	13,030	11,709	31,051	29,244	44,081	40,953	3,128	7.64%
Construction in Progress	5,850	8,624	5,922	2,911	11,772	11,535	237	2.06%
Total Assets	\$ 105,441	\$ 98,263	\$ 60,442	\$ 56,451	\$ 165,883	\$ 154,714	\$ 11,169	7.22%

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

- Construction in progress for governmental activities totaled \$5,850,482 at year end which included \$2,519,419 for the construction of the New Castle Avenue seawall, \$1,118,976 for the Preble/Crescent Way Streetscape, \$595,279 for the construction of the Rt. 33 bridge, \$462,794 for rehabilitation of Congress Street sidewalks, and \$460,543 for reconstruction of lower Court Street.
- A variety of sidewalk and street construction contributed to capital assets of \$2,169,485.
- Construction costs for the new Public Library at a cost of \$3,321,227.
- General government vehicles capitalized during the current year totaled \$670,598 which included Public Works vehicles of \$353,455, Police vehicles of \$137,745 and Fire vehicles of \$179,398.
- Fire boat funded by a Homeland Security grant of \$356,328.
- The Water Division recognized an increase of approximately \$420,000 in capital assets from prior year. This resulted from several projects including the Lincoln Area water mains, Crescent Way water main, and the Foyes Corner water main relocation.

- The Sewer Division recognized an increase of approximately \$3,570,000 in capital assets from prior year. Major capital asset projects include the continued projects related to the long-term control plan known as the Lincoln area sewer separation projects and the Deer Street pump station.

Additional information on the City of Portsmouth's capital assets can be found in note 9 on pages 63-65 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 \$81,914,198 as shown in the table below, all of which was backed by the full faith and credit of the government.

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

The City of Portsmouth's General Obligation bonds have an AA rating from Standard and Poor's rating group and an Aa3 rating from Moody's Investors Service.

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 53,265,000	\$ 51,950,000	\$ 4,965,000	\$ 5,970,000	\$ 58,230,000	\$ 57,920,000
State Revolving Fund Loans	2,587,478	2,800,384	21,096,722	22,437,174	23,684,200	25,237,558
Total	<u>\$ 55,852,478</u>	<u>\$ 54,750,384</u>	<u>\$ 26,061,722</u>	<u>\$ 28,407,174</u>	<u>\$ 81,914,200</u>	<u>\$ 83,157,558</u>

The City of Portsmouth's total debt decreased by \$1,243,358 or 1% during the current fiscal year. The key factors in this net decrease are:

- Reductions of outstanding debt in the amount of \$7,243,358.
- The issuance of a general obligation bond for \$1,000,000 for improvements to city facilities.
- Issuance of a general obligation bond for \$4,050,000 for city street and sidewalk improvements.
- Issuance of a general obligation bond for \$950,000 for other capital improvements.

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, 2007, 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 \$4,168,377,073. The debt limit and outstanding debt is as follows:

Purpose	<u>Percent of Allowable Debt Limit</u>	<u>Maximum Debt Limit</u>	<u>Bonds Outstanding as of June 30, 2007</u>
Municipal	3.00%	\$ 125,051,312	\$ 22,865,000
Landfill closure (1)	0%	0	2,587,478
School	7.00%	291,786,395	30,400,000
Water	10.00%	416,837,707	5,211,048
Sewer (1)	0%	0	20,850,674
Total		<u>\$ 833,675,414</u>	<u>\$ 81,914,200</u>

(1) Exempt from Debt Limit

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements on pages 66-69 of this report.

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

- The unemployment rate for the City of Portsmouth remained low throughout the fiscal year, with an average of 2.9%. This compares to the state’s unemployment average of 3.7% and the national average of 4.6% at June 30, 2007.
- The overall commercial vacancy rate for the City’s Central Business District remained stable over the past year, decreasing slightly from 16.8% to 16.1%.

All of these factors were considered in preparing the City of Portsmouth's budget for fiscal year 2008.

The City of Portsmouth has appropriated \$1,573,500 from fund balance reserve for debt service payments in the fiscal year 2008 budget. It is intended that this use of reserve will reduce the increase of taxes needed for FY08.

The budget, and tax rate for the General Fund for FY08 has been approved by the Department of Revenue Administration. The total budget is \$79,858,802, an increase of \$3,590,416 or 4.71% from prior year. The tax rate has been set at \$16.34 per \$1000 of assessed value, an increase of \$.62 or 3.94% from prior year.

- The use of \$1,573,500 from fund balance reserve.

The Water and Sewer Divisions implemented new rate structures based on a comprehensive rate study completed by Weston and Sampson for FY08.

- The water rate structure was changed to a two-step inclining block rate from a single rate of \$1.85 per 100 cubic feet (748 gallons). The first rate step is \$1.90 per 100 cubic feet for the first 1,000 cubic feet consumed per month, any additional consumption is assessed at \$2.20 per 100 cubic feet.
- The sewer rate structure was also changed to a two-step inclining block rate from a single rate of \$4.80 per 100 cubic feet (748 gallons). The first rate step is \$4.89 per 100 cubic feet for the first 1,000 cubic feet used per month, any additional consumption is assessed at \$5.33 per 100 cubic feet.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Portsmouth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information can be found on the city's web page at www.cityofportsmouth.com or should be addressed to:

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

Basic Financial Statements

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CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 40,887,109	\$ 12,723,916	\$ 53,611,025
Investments	6,968,463	-	6,968,463
Receivables, net of allowance for uncollectibles:			
Property taxes	1,747,587	-	1,747,587
User fees	-	2,428,748	2,428,748
Departmental and other	516,669	547,664	1,064,333
Intergovernmental	2,413,344	672,124	3,085,468
Loans	135,961	-	135,961
Inventory	19,644	110,929	130,573
Total current assets	<u>52,688,777</u>	<u>16,483,381</u>	<u>69,172,158</u>
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	399,969	-	399,969
Departmental and other	-	3,769,557	3,769,557
Loans	1,573,173	-	1,573,173
Capital assets:			
Land and construction in progress	19,696,846	7,851,683	27,548,529
Other capital assets, net of accumulated depreciation	<u>85,744,267</u>	<u>52,590,065</u>	<u>138,334,332</u>
Total non-current assets	<u>107,414,255</u>	<u>64,211,305</u>	<u>171,625,560</u>
TOTAL ASSETS	160,103,032	80,694,686	240,797,718
LIABILITIES			
Current:			
Accounts payable	723,000	1,134,913	1,857,913
Accrued liabilities	1,412,942	738,668	2,151,610
Retainage payable	117,189	153,301	270,490
Tax refunds payable	1,951,722	-	1,951,722
Due to other governments	5,968	-	5,968
Notes payable	-	7,360,676	7,360,676
Other current liabilities	1,621,368	97,907	1,719,275
Current portion of long-term liabilities:			
Bonds payable	5,127,905	2,345,452	7,473,357
Other liabilities	1,060,073	-	1,060,073
Total current liabilities	<u>12,020,167</u>	<u>11,830,917</u>	<u>23,851,084</u>
Noncurrent:			
Bonds payable, net of current portion	50,724,571	23,716,270	74,440,841
Other liabilities, net of current portion	10,678,920	604,438	11,283,358
Total noncurrent liabilities	<u>61,403,491</u>	<u>24,320,708</u>	<u>85,724,199</u>
TOTAL LIABILITIES	73,423,658	36,151,625	109,575,283
NET ASSETS			
Invested in capital assets, net of related debt	54,020,817	27,065,756	81,086,573
Restricted externally or constitutionally for:			
Capital projects	-	330,000	330,000
Grants	6,421,731	-	6,421,731
Permanent funds:			
Nonexpendable	1,588,492	-	1,588,492
Expendable	5,194,591	-	5,194,591
Restricted by enabling legislation	1,184,391	-	1,184,391
Unrestricted	<u>18,269,352</u>	<u>17,147,305</u>	<u>35,416,657</u>
TOTAL NET ASSETS	<u>\$ 86,679,374</u>	<u>\$ 44,543,061</u>	<u>\$ 131,222,435</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	<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	\$ 10,104,480	\$ 6,562,748	\$ 8,827	\$ -
Public safety	15,380,058	613,796	709,004	-
Education	37,077,191	5,395,451	4,059,860	-
Public works	8,606,872	3,855,901	380,455	2,689,240
Health and human services	536,928	32,745	-	-
Culture and recreation	3,196,571	398,780	27,300	516,245
Community development	908,111	-	928,982	12,935
Interest on long-term debt	<u>2,124,035</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>77,934,246</u>	<u>16,859,421</u>	<u>6,114,428</u>	<u>3,218,420</u>
Business-Type Activities:				
Water services	4,025,343	4,284,231	-	67,733
Sewer services	<u>5,832,194</u>	<u>5,880,176</u>	<u>-</u>	<u>1,757,610</u>
Total Business-Type Activities	<u>9,857,537</u>	<u>10,164,407</u>	<u>-</u>	<u>1,825,343</u>
Total	<u>\$ 87,791,783</u>	<u>\$ 27,023,828</u>	<u>\$ 6,114,428</u>	<u>\$ 5,043,763</u>

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

Total general revenues, transfers, and contributions to permanent fund principal

Change in Net Assets

Net Assets:

Beginning of year

End of year

See notes to financial statements.

Net (Expenses) Revenues and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
\$ (3,532,905)	\$ -	\$ (3,532,905)
(14,057,258)	-	(14,057,258)
(27,621,880)	-	(27,621,880)
(1,681,276)	-	(1,681,276)
(504,183)	-	(504,183)
(2,254,246)	-	(2,254,246)
33,806	-	33,806
<u>(2,124,035)</u>	<u>-</u>	<u>(2,124,035)</u>
 <u>(51,741,977)</u>	 <u>-</u>	 <u>(51,741,977)</u>
 -	326,621	326,621
 -	1,805,592	1,805,592
 <u>-</u>	<u>2,132,213</u>	<u>2,132,213</u>
 (51,741,977)	2,132,213	(49,609,764)
 55,593,628	-	55,593,628
53,211	-	53,211
 2,451,530	-	2,451,530
2,091,576	579,360	2,670,936
2,200,704	-	2,200,704
266,937	-	266,937
<u>891,351</u>	<u>(891,351)</u>	<u>-</u>
 <u>63,548,937</u>	<u>(311,991)</u>	<u>63,236,946</u>
 11,806,960	1,820,222	13,627,182
 <u>74,872,414</u>	<u>42,722,839</u>	<u>117,595,253</u>
 <u>\$ 86,679,374</u>	<u>\$ 44,543,061</u>	<u>\$ 131,222,435</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

ASSETS	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 26,669,954	\$ 14,217,155	\$ 40,887,109
Investments	-	6,968,463	6,968,463
Receivables:			
Property taxes	2,147,556	-	2,147,556
Departmental and other	491,964	24,704	516,668
Intergovernmental	136,794	2,276,552	2,413,346
Loans	100,000	1,609,133	1,709,133
Due from other funds	1,741,303	-	1,741,303
Advances to other funds	57,500	-	57,500
Inventory	-	19,644	19,644
TOTAL ASSETS	\$ 31,345,071	\$ 25,115,651	\$ 56,460,722
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 347,866	\$ 375,131	\$ 722,997
Accrued liabilities	728,929	27,922	756,851
Retainage payable	-	117,190	117,190
Deferred revenues	1,286,602	1,588,291	2,874,893
Tax refunds liability	1,951,722	-	1,951,722
Due to other funds	-	1,741,303	1,741,303
Due to other governments	5,968	-	5,968
Advances from other funds	-	57,500	57,500
Other liabilities	1,621,368	-	1,621,368
TOTAL LIABILITIES	5,942,455	3,907,337	9,849,792
Fund Balances:			
Reserved for:			
Encumbrances	4,547,358	-	4,547,358
Advances	157,500	-	157,500
Perpetual permanent funds	-	1,588,492	1,588,492
Unreserved:			
Designated	13,366,904	-	13,366,904
Undesignated, reported in:			
General fund	7,330,854	-	7,330,854
Special revenue funds	-	7,816,687	7,816,687
Capital project funds	-	6,608,544	6,608,544
Permanent funds	-	5,194,591	5,194,591
TOTAL FUND BALANCES	25,402,616	21,208,314	46,610,930
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,345,071	\$ 25,115,651	\$ 56,460,722

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

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

JUNE 30, 2007

Total governmental fund balances	\$ 46,610,930
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	105,441,113
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,874,893
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(656,093)
• 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>(67,591,469)</u>
Net assets of governmental activities	<u><u>\$ 86,679,374</u></u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 54,905,095	\$ 322,000	\$ 55,227,095
Licenses and permits	4,710,975	-	4,710,975
Intergovernmental	2,894,673	8,426,663	11,321,336
Charges for services	8,870,454	2,202,668	11,073,122
Investment income	1,029,416	1,062,159	2,091,575
Interest on taxes	53,211	-	53,211
Fines and costs	1,034,546	46,354	1,080,900
Contributions	-	729,980	729,980
Other	267,193	309,716	576,909
Total Revenues	<u>73,765,563</u>	<u>13,099,540</u>	<u>86,865,103</u>
Expenditures:			
Current:			
General government	6,294,067	43,727	6,337,794
Public safety	14,116,015	683,300	14,799,315
Education	31,503,009	4,592,006	36,095,015
Public works	5,653,613	1,869,898	7,523,511
Health and human services	604,410	-	604,410
Culture and recreation	2,400,974	935,282	3,336,256
Community development	-	1,600,476	1,600,476
Debt service:			
Principal	4,897,905	-	4,897,905
Interest	2,162,752	-	2,162,752
Capital outlay	1,306,014	8,222,908	9,528,922
Intergovernmental	3,273,969	-	3,273,969
Total Expenditures	<u>72,212,728</u>	<u>17,947,597</u>	<u>90,160,325</u>
Excess (deficiency) of revenues over (under) expenditures	1,552,835	(4,848,057)	(3,295,222)
Other Financing Sources (Uses):			
Issuance of bonds	-	6,000,000	6,000,000
Transfers in	891,351	1,381,301	2,272,652
Transfers out	(1,381,301)	-	(1,381,301)
Total Other Financing Sources (Uses)	<u>(489,950)</u>	<u>7,381,301</u>	<u>6,891,351</u>
Net change in fund balances	1,062,885	2,533,244	3,596,129
Fund Balances, at Beginning of Year	<u>24,339,731</u>	<u>18,675,070</u>	<u>43,014,801</u>
Fund Balances, at End of Year	<u>\$ 25,402,616</u>	<u>\$ 21,208,314</u>	<u>\$ 46,610,930</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,596,129
<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	10,947,396
Depreciation	(3,729,327)
Loss on disposal of capital assets	(40,704)
<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. 	
	1,933,820
<ul style="list-style-type: none"> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: 	
Issuance of debt	(6,000,000)
Repayments of debt	4,897,905
Bond premium amortization	50,932
<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. 	
	38,717
<ul style="list-style-type: none"> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 	
	<u>112,092</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>11,806,960</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2007

Budgeted Amounts

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues and other sources:				
Taxes	\$ 57,157,551	\$ 57,157,551	\$ 57,123,189	\$ (34,362)
Licenses and permits	4,287,000	4,287,000	4,710,975	423,975
Intergovernmental	6,779,784	6,779,784	7,554,278	774,494
Charges for services	3,900,273	3,900,273	4,210,849	310,576
Investment income	500,000	500,000	1,029,416	529,416
Interest and penalties	140,000	140,000	53,211	(86,789)
Fines and costs	925,000	925,000	1,034,546	109,546
Other revenues	198,927	198,927	267,322	68,395
Other financing sources	<u>2,379,851</u>	<u>3,500,803</u>	<u>3,500,803</u>	<u>-</u>
Total Revenues and Other Sources	76,268,386	77,389,338	79,484,589	2,095,251
Expenditures and other uses:				
Current:				
General government	4,631,327	4,455,572	4,401,671	53,901
Other general government	827,006	923,977	880,557	43,420
Public works	5,246,728	5,331,828	5,331,822	6
Community services	2,988,124	2,988,124	2,927,029	61,095
Regulatory services	897,398	897,398	855,370	42,028
Police department	7,830,154	7,801,892	7,773,326	28,566
Fire department	6,132,361	6,287,485	6,278,304	9,181
School department	32,472,916	32,323,275	32,322,492	783
Non-operating	<u>15,242,372</u>	<u>16,379,787</u>	<u>15,299,179</u>	<u>1,080,608</u>
Total Expenditures and Other Uses	<u>76,268,386</u>	<u>77,389,338</u>	<u>76,069,750</u>	<u>1,319,588</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,414,839</u>	\$ <u>3,414,839</u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current:			
Cash and short-term investments	\$ 1,922,613	\$ 10,801,303	\$ 12,723,916
Receivables, net of allowance for uncollectibles:			
User fees	1,020,802	1,407,946	2,428,748
Departmental and other	240,869	306,795	547,664
Intergovernmental	134,330	537,794	672,124
Inventory	100,382	10,547	110,929
Total current assets	3,418,996	13,064,385	16,483,381
Noncurrent:			
Departmental and other receivables, net of current portion	952,800	2,816,757	3,769,557
Capital assets:			
Land and construction in progress	1,593,419	6,258,264	7,851,683
Capital assets, net of accumulated depreciation	20,834,308	31,755,757	52,590,065
Total noncurrent assets	23,380,527	40,830,778	64,211,305
TOTAL ASSETS	26,799,523	53,895,163	80,694,686
<u>LIABILITIES</u>			
Current:			
Accounts payable	355,408	779,505	1,134,913
Accrued liabilities	173,730	564,938	738,668
Retainage payable	17,561	135,740	153,301
Notes payable	343,094	7,017,582	7,360,676
Other current liabilities	41,169	56,738	97,907
Current portion of long-term liabilities:			
Bonds payable	327,528	2,017,924	2,345,452
Total current liabilities	1,258,490	10,572,427	11,830,917
Noncurrent:			
Bonds payable, net of current portion	4,883,520	18,832,750	23,716,270
Other liabilities	367,310	237,128	604,438
Total noncurrent liabilities	5,250,830	19,069,878	24,320,708
TOTAL LIABILITIES	6,509,320	29,642,305	36,151,625
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	16,919,991	10,145,765	27,065,756
Restricted for capital projects	-	330,000	330,000
Unrestricted	3,370,212	13,777,093	17,147,305
TOTAL NET ASSETS	\$ 20,290,203	\$ 24,252,858	\$ 44,543,061

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 3,707,528	\$ 5,656,677	\$ 9,364,205
Licenses and permits	496,764	117,905	614,669
Departmental revenue	79,939	105,594	185,533
Total Operating Revenues	4,284,231	5,880,176	10,164,407
Operating Expenses:			
Personnel services	1,682,389	1,543,189	3,225,578
Non-personnel services	1,413,951	2,422,238	3,836,189
Depreciation	730,366	851,981	1,582,347
Total Operating Expenses	3,826,706	4,817,408	8,644,114
Operating Income	457,525	1,062,768	1,520,293
Nonoperating Revenues (Expenses):			
Grants income	47,218	1,637,661	1,684,879
Investment income	104,101	475,259	579,360
Interest expense	(198,637)	(1,014,786)	(1,213,423)
Total Nonoperating Revenues (Expenses)	(47,318)	1,098,134	1,050,816
Income Before Contributions and Transfers	410,207	2,160,902	2,571,109
Capital contributions from developers	20,515	119,949	140,464
Transfers to other funds	(451,756)	(439,595)	(891,351)
Change in Net Assets	(21,034)	1,841,256	1,820,222
Net Assets at Beginning of Year	20,311,237	22,411,602	42,722,839
Net Assets at End of Year	\$ 20,290,203	\$ 24,252,858	\$ 44,543,061

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 4,183,419	\$ 5,848,303	\$ 10,031,722
Payments to employees for salaries and related benefits	(1,655,394)	(1,504,775)	(3,160,169)
Payments to suppliers for goods and services	(1,178,792)	(2,007,160)	(3,185,952)
Net Cash Provided By Operating Activities	1,349,233	2,336,368	3,685,601
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers to other funds	(451,756)	(439,595)	(891,351)
Net Cash (Used For) Noncapital Financing Activities	(451,756)	(439,595)	(891,351)
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(1,150,642)	(4,451,194)	(5,601,836)
Principal payments on bonds and notes	(327,528)	(2,017,924)	(2,345,452)
Proceeds from notes	208,764	4,386,252	4,595,016
Proceeds from state grant (aid)	47,218	1,637,661	1,684,879
Capital contributions	154,282	442,460	596,742
Interest expense	(206,260)	(1,071,032)	(1,277,292)
Net Cash (Used For) Capital and Related Financing Activities	(1,274,166)	(1,073,777)	(2,347,943)
<u>Cash Flows From Investing Activities:</u>			
Investment income	104,101	475,259	579,360
Net Cash Provided by Investing Activities	104,101	475,259	579,360
Net Change in Cash and Short-Term Investments	(272,588)	1,298,255	1,025,667
Cash and Short-Term Investments, Beginning of Year	2,195,201	9,503,048	11,698,249
Cash and Short-Term Investments, End of Year	\$ 1,922,613	\$ 10,801,303	\$ 12,723,916
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>			
Operating income	\$ 457,525	\$ 1,062,768	\$ 1,520,293
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	730,366	851,981	1,582,347
Loss on capital assets	-	29,229	29,229
Changes in assets and liabilities:			
User fees	(103,437)	(62,121)	(165,558)
Inventory	(5,840)	9,577	3,737
Accounts payable	239,610	315,340	554,950
Accrued liabilities	8,271	(5,910)	2,361
Retainage payable	1,389	60,932	62,321
Compensated absences	18,724	44,324	63,048
Other liabilities	2,625	30,248	32,873
Net Cash Provided By Operating Activities	\$ 1,349,233	\$ 2,336,368	\$ 3,685,601

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Private Purpose Trust <u>Fund</u>	Agency <u>Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 523,234	\$ 455,329
Investments	<u>4,544,624</u>	<u>-</u>
Total Assets	5,067,858	455,329
<u>LIABILITIES</u>		
Other liabilities	<u>-</u>	<u>455,329</u>
Total Liabilities	<u>-</u>	<u>455,329</u>
<u>NET ASSETS</u>		
Total net assets held in trust	\$ <u><u>5,067,858</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trust Fund</u>
Additions:	
Investment income	\$ 629,134
Contributions	1,784
Total additions	<u>630,918</u>
Deductions:	
Payments to beneficiaries	<u>201,359</u>
Total deductions	<u>201,359</u>
Net increase	429,559
Net assets:	
Beginning of year	<u>4,638,299</u>
End of year	<u>\$ 5,067,858</u>

See notes to financial statements.

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CITY OF PORTSMOUTH, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Portsmouth, New Hampshire (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected City Council, including a Mayor, eight members, and an appointed City Manager. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2007, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. However, internal eliminations do not include services provided to City departments. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not 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 are 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- *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 non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

- *Water Enterprise Fund* is used to account for the operation of a water treatment plant, City Wells and water system.
- *Sewer Enterprise Fund* is used to account for the operation 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:

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

D. Cash and Investments

Cash balances for several funds, which are not required to be segregated by law, are combined to form a consolidation of cash. Each of those funds' portions of consolidated cash is displayed on its respective balance sheet as "cash and short-term investments". Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Cash and short-term investments are separately held and reflected in proprietary, permanent, fiduciary, and certain special revenue funds.

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

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

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

E. Interfund Receivables/Payables and Transfers

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 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 consumer, 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 certain employees to accumulate earned but unused vacation and sick pay benefits depending on their date of hire. All vested sick and vacation pay is accrued when incurred

in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

L. Mandated Fund Balance

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

Specific City Council ordinances are as follows:

Section 1:1401 – Mandated Fund Balance

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

Section 1:1402 – Operational Objective

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

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

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

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

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget and was authorized as follows:

2007 original appropriations	\$ 76,268,386
Use of designated fund balances	<u>1,120,952</u>
Total	<u>\$ 77,389,338</u>

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>	<u>Excess (deficiency)</u>
Revenues/Expenditures (GAAP basis)	\$ 73,765,563	\$ 72,212,728	\$ 1,552,835
Other financing sources/uses (GAAP basis)	<u>891,351</u>	<u>1,381,301</u>	<u>(489,950)</u>
Subtotal (GAAP Basis)	74,656,914	73,594,029	1,062,885
Recognize tax revenue on an accrual basis	280,908	-	280,908
Reverse expenditures of prior year appropriation carryforwards	-	(1,352,236)	1,352,236
Add end of year appropriation appropriation carryforwards	-	1,890,542	(1,890,542)
Reclassify use of overlay	1,937,415	1,937,415	-
Use of fund balance	<u>2,609,352</u>	<u>-</u>	<u>2,609,352</u>
Budgetary basis	<u>\$ 79,484,589</u>	<u>\$ 76,069,750</u>	<u>\$ 3,414,839</u>

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

3. Cash and Investments

A. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Under New Hampshire RSA 48:16, the City Treasurer shall deposit money in participation units in the public deposit investment pool established pursuant to RSA 383:22, or in federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, except that funds may be deposited in federally insured banks outside the state if such banks pledge and deliver to a third party custodial bank or the regional federal reserve bank collateral security for such deposits of the following types:

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

The City does not have policies for custodial credit risk.

As of June 30, 2007, \$904,366 of the City's bank balance of \$56,083,199 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the City's name.

The 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, 2007, 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	\$ 3,612,640	1.92	AA
Other Investments:			
Equity Mutual Funds	<u>7,900,447</u>		
Total	<u>\$ 11,513,087</u>		

B. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

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

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

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's investments in one issuer greater than 5% of total investments are:

<u>Issuer</u>	<u>Amount</u>
S&P 500 Growth Index Fund	\$ 2,915,123
MSCI EAFE Index Fund	2,252,029
1-3 Yr Treasury Index Fund	2,033,820
S&P 100 Index Fund	1,952,850
Vanguard Fixed Income Fund	1,578,820
Vananguard Emerging Market ETF	664,682

D. Interest Rate Risk

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

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

E. Foreign Currency Risk

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

4. Property Taxes Receivable

Property taxes were committed in October and were due in two installments, on December 1, 2006 and June 1, 2007. Taxes unpaid by December 2, 2006 and June 2, 2007 accrued interest at 12% until August 28, 2007. A tax lien was recorded on all properties with taxes unpaid as of August 30, 2007, 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, 2007 are comprised of (amounts expressed in thousands):

Property Taxes:		
2006		\$ 1,812
2003		36
Unredeemed Taxes:		
2005		172
2004		103
Prior		<u>25</u>
Total		<u>\$ 2,148</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 5% of accounts receivable depending on the aging of the receivables. Water and sewer delinquent receivables are lienied in a similar manner as property taxes, described in Note 5.

User fees receivable and related allowance for doubtful accounts at June 30, 2007 consist of the following:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Gross	\$ 1,052,104	\$ 1,448,085	\$ 2,500,189
Less: Allowance for doubtful accounts	<u>(31,302)</u>	<u>(40,139)</u>	<u>(71,441)</u>
Total	<u>\$ 1,020,802</u>	<u>\$ 1,407,946</u>	<u>\$ 2,428,748</u>

6. Departmental and Other Receivables

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

	<u>Ambulance</u>	<u>Police Detail</u>	<u>Other</u>	<u>Total</u>
Gross	\$ 638,845	\$ 146,887	\$ 143,907	\$ 929,639
Less: Allowance for doubtful accounts	<u>(412,970)</u>	<u>-</u>	<u>-</u>	<u>(412,970)</u>
Total	<u>\$ 225,875</u>	<u>\$ 146,887</u>	<u>\$ 143,907</u>	<u>\$ 516,669</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, 2007 include the following:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Unrestricted contributions receivable	\$ 1,193,669	\$ 1,010,430	\$ 2,204,099
Contributions restricted for bonds payable	<u>-</u>	<u>2,113,122</u>	<u>2,113,122</u>
Total	<u>\$ 1,193,669</u>	<u>\$ 3,123,552</u>	<u>\$ 4,317,221</u>

Contributions receivable at June 30, 2007 are due as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Less than one year	\$ 240,869	\$ 306,795	\$ 547,664
One to five years	427,800	1,113,970	1,541,770
More than five years	<u>525,000</u>	<u>1,702,787</u>	<u>2,227,787</u>
Total	<u>\$ 1,193,669</u>	<u>\$ 3,123,552</u>	<u>\$ 4,317,221</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2007.

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, 2007 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
Governmental Funds:				
Major Fund:				
General fund	\$ 1,741,303	\$ -	\$ 57,500	\$ -
Nonmajor Funds:				
Special Revenue Funds:				
School lunch	-	2,367	-	-
School categorical revenue	-	1,307,040	-	-
Police grants	-	431,896	-	-
City trust funds	-	-	-	57,500
Total	\$ 1,741,303	\$ 1,741,303	\$ 57,500	\$ 57,500

No interest rate has been assigned to advances.

The following is an analysis of interfund transfers made in fiscal year 2007:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 891,351	\$ 1,381,301
Nonmajor Funds:		
Special Revenue Funds:		
Miscellaneous grants and contributions	180,276	-
Conservation	1,900	-
Housing subsidy	250,000	-
School categorical revenues	500,000	-
Capital Project Funds:		
Transportation state	544,312	-
Vehicle/equipment replacement	634,125	-
Transportation management	-	479,312
Permanent Funds:		
City trust funds	-	250,000
Subtotal Nonmajor Funds	3,001,964	2,110,613
Business-Type Funds:		
Water Fund	-	451,756
Sewer Fund	-	439,595
Total	\$ 3,001,964	\$ 3,001,964

9. Capital Assets

Capital asset activity for the year ended June 30, 2007 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	\$ 81,419	\$ 10,235	\$ -	\$ 91,654
Improvements	6,292	24	-	6,316
Machinery and equipment	13,756	1,293	(195)	14,854
Infrastructure	<u>32,759</u>	<u>2,169</u>	<u>-</u>	<u>34,928</u>
Total capital assets, being depreciated	134,226	13,721	(195)	147,752
Less accumulated depreciation for:				
Buildings	(22,021)	(1,754)	-	(23,775)
Improvements	(4,185)	(193)	-	(4,378)
Machinery and equipment	(11,177)	(933)	154	(11,956)
Infrastructure	<u>(21,050)</u>	<u>(849)</u>	<u>-</u>	<u>(21,899)</u>
Total accumulated depreciation	<u>(58,433)</u>	<u>(3,729)</u>	<u>154</u>	<u>(62,008)</u>
Total capital assets, being depreciated, net	75,793	9,992	(41)	85,744
Capital assets, not being depreciated:				
Land	13,847	-	-	13,847
Construction in progress	<u>8,624</u>	<u>4,890</u>	<u>(7,664)</u>	<u>5,850</u>
Total capital assets, not being depreciated	<u>22,471</u>	<u>4,890</u>	<u>(7,664)</u>	<u>19,697</u>
Governmental activities capital assets, net	<u>\$ 98,264</u>	<u>\$ 14,882</u>	<u>\$ (7,705)</u>	<u>\$ 105,441</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 24,993	\$ -	\$ -	\$ 24,993
Machinery, equipment, and furnishings	16,503	67	-	16,570
Infrastructure	<u>39,741</u>	<u>2,524</u>	<u>(1,748)</u>	<u>40,517</u>
Total capital assets, being depreciated	81,237	2,591	(1,748)	82,080
Less accumulated depreciation for:				
Buildings and improvements	(9,230)	(322)	-	(9,552)
Machinery, equipment, and furnishings	(9,899)	(573)	-	(10,472)
Infrastructure	<u>(10,498)</u>	<u>(687)</u>	<u>1,719</u>	<u>(9,466)</u>
Total accumulated depreciation	<u>(29,627)</u>	<u>(1,582)</u>	<u>1,719</u>	<u>(29,490)</u>
Total capital assets, being depreciated, net	51,610	1,009	(29)	52,590
Capital assets, not being depreciated:				
Land	1,930	-	-	1,930
Construction in progress	<u>2,911</u>	<u>5,482</u>	<u>(2,471)</u>	<u>5,922</u>
Total capital assets, not being depreciated	<u>4,841</u>	<u>5,482</u>	<u>(2,471)</u>	<u>7,852</u>
Business-type activities capital assets, net	<u>\$ 56,451</u>	<u>\$ 6,491</u>	<u>\$ (2,500)</u>	<u>\$ 60,442</u>

Active construction in progress is composed of the following:

<u>Governmental Projects:</u>	<u>Spent to June 30, 2007</u>	<u>Remaining Commitment</u>
New Castle Avenue	\$ 2,541,833	\$ 948,225
Preble/Crescent Way	1,118,976	15,463
Rt. 33 Bridge	595,280	225,590
Congress St	462,795	14,451
Lower Court St	460,543	45,687
Lincoln Ave Roadway	153,976	5,635
Riverfront Walkway	96,386	100,000
Lincoln Ave Sidewalk	92,161	14,412
Cooling Tower-City Hall	69,374	30,626
New Parking Facility	53,830	37,821
Fire Station	49,389	-
Powderhouse	45,551	5,454
Market St. Ext/I95 Interchange	37,796	17,278
African Burial Grounds	37,172	20,939
Market St. Extension Bike Path	35,419	7,442
Total Governmental Projects	<u>\$ 5,850,481</u>	<u>\$ 1,489,023</u>

<u>Business-Type Projects:</u>	<u>Spent to June 30, 2007</u>	<u>Remaining Commitment</u>
Deer St. Pump Station	\$ 2,696,094	\$ 75,375
Lower Court St.	1,021,447	20,522
Borthwick Ave I/I	528,273	63,572
Madbury Water Treatment Design	338,029	1,661,971
Lower Court St. Water Main	293,514	14,803
Pleasant Point Sewer Ext	283,605	74,773
New Castle Water Main Relocation	209,202	55,068
PIWWTP Outfall	206,850	204,700
Rye Line PS	106,509	1,500,000
Water: Water Main Madbury	83,187	102,813
Foyes Corner Water Main Relocation	46,596	18,404
Raw Water Mgmt, Bellamy Reservoir	35,506	1,064,493
Compliance Monitoring	33,974	39,252
Bartlett Interceptors Study	14,000	2,986,000
WWMaster Plan/201 Facilities	12,011	987,989
Raleigh Way Main	11,000	152,000
Exit 4 Water Relocation	2,285	178,206
Total Business-Type Projects	<u>\$ 5,922,082</u>	<u>\$ 9,199,941</u>

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

Governmental Activities:	
General government	\$ 288
Public safety	628
Public works	1,102
Community development	104
Culture and recreation	431
School department	<u>1,176</u>
Total depreciation expense - governmental activities	<u>\$ 3,729</u>
Business-Type Activities:	
Water	\$ 730
Sewer	<u>852</u>
Total depreciation expense - business-type activities	<u>\$ 1,582</u>

10. Accounts Payable

Accounts payable represent fiscal year 2007 expenditures paid after June 30, 2007.

11. Accrued Liabilities

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

12. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the Governmental Funds deferred revenues account is equal to the total of all June 30, 2007 receivable balances, except property taxes that are accrued for subsequent 60-day collections.

13. Tax Refunds Payable

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

14. Other Liabilities

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

15. Notes Payable

The City had State Revolving Loans outstanding at June 30, 2007, totaling \$7,360,676 in the water and sewer enterprise funds. The notes accrue interest at 1% during the construction phase and will be permanently financed upon completion.

The following are changes in notes payable for the year ended June 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
State revolving fund notes payable	\$ 2,695,047	\$ 4,665,629	\$ -	\$ 7,360,676

16. Long-Term Debt

A. Long-Term Debt Supporting Governmental Activities

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

B. General Obligation Bonds

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

	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2007
<u>Governmental Activities:</u>				
Fire Apparatus	\$ 437,000	02/01/08	3.00	\$ 145,000
Capital Improvements	7,610,000	06/15/10	5.00	2,280,000
Capital Improvements 2003	3,990,000	09/15/12	2.50 - 3.50	2,390,000
School Projects	38,000,000	09/15/22	2.50 - 5.00	30,400,000
Capital Improvements 2002	3,750,000	09/15/12	2.50 - 3.50	2,250,000
Athletic Complex Spinnaker	500,000	09/15/12	2.50 - 3.50	300,000
Capital Improvements	400,000	09/15/12	2.50 - 3.50	240,000
Library	6,960,000	08/04/25	4.00	6,610,000
Streets & Sidewalks	2,945,000	08/04/15	4.00	2,650,000
Capital Improvements 2006	950,000	06/15/17	4.00	950,000
Capital Improvements Streets Sidewalks 2007	3,450,000	06/15/17	4.00	3,450,000
Capital Improvements to Facilities 2007	1,000,000	06/15/17	4.00	1,000,000
New Castle Ave. Seawall	600,000	06/15/17	4.00	600,000
Coakley Landfill	3,768,000	08/01/18	3.80	2,163,464
Coakley Landfill OU2	652,330	07/01/19	3.80	424,012
Total Governmental Activities				<u>\$ 55,852,476</u>

	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2007
<u>Business-Type Activities:</u>				
<u>Water:</u>				
Upgrade to Motor Control	\$ 300,000	01/01/22	3.98	\$ 225,000
Corrosion Control	288,000	01/01/22	3.80	216,000
Constitution Avenue	4,800,000	01/01/22	3.70	3,840,000
Spinney Tank	1,162,560	12/01/22	3.73	930,047
<u>Sewer:</u>				
1989 Sewer Bonds	740,000	08/01/09	6.80	90,000
1992 Sewer Bonds	6,586,836	01/15/12	6.52	4,178,855
Waste Water Treatment Plant	19,500,000	03/01/09	4.46	4,875,000
Sewer Projects Phase I	4,931,361	08/01/21	3.98	3,698,520
Sewer Pollution Control	8,898,110	12/01/24	3.69	8,008,300
Total Business-Type Activities				<u>\$ 26,061,722</u>

C. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2007 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 5,127,905	\$ 2,173,367	\$ 7,301,272
2009	4,982,905	1,992,916	6,975,821
2010	4,982,905	1,813,316	6,796,221
2011	4,222,905	1,633,716	5,856,621
2012	4,222,905	1,489,419	5,712,324
2013 - 2017	17,344,526	5,164,870	22,509,396
2018 - 2022	11,688,425	1,930,489	13,618,914
2023 - 2027	3,280,000	158,863	3,438,863
Total	<u>\$ 55,852,476</u>	<u>\$ 16,356,956</u>	<u>\$ 72,209,432</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,345,452	\$ 1,157,066	\$ 3,502,518
2009	2,345,452	1,036,552	3,382,004
2010	2,345,452	915,938	3,261,390
2011	2,315,452	796,344	3,111,796
2012	2,315,452	677,770	2,993,222
2013 - 2017	6,702,259	2,268,368	8,970,627
2018 - 2022	6,059,359	961,680	7,021,039
2023 - 2027	1,632,844	101,505	1,734,349
Total	<u>\$ 26,061,722</u>	<u>\$ 7,915,223</u>	<u>\$ 33,976,945</u>

D. Bond Authorizations/Unissued

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2007 are as follows:

<u>Purpose</u>	<u>Amount</u>
Sewer	\$ 23,201,890
Coakley Landfill	4,641,897
School Buildings	500,000
Parking Facility	15,000,000
Roads/Bridges	2,500,000
Water	11,420,000
Total Bond Authorizations	<u>\$ 57,263,787</u>

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2007, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/06</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/07</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/07</u>
Governmental Activities						
Bonds payable	\$ 54,750	\$ 6,000	\$ (4,898)	\$ 55,852	\$ (5,128)	\$ 50,724
Other:						
Landfill closure	1,440	-	-	1,440	(48)	1,392
Unamortized premium	817	-	(51)	766	(51)	715
Accrued employee benefits	<u>9,645</u>	<u>1,146</u>	<u>(1,258)</u>	<u>9,533</u>	<u>(961)</u>	<u>8,572</u>
Totals	<u>\$ 66,652</u>	<u>\$ 7,146</u>	<u>\$ (6,207)</u>	<u>\$ 67,591</u>	<u>\$ (6,188)</u>	<u>\$ 61,403</u>

	Total Balance <u>7/1/06</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/07</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/07</u>
Business-Type Activities						
Bonds payable	\$ 28,407	\$ -	\$ (2,345)	\$ 26,062	\$ (2,345)	\$ 23,717
Other:						
Accrued employee benefits	<u>541</u>	<u>68</u>	<u>(5)</u>	<u>604</u>	<u>-</u>	<u>604</u>
Totals	<u>\$ 28,948</u>	<u>\$ 68</u>	<u>\$ (2,350)</u>	<u>\$ 26,666</u>	<u>\$ (2,345)</u>	<u>\$ 24,321</u>

17. Restricted Net Assets

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

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

18. Reserves and Designations of Fund Equity

"Reserves" of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use. Fund "designations," which are not legally required segregations, have also been established to indicate tentative plans for future financial utilization.

The following types of reserves and designations are reported at June 30, 2007:

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

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

Reserved for Perpetual Permanent Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

Unreserved - Designated - Represents management's setting funds aside toward future liabilities. The estimate includes \$4,219,902 for future health insurance cost increases, \$945,532 towards funding the liability for employees' compensated absences, \$1,598,295 for future tax appraisal issues, \$800,000 for future state property tax, \$619,645 for Coakley Landfill, and \$5,183,530 for debt service.

19. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the City is involved. The City's management is of the opinion that the potential future settlement of such claims in excess of available insurance coverage would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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

In December 1992, a total of 27 responsible parties, including the City, entered into a Consent Decree (Decree) with the United States Environmental Protection Agency (EPA). The Decree commits the City to expend a significant amount as its share of the costs to remedy conditions at the

Site and to monitor and maintain the Site once the remedial steps have been completed. The Decree estimated the total cost of cleanup to be approximately \$22 million, with the City's share of these costs estimated to be approximately \$8.9 million, to be contributed over a number of years as needed by the project. Liability amongst the responsible parties is joint and several and is in no way limited by the estimate in the Decree. Should one of the responsible parties default on its obligations, the remaining parties will assume the liability for the defaulting party. The City's contributions are anticipated to be steady over the next several years.

In December 1991, the City Council authorized the issuance of \$8.9 million in bonds to pay for the costs of the project. To date, the City has borrowed \$4,258,103 from the State Revolving Loan Fund against this authorization. The City is receiving state aid payments in connection with the project in the total amount of \$943,644 payable over the life of the loan. The City awaits a final determination of the City's remaining liability, if any.

20. Pension Plan

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

A. Plan Description

The City contributes to the New Hampshire Retirement System (the "System"), a cost-sharing, multiple-employer, defined benefit pension plan administrated by the state retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Revised Statutes Annotated 100-A41-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 System issues a publicly available financial report, which can be obtained through the New Hampshire Retirement System at 4 Chenell Drive, Concord, New Hampshire 03301-8509.

B. Funding Policy

Plan members are required to contribute between 5% and 9.30% of annual covered compensation to the pension plan. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A: 16, and range from 5.80% - 15.92% of covered compensation. The City's required annual contributions to the System for the years ended June 30 were made as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
City	\$ 1,726,509	\$ 1,627,939	\$ 1,369,999
School	<u>897,006</u>	<u>877,371</u>	<u>641,143</u>
Total	<u>\$ 2,623,515</u>	<u>\$ 2,505,310</u>	<u>\$ 2,011,142</u>

21. 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.

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 grants received by the Police Department.
- Seizure Fund: to account for Federal Equitable Sharing program funds received from seized funds and equipment.
- Parking and Transportation: to account for operations of the City's parking facility, parking enforcement, parking meter operations and parking administration funded by funds generated from these parking activities.
- Housing Subsidy: to account for housing subsidy grants to provide assistance to first time homebuyers.

- Conservation: to account for Land Use Change Tax dedicated for the acquisition or preservation of open space.
- Impact Fees: to account for fees collected for UNMET parking needs to be used within the Central Business District for transportation related improvements.
- Library Trust Funds: to account for expendable gifts received by the Library.
- City Trust Funds: to account for the various expendable portion of the City's trusts.

CAPITAL PROJECT FUNDS

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

The current funds were established for the following purposes:

- Building and Infrastructure: to fund building and infrastructure improvements.
- School Renovations: to fund the High School Renovation.
- 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.
- Vehicles/Equipment Replacement: to fund rolling stock program.

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, 2007

	<u>Special Revenue Funds</u>			
	<u>Community Development</u>	<u>School Lunch</u>	<u>School Categorical Revenues</u>	<u>Miscellaneous Grants and Contributions</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 3,875,564	\$ -	\$ -	\$ 2,004,469
Investments	-	-	-	-
Departmental and other receivables	1,585	15,758	-	7,361
Intergovernmental receivables	-	-	1,562,371	26,747
Loans receivable	939,520	-	-	-
Inventory	-	19,644	-	-
	<u>-</u>	<u>19,644</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 4,816,669</u>	<u>\$ 35,402</u>	<u>\$ 1,562,371</u>	<u>\$ 2,038,577</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 13,781
Accrued liabilities	-	3,209	-	75
Retainage payable	-	-	-	10,170
Deferred revenues	904,362	15,119	-	-
Due to other funds	-	2,367	1,307,040	-
Advances from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	904,362	20,695	1,307,040	24,026
Fund Balances:				
Reserved for:				
Perpetual permanent funds	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	3,912,307	14,707	255,331	2,014,551
Capital project funds	-	-	-	-
Permanent funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>3,912,307</u>	<u>14,707</u>	<u>255,331</u>	<u>2,014,551</u>
Total Liabilities and Fund Balances	<u>\$ 4,816,669</u>	<u>\$ 35,402</u>	<u>\$ 1,562,371</u>	<u>\$ 2,038,577</u>

Special Revenue Funds

<u>Police Grants</u>	<u>Seizure</u>	<u>Parking and Transportation</u>	<u>Housing Subsidy</u>	<u>Conservation</u>	<u>Impact Fees</u>
\$ -	\$ 32,249	\$ 270,221	\$ 127,882	\$ 836,376	\$ 111,671
-	-	-	-	-	-
-	-	-	-	-	-
462,069	-	-	-	-	-
-	-	-	669,613	-	-
-	-	-	-	-	-
<u>\$ 462,069</u>	<u>\$ 32,249</u>	<u>\$ 270,221</u>	<u>\$ 797,495</u>	<u>\$ 836,376</u>	<u>\$ 111,671</u>
\$ 3,937	\$ 1,726	\$ 9,239	\$ -	\$ -	\$ -
-	-	24,638	-	-	-
-	-	-	-	-	-
-	-	-	668,810	-	-
431,896	-	-	-	-	-
-	-	-	-	-	-
<u>435,833</u>	<u>1,726</u>	<u>33,877</u>	<u>668,810</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
26,236	30,523	236,344	128,685	836,376	111,671
-	-	-	-	-	-
-	-	-	-	-	-
<u>26,236</u>	<u>30,523</u>	<u>236,344</u>	<u>128,685</u>	<u>836,376</u>	<u>111,671</u>
<u>\$ 462,069</u>	<u>\$ 32,249</u>	<u>\$ 270,221</u>	<u>\$ 797,495</u>	<u>\$ 836,376</u>	<u>\$ 111,671</u>

(continued)

(continued)

	<u>Special Revenue Funds</u>		
	<u>Library Trust Funds</u>	<u>City Trust Funds</u>	<u>Subtotals</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 107,611	\$ 7,913	\$ 7,373,956
Investments	106,817	96,760	203,577
Departmental and other receivables	-	-	24,704
Intergovernmental receivables	-	-	2,051,187
Loans receivable	-	-	1,609,133
Inventory	-	-	19,644
	<hr/>	<hr/>	<hr/>
Total Assets	\$ <u>214,428</u>	\$ <u>104,673</u>	\$ <u>11,282,201</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 10,919	\$ 726	\$ 40,328
Accrued liabilities	-	-	27,922
Retainage payable	-	-	10,170
Deferred revenues	-	-	1,588,291
Due to other funds	-	-	1,741,303
Advances from other funds	-	57,500	57,500
	<hr/>	<hr/>	<hr/>
Total Liabilities	10,919	58,226	3,465,514
Fund Balances:			
Reserved for:			
Perpetual permanent funds	-	-	-
Unreserved:			
Undesignated, reported in:			
Special revenue funds	203,509	46,447	7,816,687
Capital project funds	-	-	-
Permanent funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>203,509</u>	<u>46,447</u>	<u>7,816,687</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ <u>214,428</u>	\$ <u>104,673</u>	\$ <u>11,282,201</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>Subtotals</u>
\$ 1,254,392	\$ 11	\$ 4,618,807	\$ 369,457	569,973	\$ 6,812,640
-	-	-	-	-	-
-	-	-	225,365	-	225,365
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,254,392</u>	<u>\$ 11</u>	<u>\$ 4,618,807</u>	<u>\$ 594,822</u>	<u>\$ 569,973</u>	<u>\$ 7,038,005</u>
\$ 3,849	\$ -	\$ 62,587	\$ 116,799	\$ 139,206	\$ 322,441
-	-	-	-	-	-
35,000	-	62,634	9,386	-	107,020
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
38,849	-	125,221	126,185	139,206	429,461
-	-	-	-	-	-
-	-	-	-	-	-
1,215,543	11	4,493,586	468,637	430,767	6,608,544
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,215,543</u>	<u>11</u>	<u>4,493,586</u>	<u>468,637</u>	<u>430,767</u>	<u>6,608,544</u>
<u>\$ 1,254,392</u>	<u>\$ 11</u>	<u>\$ 4,618,807</u>	<u>\$ 594,822</u>	<u>\$ 569,973</u>	<u>\$ 7,038,005</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	\$ 29,292	\$ 1,267	\$ 30,559	\$ 14,217,155
Investments	6,755,940	8,946	6,764,886	6,968,463
Departmental and other receivables	-	-	-	24,704
Intergovernmental receivables	-	-	-	2,276,552
Loans receivable	-	-	-	1,609,133
Inventory	-	-	-	19,644
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	\$ <u>6,785,232</u>	\$ <u>10,213</u>	\$ <u>6,795,445</u>	\$ <u>25,115,651</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 12,362	\$ -	\$ 12,362	\$ 375,131
Accrued liabilities	-	-	-	27,922
Retainage payable	-	-	-	117,190
Deferred revenues	-	-	-	1,588,291
Due to other funds	-	-	-	1,741,303
Advances from other funds	-	-	-	57,500
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	12,362	-	12,362	3,907,337
Fund Balances:				
Reserved for:				
Perpetual permanent funds	1,584,492	4,000	1,588,492	1,588,492
Unreserved:				
Undesignated, reported in:				
Special revenue funds	-	-	-	7,816,687
Capital project funds	-	-	-	6,608,544
Permanent funds	5,188,378	6,213	5,194,591	5,194,591
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>6,772,870</u>	<u>10,213</u>	<u>6,783,083</u>	<u>21,208,314</u>
Total Liabilities and Fund Balances	\$ <u>6,785,232</u>	\$ <u>10,213</u>	\$ <u>6,795,445</u>	\$ <u>25,115,651</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 Fiscal Year Ended June 30, 2007

	Special Revenue Funds			
	<u>Community Development</u>	<u>School Lunch</u>	<u>School Categorical Revenues</u>	<u>Miscellaneous Grants and Contributions</u>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	928,982	-	3,997,172	578,019
Charges for services	-	736,415	-	-
Investment income	11,890	-	-	-
Fines and costs	-	-	-	23,652
Contributions	-	-	-	427,073
Other	179,396	-	-	105,051
Total Revenues	1,120,268	736,415	3,997,172	1,133,795
Expenditures:				
Current:				
General government	-	-	-	43,727
Public safety	-	-	-	111,948
Education	-	747,632	3,844,272	-
Public works	-	-	-	619,017
Culture and recreation	-	-	-	579,670
Community development	1,050,462	-	-	276,613
Capital outlay	-	-	-	-
Total Expenditures	1,050,462	747,632	3,844,272	1,630,975
Excess (deficiency) of revenues over (under) expenditures	69,806	(11,217)	152,900	(497,180)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Transfers in	-	-	500,000	180,276
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	500,000	180,276
Net change in fund balances	69,806	(11,217)	652,900	(316,904)
Fund Balances (deficit), beginning of year	3,842,501	25,924	(397,569)	2,331,455
Fund Balances (deficit), end of year	\$ 3,912,307	\$ 14,707	\$ 255,331	\$ 2,014,551

Special Revenue Funds

<u>Police Grants</u>	<u>Seizure</u>	<u>Parking and Transportation</u>	<u>Housing Subsidy</u>	<u>Conservation</u>	<u>Impact Fees</u>
\$ -	\$ -	\$ -	\$ -	\$ 322,000	\$ -
518,238	4,100	-	-	-	-
-	-	1,349,227	-	-	40,680
-	1,169	-	992	36,764	-
-	22,702	-	-	-	-
8,670	-	-	-	-	-
-	-	-	-	-	-
<u>526,908</u>	<u>27,971</u>	<u>1,349,227</u>	<u>992</u>	<u>358,764</u>	<u>40,680</u>
-	-	-	-	-	-
539,574	31,778	-	-	-	-
-	-	-	-	-	-
-	-	1,240,381	-	-	10,500
-	-	-	-	-	-
-	-	-	273,401	-	-
-	-	-	-	-	-
<u>539,574</u>	<u>31,778</u>	<u>1,240,381</u>	<u>273,401</u>	<u>-</u>	<u>10,500</u>
(12,666)	(3,807)	108,846	(272,409)	358,764	30,180
-	-	-	-	-	-
-	-	-	250,000	1,900	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>1,900</u>	<u>-</u>
(12,666)	(3,807)	108,846	(22,409)	360,664	30,180
<u>38,902</u>	<u>34,330</u>	<u>127,498</u>	<u>151,094</u>	<u>475,712</u>	<u>81,491</u>
<u>\$ 26,236</u>	<u>\$ 30,523</u>	<u>\$ 236,344</u>	<u>\$ 128,685</u>	<u>\$ 836,376</u>	<u>\$ 111,671</u>

(continued)

(continued)

	Special Revenue Funds		
	Library Trust Funds	City Trust Funds	Subtotals
Revenues:			
Property taxes	\$ -	\$ -	\$ 322,000
Intergovernmental	-	-	6,026,511
Charges for services	75,573	-	2,201,895
Investment income	9,671	40,656	101,142
Fines and costs	-	-	46,354
Contributions	27,300	-	463,043
Other	-	-	284,447
Total Revenues	112,544	40,656	9,445,392
Expenditures:			
Current:			
General government	-	-	43,727
Public safety	-	-	683,300
Education	-	-	4,591,904
Public works	-	-	1,869,898
Culture and recreation	64,819	20,146	664,635
Community development	-	-	1,600,476
Capital outlay	-	-	-
Total Expenditures	64,819	20,146	9,453,940
Excess (deficiency) of revenues over (under) expenditures	47,725	20,510	(8,548)
Other Financing Sources (Uses):			
Issuance of bonds	-	-	-
Transfers in	-	-	932,176
Transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	932,176
Net change in fund balances	47,725	20,510	923,628
Fund Balances (deficit), beginning of year	155,784	25,937	6,893,059
Fund Balances (deficit), end of year	\$ 203,509	\$ 46,447	\$ 7,816,687

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>Subtotals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
99,000	-	-	2,301,152	-	2,400,152
-	-	773	-	-	773
-	-	-	-	-	-
-	-	-	-	-	-
25,269	-	-	-	-	25,269
<u>124,269</u>	<u>-</u>	<u>773</u>	<u>2,301,152</u>	<u>-</u>	<u>2,426,194</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,835,489	77,923	1,420,971	3,273,547	614,978	8,222,908
<u>2,835,489</u>	<u>77,923</u>	<u>1,420,971</u>	<u>3,273,547</u>	<u>614,978</u>	<u>8,222,908</u>
(2,711,220)	(77,923)	(1,420,198)	(972,395)	(614,978)	(5,796,714)
1,250,000	-	4,150,000	600,000	-	6,000,000
-	-	-	544,312	634,125	1,178,437
-	-	(479,312)	-	-	(479,312)
<u>1,250,000</u>	<u>-</u>	<u>3,670,688</u>	<u>1,144,312</u>	<u>634,125</u>	<u>6,699,125</u>
(1,461,220)	(77,923)	2,250,490	171,917	19,147	902,411
<u>2,676,763</u>	<u>77,934</u>	<u>2,243,096</u>	<u>296,720</u>	<u>411,620</u>	<u>5,706,133</u>
<u>\$ 1,215,543</u>	<u>\$ 11</u>	<u>\$ 4,493,586</u>	<u>\$ 468,637</u>	<u>\$ 430,767</u>	<u>\$ 6,608,544</u>

(continued)

(continued)

	Permanent Funds			Total Nonmajor Governmental Funds
	City Trust Funds	Library Trust Funds	Subtotals	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 322,000
Intergovernmental	-	-	-	8,426,663
Charges for services	-	-	-	2,202,668
Investment income	960,495	522	961,017	1,062,159
Fines and costs	-	-	-	46,354
Contributions	266,937	-	266,937	729,980
Other	-	-	-	309,716
Total Revenues	1,227,432	522	1,227,954	13,099,540
Expenditures:				
Current:				
General government	-	-	-	43,727
Public safety	-	-	-	683,300
Education	102	-	102	4,592,006
Public works	-	-	-	1,869,898
Culture and recreation	263,048	7,599	270,647	935,282
Community development	-	-	-	1,600,476
Capital Outlay	-	-	-	8,222,908
Total Expenditures	263,150	7,599	270,749	17,947,597
Excess (deficiency) of revenues over (under) expenditures	964,282	(7,077)	957,205	(4,848,057)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	6,000,000
Transfers in	-	-	-	2,110,613 (1)
Transfers out	(250,000)	-	(250,000)	(729,312) (1)
Total Other Financing Sources (Uses)	(250,000)	-	(250,000)	7,381,301
Net change in fund balances	714,282	(7,077)	707,205	2,533,244
Fund Balances (deficit), beginning of year	6,058,588	17,290	6,075,878	18,675,070
Fund Balances (deficit), end of year	\$ 6,772,870	\$ 10,213	\$ 6,783,083	\$ 21,208,314

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

**Detail and Combining Budget
and Actual Schedules**

GENERAL FUND

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE

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

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Revenues</u>				
<u>Taxes</u>				
Property taxes	\$ 56,997,551	\$ 56,997,551	\$ 56,997,551	\$ -
Payment in lieu of taxes	160,000	160,000	125,638	(34,362)
Total Taxes	57,157,551	57,157,551	57,123,189	(34,362)
<u>Licenses and Permits</u>				
Motor vehicle permits and fees	3,450,000	3,450,000	3,463,042	13,042
Business licenses, permits and fees	837,000	837,000	1,247,933	410,933
Total Licenses and Permits	4,287,000	4,287,000	4,710,975	423,975
<u>Intergovernmental</u>				
City:				
Shared revenues	1,417,154	1,417,154	1,469,728	52,574
Highway block grant	347,225	347,225	331,272	(15,953)
Other state grants	49,183	49,183	55,649	6,466
School:				
Tuition	3,900,000	3,900,000	4,659,605	759,605
School building aid	1,016,222	1,016,222	981,802	(34,420)
Other	50,000	50,000	56,222	6,222
Total Intergovernmental	6,779,784	6,779,784	7,554,278	774,494
<u>Charges for Services</u>				
Income from departments	2,200,273	2,200,273	2,378,799	178,526
Income from PDA	1,700,000	1,700,000	1,832,050	132,050
Total Charges for Services	3,900,273	3,900,273	4,210,849	310,576
<u>Investment Income</u>	500,000	500,000	1,029,416	529,416
<u>Interest and Penalties</u>	140,000	140,000	53,211	(86,789)
<u>Fines and Costs</u>	925,000	925,000	1,034,546	109,546
<u>Other Revenues</u>				
Sale of municipal property	5,000	5,000	22,805	17,805
Rents of municipal property	103,927	103,927	130,584	26,657
Miscellaneous	90,000	90,000	113,933	23,933
Total Other Revenues	198,927	198,927	267,322	68,395
<u>Other Financing Sources</u>				
Transfers In	806,351	891,451	891,451	-
Use of fund balance	1,573,500	2,609,352	2,609,352	-
Total Other Financing Sources	2,379,851	3,500,803	3,500,803	-
Total Revenues and Other Financing Sources	\$ 76,268,386	\$ 77,389,338	\$ 79,484,589	\$ 2,095,251

CITY OF PORTSMOUTH, NEW HAMPSHIRE

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

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Expenditures</u>				
<u>General Government</u>				
City council	\$ 32,121	\$ 32,121	\$ 27,753	\$ 4,368
City manager	238,679	238,679	236,900	1,779
City clerk	171,638	171,638	168,476	3,162
Elections	43,780	43,780	30,611	13,169
Legal	434,876	434,876	432,553	2,323
Human resources	2,172,667	1,996,912	1,990,924	5,988
Finance/Accounting	<u>1,537,566</u>	<u>1,537,566</u>	<u>1,514,454</u>	<u>23,112</u>
Total General Government	4,631,327	4,455,572	4,401,671	53,901
<u>Other General Government</u>				
General administration	<u>827,006</u>	<u>923,977</u>	<u>880,557</u>	<u>43,420</u>
Total Other General Government	827,006	923,977	880,557	43,420
<u>Public Works</u>	5,246,728	5,331,828	5,331,822	6
<u>Community Services</u>				
Public library	1,368,399	1,368,399	1,334,508	33,891
Recreation	1,086,440	1,086,440	1,064,467	21,973
Public welfare	344,981	344,981	339,750	5,231
Outside social services	<u>188,304</u>	<u>188,304</u>	<u>188,304</u>	<u>-</u>
Total Community Services	2,988,124	2,988,124	2,927,029	61,095
<u>Regulatory Services</u>				
Planning	462,160	462,160	455,935	6,225
Building inspection	332,087	332,087	323,078	9,009
Public health	<u>103,151</u>	<u>103,151</u>	<u>76,357</u>	<u>26,794</u>
Total Regulatory Services	897,398	897,398	855,370	42,028
<u>Police Department</u>	7,830,154	7,801,892	7,773,326	28,566
<u>Fire Department</u>	6,132,361	6,287,485	6,278,304	9,181
<u>School Department</u>	32,472,916	32,323,275	32,322,492	783

(continued)

CITY OF PORTSMOUTH, NEW HAMPSHIRE

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

For the Year Ended June 30, 2007

(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Non-Operating</u>				
Debt service payments	\$ 7,730,930	\$ 7,730,930	\$ 7,060,657	\$ 670,273
Overlay	800,000	1,937,415	1,937,415	-
Capital outlay	1,200,000	1,200,000	1,200,000	-
County tax	3,680,000	3,680,000	3,273,969	406,031
Contingency	400,000	400,000	400,000	-
Other General non-operating	<u>1,431,442</u>	<u>1,431,442</u>	<u>1,427,138</u>	<u>4,304</u>
Total Non-Operating	<u>15,242,372</u>	<u>16,379,787</u>	<u>15,299,179</u>	<u>1,080,608</u>
Total Expenditures	<u>\$ 76,268,386</u>	<u>\$ 77,389,338</u>	<u>\$ 76,069,750</u>	<u>\$ 1,319,588</u>

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Enterprise Funds

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

The City of Portsmouth has the following Enterprise Funds:

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

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Schedule of Revenues and Expenses -
Budget and Actual

Enterprise Funds

For the Year Ended June 30, 2007

	Final Budget *	Water Fund Actual (Budgetary Basis)	Variance
Operating Revenues:			
Charges for services	\$ 4,284,451	\$ 3,707,528	\$ (576,923)
Licenses and permits	509,000	496,764	(12,236)
Departmental revenue	<u>331,055</u>	<u>79,939</u>	<u>(251,116)</u>
Total Operating Revenues	5,124,506	4,284,231	(840,275)
Operating Expenses:			
Personnel	1,976,312	1,682,389	293,923
Non-personnel	1,828,541	1,772,779	55,762
Depreciation	668,944	730,366	(61,422)
Capital	<u>1,145,000</u>	<u>1,145,000</u>	<u>-</u>
Total Operating Expenses	<u>5,618,797</u>	<u>5,330,534</u>	<u>288,263</u>
Operating Income (Loss)	(494,291)	(1,046,303)	(552,012)
Nonoperating Income and (Expenses):			
Grants income	-	47,218	47,218
Investment income	60,000	104,101	44,101
Interest on bonds obligations	<u>(206,260)</u>	<u>(198,637)</u>	<u>7,623</u>
Total Nonoperating Revenues (Expenses)	<u>(146,260)</u>	<u>(47,318)</u>	<u>98,942</u>
Income (Loss) Before Contributions and Transfers	(640,551)	(1,093,621)	(453,070)
Capital contributions from developers	42,000	20,515	(21,485)
Transfers from (to) other funds	(451,756)	(451,756)	-
Other Financing Sources:			
Use of retained earnings	<u>1,050,307</u>	<u>1,050,307</u>	<u>-</u>
Net Income	\$ <u>-</u>	\$ <u>(474,555)</u>	\$ <u>(474,555)</u>

* Final budget did not change from original budget.

Sewer Fund		
<u>Final Budget *</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
\$ 5,676,528	\$ 5,656,677	\$ (19,851)
95,000	117,905	22,905
<u>95,010</u>	<u>105,594</u>	<u>10,584</u>
5,866,538	5,880,176	13,638
1,716,383	1,543,189	173,194
3,200,276	3,252,838	(52,562)
1,191,753	851,981	339,772
<u>2,300,000</u>	<u>2,300,000</u>	<u>-</u>
<u>8,408,412</u>	<u>7,948,008</u>	<u>460,404</u>
(2,541,874)	(2,067,832)	(446,766)
1,728,781	1,637,661	(91,120)
270,000	475,259	205,259
<u>(1,071,033)</u>	<u>(1,014,786)</u>	<u>56,247</u>
<u>927,748</u>	<u>1,098,134</u>	<u>170,386</u>
(1,614,126)	(969,698)	644,428
153,086	119,949	(33,137)
(439,595)	(439,595)	-
<u>1,900,635</u>	<u>1,900,635</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 611,291</u>	<u>\$ 611,291</u>

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUNDS

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

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

AGENCY FUNDS

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

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Fiduciary Net Assets

Private Purpose Trust Funds

June 30, 2007

	<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	\$ -	\$ 523,234	\$ -	\$ -	\$ -	\$ 523,234
Investments	<u>37,364</u>	<u>4,192,828</u>	<u>36,563</u>	<u>272,532</u>	<u>5,337</u>	<u>4,544,624</u>
Total Assets	<u>\$ 37,364</u>	<u>\$ 4,716,062</u>	<u>\$ 36,563</u>	<u>\$ 272,532</u>	<u>\$ 5,337</u>	<u>\$ 5,067,858</u>
<u>NET ASSETS</u>						
Net assets held in trust	<u>\$ 37,364</u>	<u>\$ 4,716,062</u>	<u>\$ 36,563</u>	<u>\$ 272,532</u>	<u>\$ 5,337</u>	<u>\$ 5,067,858</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Changes in Fiduciary Net Assets

Private Purpose Trust Funds

For the Year Ended June 30, 2007

	<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	\$ (852)	\$ 613,710	\$ 1,936	\$ 14,119	\$ 221	\$ 629,134
Contributions	<u>-</u>	<u>1,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,784</u>
Total Additions	(852)	615,494	1,936	14,119	221	630,918
<u>DEDUCTIONS</u>						
Payments to beneficiaries	<u>7,535</u>	<u>185,631</u>	<u>36</u>	<u>8,152</u>	<u>5</u>	<u>201,359</u>
Net increase (decrease)	(8,387)	429,863	1,900	5,967	216	429,559
<u>NET ASSETS</u>						
Beginning of year	<u>45,751</u>	<u>4,286,199</u>	<u>34,663</u>	<u>266,565</u>	<u>5,121</u>	<u>4,638,299</u>
End of year	<u>\$ 37,364</u>	<u>\$ 4,716,062</u>	<u>\$ 36,563</u>	<u>\$ 272,532</u>	<u>\$ 5,337</u>	<u>\$ 5,067,858</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2007

	Balance July 1, <u>2006</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2007</u>
<u>Claremont Coalition:</u>				
Assets - cash and short-term investments	\$ <u>30,613</u>	\$ <u>20,897</u>	<u>(39,753)</u>	\$ <u>11,757</u>
Liabilities - other liabilities	\$ <u>30,613</u>	<u>20,897</u>	<u>(39,753)</u>	\$ <u>11,757</u>
 <u>Art Speak</u>				
Assets - cash and short-term investments	\$ <u>26,018</u>	\$ <u>30,565</u>	<u>(32,064)</u>	\$ <u>24,519</u>
Liabilities - other liabilities	\$ <u>26,018</u>	<u>30,565</u>	<u>(32,064)</u>	\$ <u>24,519</u>
 <u>School Fund:</u>				
Assets - cash and short-term investments	\$ <u>387,165</u>	\$ <u>913,755</u>	<u>(881,867)</u>	\$ <u>419,053</u>
Liabilities - other liabilities	\$ <u>387,165</u>	<u>913,755</u>	<u>(881,867)</u>	\$ <u>419,053</u>
 <u>Totals:</u>				
Assets - cash and short-term investments	\$ <u>443,796</u>	\$ <u>965,217</u>	\$ <u>(953,684)</u>	\$ <u>455,329</u>
Liabilities - other liabilities	\$ <u>443,796</u>	<u>965,217</u>	<u>(953,684)</u>	\$ <u>455,329</u>

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STATISTICAL

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>
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.</i>	102-106
Revenue Capacity	
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	107-113
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.</i>	114-116
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.</i>	117-118
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.</i>	119-121

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Portsmouth, New Hampshire

Net Assets by Component

Last Ten Fiscal Years (1)

(accrual basis of accounting)

	2003	2004	Fiscal Year 2005	2006	2007
Governmental Activities					
Invested in capital assets, net of related debt	\$ 30,732,364	\$ 38,911,622	\$ 42,496,138	\$ 49,153,962	\$ 54,020,817
Restricted	9,048,695	9,306,501	10,931,104	13,270,157	14,389,205
Unrestricted	14,026,140	9,549,651	15,161,322	12,448,295	18,269,352
Total governmental activities net assets	\$ 53,807,199	\$ 57,767,774	\$ 68,588,564	\$ 74,872,414	\$ 86,679,374
Business-type activities					
Invested in capital assets, net of related debt	\$ 21,234,161	\$ 22,095,474	\$ 23,013,138	\$ 25,349,267	\$ 27,065,756
Restricted	3,018,513	382,800	510,400	275,000	330,000
Unrestricted	14,021,585	17,254,704	17,747,847	17,098,572	17,147,305
Total business-type activities net assets	\$ 38,274,259	\$ 39,732,978	\$ 41,271,385	\$ 42,722,839	\$ 44,543,061
Primary government					
Invested in capital assets, net of related debt	\$ 51,966,525	\$ 61,007,096	\$ 65,509,276	\$ 74,503,229	\$ 81,086,573
Restricted	12,067,208	9,689,301	11,441,504	13,545,157	14,719,205
Unrestricted	28,047,725	26,804,355	32,909,169	29,546,867	35,416,657
Total primary government net assets	\$ 92,081,458	\$ 97,500,752	\$ 109,859,949	\$ 117,595,253	\$ 131,222,435

Notes:

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

City of Portsmouth, New Hampshire

Changes in Net Assets

Last Ten Fiscal Years (1)
(accrual basis of accounting)

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

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

City of Portsmouth, New Hampshire

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
All governmental funds										
Reserved for encumbrances	\$ 2,341,748	\$ 3,628,258	\$ 3,893,588	\$ 3,952,627	\$ 5,212,531	\$ 3,227,551	\$ 3,364,804	\$ 3,520,771	\$ 4,195,684	\$ 4,547,358
Reserved for expenditures	-	-	-	104,806	96,611	84,391	74,191	72,191	-	-
Reserve for perpetual permanent funds	-	-	156,256	-	-	4,955,608	4,969,372	5,227,376	1,319,555	1,588,492
Total Reserved	2,341,748	3,628,258	4,049,844	4,057,433	5,309,142	8,267,550	8,408,367	8,820,338	5,580,539	6,293,350
Designated Unreserved	2,478,469	3,196,142	5,693,714	7,234,510	7,928,790	12,169,119	12,663,496	12,849,182	13,124,996	13,366,904
Undesignated	7,120,953	11,568,019	14,239,199	11,274,826	5,717,667	37,736,846	20,079,059	17,424,803	24,309,266	26,950,676
Total all governmental funds	\$ 11,941,170	\$ 18,392,419	\$ 23,982,757	\$ 22,566,769	\$ 18,955,599	\$ 58,173,515	\$ 41,150,922	\$ 39,094,323	\$ 43,014,801	\$ 46,610,930
General Fund										
Reserved for encumbrances	\$ 2,341,748	\$ 3,628,258	\$ 3,893,588	\$ 3,952,627	\$ 5,212,531	\$ 3,227,551	\$ 3,364,804	\$ 3,520,771	\$ 4,195,684	\$ 4,547,358
Reserved for expenditures (1)	-	-	-	104,806	96,611	84,391	74,191	72,191	-	-
Reserved for advances (2)	-	-	156,256	-	-	-	-	-	65,300	157,500
Total Reserved	2,341,748	3,628,258	4,049,844	4,057,433	5,309,142	3,311,942	3,438,995	3,592,962	4,260,984	4,704,858
Designated Unreserved	2,478,469	3,196,142	5,685,862	7,219,992	7,928,790	12,169,119	12,663,496	12,849,182	13,124,996	13,366,904
Undesignated	3,824,546	4,565,668	4,591,148	4,952,900	5,455,337	5,083,848	5,955,115	6,426,404	6,953,751	7,330,854
Total General Fund	\$ 8,644,763	\$ 11,390,068	\$ 14,326,854	\$ 16,230,325	\$ 18,693,269	\$ 20,564,909	\$ 22,057,606	\$ 22,868,548	\$ 24,339,731	\$ 25,402,616
All other governmental funds										
Reserved for encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved for expenditures (1)	-	-	-	-	-	-	-	-	-	-
Reserved for advances (2)	-	-	-	-	-	-	-	-	-	-
Reserve for perpetual permanent funds	-	-	-	-	-	4,955,608	4,969,372	5,227,376	1,319,555	1,588,492
Total Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,955,608	\$ 4,969,372	\$ 5,227,376	\$ 1,319,555	\$ 1,588,492
Designated unreserved, reported in:										
Special revenue funds	-	-	7,852	14,518	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Permanent funds	-	-	-	-	-	-	-	-	-	-
Undesignated, reported in:										
Special revenue funds	1,919,190	5,717,695	6,019,183	5,882,924	5,574,289	5,971,035	5,717,056	6,941,291	6,893,059	7,816,687
Capital projects funds	1,377,217	1,284,656	3,628,868	439,002	(5,311,959)	26,681,963	8,078,504	3,595,443	5,706,133	6,608,544
Permanent funds	-	-	-	-	-	-	328,384	461,665	4,756,323	5,194,591
Total all other governmental funds	\$ 3,296,407	\$ 7,002,351	\$ 9,655,903	\$ 6,336,444	\$ 262,330	\$ 37,608,606	\$ 19,093,316	\$ 16,225,775	\$ 18,675,070	\$ 21,208,314

Notes:

(1) Reserve surplus the City Council has approved for future operating budgets

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

City of Portsmouth, New Hampshire

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Real estate taxes	\$35,845,109	\$37,950,948	\$40,123,944	\$40,953,500	\$ 45,336,014	\$ 44,505,775	\$ 47,539,993	\$ 50,667,672	\$ 52,650,269	\$ 55,227,095
Licenses and permits	3,118,882	3,345,300	3,488,358	3,781,607	3,895,784	4,208,820	4,505,334	4,624,489	4,568,619	4,710,975
Intergovernmental	7,872,991	11,290,936	10,116,112	8,178,061	10,138,523	8,224,065	12,072,213	14,028,703	9,535,360	11,321,336
Charges for service	5,521,899	5,747,560	6,587,400	6,681,716	5,355,600	7,467,109	8,418,131	9,584,012	10,036,818	11,073,122
Investment income	625,724	549,057	485,656	871,880	377,369	1,062,212	1,007,708	969,259	1,457,220	2,091,575
Interest on taxes (1)	-	-	-	-	255,095	229,172	564,925	165,131	161,637	53,211
Fines and costs	500,348	631,025	662,795	519,815	751,342	760,457	768,507	984,797	1,160,661	1,080,900
Contributions	-	-	-	-	73,756	-	-	1,281,741	927,429	729,980
Other	1,249,488	2,695,214	1,230,325	1,308,937	2,001,733	1,633,210	427,534	579,262	626,357	576,909
Total revenues	54,734,441	62,210,040	62,694,590	62,295,516	68,185,138	68,090,820	75,304,345	82,885,066	81,124,370	86,865,103
Expenditures										
General government	4,821,614	5,055,485	6,162,629	7,441,909	6,783,144	5,042,774	7,300,212	6,010,165	5,913,667	6,337,794
Public safety	8,901,045	9,073,653	9,463,986	9,496,262	11,726,479	11,770,837	12,483,635	12,993,008	14,230,126	14,799,315
Education	25,998,720	26,970,903	27,866,667	27,740,810	30,121,469	30,438,638	31,656,913	34,017,131	35,555,097	36,095,015
Public works	3,291,525	3,569,378	3,238,039	3,228,871	3,745,129	5,501,817	5,783,972	6,992,133	7,700,862	7,523,511
Health and human services	-	-	-	-	-	602,337	507,819	539,600	649,923	604,410
Culture and recreation	2,300,926	2,365,243	4,993,058	4,806,798	2,505,909	2,296,531	2,511,941	2,611,083	2,699,189	3,336,256
Community development	1,793,362	1,909,125	1,489,800	1,338,755	1,924,855	1,201,811	1,600,806	1,239,848	1,570,750	1,600,476
Debt service										
Principal	2,328,000	2,170,000	2,534,091	2,967,905	2,860,342	1,918,387	4,727,294	4,532,905	4,259,905	4,897,905
Interest	791,241	648,424	672,745	844,962	711,689	1,585,638	2,225,192	2,094,637	2,157,922	2,162,752
Capital outlay	2,069,136	2,695,221	6,538,097	3,776,719	7,966,496	17,057,484	20,917,030	12,084,852	10,006,285	9,528,922
Intergovernmental	1,983,619	1,918,715	1,885,418	1,985,870	3,268,151	3,589,423	3,226,620	3,225,906	3,221,027	3,273,969
Total expenditures	54,279,188	56,376,147	64,844,530	63,628,861	71,613,664	81,005,677	92,941,434	86,341,268	87,964,753	90,160,325
Excess of revenues										
Over/(under) expenditures	455,253	5,833,893	(2,149,940)	(1,333,345)	(3,428,526)	(12,914,857)	(17,637,089)	(3,456,202)	(6,840,383)	(3,295,222)
Other Financing Sources (Uses)										
Issuance of bonds/loans	-	700,000	7,672,923	-	-	46,640,000	-	437,000	9,905,000	6,000,000
Bond premium	-	-	-	-	-	-	-	-	95,000	-
Transfers in	-	1,010,000	230,000	1,185,754	2,618,991	1,977,509	1,042,083	2,697,536	2,040,876	2,272,652
Transfers out	(82,644)	(1,092,644)	(162,644)	(1,268,398)	(2,701,635)	(1,365,539)	(427,587)	(1,964,492)	(1,280,015)	(1,381,301)
Total governmental activities	(82,644)	617,356	7,740,279	(82,644)	(82,644)	47,251,970	614,496	1,170,044	10,760,861	6,891,351
Net Change in fund balances	\$ 372,609	\$ 6,451,249	\$ 5,590,339	\$ (1,415,989)	\$ (3,511,170)	\$ 34,337,113	\$ (17,022,593)	\$ (2,286,158)	\$ 3,920,478	\$ 3,596,129
Debt Service as a percentage of non-capital outlay expenditures										
	5.97%	5.25%	5.50%	6.37%	5.61%	5.48%	9.65%	8.93%	8.23%	8.76%

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

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

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

City of Portsmouth, New Hampshire

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

Fiscal Year	Revenue					Expenses					Increase (Decrease) Total Net Assets	Total Net Assets	
	Charges for Services	Licenses and Permits	Departmental	Other	Transfers In	Operations & Maintenance	Depreciation	Interest Expense	Transfers Out	Total			
2007	\$ 9,364,205	\$ 614,669	\$ 185,533	\$ 2,404,703	\$ -	\$ 12,569,110	\$ 7,061,767	\$ 1,582,347	\$ 1,213,423	\$ 891,351	\$ 10,748,888	\$ 1,820,222	\$ 44,543,061
2006	9,360,367	560,220	228,798	2,693,021	82,644	12,925,050	7,175,517	1,726,034	1,728,540	843,505	11,473,596	1,451,454	42,722,839
2005	8,697,265	475,729	319,687	2,315,412	82,644	11,890,737	6,585,635	1,778,086	1,172,921	815,688	10,352,330	1,538,407	41,271,385
2004	7,637,961	448,389	273,529	2,085,423	82,644	10,527,946	5,271,279	1,675,342	1,425,466	697,140	9,069,227	1,458,719	39,732,978
2003	7,991,788	498,888	116,595	3,210,007	112,044	11,929,322	5,853,393	1,606,413	1,197,712	724,014	9,381,532	2,547,790	38,274,259
2002	8,865,399	562,372	-	1,881,710	82,644	11,392,125	7,432,050	1,514,861	1,147,878	-	10,094,809	1,297,316	35,726,469 (1)
2001	7,771,816	523,089	-	2,037,303	82,644	10,414,852	6,110,016	1,739,246	1,275,447	-	9,124,709	1,290,143	17,544,147
2000	8,529,914	390,982	-	1,941,216	82,644	10,944,756	5,668,397	1,428,264	1,003,246	150,000	8,249,907	2,694,849	16,076,955
1999	7,889,355	230,601	-	1,877,091	82,644	10,079,691	4,740,490	1,415,921	1,188,739	-	7,345,150	2,734,541	13,382,105
1998	7,283,168	300,261	-	2,119,065	82,644	9,765,138	4,685,694	1,222,179	1,284,512	-	7,192,385	2,572,753	10,647,564

Includes Water and Sewer Funds

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

Fiscal Year	Revenue					Expenses					Increase (Decrease) Total Net Assets	Total Net Assets	
	Charges for Services	Licenses and Permits	Departmental	Other	Transfers In	Operations & Maintenance	Depreciation	Interest Expense	Transfers Out	Total			
2007	\$ 3,707,528	\$ 496,764	\$ 79,939	\$ 171,834	\$ -	\$ 4,456,065	\$ 3,096,340	\$ 730,366	\$ 198,637	\$ 451,756	\$ 4,477,099	\$ (21,034)	\$ 20,290,203
2006	3,566,117	426,546	150,804	487,863	82,644	4,713,974	3,074,610	567,636	237,935	427,660	4,307,841	406,133	20,311,237
2005	3,310,175	385,408	202,064	61,500	82,644	4,041,791	3,109,892	626,734	238,803	413,406	4,388,835	(347,044)	19,905,104
2004	2,909,623	416,117	146,517	175,240	82,644	3,730,141	2,072,920	622,373	415,486	353,237	3,464,086	266,055	20,262,148
2003	2,957,698	463,984	116,595	1,220,417	112,044	4,870,738	2,959,056	591,820	92,613	381,219	4,024,708	846,030	19,986,093
2002	3,555,350	417,742	-	107,902	82,644	4,163,638	4,030,385	468,135	105,239	-	4,603,759	(440,121)	19,140,063 (1)
2001	3,119,444	324,739	-	267,471	82,644	3,734,298	3,191,976	589,220	130,151	-	3,911,347	(177,049)	9,876,145
2000	3,488,296	212,052	-	209,270	82,644	3,992,262	2,772,285	473,414	84,938	75,000	3,405,637	586,625	9,876,145
1999	3,253,822	160,504	-	192,340	82,644	3,689,310	2,245,935	428,006	179,157	-	2,853,098	836,212	9,289,519
1998	2,966,574	244,291	-	348,281	82,644	3,641,790	2,252,946	275,547	214,319	-	2,742,812	898,978	8,453,307

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

Fiscal Year	Revenue					Expenses					Increase (Decrease) Total Net Assets	Total Net Assets	
	Charges for Services	Licenses and Permits	Departmental	Other	Transfers In	Operations & Maintenance	Depreciation	Interest Expense	Transfers Out	Total			
2007	\$ 5,656,677	\$ 117,905	\$ 105,594	\$ 2,232,869	\$ -	\$ 8,113,045	\$ 3,965,427	\$ 851,981	\$ 1,014,786	\$ 439,595	\$ 6,271,789	\$ 1,841,256	\$ 24,252,858
2006	5,794,250	133,674	77,994	2,205,158	-	8,211,076	4,100,907	1,158,398	1,490,605	415,845	7,165,755	1,045,321	22,411,602
2005	5,387,090	90,321	117,623	2,253,912	-	7,848,946	3,475,743	1,151,352	934,118	402,282	5,963,495	1,885,451	21,366,281
2004	4,728,338	32,272	127,012	1,910,183	-	6,797,805	3,198,289	1,052,969	1,009,980	343,903	5,605,141	1,192,660	19,480,830
2003	5,034,090	34,904	-	1,989,590	-	7,058,584	2,894,337	1,014,593	1,105,099	342,795	5,356,824	1,701,764	18,288,166
2002	5,310,049	144,630	-	1,773,808	-	7,228,487	3,401,665	1,046,746	1,042,639	-	5,491,050	1,737,437	16,586,406 (1)
2001	4,652,372	198,350	-	1,829,832	-	6,680,554	2,918,040	1,150,026	1,145,296	-	5,213,362	1,467,192	7,668,002
2000	5,041,618	178,930	-	1,731,946	-	6,952,494	2,896,112	954,850	918,308	75,000	4,844,270	2,108,224	6,200,810
1999	4,635,533	70,097	-	1,684,751	-	6,390,381	2,494,555	987,915	1,009,582	-	4,492,052	1,898,329	4,092,586
1998	4,296,594	55,970	-	1,770,784	-	6,123,348	2,432,748	946,832	1,070,163	-	4,449,573	1,673,775	2,194,257

Notes:

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

City of Portsmouth, New Hampshire

General Government Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property Taxes	Payment in Lieu of Tax	Tax Interest & Penalties	Total
2007	\$ 54,779,457	\$ 125,638	\$ 53,211	\$ 54,958,306
2006	52,650,269	170,640	161,637	\$ 52,982,546
2005	50,667,672	137,888	165,131	50,970,691
2004	47,539,993	169,138	179,572	47,888,703
2003	44,505,775	166,678	154,282	44,826,735
2002	45,336,014	153,527	256,103	45,745,644
2001	40,953,500	128,706	151,718	41,233,924
2000	40,123,944	141,394	190,656	40,455,994
1999	37,950,948	124,861	209,793	38,285,602
1998	35,845,109	135,140	248,298	36,228,546

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
2007	\$ 57,092,233	\$ 55,280,205	96.8%	1,812,027	\$ -	\$ 1,812,027	\$ 55,280,205	96.8%	8,197	152	1.9%
2006	53,977,417	52,373,485	97.0%	1,603,932	1,431,539	172,393	53,805,024	99.7%	8,045	142	1.8%
2005	51,640,293	50,077,434	97.0%	1,562,859	1,460,147	102,712	51,537,581	99.8%	7,960	161	2.0%
2004	51,541,467	50,314,750	97.6%	1,226,717	1,209,620	17,097	51,524,370	100.0%	7,940	142	1.8%
2003	50,302,728	48,698,632	96.8%	1,604,096	1,600,738	3,358	50,299,370	100.0%	7,911	181	2.3%
2002	45,853,185	43,860,459	95.7%	1,992,725	1,990,829	1,897	45,851,288	100.0%	7,902	165	2.1%
2001	41,122,197	39,878,435	97.0%	1,243,762	1,242,468	1,294	41,120,903	100.0%	7,925	153	1.9%
2000	40,217,170	39,016,867	97.0%	1,200,313	1,199,166	1,157	40,216,013	100.0%	7,898	176	2.2%
1999	37,423,864	36,140,729	96.6%	1,283,135	1,283,135	-	37,423,864	100.0%	7,881	166	2.1%
1998	35,253,261	33,690,038	95.6%	1,563,223	1,563,223	-	35,253,261	100.0%	7,762	196	2.5%

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	Current Use/Conservation	Local Assessed Value (1)			Total Assessed Value	Less Exemptions to Assessed Value (1)	Total Taxable Assessed Value (1)	Total Direct Tax Rate per \$1,000 of Assessed Value	Estimated Full Value (2)	Ratio of Total Assessed Value to Total Estimated Full Value
		Residential	Commercial/Industrial	Utilities						
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	\$ 15.72	\$ 4,168,377,073	89.4%
2006	94,000	1,744,275,200	1,283,814,060	121,374,938	3,149,558,198	43,147,001	3,106,411,197	16.58	3,825,166,327	82.3%
2005	100,300	1,706,395,400	1,269,383,820	118,566,060	3,094,445,580	46,734,201	3,047,711,379	16.13	3,493,582,911	88.6%
2004	101,800	1,733,846,500	1,140,404,260	122,549,718	2,996,902,278	46,391,301	2,950,510,977	16.66	3,223,205,009	93.0%
2003	106,300	1,503,918,890	1,065,538,500	121,435,395	2,690,999,085	41,216,701	2,649,782,384	17.93	2,919,654,029	92.2%
2002	76,584	773,297,408	644,535,700	95,765,200	1,513,674,892	23,226,763	1,490,448,129	28.99	2,917,214,930	51.9%
2001	129,265	770,996,511	626,192,719	95,849,300	1,493,167,795	18,135,466	1,475,032,329	26.61	2,490,644,613	60.0%
2000	131,393	809,104,430	571,188,120	91,702,100	1,472,126,043	20,065,141	1,452,060,902	26.90	2,005,415,856	73.4%
1999	135,064	796,453,855	543,043,285	85,254,400	1,424,886,604	28,446,000	1,396,440,604	25.60	1,751,418,787	81.4%
1998	135,151	768,013,855	513,877,545	85,254,400	1,367,280,951	29,212,900	1,338,068,051	25.04	1,589,697,403	86.0%

Data Sources:

(1) State MS-1 Report of Assessed Values

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

City of Portsmouth, New Hampshire

Principal Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Business	FY 2007 Assessed Value	Rank	Percentage of Total Taxable Assessed Value	FY 1998 Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Public Service Co of NH	Utility	\$ 122,013,211	1	3.32 %	\$ 58,000,000	1	4.33 %
HCA Health Services of NH Inc	Hospital	53,732,000	2	1.46	27,500,000	2	2.06
Liberty Mutual Insurance	Office Building	44,505,100	3	1.21	25,191,500	3	1.88
Harborside Assoc	Hotel	23,624,700	4	0.64	15,507,900	4	1.16
Harbour Place Group LLC	Office Building	23,571,800	5	0.64	-	-	-
Forum Development LLC	Office Building	23,468,900	6	0.64	-	-	-
Durgin Sq\DSP\Endicott	Retail	20,812,800	7	0.57	10,830,600	8	0.81
Bromley Portsmouth LLC	Retail	20,184,700	8	0.55	-	-	-
Inishmaan Assoc LTD Partnership	Apartments	18,787,190	9	0.51	12,143,600	7	0.91
Nine Seven Six Realty Trust	Hotel	18,768,700	10	0.51	-	-	-
Northern Utilities	Utility	-	-	-	10,043,700.00	9	0.75
Portsmouth Associates LP	Retail	-	-	-	10,007,200.00	10	0.75
US Property Investment	Office Building	-	-	-	13,518,200.00	5	1.01
Labrie, JA	Apartments	-	-	-	13,034,300.00	6	0.97
Total Principal Taxpayers		\$ 369,469,101		10.04 %	\$ 195,777,000		14.63 %
Total Net Assessed Taxable Value		<u>\$ 3,680,472,581</u>			<u>\$ 1,338,068,051</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	
2007	\$ 7.27	\$ 5.16	\$ 2.41	\$ 7.57	\$ 14.84	\$ 0.88	\$ 15.72	\$ 13.76
2006	8.13	5.48	2.97	8.45	16.58	1.02	17.60	14.19
2005	7.71	5.22	3.20	8.42	16.13	1.04	17.17	14.86
2004	7.69	3.99	4.98	8.97	16.66	1.08	17.74	16.09
2003	7.55	4.73	5.65	10.38	17.93	1.34	19.27	17.30
2002	11.98	7.85	9.16	17.01	28.99	2.34	31.33	15.50
2001	11.09	7.46	8.06	15.52	26.61	1.56	28.17	15.89
2000	11.68	7.07	8.15	15.22	26.90	1.27	28.17	19.69
1999	11.47	14.13	-	14.13	25.60	1.34	26.94	21.92
1998	11.17	13.87	-	13.87	25.04	1.45	26.49	22.78

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)		
	Water	Sewer	Water	Sewer (3)	Water	Sewer	Combined
2007	\$ 3,476,251	\$ 5,751,538	1,879,103	1,198,237	\$ 1.85	\$ 4.80	\$ 6.65
2006	3,046,701	5,467,684	1,824,372	1,163,337	1.67	4.70	\$ 6.37
2005	2,780,839	5,308,429	1,771,235	1,129,453	1.57	4.70	6.27
2004	2,705,502	5,120,090	1,745,485	1,113,063	1.55	4.70	6.25
2003	2,626,702	4,974,963	1,694,646	1,080,644	1.45	4.60	6.05
2002	2,394,759	4,821,677	1,651,558	1,083,523	1.45	4.60	6.05
2001	2,351,979	4,718,709	1,622,055	1,060,384	1.45	4.45	5.90
2000	2,237,285	4,611,561	1,598,061	1,072,456	1.40	4.45	5.85
1999	2,267,055	4,614,456	1,618,752	1,073,128	1.40	4.30	5.70
1998	3,113,320	3,950,325	1,696,686	1,066,192	1.30	4.30	5.60

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.

City of Portsmouth, New Hampshire

Portsmouth's Share of the Rockingham County Tax Apportionment
Last Ten Fiscal Years
(based on percentage of equalized value)

Total Equalized Values						Apportionment of County Tax Levy				
Tax Year	Portsmouth Base Valuation	Add: Equalization of PILOTS and RR Tax Less: Equalization of State Shared Revenues	Portsmouth Total Equalized Valuation	Rockingham County	Portsmouth's %	Fiscal Year	County Tax Levy	Portsmouth's Share (1)	Portsmouth's Share \$ Change	Portsmouth's Share % Change
2006	\$ 4,168,377,073	\$ 12,367,933	\$ 4,180,745,006	\$ 45,307,514,659	9.2274870%	2007	\$ 37,666,947	\$ 3,273,969	\$ 52,942	1.6%
2005	3,825,166,327	2,282,567	3,827,448,894	44,034,708,049	8.6918912%	2006	36,505,736	3,221,027	(4,879)	-0.2%
2004	3,493,582,911	2,424,321	3,496,007,232	39,622,268,486	8.8233394%	2005	35,935,492	3,225,906	(714)	0.0%
2003	3,223,205,009	(8,197,415)	3,215,007,594	35,814,088,711	8.9769364%	2004	34,925,107	3,226,620	(362,803)	-10.1%
2002*	2,919,654,029	(12,855,673)	2,906,798,356	31,959,784,591	9.0951751%	2003	33,966,352	3,589,423	61,284	1.7%
2001	2,917,214,930	38,844,379	2,956,059,309	27,972,890,878	10.5675860%	2002	33,144,536	3,528,139	1,184,366	50.5%
2000	2,490,644,613	75,294,698	2,565,939,311	24,105,313,223	10.6447043%	2001	23,769,790	2,343,773	458,355	24.3%
1999	2,005,415,856	37,534,447	2,042,950,303	20,718,942,528	9.8603020%	2000	21,015,844	1,885,418	(33,297)	-1.7%
1998	1,751,418,787	169,873	1,751,588,660	19,524,112,972	8.9714122%	1999	21,751,519	1,918,715	(64,904)	-3.3%
1997	1,589,697,403	148,224	1,589,845,627	18,023,289,295	8.8210626%	1998	22,749,452	1,683,619	(78,434)	-3.8%

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Issued Debt at June 30										
City Depts.	\$ 10,425,000	\$ 8,835,000	\$ 14,100,000	\$ 11,285,000	\$ 9,210,000	\$ 16,295,000	\$ 13,875,000	\$ 11,892,000	\$ 19,650,000	\$ 22,865,000
Landfill	3,605,774	3,605,774	4,077,815	3,884,910	3,652,005	3,439,100	3,226,194	3,013,288	2,800,384	2,587,476
School Dept.	-	-	-	-	-	38,000,000	36,100,000	34,200,000	32,300,000	30,400,000
Total General Fund	14,030,774	12,440,774	18,177,815	15,149,910	12,862,005	57,734,100	53,201,194	49,105,288	54,750,384	55,852,476
Water Fund	3,230,000	2,775,000	2,320,000	1,865,000	1,998,000	1,513,600	6,693,632	5,911,104	5,538,576	5,211,048
Sewer Fund	15,110,000	13,965,000	12,820,000	17,782,557	21,247,468	19,534,450	17,821,430	25,016,521	22,868,597	20,850,673
Total Issued Debt at June 30	\$ 32,370,774	\$ 29,180,774	\$ 33,317,815	\$ 34,797,467	\$ 38,107,473	\$ 78,782,150	\$ 77,716,256	\$ 80,032,913	\$ 83,157,557	\$ 81,914,197
Authorized Unissued Debt June 30										
City Depts.	\$ -	\$ 6,610,000	\$ -	\$ 4,650,000	\$ 11,650,000	\$ 7,000,000	\$ 7,000,000	\$ 10,000,000	\$ 17,038,000	\$ 17,500,000
Landfill	5,294,226	5,294,226	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897
School Dept.	-	-	-	38,000,000	38,000,000	-	-	-	-	500,000
Total General Fund	5,294,226	11,904,226	4,641,897	47,291,897	54,291,897	11,641,897	11,641,897	14,641,897	21,679,897	22,641,897
Water Fund	\$ -	\$ -	\$ 5,250,000	\$ 5,250,000	\$ 5,862,000	\$ 5,862,000	\$ -	\$ -	\$ 12,087,440	\$ 11,420,000
Sewer Fund	-	-	16,800,000	13,100,000	9,600,000	32,100,000	32,100,000	22,500,000	23,215,054	23,201,890
Total Authorized Unissued Debt June 30	\$ 5,294,226	\$ 11,904,226	\$ 26,691,897	\$ 65,641,897	\$ 69,753,897	\$ 49,603,897	\$ 43,741,897	\$ 37,141,897	\$ 56,982,391	\$ 57,263,787
Gross Debt June 30										
City Depts.	\$ 10,425,000	\$ 15,445,000	\$ 14,100,000	\$ 15,935,000	\$ 20,860,000	\$ 23,295,000	\$ 20,875,000	\$ 21,892,000	\$ 36,688,000	\$ 40,365,000
Coakley Landfill	8,900,000	8,900,000	8,719,712	8,506,807	8,293,902	8,080,997	7,888,091	7,655,185	7,442,281	7,229,373
School Dept.	-	-	-	38,000,000	38,000,000	38,000,000	36,100,000	34,200,000	32,300,000	30,900,000
Total General Fund	19,325,000	24,345,000	22,819,712	62,441,807	67,153,902	69,375,997	64,843,091	63,747,185	76,430,281	78,494,373
Water Fund	3,230,000	2,775,000	7,570,000	7,115,000	7,860,000	7,375,600	6,693,632	5,911,104	17,626,016	16,631,048
Sewer Fund	15,110,000	13,965,000	29,620,000	30,882,557	30,847,468	51,634,450	49,921,430	47,516,521	46,083,651	44,052,563
Total Gross Debt June 30	\$ 37,665,000	\$ 41,085,000	\$ 60,009,712	\$ 100,439,364	\$ 105,861,370	\$ 128,386,047	\$ 121,458,153	\$ 117,174,810	\$ 140,139,948	\$ 139,177,984
Base Value for Debt Limits (1)										
	\$ 1,589,697,403	\$ 1,751,418,787	\$ 2,005,415,856	\$ 2,490,644,613	\$ 2,917,214,930	\$ 2,919,654,029	\$ 3,223,205,009	\$ 3,493,562,911	\$ 3,825,166,327	\$ 4,168,377,073
Legal Debt Limits (% of Base Value)										
City - 1.75% thru 1998, 3% 1999 on (2)	\$ 27,819,705	\$ 52,542,564	\$ 60,162,476	\$ 74,719,338	\$ 87,516,448	\$ 87,589,621	\$ 96,696,150	\$ 104,807,487	\$ 114,754,990	\$ 125,051,312
School - 7% (2)	111,278,818	122,599,315	140,379,110	174,345,123	204,205,045	204,375,782	225,624,361	244,550,804	267,761,643	291,786,395
Water - 10% (2)	158,969,740	175,141,879	200,541,586	249,064,461	291,721,493	291,965,403	322,320,501	349,358,291	382,516,633	416,837,707
Debt Against Legal Debt Limits										
City Depts.	10,425,000	20,489,227	18,741,897	15,935,000	20,860,000	23,295,000	20,875,000	21,892,000	36,688,000	40,365,000
School Dept.	-	-	-	38,000,000	38,000,000	38,000,000	36,100,000	34,200,000	32,300,000	30,900,000
Water Fund	3,230,000	2,775,000	7,570,000	7,115,000	7,860,000	7,375,600	6,693,632	5,911,104	17,626,016	16,631,048
Exempt from Legal Debt Limits (3)	24,010,000	17,820,773	33,897,815	39,389,364	39,141,370	59,715,447	57,789,521	55,171,766	53,525,932	51,281,936
Total Debt at June 30	\$ 37,665,000	\$ 41,085,000	\$ 60,009,712	\$ 100,439,364	\$ 105,861,370	\$ 128,386,047	\$ 121,458,153	\$ 117,174,810	\$ 140,139,948	\$ 139,177,984
Unused Capacity of Legal Debt Limits										
City Depts.	\$ 17,394,705	\$ 32,053,337	\$ 41,420,579	\$ 58,784,338	\$ 66,656,448	\$ 64,294,621	\$ 75,821,150	\$ 82,915,487	\$ 78,066,990	\$ 84,686,312
School Dept.	111,278,818	122,599,315	140,379,110	136,345,123	166,205,045	166,375,782	189,524,361	210,350,804	235,461,643	260,886,395
Water Fund	155,739,740	172,366,879	192,971,586	241,949,461	283,861,493	284,589,803	315,626,869	343,447,187	364,890,617	400,206,659
% of Legal Debt Limits Used										
City Depts.	37.5%	39.0%	31.2%	21.3%	23.8%	26.6%	21.6%	20.9%	32.0%	32.3%
School Dept.	0.0%	0.0%	0.0%	21.8%	18.6%	18.6%	16.0%	14.0%	12.1%	10.9%
Water Fund	2.0%	1.6%	3.8%	2.9%	2.7%	2.5%	2.1%	1.7%	4.6%	4.0%

Data Source
Audited Financial Statements

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

City of Portsmouth, New Hampshire

Ratios of Outstanding Debt by Debt Type Last Ten Fiscal Years

Governmental Activities - General Obligation Debt

Fiscal Year	City Depts.	Landfills	School Dept.	Total	Less State Aid	Tax Supported Value (net debt)	% of Net Debt to Taxable Assessed Value	Net Debt per Capita
2007	\$ 22,865,000	\$ 2,587,476	\$ 30,400,000	\$ 55,852,476	17,744,525	\$ 38,107,951	1.04%	\$ 1,831
2006	19,650,000	2,800,384	32,300,000	54,750,384	18,796,804	35,953,580	1.16%	1,712
2005	11,892,000	3,013,288	34,200,000	49,105,288	19,849,084	29,256,204	0.96%	1,390
2004	13,875,000	3,226,194	36,100,000	53,201,194	20,901,364	32,299,830	1.09%	1,534
2003	16,295,000	3,439,100	38,000,000	57,734,100	612,982	57,121,118	2.16%	2,719
2002	9,210,000	3,652,005	-	12,862,005	649,039	12,212,966	0.82%	584
2001	11,285,000	3,864,910	-	15,149,910	685,097	14,464,813	0.98%	696
2000	14,100,000	4,077,815	-	18,177,815	763,990	17,413,825	1.20%	753
1999	8,835,000	3,605,774	-	12,440,774	85,670	12,355,104	0.88%	535
1998	10,425,000	3,605,774	-	14,030,774	128,505	13,902,269	1.04%	608

Business-Type Activities - General Obligation Debt

Fiscal Year	Water Fund	Sewer Fund	Total	less State Sewer Aid	Net Debt	Net Debt per capita (1)	% of Net Debt to Personal Income (2)
2007	\$ 5,211,048	\$ 20,850,673	\$ 26,061,721	\$ 9,195,478	\$ 16,866,243	\$ 810	1.8%
2006	5,538,576	22,868,597	28,407,173	10,663,498	17,743,675	845	2.0%
2005	5,911,104	25,016,521	30,927,625	8,591,253	22,336,372	1,061	2.5%
2004	6,693,632	17,821,430	24,515,062	9,936,581	14,578,481	693	1.7%
2003	1,513,600	19,534,450	21,048,050	11,345,312	9,702,738	462	1.2%
2002	1,998,000	21,247,468	23,245,468	12,881,385	10,364,083	496	1.3%
2001	1,865,000	17,782,557	19,647,557	14,475,019	5,172,538	249	0.6%
2000	2,320,000	12,820,000	15,140,000	13,438,341	1,701,659	74	0.2%
1999	2,775,000	13,965,000	16,740,000	14,971,291	1,768,709	77	0.2%
1998	3,230,000	15,110,000	18,340,000	16,559,391	1,780,609	78	0.2%

Fiscal Year	Total Debt Primary Government	Less State Aid	Net Debt	% of Net Debt to Assessed Value	Net Debt per capita (1)	% of Net Debt to Personal Income (2)
2007	\$ 81,914,197	\$ 26,940,003	\$ 54,974,194	1.5%	\$ 2,642	6.0%
2006	83,157,557	29,460,302	53,697,255	1.7%	2,558	5.9%
2005	80,032,913	28,440,337	51,592,576	1.7%	2,451	5.8%
2004	77,716,256	30,837,945	46,878,311	1.6%	2,227	5.4%
2003	78,782,150	11,958,294	66,823,856	2.5%	3,181	8.2%
2002	36,107,473	13,530,424	22,577,049	1.5%	1,080	2.8%
2001	34,797,467	15,160,116	19,637,351	1.3%	945	2.4%
2000	33,317,815	14,202,331	19,115,484	1.3%	827	2.1%
1999	29,180,774	15,056,961	14,123,813	1.0%	611	1.8%
1998	32,370,774	16,687,896	15,682,878	1.2%	686	2.1%

Data Source:
Finance Department Records

Notes:

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

City of Portsmouth, New Hampshire

Direct and Overlapping Governmental Activities Debt As of December 31, 2006

	<u>End of Calendar Year</u>	<u>Net General Obligation Debt Outstanding (1)</u>	<u>Percentage Applicable to Portsmouth (2)</u>	<u>Amount Applicable to Portsmouth</u>
Rockingham County	2006	\$9,786,150	9.2274870%	\$ 903,016
			Subtotal, Overlapping Debt	<u>903,016</u>
City of Portsmouth Direct Debt				<u> </u>
Total Direct Debt and Overlapping Debt				<u><u>\$903,016</u></u>

Data Sources:

- (1) Rockingham County Audited Financial Statements at calendar year end
- (2) NH Department of Revenue Administration. City of Portsmouth's equalized valuation as a percentage of the total equalized valuation of Rockingham County.

City of Portsmouth, New Hampshire

Demographic Statistics Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Income (3)	City (3)		Unemployment Rates (4)		
				Unemployed	Labor Force	City	State of NH	US
2007	20,811	\$ 43,984	\$ 34,728	424	3.1%	2.9%	3.7%	4.6%
2006	20,995	43,073	33,530	416	2.8%	3.2%	3.4%	4.6%
2005	21,053	42,182	32,332	436	3.2%	3.5%	3.6%	5.1%
2004	21,051	41,308	31,134	464	3.4%	3.6%	3.9%	5.5%
2003	21,008	38,992	29,936	535	4.0%	4.1%	4.4%	6.0%
2002	20,906	38,980	28,738	545	4.2%	4.0%	3.8%	5.5%
2001	20,784	38,765	27,540	397	3.1%	3.0%	2.8%	4.0%
2000	23,112	38,478	26,339	329	2.6%	2.3%	2.7%	4.2%
1999	23,100	34,804	25,141	269	2.1%	2.1%	2.9%	4.5%
1998	22,873	33,236	23,943	266	2.1%	2.2%	3.1%	4.9%

Data Sources:

- (1) NH Office of Energy and Planning population estimates
- (2) Trended amounts based on 1997-2005 US Dept. of Commerce, Bureau of Economic Analysis information for Rockingham County.
- (3) Trended amounts based on 1990 and 2000 US Census information.
- (4) New England Economic Indicators published by the Federal Reserve Bank of Boston

City of Portsmouth, New Hampshire

Principal Employers Current Year and Nine Years Ago

Employer	Type of Business	2007			1998		
		Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Liberty Mutual	Insurance	1,800	1	6.26 %	2,800	1	11.50 %
HCA Hospital	Hospital	1,020	2	3.55	944	2	3.88
City of Portsmouth	Municipal services	937	3	3.26	-	-	-
Lonza Biologics	Biotechnology	650	4	2.26	-	-	-
Demoulas Market Basket	Supermarket	425	5	1.48	-	-	-
US Dept of State National Visa Center	Visa services	380	6	1.32	169	10	0.69
Erie Scientific/Sybron Lab Products	Laboratory equipment	350	7	1.22	325	3	1.33
US Dept of State, National Passport Cent	Passport services	330	8	1.15	180	9	0.74
Shaw's Supermarkets	Supermarket	270	9	0.94	320	4	1.31
Newmarket International	Web	252	10	0.88	-	-	-
P & P Foods (Market Basket)	Grocery Store	-	-	-	210	6	0.86
National Sea Products	Processed seafood	-	-	-	250	5	1.03
Edgewood Center	Skilled nursing care facility	-	-	-	200	7	0.82
Yoken's Restaurant & Conference Ctr	Restaurant	-	-	-	195	8	0.80
Total Principal Employers		6,414		22.30 %	5,593		22.96 %
Total City Employment (1)		28,768			24,357		

Data Source:

NH Employment Security-NH Community Profiles

Notes

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

City of Portsmouth, New Hampshire

Operating Indicators by Function
Last Ten Fiscal Years

Function (1)	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Taxable property parcels assessed		7,861	7,898	7,925	7,902	7,911	7,940	7,960	8,045	8,197
Registered Voters	17,063	17,361	17,361	20,458	12,480	13,365	14,197	16,140	16,269	16,618
Votes Cast:										
Municipal Election	5,046		4,980	3,185	4,024	3,941	4,272	2,786	4,078	
State Primary		1,288				8,656				
State General Election		6,215								
Presidential Primary										
Presidential General										
Building Permits	604	656	721	883	721	774	749	886	913	917
Estimated construction value	\$35,664,539	\$50,694,831	\$42,314,957	\$68,048,620	\$94,372,256	\$68,026,294	\$39,557,961	\$83,882,786	\$89,403,049	\$64,100,000
Public Safety										
Police										
Service Calls	38,729	42,153	36,610	37,872	41,541	37,784	41,262	36,192	41,843	40,335
Number of Arrests	1,214	1,378	1,609	1,738	1,447	1,317	1,470	1,424	1,435	1,607
Number of Traffic Violations	*	*	*	2,778	2,406	1,921	2,946	2,964	5,223	4,415
Warnings	1,367	1,950	2,548	2,880	2,016	1,572	2,192	1,911	2,037	1,424
Citations	1,474	1,689	1,543	1,026	967	996	856	821	796	731
Accidents	136	200	159	138	113	100	154	173	129	166
DWI arrests										
Fire and EMS										
Fire Rescue	5,035	5,312	5,727	5,008	2,869	2,655	2,386	2,287	2,309	2,595
Ambulance	2,095	2,136	2,286	2,277	2,611	2,490	2,379	2,443	2,295	2,332
Education (2)										
High School Fall Enrollment	1,052	1,030	999	1,067	1,066	1,038	1,113	1,134	1,078	1,091
Public Works										
Parking Enforcement										
Parking violations (Tickets written)	63,159	61,888	62,882	46,249	71,736	69,552	65,283	65,498	70,616	72,674
Solid Waste Tonnage	11,467	11,605	11,743	11,881	11,132	12,156	12,310	12,423	12,277	12,351
Streets resurfaced (miles)	2.89	1.00	2.04	4.02	6.57	4.03	2.08	3.57	3.58	5.45
Human Services - General Assistance										
Number of applicants	1,283	1,155	1,099	988	1,095	767	645	597	819	700
Average cost per client	\$ 134	\$ 151	\$ 180	\$ 187	\$ 233	\$ 257	\$ 250	\$ 272	\$ 296	\$ 291
Culture and Recreation										
Public Library										
Items owned	114,754	118,980	122,576	127,541	125,836	126,918	123,835	126,371	126,973	147,242
Circulation of materials	298,629	328,523	348,334	340,532	356,528	351,854	349,943	344,514	349,290	375,196
Annual visits	not kept	not kept	245,019	247,749	264,036	260,323	260,319	256,464	262,980	271,774
Water system:										
Water main breaks	41	29	30	63	51	41	27	29	29	38
Daily average consumption (millions of gallons)	4.0	4.2	4.5	4.5	4.4	4.3	5.0	4.3	4.9	4.6
Peak daily consumption (millions of gallons)	4.7	4.7	6.5	6.7	6.8	6.6	6.7	6.4	6.6	7.3
Sewage System:										
Daily average treatment (millions of gallons)	5.4	4.5	8.0	5.1	5.1	5.9	4.7	6.2	6.6	6.2

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of vehicles	31	31	31	31	29	29	29	30	31	31
Fire and Rescue										
Number of stations	2	3	3	3	3	3	3	3	3	3
Number of vehicles	18	19	19	20	20	19	19	19	18	18
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	103	103	104	104	104	104	104	104	104	104
Number of street lights	1,597	1,699	1,699	1,699	1,699	1,699	1,758	1,758	1,758	1,758
Number of bridges	16	16	16	16	16	16	16	16	16	16
Culture and Recreation:										
Libraries	1	1	1	1	1	1	1	1	1	1
Community centers	2	2	2	2	3	3	3	3	3	3
Number of boat dock facilities	2	2	2	2	2	2	2	2	2	2
Swimming pools	2	2	2	2	3	3	3	3	3	3
Tennis courts	15	15	15	15	15	15	10	10	10	10
Water system:										
Miles of water mains	150	150	150	150	150	150	150	150	150	150
Number of service connections	7,493	7,512	7,809	7,809	7,744	7,744	7,804	7,882	7,891	7,856
Storage capacity in gallons (millions of gallons)	9.1	9.1	8.6	8.6	8.6	9.6	9.6	9.6	9.6	9.6
Maximum daily capacity of plant (millions of gallons)	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Number of fire hydrants	954	958	1,014	1,066	1,035	1,022	1,047	1,046	1,015	1,022
Sewage System:										
Miles of sanitary sewers	100	100	100	100	100	100	100	100	100	107
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of service connections	5,873	5,886	6,018	6,018	6,030	6,030	6,067	6,153	6,204	6,247
Maximum daily capacity of treatment (millions of gallons)	23.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0

Data Source:
Various city departments

City of Portsmouth, New Hampshire

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

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Executive	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.5	2.0	2.0
Finance	20.0	20.0	20.5	21.0	21.5	20.0	20.0	19.0	19.0	18.5
Human Resources	1.5	6.0	5.0	3.5	3.0	3.0	3.0	3.0	3.0	3.0
City Clerk	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Legal	6.5	5.0	5.0	5.5	3.5	3.5	4.5	4.5	5.5	5.5
Planning	4.5	4.5	4.5	5.5	5.5	5.5	5.1	5.1	5.9	6.1
Inspection	5.0	5.0	5.0	5.0	5.0	4.5	4.5	4.5	4.5	4.5
Health	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.4	1.4
Total General Government	44.5	47.5	47.0	47.5	45.5	42.5	43.1	42.6	44.3	44.0
Public Safety										
Police - Sworn Officers:										
General Fund Funded	60.0	60.0	60.0	61.7	61.3	62.7	64.0	64.3	64.6	64.60
Grant Funded	4.0	4.0	7.0	7.3	7.7	6.3	5.0	4.7	4.4	4.40
Dispatch	11.0	11.0	11.0	11.0	11.0	11.0	5.0	11.0	11.0	10.00
Parking Enforcement (1)	1.0	1.0	1.0	1.0	-	-	-	-	-	-
Police - Non-sworn employees:										
General Fund Funded	12.0	12.0	13.0	12.5	13.0	11.8	12.2	10.3	9.8	11.15
Grant Funded	-	-	1.0	1.5	1.5	1.2	0.8	0.8	0.8	0.85
Total Police Department	88.0	88.0	93.0	95.0	94.5	93.0	87.0	91.1	90.6	91.00
Fire and Rescue	55.0	57.0	57.0	57.0	60.0	60.0	59.0	59.0	59.0	59.00
Fire Clerical	2.0	1.5	-	0.5	0.5	1.0	1.0	1.0	1.5	1.50
Total Public Safety	143.0	145.0	150.0	152.0	154.5	153.0	146.0	150.1	149.6	151.5
Education										
Administrators	12.7	12.6	15.1	14.9	14.9	14.3	14.0	14.2	13.1	14.1
Teachers	249.2	253.8	257.4	259.4	260.6	260.9	249.1	251.9	253.5	263.7
Clerical	23.1	23.4	23.3	24.0	24.1	24.6	25.6	24.8	25.3	24.9
Paraprofessional	37.5	38.9	41.6	41.7	41.5	41.1	38.3	47.6	46.5	54.5
School custodians	21.7	21.7	21.2	21.5	21.5	21.5	22.2	23.3	24.3	24.3
Security	0.7	0.8	0.8	1.0	1.0	1.0	1.0	2.0	2.0	1.0
Technicians	2.3	2.4	4.5	6.3	4.5	5.4	5.4	6.7	8.5	8.0
System maintenance	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.4
Total Education	351.2	358.6	368.9	373.8	373.1	373.8	360.6	375.5	378.2	395.9
Public Works										
General Fund functions	56.5	56.5	55.0	56.0	60.0	57.0	57.0	57.0	57.0	60.0
Parking Fund (1)	-	-	-	-	9.1	11.2	12.2	12.2	13.2	14.2
Water	26.5	25.7	25.5	26.3	26.5	25.0	24.5	24.8	24.8	24.75
Sewer	20.6	20.3	21.3	21.3	21.5	21.5	23.0	22.8	22.4	23.35
Total Public Works	103.5	102.5	101.8	103.5	117.1	114.7	116.7	116.7	117.3	122.3
Culture and Recreation										
Recreation	9.0	8.5	8.0	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Public Library	15.0	15.0	16.0	16.0	16.0	15.0	15.0	15.0	15.0	15.0
Total Culture and Recreation	24.0	23.5	24.0	24.5	24.5	23.5	23.5	23.5	23.5	23.5
Human Services										
Welfare	3.0	3.0	3.0	3.0	2.5	2.5	2.5	2.5	2.0	2.0
Total Human Services	3.0	3.0	3.0	3.0	2.5	2.5	2.5	2.5	2.0	2.0
Community Development										
Community Development	3.8	3.8	4.3	5.3	4.3	4.1	4.6	3.9	4.1	4.0
Total Community Development	3.8	3.8	4.3	5.3	4.3	4.1	4.6	3.9	4.1	4.0
Total All Functions	673.0	683.9	698.9	709.6	721.5	714.2	697.1	714.8	718.9	743.2
Percent of Total										
General Government	6.6%	6.9%	6.7%	6.7%	6.3%	6.0%	6.2%	6.0%	6.2%	5.9%
Public Safety	21.2%	21.2%	21.5%	21.4%	21.4%	21.4%	20.9%	21.0%	20.8%	20.4%
Education	52.2%	52.4%	52.8%	52.7%	51.7%	52.3%	51.7%	52.5%	52.6%	53.3%
Public Works	15.4%	15.0%	14.6%	14.6%	16.2%	16.1%	16.7%	16.3%	16.3%	16.5%
Culture and Recreation	3.6%	3.4%	3.4%	3.5%	3.4%	3.3%	3.4%	3.3%	3.3%	3.2%
Human Services	0.4%	0.4%	0.4%	0.4%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%
Community Development	0.6%	0.6%	0.6%	0.7%	0.6%	0.6%	0.7%	0.5%	0.6%	0.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Data Source:

Budgeted Positions per City of Portsmouth Budget.

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

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