



City of Portsmouth New Hampshire



Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016



Planning Portsmouth

This year's cover represents the next phase of development for the City and the importance of civic involvement. The City has overcome hurdles in funding, especially over the past decade, yet Portsmouth is entering a vibrant era of planning that encompasses both City expansion and the conservation of our community values.

Throughout the past year, the City has hosted numerous charrettes and meetings to give citizens a platform to be heard. This public input method has become a core piece of the planning equation, and inspires ideas for the future.

Entering FY16, it is our hope that residents will continue to be key members of planning processes to empower the City to thrive.

CITY OF PORTSMOUTH, NEW HAMPSHIRE
Comprehensive Annual Financial Report
For the Year Ended June 30, 2016



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The Finance Department

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City of Portsmouth, New Hampshire
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016

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CITY OF PORTSMOUTH

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December 21, 2016

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, 2016, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the following data, including financial statements, supporting schedules and statistical tables, is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. To provide a reasonable basis for making the representations, management has established a comprehensive internal control framework that is designed to both protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with generally accepted accounting principles. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

City Charter, as well as State statutes, requires an annual audit by independent certified public accountants. The City's audit firm is Melanson Heath. The independent auditors' report is located at the front of the financial section of this report. In addition, the City is required to undergo an annual audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Information related to the Single Audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations, is not included in this year's CAFR but is available in a separate report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the

basic financial statements. The 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 comprises 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.

The Police Commission consists 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 consists of three elected citizens of Portsmouth. The Commission sets policies and goals, however, the City Council is responsible for the funding of the Fire Department.

Services Provided

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

Water and sewer services are reported as Enterprise Funds, with user charges set to ensure adequate coverage of operating expenses and payments on outstanding debt.

Budget Process

The City's fiscal year begins on July 1st of each year and ends the following June 30th. As required by the City of Portsmouth's Charter, the City Manager submits a recommended six-year Capital Improvement Plan three months before the final submission date of the fiscal year recommended budget. The fiscal year recommended budget must be submitted to the City Council at least 45 days (May 15th) before the start of the fiscal year. The budget, which includes the General Fund and Enterprise Funds, is prepared and presented by department and functions, which each require an appropriation.

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

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

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

FACTORS AFFECTING FINANCIAL CONDITIONS

Local Economy

The City of Portsmouth saw economic growth in fiscal year 2016 over the previous year. The City realized gains in employment, development investment, property renovations, infrastructure improvements, and tax base. Contributing factors to these gains include sound fiscal management, business growth at Pease International Tradeport, and the relative location of the City to regional workforce.

The City continues to lead the region in low unemployment rates. As of June 2016, the unemployment rate was 1.9%, compared to 2.7% in June 2015. The respective rates for the state, New England and the nation were 2.8%, 4.4%, and 4.9% in June 2016.

Portsmouth has maintained a stable economy, due in part to the diversity of businesses that make the City a major employment center. Many of working residents are employed locally, but the bulk of the workforce commutes into the City.

According to the NH Employment Security Office, Portsmouth's total public and private average quarterly employment at the end of 2015 was 32,220 compared to 30,689 at the end of 2014 indicating an increase of 1,531 jobs. The average weekly wage increased from \$1,252 to \$1,293 during the same time period.

This year building permit activity increased in FY16 with the total number reaching 3,086 (a 23% increase over FY15) with a construction value of over \$126 million. Accordingly, construction costs were up by 72% and permit fees increased 45% from the previous year. As expected, the total number of inspections performed was also up significantly from the previous year by 67%. As in previous years, commercial projects outpaced industrial projects. On the residential side, most permits issued in FY16 were for renovations versus new dwelling construction.

Several notable commercial development projects were completed in the Central Business District (CBD) and several others broke ground. Construction continues on the mixed use project at 67-77 State Street. This building, along with a new waterfront park overlooking the Piscataqua River and the recently completed mixed use project at 143 Daniel Street (the former Connie Bean Center) will comprise the new Memorial Bridge gateway to the City. Also underway in the CBD is the 24,000 square foot, mixed-use development at 173-174 Market Street which includes first floor retail and residences on the two upper levels with associated parking.

In the Islington Street Corridor, the project to redevelop the historic Frank Jones Brewery was initiated. When complete, this significant project will include mixed retail and 54 residential apartments to the long-vacant, historic brick structures adding new vitality to this part of Portsmouth's West End.

South of downtown, at the intersection of Wentworth Road and Sagamore Avenue, the Bean Group completed an 8,000 square foot new office at 1150 Sagamore Avenue that considerably enhances this highly travelled intersection.

Southgate Plaza at 2422 Lafayette Road continues expansion with the approval and groundbreaking of a 4-story, 94 unit residential building totaling 113,000 square feet plus a one-story, 2,000 square foot restaurant and 6,000 square feet of new retail space. In the Heritage/Constitution Industrial Park, Insurcomm has constructed a 40,000 square foot facility for storage and office use.

The Portsmouth Business Park (formerly Commerce Way) received approval for a new four-story office building at 215-235 Commerce Way which will create 112,000 square feet of office space plus an on-site parking deck for new employers coming to the City.

Finally, Liberty Mutual completed an \$85 million phased renovation to its existing office on Borthwick Avenue.

Pease International Tradeport is a major contributor to Portsmouth's economic success and is an important regional economic driver. Since the Air Force Base closure in 1991, new development/redevelopment has created four million square feet of office and manufacturing space and has allowed many companies that outgrew their downtown location to remain and grow in the City. According to Applied Economic Research's (AER) report on the first 25 years of the Tradeport, businesses at Pease employ 9,540 people at over 250 companies with a payroll of \$583 million compared to \$3.5 million in 1991. Combined Tradeport and indirect regional wages now exceed \$700 million and the Tradeport contributes over \$6 million to the City of Portsmouth for municipal infrastructure and life and safety services provided.

Companies at Pease are recognized in the media for their work environment and culture. In 2016 Business NH Magazine published its annual edition of the "Best Companies to Work For" and six of the twenty companies selected statewide are Portsmouth-based businesses; four of the six are located at the Tradeport.

The most significant development at Pease Tradeport in FY16 was the expansion at Lonza Biopharmaceuticals, a major employer at Pease. The contract pharmaceutical firm broke ground on the largest expansion at the Tradeport and which will double the size of the current facility. The addition will add over a million square feet of office/warehousing/and manufacturing space in two 4-story structures and a parking garage. The first phase is projected to add 150 new skilled jobs with an additional 400 jobs when complete.

The Air National Guard 157th Air Refueling Wing which is located at Pease Tradeport was selected as the U.S. Air Force's top choice to receive twelve new KC-46A refueling tankers. When complete, the Air Force projects the project will add 100 new jobs with a payroll of \$7 million and indirect economic benefits of \$45 million in construction contracts. A September 2015 groundbreaking ceremony kicked-off the hangar

expansion project for the new refuelers that are scheduled to begin refueling KC-46A Pegasus tankers starting in February 2018.

Portsmouth real estate market continues to improve. For the second quarter ending June 30, 2106, Colliers International real estate advisory firm reported Portsmouth submarket average vacancy rate of 7.3% for office properties over 10,000 square feet and 2.2% for industrial property over 10,000 square feet. This compares to respective office and industrial vacancy rates of 8.5% and 3.16% for the fourth quarter 2015. The current average asking lease rate for Class A office space is \$32.00 per square foot (gross) which is up from \$27.00 per square foot in the fourth quarter of 2015. Class B office average asking lease rate remained the same as the fourth quarter of 2015 at \$23.00 per square foot. For industrial properties in excess of 10,000 square feet, the average lease price is \$7.32 (triple net). This rate compares to the rate of \$5.50 - \$7.50 during the fourth quarter of 2015.

The Portsmouth Naval Shipyard (PNSY) located in Kittery, Maine is the U.S. government's oldest continuously operating naval shipyard and the largest regional employer. The PNSY regional economic impact report for calendar year 2015 (most recent data available) showed a total of 6,099 employees paid with a payroll of \$482 million up from 5,585 employees and \$432 million in calendar year 2014. The shipyard purchased \$70 million of goods and services in 2015 versus \$30 million in 2014 making it a significant source of indirect expenditures in the region. This submarine overhaul and refueling facility has a highly skilled technical workforce and is undergoing a period of intense job growth after receiving billions of dollars in long-term federal contracts to service and retool nuclear-powered attack submarines. The hiring will accommodate an increased workload consistent with the Navy's scheduled maintenance plan for Los Angeles Class and Virginia Class nuclear submarines.

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

- Portsmouth included in USA Today.com article on best small town Christmas celebrations: December 2015
- National online syndicated column the examiner.com includes Portsmouth in best family holiday places December 2015
- Travel and Leisure.com lists Portsmouth as one of America's 20 Top Holiday Towns: November 2015; Portsmouth highlighted in Yankee Magazine.com as great fall get away: November 2015

- Huffingtonpost.com lists Portsmouth as one of four potential heirs to *Portlandia*, November 2015; Portsmouth included on BUZZfeed.com list of Nine US Cities to visit; October 2015 Portsmouth included in article, *19 Best Things To Do in Portsmouth*, on NH Vacationidea.com website, October 12, 2015:
- Portsmouth hailed for its architecture and new African Burying Ground, August 2015
- Portsmouth praised as dog-friendly city in “13-reasons-your-dog-wants-you-to-vacation-in-Portsmouth,” July 2015

Major Initiatives and Accomplishments

In Fiscal Year 2016, the City continued working on a number of major financial, economic, and community development initiatives as well as citywide infrastructure upgrades and improvements funded through a variety of sources.

Parks, Playgrounds and Historic Cemeteries

- Harborwalk Park and Pier - In FY16, the City completed the second of two phases of the Harborwalk Park and Pier project. This waterfront park provides public access and views of the new Memorial Bridge, the Piscataqua River and neighboring Kittery, Maine. The newest phase of this project includes a boardwalked pier that stretches over the river providing dramatic views of the swift currents, boating activity and the City’s waterfront. The new public space also features stone and brick walkways, historic lighting, landscaping and benches.
- Bleacher Improvements - The City continued with its upgrade efforts of bleachers at a number of Portsmouth ballfields. Additional bleachers were installed at Central Little League Field off of Parrott Avenue, at Clough field off of South Street, and new bleachers were constructed at the Hislop Field in Atlantic Heights and at the Lister Academy.
- Prescott Park Master Plan - In January 2016, the Mayor appointed a Blue Ribbon Committee on the Prescott Park Master Plan. Prescott Park, a ten-acre waterfront park, is a major public green space and primary waterfront resource. The Committee is charged with developing a Master Plan, which will assess the park’s current condition; determine desired uses and needs; and create a master plan addressing the identified improvements and upgrades. The Park was created in the mid-20th Century as a result of a charitable gift of land and money from Josie F. Prescott, “to be used for park and recreational purposes.” The park is home to historic buildings, all listed on the State Register of Historic places, including the Shaw and Sheafe Warehouses and the Marine Railway Building. The park itself lies within the City’s Historic District; in addition, the Park is within the study area for an in-progress District Nomination being prepared by the State of New Hampshire for the National Register of Historic Places. While several significant maintenance and other improvement projects have been carried out in the park in recent years, many

features, systems, amenities, surfaces, and structures are in need of replacement, upgrade, or other improvements.

- Haven School Playground - The Haven School Playground project was completed in FY16 marking the last major playground overhaul scheduled as part of a two decade program. Over that time, through consistent investment through the Capital Improvement Program, the City's playgrounds have been dramatically renovated. The Haven School Playground project included the removal of decaying timber retaining walls, asphalt surfacing, and upgrades to the playground equipment. Significant regrading also took place at the site along with replacement of a wooden retaining wall and introduction of new park furnishings and plantings in green spaces.
- Recreation Fields Initiative - The City made substantial progress in planning for the future of the City's recreation fields and other recreation assets.

The City has had a long held goal of adding inventory to the City's existing stock of outdoor recreation fields. In FY16, the City identified the city-owned property known as the former "stump dump" off Greenland Road for the creation of one rectangular multi-purpose field and funded the project with \$1.75 million in bond proceeds. In addition, the City pursued the acquisition of a specific parcel of land off of Campus Drive to build three additional regulation-sized fields with associated amenities including lighting and parking.

Meanwhile, the City made investments to Leary Field by replacing the field lighting system. Further investment in the City's recreation assets will take place in FY17 with the rebuilding of the City's adjacent outdoor tennis and basketball court facility.

- Sagamore Creek - The Mayoral-appointed Blue Ribbon Committee on the Sagamore Creek Land completed its work to develop a plan for public usage of the 66-acre City-owned parcel, which lies along Sagamore Creek. The plan, adopted by the City Council in December 2015, included a series of modest improvements that will enhance public access, protect sensitive habitat, preserve existing trails, and ensure the site is inviting and usable to all members of the Portsmouth community. With the plan adopted and as funding is made available through the City's Capital Improvement Program, staff will work to introduce elements over time after regulatory approvals are in place for the portion of the property which includes a closed landfill.
- Historic Cemetery Improvements - Building on restoration, stabilization, and other improvement projects in recent years, the City, in collaboration with volunteers and other partners, continued to focus on maintaining its 7 historic cemeteries. Following a 2013 assessment of the cemeteries, the Portsmouth City Council adopted an action plan to ensure ongoing improvements and created a Historic Cemetery Trust to serve as a repository for funds donated to the overall effort. In FY16 the City completed an upgrade of the Union Cemetery gate and wrought iron fence. In addition a historic crypt was upgraded and reworked to eliminate a hazardous condition. These efforts are part of a phased program identified in the Historic Cemetery Master Plan. Additional work is underway to repair a retaining wall along the Maplewood

Street side of the Cemetery. The City also began work on the restoration of the retaining wall in front of the North Cemetery, which fronts Maplewood Avenue. Planning work continues for improvements to the remaining “edges” of the North and Union cemeteries as well as the stabilization and preservation of the Wendell Tomb in the Pleasant Street Cemetery.

City Cultural Plan - Art-Speak, d/b/a the City’s Cultural Commission continued efforts related to the City’s Cultural Plan including:

- Launched the branding campaign for A Tiny Bit Huge, with the website atinybithuge.com which is a platform that showcases individual artists and an online marketplace.
- Completed first half of the American For The Arts (AFTA) surveys.
- Managed two public art referrals; the Music Hall arch and the Ronnie James Dio proposal.
- Acted as a fiscal agent and producer for Blank Page Poetry; Words and Shadows with Jerome Meadows, Oct. 2015.
- Hosted quarterly PACA (Portsmouth Arts and Cultural Alliance) member meetings with community topics such as shared resources, ongoing neighbor relations issues with Prescott Park Arts Festival, and giving away services for free.
- Participated in a Pecha Kucha night.
- Participated on search committee for the new Executive Director for 3S Artspace.

Public Outreach/Click N’ Fix -As part of the City’s on-going effort to improve public outreach, the Public Works Department (DPW) launched Portsmouth Click and Fix. This program is a convenient way for residents to communicate with the Department of Public Works. It allows residents to report issues and request Department services through online and mobile applications. It improves communication between citizens and the Department of Public Works, by serving as a direct link to our work order management system. In addition, the application provides added metrics for the Department to measure levels of service per various Public Works’ activities and provides immediate acknowledgement that a service request has been received and communicates when requests are resolved.

In addition to this new expanded public outreach tool the City continues its efforts to educate the citizens on continuing projects as well as inform them of news and various alerts in real time. This objective has been achieved through different channels of communication including continuous press releases and updates sent to the media, website reorganization, and ongoing outreach and insights shared on the Public Works’ Twitter page.

Adopt-a-Spot - The Adopt-A-Spot program continues to gain new participants with an additional thirty spots for a total of over ninety spots maintained by individuals and groups throughout the City. The City continues to partner with local garden clubs to better support gardeners in the program and assist in developing spots that support sustainable initiatives.

State Bridges – The Department of Public Works, in cooperation with the New Hampshire Department of Transportation (NHDOT), has been working on replacing 7 State owned bridges in the City. These bridges have been “Red Listed” by the NHDOT and require near term replacement funded 100% by the State of NH. To date, 4 of these bridges have been completed and 1 eliminated. The replacement of the Maplewood Avenue Bridge was completed in FY16.

Parking and Transportation

- **Wayfinding** - The City continued implementation of its city-wide Wayfinding Plan which identified appropriate wayfinding types, messaging, locations, and a uniform and recognizable design menu that is unique to the City. The Plan documents are available online at www.planportsmouth.com/wayfinding.html. The signs and improvements included in this phase were for vehicular and pedestrian signage in and around the downtown core. In addition, the City began developing a comprehensive identity system and logo for the City's Parking Division (ParkPortsmouth) and began to develop an interior wayfinding and signage system for the downtown Hanover Parking Garage.
- **Downtown Parking Shuttle** - The City continued to operate a free downtown parking shuttle between the Connect Community Church (CCC) lot on Market Street to the Hanover Parking Garage. For the months of May, September, October, November, and December, the shuttle operated Friday, Saturday and Sunday from mid-day to late evening. For the months of July and August, the shuttle included services on Thursday evenings. Over 36 weeks and 121 days in service, the shuttle transported 16,859 total one-way riders. The average weekly ridership was 469 one-way riders, ranging from a low of 95 over Christmas weekend to a high of 1,403 for the Independence Day Fireworks.
- **Public Transit** - The City of Portsmouth is a member community of the Cooperative Alliance for Seacoast Transportation (COAST) regional bus service. COAST operates both fixed-route bus service as well as on-demand service for ADA riders. As a member community, Portsmouth pays annual dues that support COAST's operations. Two of COAST's regional fixed-route buses provide service to Portsmouth – Route 2 (connecting to Rochester, Somersworth, Dover, and Newington) and the Clipper Connection (providing express commuter service between Portsmouth Naval Shipyard, Portsmouth Market Square, Pease Tradeport, and Rochester). In addition, COAST operates two fixed-route buses within Portsmouth city-limits – Lafayette Rd Trolley (Route 41) and Pease Tradeport Trolley (Route 40). Region-wide COAST services continue to see an increase in ridership. City staff represents the City

on the COAST Board of Directors and continue to work closely with COAST to evaluate the routes in Portsmouth in order to improve efficiencies, overall ridership, and consider potential expansions of service.

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

Planning & Design Review Tools - The Historic District Commission completed a Design Guidelines Manual for development and redevelopment in the Historic District. The Guidelines are intended as a tool to help manage change and protect the City's architectural and historical resources. They will be presented to the City Council for approval in the fall of 2016 as part of a package of Zoning Ordinance amendments currently under review by the Planning Board.

Character-based Zoning - The City completed the planned application of "character-based zoning" in the urban core. Character-based zoning places a greater emphasis on site and building design than the traditional zoning ordinances, and was developed for the urban core to provide more certainty about how new buildings will relate to their surroundings. The City Council adopted new zoning districts and standards for the North End in August 2015 and for the West End/Islington Street Corridor in July 2016.

New Parking Garage - In FY16, the City Council reaffirmed the vote to authorize the bonding for a new parking garage. That authorization came after a thorough review of all downtown properties by the Economic Development Commission (EDC). A preferred site, located in the North End, adjacent to the railroad tracks, was selected to support a 600-space garage. The project involves a public/private partnership to secure the land and to re-develop this underutilized area. The project will be designed in FY17 with the intent to start construction of the garage in the next fiscal year.

Market Street Gateway Improvement Project - Market Street is a major artery from Interstate 95 into the City's Central Business District. The Market Street Gateway Improvement Project is one of several City initiatives to improve major corridors and gateways. Project goals include traffic calming, safe pedestrian and bicycle travel, landscaping improvements and clear signage to direct visitors from I-95 to the Central Business District as well as the creation of two passive recreation parks along the waterfront. In FY16, City consultant RSG Associates, completed the design of the project, bid specifications, and cost estimates. The City anticipates bidding the project in winter 2016 with phased implementation of the gateway improvements with the first phase starting in late spring 2017.

Master Plan - The Planning Department continued work on the City's Master Plan throughout 2016. The planning process included a number of ways to get resident input, including two rounds of "Study Circles", interactive workshops, the use of social media, and "voting" at a booth at Market Square Day and in an online survey. The new Master Plan takes an innovative approach, identifying key themes based

on extensive public involvement, and illustrating how these themes can be applied in various areas of the City. The Plan is distinguished by its extensive use of graphics to present concepts and options. The staff anticipates completing the final Master Plan in October 2016, for adoption by the Planning Board and presentation to the Council by the end of the year.

Electric Charging Station - The City of Portsmouth received approval for a \$5,000 reimbursement grant from NH Department of Environmental Services (NHDES) to install electric vehicle charging stations in the Downtown. The grant award was used to purchase and install a dual-connector Level 2 charging station in the Hanover Parking Garage. The City's share was approximately \$4,000. According to the criteria for this program, the location selected must be easily accessible to the public on a 24 hour/7 days a week basis and year-round, located in areas that support the tourism industry, and located in proximity to major transportation corridors.

Water Efficiency - The City continues with its Water Efficiency Rebate Program which allows qualifying residential water and sewer customers a rebate for installing high efficiency toilets and washing machines. The rebates are \$100 for qualifying toilets and \$150 for qualifying washing machines. Portsmouth is the first water system in New Hampshire to offer rebates of this nature. The program is offered to all residential customers served by the Portsmouth Water and Sewer Divisions, including multi-family residents. The City's website includes information as well as the criteria and forms for customers to apply for their rebates. Response to the program has been consistent, with an average of 15 toilet and 5 washing machine rebates issued each month. The initial data from customers who have received rebates shows the following improvement in water efficiency: Toilet Rebates: 30% reduction in water usage, Washing Machine Rebates: 19% reduction in water usage. The Portsmouth Housing Authority also participated in the program and one of their larger facilities is seeing a reduction of approximately 20% after their retrofit of toilets, saving the Authority approximately \$2,000/month in water/sewer fees.

Wastewater Treatment Upgrades

- Peirce Island - In FY16, the City Council voted to fund the construction of the Peirce Island Wastewater Treatment Facility (WWTF) Upgrade. The design of this project was completed in late December 2015 and a schedule was negotiated as part of a modification to the City's Consent Decree with the Environmental Protection Agency (EPA). The biological treatment system components will be completed by December 2019. The Division prepared for this major construction project and investigating alternatives to mitigate the impacts of construction. The EPA has been involved with the project because of its issuance of the National Pollutant Discharge Elimination System (NPDES) permit for the facility. The Department of Environmental Services (DES) has been involved and has approved the design. The treatment facility construction will kick off in September 2016 and last four years due to the extent and complexity of constructing new facility upgrades while keeping the existing treatment system operational extend through the fiscal year.

- Additionally, to support its wastewater NPDES permits, the Sewer Division will continue to support scientific research of the receiving water bodies through studies including water quality monitoring in the Piscataqua River
- Pease - The Pease Wastewater Treatment Facility will also begin upgrades in FY17. Portions of the Pease facility have not been upgraded since its original construction in the 1950s. It is anticipated that the City will complete the work in phases utilizing the recommendations of previous engineering evaluations. During FY17, the design of the first phase to upgrade the headworks (screening, grit removal, and raw sewage pumping) will be complete and the project under construction.

Lincoln Area Sewer Separation Project - Work on the collection system continued with the implementation of the City's Long-term Control Plan to reduce Combined Sewer Overflows (CSO). The primary focus of these projects is to separate the sanitary sewer system from the stormwater drainage system. This effort reduces the volume of CSO and localized flooding as well as provides improved water quality discharged to receiving waters from precipitation events. The City has completed the last of its sewer separation projects required by the current Consent Decree with the Environmental Protection Agency. In FY16 the City began the required evaluation of the sewer separation work, called a Post Construction Monitoring Plan, to determine the effectiveness of these sewer separation projects (Bartlett Street area, Lincoln Avenue area, and Cass Street area). The results of this evaluation will be used to determine what additional sewer separation work may be necessary in the future.

The first phase of a City wide evaluation of the condition of the sewers was performed in FY16 and it continues. The City has an old sewer collection system with many pipes being over 100 years old. This work included measurements of the amount of extraneous groundwater and stormwater in the sewer collection system. The next phase of the work to be completed in FY17 includes a structural condition assessment of the sewers where extraneous flow was found to be excessive. Based on these studies, a prioritized list of projects will be developed for sewer replacement and rehabilitation and brought forward as part of the City's capital improvement program budgeting process. This list and the implementation schedule will be used for years to come as a roadmap for future sewer improvements. This project also includes a pilot study to identify and determine the best means to implement a sump pump removal program in the City. Additional outreach will be provided on this subject as the study moves forward.

The Sewer Division continues to pursue initiatives to improve collection system operations which include the restaurant grease removal program and cleaning and inspections. The City will continue with its annual cleaning and inspection with the goal of the entire system (~115 miles) being cleaned and inspected every five years. Focused inspections will be performed as planned and the studies being performed this fiscal year will focus on historic problem areas and make recommendations for improvements. The City will continue its annual replacement of sewer pipes as needed in advance of annual paving areas and in locations of planned capital

projects such as the Maplewood Avenue (North Mill Pond to Woodbury Avenue) Reconstruction project and the Islington Street Corridor Improvements project

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

Long-Term Financial Planning

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

Statewide Education Property Tax – The Statewide Education Property Tax assessment process remain essentially the same for FY16 and FY17. Each fall, the Department of Revenue Administration notifies each municipality of the amount it must raise through the Statewide Education Property Tax (SWEPT) for the following school year. Municipalities send the revenue raised by the Statewide Education Property Tax directly to their school district. Historically Portsmouth has raised tax revenue above the State determined cost of an adequate education and has been able to retain this revenue for local education costs. Prior to FY06, Portsmouth was a “Donor” community, forced to raise an additional \$11,750,318 in SWEPT for the State to distribute to other communities. The City is mindful of the fact that as long as SWEPT exists, the Legislature could change the education funding formula and return to “Donor” communities. The New Hampshire Legislature failed to adopt a constitutional amendment to abolish the Statewide Education Property Tax (SWEPT) in FY16. There will be an increase on the cap for adequacy aid and a reduction in stabilization grants in FY17 but these changes will not have an impact on the City of Portsmouth. Also of note was the City of Dover's success in challenging the constitutionality of prior caps on adequacy aid funding. The issue of education funding will be the subject of proposed legislation next session and the City will continue to monitor the Legislature's future education funding discussions through the City Council's Legislative Subcommittee comprised of the Mayor and three City Councilors. The Legislative Subcommittee works with City Staff and the Portsmouth Delegates to monitor legislation on education funding. In addition, City Staff also monitors the Legislature's activity on education funding on behalf of the Coalition Communities, a coalition of former “Donor” communities, through funding by the City and contributions from Coalition-member communities.

Bond Rating - In June 2016, Standard & Poor's Rating Group (S&P) affirmed the City's bond rating to AAA citing its City's very strong economy, very strong management conditions with strong policies, strong budgetary performance, very strong budgetary flexibility, and strong debt and contingent liabilities position as positive

factors. S&P also notes that the City's strong reserves and policies will support long-term stability.

Relevant Financial Policies

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

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

1. The City eliminated future growth in this liability by negotiating in all 16 labor agreements that all employees hired after July 1996 can no longer accumulate unlimited sick leave. Thus, the liability can be capped and it is now possible to estimate reductions of this liability through attrition.
2. The Leave at Termination Fund created in fiscal year 1999 eliminated annual budget spikes which negatively impacted the operating budget associated with sick leave pay owed to employees upon termination. Each department annually budgets a fixed amount for each fiscal year determined by an actuarial study and periodic review, which is transferred into this fund where this liability is paid. Each department builds a fund balance, which is carried over from year to year to fund future liabilities, thus stabilizing the annual operating budget.

As of the close of the current fiscal year, citywide liability for accrued employee benefits was \$6,708,109, a net decrease \$252,928 as compared to prior year.

Unassigned Fund Balance – City Council adopted in Fiscal Year 1998 A Fund Balance Ordinance which was amended in 2012 to comply with the fund balance model established by Governmental Accounting Standards Boards (GASB) Statement No. 54. The operational objective of the Ordinance was further amended in 2013 to recognize that the financial management goal of the City of Portsmouth is to annually maintain an Unassigned Fund Balance between 10% and 17% of total general fund appropriations. As of June 30, 2016, the Unassigned Fund Balance is 12.94% of appropriations.

Debt Service Planning – It is the policy of the City to keep operational net debt costs at no more than 10% of annual general fund expenditures toward net debt service payments. Current and future debt service is projected out over a 10-year period along with projected annual appropriations and estimated revenues related directly to debt. The framework of this analysis assists with the planning of future capital projects that will be funded through debt issuances. For FY16, the amount of net annual debt remains within the policy limits at 8.24%.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Portsmouth for its Comprehensive Annual Financial Report for the Fiscal Years ending June 30, 1988, 1989, and for twenty consecutive years from 1995 to 2015.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

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

This report reflects the City's commitment to improve and maintain financial statements in conformity with the highest standards of accountability. The strong financial position and excellent financial results reflected in this report would not have been possible without the leadership, support, and fiscal policies established by the City Council and City Manager John P. Bohenko.

In addition, the City of Portsmouth also received the GFOA's Distinguished Budget Presentation Award for ten consecutive years; fiscal year beginning July 1, 2006, to 2015. In order to receive this award, a governmental unit must publish a budget document judged proficient as a policy document, a financial plan, an operations guide, and a communications device. This award is valid for one year only. For long-term planning, the City will continue to work to enhance the information provided in this document for its citizens, as well as continue to meet the national standard requirements established by GFOA.

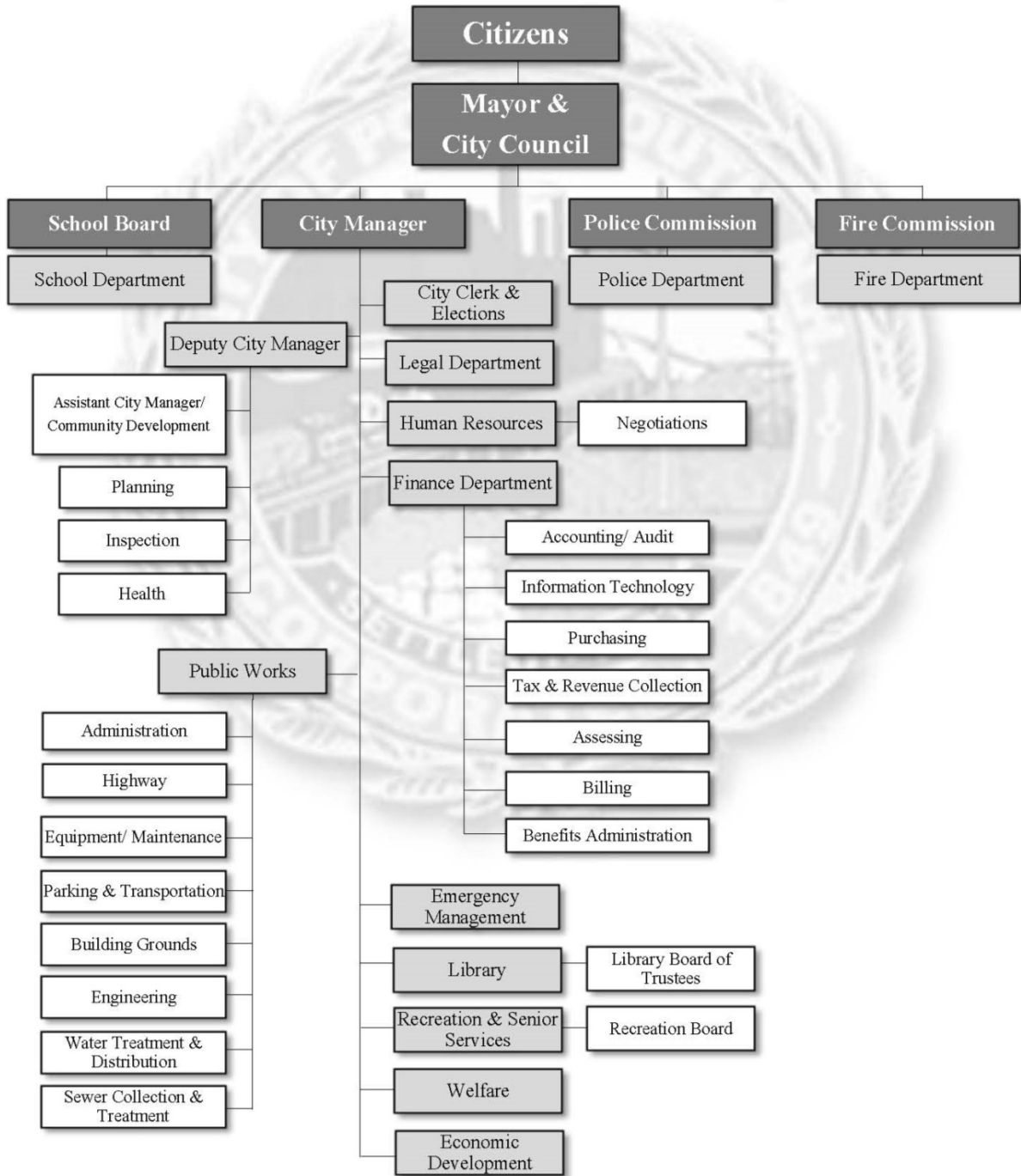
The preparation of the Comprehensive Annual Financial Report on a timely basis would not have been possible without the dedication and professional efforts of the staff in the Finance Department and diligent efforts of department heads and other City staff. In particular, I would like to express my sincere appreciation to Deputy Finance Director, Andrew Purgiel, who assisted and contributed to the preparation of this report.

Sincerely,

A handwritten signature in black ink, reading "Judith A. Belanger", is written over a thin vertical yellow line.

Judith A. Belanger
Finance Director

City of Portsmouth, New Hampshire City-wide Organizational Chart



City of Portsmouth, New Hampshire Directory of Officials

City Council

Jack Blalock, Mayor

James Splaine, Assistant Mayor

Rebecca Perkins

M. Chris Dwyer

Bradley Lown

Nancy Pearson

Eric Spear

Joshua Cyr

Josh Denton

Board of Education

Steve Zadavec, Superintendent

Leslie Stevens, Chairperson

Roseann Vozella Clark, Vice Chairperson

Ann M Walker

Gary Epler

Patrick Ellis

Nancy Novelline-Clayburgh

Helene "Lennie" Mullaney

Thomas P Martin

Jeffrey Landry

Police Commission

Chief David Mara

Brenna Cavanaugh, Chairperson

Joseph Onosko

Joseph Plaia

Fire Commission

Chief Steven Achilles

Jennifer Mosher-Matthes, Chairperson

Richard Gamester

Michael Hughes

Principal Executive Officers

John P. Bohenko, City Manager

Nancy Colbert Puff, Deputy City Manager

David Moore, Assistant City Manager

Robert Sullivan, City Attorney

Judith Belanger, Director of Finance and Administration

Andrew Purgiel, Deputy Finance Director

Peter Rice, Director of Public Works and Facilities

Brian Goetz, Deputy Public Works Director

Kelli Barnaby, City Clerk

Dianna Fogarty, Human Resources Director

Becky Benvenuti, Tax Collector

Rosann Maurice-Lentz, City Assessor

Melvin Wilson Jr., Recreation Director

Steven Butzel, Library Director

Robert Marsilia, Chief Building Inspector

Kimberly McNamara, Public Health Director

Frederick Taintor, Planning Director

Ellen Tully, Welfare Administrator



Government Finance Officers Association

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

Presented to

**City of Portsmouth
New Hampshire**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portsmouth, New Hampshire (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portsmouth, New Hampshire, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of

additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Melanson Heath

December 21, 2016

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, 2016. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, total assets and deferred outflows minus liabilities and deferred inflows for governmental and business activities exceeded liabilities by \$201,003,708. This is an increase of \$17,901,834 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$85,119,611, an increase of \$9,336,594 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$13,158,179, an increase of \$648,433 in comparison with the prior year.
- Total bonds and state revolving loans payable, including unamortized premiums, at the close of the current fiscal year was \$175,248,514, an increase of \$9,931,883 in comparison to the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements which report the government's governmental activities separately from its business-type activities are designed to provide readers with a broad overview of the City of Portsmouth's finances. There are two basic governmental-wide financial statements: the statement of net position and the statement of activities. All activities included within the government-wide financial statements are measured and reported using the economic resources measurement focus and the accrual basis of accounting similar to a private-sector business.

- ***The Statement of Net Position***- presents information on all assets and deferred outflows and liabilities and deferred inflows, with the difference reported as "net position" instead of fund balances as shown on the Fund

Statements. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

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

- **Governmental Activities:** The activities in this section represent most of the City's basic services and are principally supported by taxes, grants, and inter-governmental revenues. The governmental activities of the City of Portsmouth include general government, public safety, education, public works, health and human services, culture and recreation, and community development. Other governmental activities include special revenue and capital projects funds.
- **Business-Type Activities:** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges. These business-type activities of the City include the water and sewer activities.

Fund Financial Statements

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

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

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

balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The basic governmental fund financial statements can be found on pages 44-48 of this report.

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

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Portsmouth maintains two enterprise funds which are used to account for water and sewer operations.

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

The basic proprietary funds financial statements can be found on pages 49-51 of this report.

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

The basic fiduciary fund financial statements can be found on pages 52-53 of this report.

Notes to the Financial Statements. The notes provide additional information that is 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 beginning on page 55 of this report.

Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the accounting principles generally accepted in the United States of America.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

	Summary of Net Position (000s)					
	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 103,816	\$ 86,598	\$ 57,099	\$ 53,301	\$ 160,915	\$ 139,899
Capital assets	190,814	183,510	125,457	120,308	316,271	303,818
Total assets	<u>294,630</u>	<u>270,108</u>	<u>182,556</u>	<u>173,609</u>	<u>477,186</u>	<u>443,717</u>
Deferred outflows	<u>7,760</u>	<u>6,777</u>	<u>360</u>	<u>287</u>	<u>8,120</u>	<u>7,064</u>
Total assets and deferred outflows	<u>\$ 302,390</u>	<u>\$ 276,885</u>	<u>\$ 182,916</u>	<u>\$ 173,896</u>	<u>\$ 485,306</u>	<u>\$ 450,781</u>
Long-term liabilities	\$ 173,298	\$ 161,831	\$ 89,533	\$ 85,641	\$ 262,831	\$ 247,472
Other liabilities	15,850	7,400	1,988	3,924	17,838	11,324
Total liabilities	<u>189,148</u>	<u>169,231</u>	<u>91,521</u>	<u>89,565</u>	<u>280,669</u>	<u>258,796</u>
Deferred inflows	3,471	8,501	162	382	3,633	8,883
Net position:						
Net investment in capital assets	113,266	109,918	60,256	56,301	173,522	166,219
Restricted	17,380	16,605	650	813	18,030	17,418
Unrestricted	<u>(20,875)</u>	<u>(27,370)</u>	<u>30,327</u>	<u>26,835</u>	<u>9,452</u>	<u>(535)</u>
Total net position	<u>109,771</u>	<u>99,153</u>	<u>91,233</u>	<u>83,949</u>	<u>201,004</u>	<u>183,102</u>
Total liabilities, deferred inflows and net position	<u>\$ 302,390</u>	<u>\$ 276,885</u>	<u>\$ 182,916</u>	<u>\$ 173,896</u>	<u>\$ 485,306</u>	<u>\$ 450,781</u>

The largest portion of net position reflects our investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. As of year-end, net investment in capital assets is \$173,521,765, an increase of \$7,302,525 as compared to prior year. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position of \$18,029,897 or 9% represents resources that are subject to external restrictions on how they may be used. The unrestricted net position of \$9,452,046 represents amounts without constraints established by enabling legislation, external agreements or other legal requirements. That amount is reduced by a deficit in governmental activities resulting from the recognition of the net pension liability representing the City's share of the New Hampshire Retirement System liability in accordance with Governmental Accounting Standards Board Statement No. 68. The City's governmental activities will continue to report a deficit until the funding mechanisms and asset returns improve at the state system.

Please refer to the Financial Statement Note 21 for additional information on the OPEB liability.

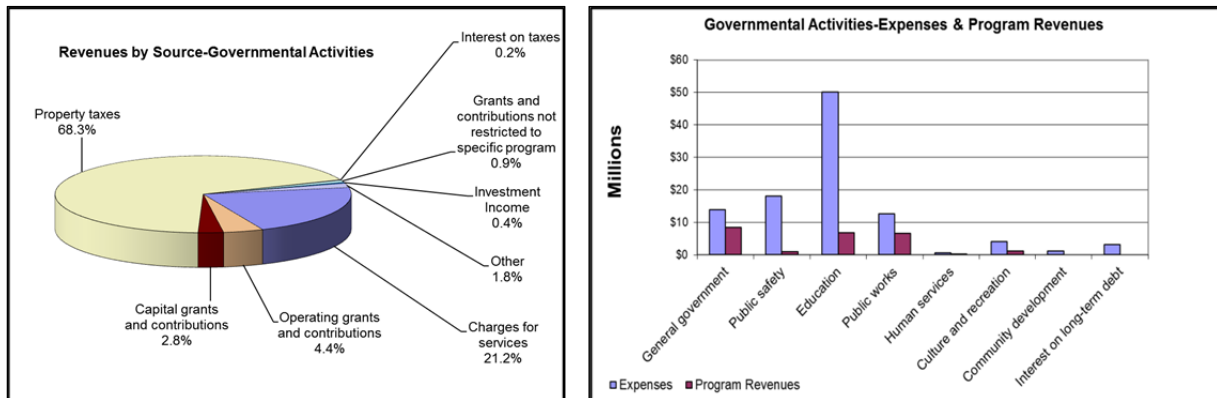
Financial Results - The following is a summary of condensed government-wide financial data of changes in net position for the current fiscal and prior fiscal year.

	Summary of Changes in Net Position (000s)					
	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 23,992	\$ 22,183	\$ 23,470	\$ 22,574	\$ 47,462	\$ 44,757
Operating grants and contributions	4,932	5,631	-	-	4,932	5,631
Capital grants and contributions	3,113	5,107	877	638	3,990	5,745
General revenues:						
Property taxes	77,273	73,416	-	-	77,273	73,416
Interest on taxes	209	290	-	-	209	290
Grants and contributions not restricted to specific programs	1,032	1,026	-	-	1,032	1,026
Investment income	473	252	98	58	571	310
Other	2,061	1,969	197	175	2,258	2,144
Total revenues	<u>113,085</u>	<u>109,874</u>	<u>24,642</u>	<u>23,445</u>	<u>137,727</u>	<u>133,319</u>
Expenses:						
General government	13,778	13,371	-	-	13,778	13,371
Public safety	18,094	17,698	-	-	18,094	17,698
Education	50,084	49,213	-	-	50,084	49,213
Public works	12,654	12,367	-	-	12,654	12,367
Health and human services	564	583	-	-	564	583
Culture and recreation	4,096	3,888	-	-	4,096	3,888
Community development	1,116	889	-	-	1,116	889
Interest on long-term debt	3,213	3,124	-	-	3,213	3,124
Water operations	-	-	7,149	6,346	7,149	6,346
Sewer operations	-	-	9,104	8,667	9,104	8,667
Total expenses	<u>103,599</u>	<u>101,133</u>	<u>16,253</u>	<u>15,013</u>	<u>119,852</u>	<u>116,146</u>
Change in net position before permanent fund contributions and transfers	9,486	8,741	8,389	8,432	17,875	17,173
Contributions to permanent fund principal	27	34	-	-	27	34
Transfers in (out)	<u>1,105</u>	<u>1,040</u>	<u>(1,105)</u>	<u>(1,040)</u>	<u>-</u>	<u>-</u>
Change in net position	10,618	9,815	7,284	7,392	17,902	17,207
Net position - beginning of year	<u>99,153</u>	<u>89,338</u>	<u>83,949</u>	<u>76,557</u>	<u>183,102</u>	<u>165,895</u>
Net position - end of year	<u>\$ 109,771</u>	<u>\$ 99,153</u>	<u>\$ 91,233</u>	<u>\$ 83,949</u>	<u>\$ 201,004</u>	<u>\$ 183,102</u>

Governmental Activities. Governmental activities for the year resulted in an increase in net position of \$10,617,938 which is an increase of \$803,398 from the prior year change. Governmental activities realized the following significant transactions:

- Property tax increased by \$3,856,818 or 5.2% from the prior year.
- All other revenues combined resulted in a net decrease of \$642,977 from the prior year primarily due to the completion of the Sagamore Creek Bridge project in FY15, therefore, capital grants and contributions decreased substantially in FY16.
- Overall governmental expenses experienced a net increase of \$2,467,481 or 2.4% from prior year primarily due to cost of living adjustments (COLA) of 2% and other personnel expenses such as retirement and health insurance premiums.

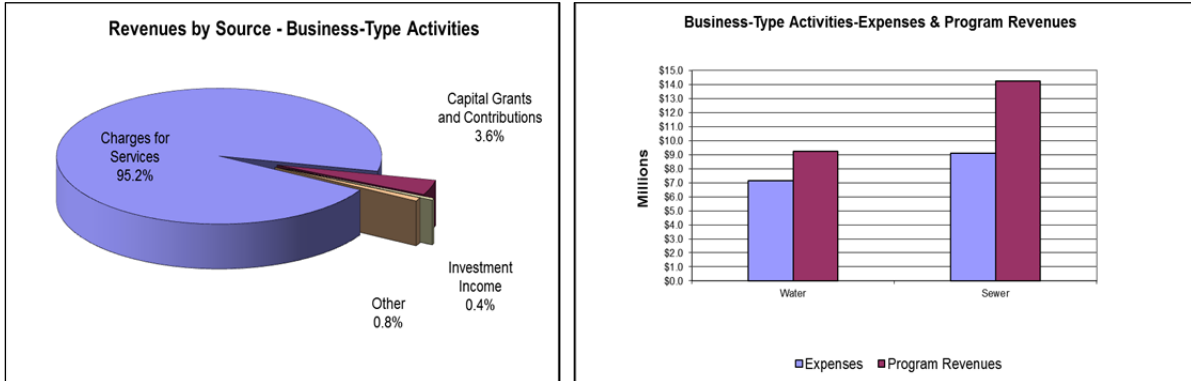
The charts below identify revenues and expenses by source for Governmental activities.



Business-Type activities. Business-type activities for the year resulted in an increase in net position of \$7,283,896 which is a decrease of \$108,672 or 1.5% from the prior year. The key elements of the changes are as follows:

- Operating revenues over operating expenses of \$10,169,182 represent an increase of \$77,076 from the prior year. Charges for services in the business-type activities experienced an increase of \$896,563. The water fund experienced an increase in operating revenues of \$376,158 or 4.2% as a result of an increase of 3.8% in the billable units. The sewer fund experienced an increase of \$520,405 or 3.8% as a result of a rate increase.
- Non-operating revenues of \$294,713 represent an increase of \$60,209 due to an increase in investment income and bond premium amortization.
- Non-operating expenses of \$2,952,146 represent an increase of \$420,327 from interest expense.
- Capital grants and contributions of \$876,799 represents an increase of \$238,540 due to contributions made from the Air Force for well and water source projects at Pease.

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



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$85,119,611, an increase of \$9,336,594 in comparison with the prior year.

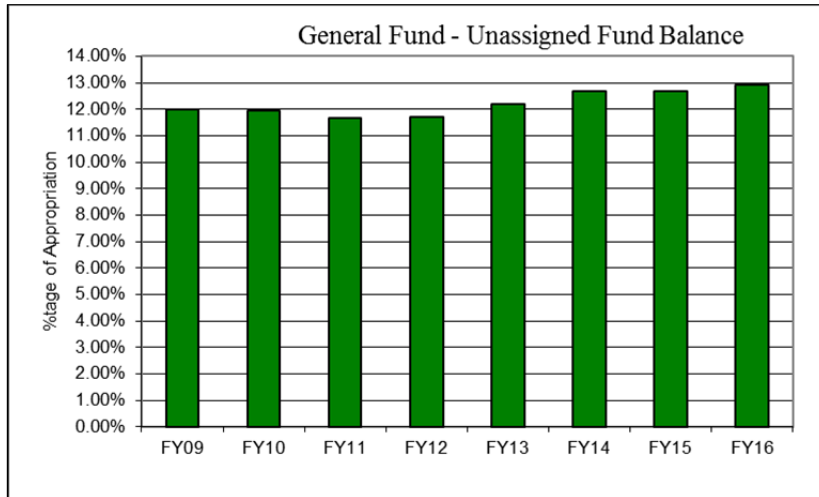
General Fund

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

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

Unassigned fund balance at the end of the fiscal year was \$13,158,179 or 12.94% of the final general fund budget. This is an increase of \$648,433 from prior year.

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



Total fund balance for the general fund at the end of the current fiscal year, was \$50,612,247 or 49.8% of the final general fund budget. This is an increase of \$5,263,713 or 11.6% from prior year. The key factors in this change are as follows

- A decrease of fund balance of \$2,223,500 from budgetary use of fund balance.
- A net increase to fund balance of \$4,457,204 from revenues and other financing sources exceeding final budget estimates net of budgeted use of Fund Balance. This amount does not include the tax adjustment.
- A net increase of \$1,153,670 from remaining departmental appropriations.
- A decrease of fund balance of \$352,463 due to an increase in abatement liabilities from FY15.
- A decrease of fund balance of \$112,561 from expenditures exceeding appropriations in the Leave at Termination Account.
- An increase of fund balance of \$832,954 from excess funding to the Health Insurance Stabilization Account.
- A decrease of fund balance of \$23,133 from reserves for support of the Statewide Property Tax Coalition and Prescott Park Docks.
- A net increase of \$1,518,408 to fund balance from the excess of year end carry forwards over expenditures of prior year carry forwards.

At the end of the current fiscal year, total fund balance of other governmental funds was \$34,507,364, which is a net increase of \$4,072,881 or 13.4% from prior year. Key factors in this change are as follows:

- An increase of \$886,334 from surplus of parking related revenue reported in the Parking & Transportation Special Revenue Fund.
- A net increase of \$2,809,022 in the Transportation Management capital project fund from unspent bond proceeds.

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail. Proprietary fund financial statements use the accrual basis of accounting, like the government-wide financials. As such, there is no reconciliation needed between the government-wide financial statements for business type activities and the proprietary fund financial statements.

Total net position for the water and sewer funds at the end of the year increased \$7,283,896 to a total of \$91,233,262. The water fund increased by \$2,108,498 and the sewer fund increased \$5,175,398.

Unrestricted net position of the water and sewer funds at the end of the year increased by \$3,491,716 to a total of \$30,326,890. The water fund unrestricted net position is \$8,394,905, while the sewer fund unrestricted net position is \$21,931,985.

Restricted for debt service of \$650,192 is related to the Pease Wastewater Treatment Plant debt which is contributed from the Pease Development Authority.

Net investment in capital assets increased by \$3,954,728, of which the water fund capital assets increased by \$1,165,865 and the sewer fund capital assets increased by \$2,788,863.

To provide adequate revenues to meet expenditures for operations, debt service, and capital improvements, the City's rates are based on a two-step, inclining block rate structure for both water and sewer usage. For water consumption for FY16, the first ten units (one unit equals 100 cubic feet or 748 gallons) water consumed per month was billed at \$4.15 per unit; all units over ten units per month was billed at a rate of \$5.00 per unit. For sewer, which is measured by water consumption, which the first ten units was billed at \$11.77 per unit; all units over ten units per month was billed at a rate of \$12.95 per unit.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was one supplemental appropriation during FY16 of \$650,000 to fund expenditures related to the Middle School construction.

The difference between the final amended budget and actual results is a positive variance of \$5,249,278 with revenues exceeding estimated budgets by \$4,095,608 and expenditures were less than the estimated budget by \$1,153,670. Significant variances include:

- Positive variance in Licenses and Permits of \$1,267,203 is mainly attributed to an excess of \$628,012 as a result of an increase number of motor vehicle registrations and \$579,103 in building, electrical and plumbing permits resulting from renovations and new construction citywide.
- Positive variance in Intergovernmental of \$512,163 mainly attributed to school tuition.
- Positive variance in Charges for Services of \$649,009 primarily consists of an excess of \$362,731 from the Pease Development Authority (PDA) and \$202,710 from ambulance fees.
- Positive variance in Other Financing Sources of \$1,540,767 is attributed to bond premiums.
- Current operating expenditures resulting in a positive variance of \$791,160 is mainly due to, \$55,000 surplus in street light electricity, \$71,885 from welfare direct assistance, \$191,000 in contingency as a result of unsettled contracts, and \$128,091 surplus from other General Government departments, \$98,752 surplus in the Police Department, \$47,647 surplus in the Fire Department all primarily as a result of vacancies.
- Non-operating expenditures resulting in a net positive variance of \$362,510 is mainly attributed to \$459,691 surplus in debt related expenditures and a negative variance of \$98,128 from County Tax.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$316,271,016 (net of accumulated depreciation), an increase \$12,452,359 from the prior year. This investment in capital assets includes land, buildings, system improvements, and machinery and equipment.

	Capital Assets (000s) (net of depreciation)							
	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2016	2015	2016	2015	2016	2015		
Land	\$ 15,782	\$ 15,650	\$ 2,526	\$ 2,526	\$ 18,308	\$ 18,176	\$ 132	0.73%
Building and improvement	100,170	103,180	21,789	22,592	121,959	125,772	(3,813)	-3.03%
Machinery and equipment	7,522	7,323	13,818	14,370	21,340	21,693	(353)	-1.63%
Infrastructure	57,083	45,658	70,505	64,053	127,588	109,711	17,877	16.29%
Construction in Progress	10,257	11,699	16,819	16,767	27,076	28,466	(1,390)	-4.88%
Total Assets	\$ 190,814	\$ 183,510	\$ 125,457	\$ 120,308	\$ 316,271	\$ 303,818	\$ 12,453	4.10%

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

- Construction in progress for governmental activities totaled \$10,256,096 at year end which \$5,942,411 is attributed to the Little Harbour School renovations, \$623,857 to construct the Harborwalk Park Pier, \$246,801 to construct the new parking facility on Deer St. and \$3,443,027 to various streets, sidewalks, buildings, parks and playground projects.
- Governmental funds capitalization of assets totaled \$15,650,670 summarized as follows:
 - The Sagamore Creek Bridge was replaced and capitalized at \$7,815,238.
 - Commerce Way transferred from a private road to a municipal road with the abutters paying for the improvements through a betterment assessment of \$1,698,383.
 - West Road and Sagamore Avenue were rehabilitated for \$1,103,262 and \$856,043 respectively.
 - A variety of other sidewalk and street construction contributed to capital assets of \$1,913,139.
 - The docks at Prescott Park were replaced for \$717,215.
 - The Indoor Pool HVAC was upgraded for \$403,314.
 - General government vehicles capitalized during the current year which included Public Works vehicles of \$284,243, Police vehicles of \$107,015, Fire vehicles of \$455,314, and School vehicles of \$28,118.
- Construction in progress in the water fund totaled \$4,925,915 at year end primarily due to \$2,744,043 for the construction on the Hobb's Hill water tower, \$286,257 for Greenland Well, \$619,239 for various waterline projects, \$671,648 for water source augmentation and booster stations and \$604,728 for various well and water source projects at the Pease Tradeport.
- The water fund had increases to capital assets of \$2,274,404 during the year which primarily consisted of \$1,168,116 for the Lincoln 3c project, \$346,512 for vehicles and equipment, and \$759,776 for various other water system and quality improvements.
- Construction in progress in the sewer fund totaled \$11,893,160 at year end primarily due to \$9,987,243 for the design of the Peirce Island wastewater treatment plant, \$690,586 for upgrades to the Pease wastewater treatment plant, and \$1,215,331 for various other sewer system improvements.
- The sewer fund had increases to capital assets of \$6,395,320 during the year which primarily consisted of \$5,099,141 for Lincoln 3c sewer separation project, \$915,612 for Sagamore Ave sewer upgrades, \$46,178 for various other sewer system upgrades, and \$334,389 in equipment and vehicle investments.

Additional information on the City of Portsmouth’s capital assets can be found in Note 9 on pages 71-72 of this report.

Long-term debt. At the end of the current fiscal year, total bonded debt and State revolving fund loans outstanding, including business-type activities (water and sewer departments) was \$175,248,514 as shown in the table below, all of which was backed by the full faith and credit of the government.

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

The City of Portsmouth’s General Obligation bonds have an AAA rating from Standard and Poor’s Global rating services.

Outstanding Debt (000s)

	Governmental		Business-type		Totals	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General obligation bonds	\$ 81,756	\$ 76,665	\$ 51,487	\$ 46,600	\$ 133,243	\$ 123,265
State revolving fund loans	671	884	29,024	31,822	29,695	32,706
Unamortized premium	7,455	6,029	4,856	3,317	12,311	9,346
Total Debt	\$ 89,882	\$ 83,578	\$ 85,367	\$ 81,739	\$ 175,249	\$ 165,317

The City of Portsmouth’s total debt increased by \$9,931,883 or 6.01% during the current fiscal year. The key factors in this net increase are:

- Reductions of outstanding debt principal in the amount of \$14,143,419.
- Reductions of \$11,600,000 due to refunding.
- The issuance of General Obligation bonds and loans of \$32,710,000 for the following projects:
 - \$523,290 for a Fire Apparatus.
 - \$500,000 for School Facility improvements.
 - \$5,000,000 for improvements to Little Harbour School.
 - \$6,100,000 for Streets and Sidewalk Improvements.
 - \$1,524,710 for the Commerce Way Betterment.
 - \$2,332,000 for refunding a callable bond issue from 2008 for the land and construction of Fire Station 2.
 - \$8,630,000 for refunding a callable bond issued from 2009 for continued construction of Fire Station 2 and the Madbury Water Treatment Plant.

- \$4,100,000 for Water System Pressure-Storage Improvements.
- \$4,000,000 for Fleet Street upgrades and Lafayette Road Pumping Station 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, 2016, 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 \$5,118,914,757. The debt limit and outstanding debt is as follows:

Debt Limit Calculation						
Purpose	Percent of Allowable Debt Limit	Maximum Debt Limit	Bonds Outstanding including Unamortized Bond Premiums as of June 30, 2016	Authorized Unissued as of June 30, 2016	Total Gross Debt as of June 30, 2016	% of Legal Debt Service Used
Municipal	3.00%	\$ 153,567,443	\$ 34,885,921	\$ 23,352,000	\$ 58,237,921	38%
Landfill closure ⁽¹⁾	N/A	-	671,332	4,641,897	5,313,229	N/A
School	7.00%	358,324,033	54,324,504	5,025,000	59,349,504	17%
Water	10.00%	511,891,476	32,013,195	-	32,013,195	6%
Sewer ⁽¹⁾	N/A	-	53,353,562	75,000,000	128,353,562	N/A
Total		<u>\$ 1,023,782,952</u>	<u>\$ 175,248,514</u>	<u>\$ 108,018,897</u>	<u>\$ 283,267,411</u>	

⁽¹⁾ Exempt from Debt Limit

Additional information on long-term debt can be found in Note 15 on pages 73-78 of this report.

ECONOMIC CONDITIONS AND NEXT YEAR’S BUDGETS AND RATES

As of June 30, 2016, the unemployment rate was 1.9% down from 2.7% in FY15. The state’s unemployment average for the same period was 2.8%, the average rate for New England was 4.4% and the nation’s average rate was 4.9%.

The budget and tax rate for the General Fund for FY17 has been approved by the Department of Revenue Administration. The total budget is \$107,398,043, an

increase of \$5,701,841 or 5.6% from the prior year final budget. The tax rate has been set at \$17.04 per \$1,000 of assessed value. This is an increase of \$.25 or 1.5% from prior year.

The City of Portsmouth has appropriated a total of \$2,023,500 from committed fund balance of which \$1,700,000 for debt service payments, \$250,000 for capital outlay, and \$73,500 for abatements in the fiscal year 2017 budget to maintain a moderate tax rate.

Both the Water and Sewer Division user rates are based on a two-tier inclining rate block structure based on units of water consumed. One unit is equal to 100 cubic feet or 748 gallons of water. This two-tier inclining rate block structure provided an equitable method of financing of water treatment and wastewater operations. The large volume users have a greater impact on system operations.

- The water rate did not increase in FY17 from FY16 and has not increased since FY11 remaining at \$4.15 for the first 10 units of water consumed per month and \$5.00 per unit for consumption over 10 units per month. The meter charge rate also remained the same and is based on the service meter size.
- Sewer charges are based on water consumption. The sewer rate increased from \$11.77 to \$12.95 per unit for the first 10 units of water consumed per month. The rate for consumption over 10 units per month increased from \$12.95 to \$13.47 per unit.

REQUESTS FOR INFORMATION

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

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

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Basic Financial Statements

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CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 63,286,986	\$ 50,711,419	\$ 113,998,405
Investments	34,521,908	-	34,521,908
Receivables, net of allowance for uncollectibles:			
Property taxes	1,597,081	-	1,597,081
User fees	-	3,742,919	3,742,919
Departmental and other	735,436	910,979	1,646,415
Intergovernmental	976,043	84,625	1,060,668
Loans and interest	19,752	-	19,752
Inventory	28,610	238,100	266,710
Other assets	13,587	-	13,587
Total current assets	<u>101,179,403</u>	<u>55,688,042</u>	<u>156,867,445</u>
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	556,588	-	556,588
Departmental and other	-	1,410,290	1,410,290
Loans	2,080,141	-	2,080,141
Capital assets:			
Land and construction in progress	26,038,803	19,345,141	45,383,944
Other capital assets, net of accumulated depreciation	<u>164,774,896</u>	<u>106,112,176</u>	<u>270,887,072</u>
Total non-current assets	<u>193,450,428</u>	<u>126,867,607</u>	<u>320,318,035</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	<u>7,759,884</u>	<u>360,166</u>	<u>8,120,050</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	302,389,715	182,915,815	485,305,530
LIABILITIES			
Current:			
Accounts payable	2,477,319	629,109	3,106,428
Accrued liabilities	1,629,908	633,316	2,263,224
Notes payable	7,000,000	-	7,000,000
Deposits held in custody	-	31,160	31,160
Retainage payable	446,635	483,392	930,027
Unearned revenue	123,527	15,000	138,527
Tax refunds payable	3,364,005	-	3,364,005
Other current liabilities	809,520	195,986	1,005,506
Current portion of long-term liabilities:			
Bonds and loans payable	10,146,655	6,319,675	16,466,330
Other liabilities	<u>733,883</u>	<u>47,634</u>	<u>781,517</u>
Total current liabilities	<u>26,731,452</u>	<u>8,355,272</u>	<u>35,086,724</u>
Noncurrent:			
Bonds and loans payable, net of current portion	79,735,102	79,047,082	158,782,184
Net OPEB obligation	5,393,090	314,943	5,708,033
Net pension liability	70,467,778	3,255,579	73,723,357
Other liabilities, net of current portion	<u>6,821,203</u>	<u>547,784</u>	<u>7,368,987</u>
Total noncurrent liabilities	<u>162,417,173</u>	<u>83,165,388</u>	<u>245,582,561</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	<u>3,470,644</u>	<u>161,893</u>	<u>3,632,537</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	192,619,269	91,682,553	284,301,822
NET POSITION			
Net investment in capital assets	113,265,585	60,256,180	173,521,765
Restricted externally or constitutionally for:			
Grants	5,436,802	-	5,436,802
Debt	-	650,192	650,192
Permanent funds:			
Nonspendable	1,633,062	-	1,633,062
Spendable	5,431,939	-	5,431,939
Restricted by enabling legislation	4,877,902	-	4,877,902
Unrestricted	<u>(20,874,844)</u>	<u>30,326,890</u>	<u>9,452,046</u>
TOTAL NET POSITION	\$ 109,770,446	\$ 91,233,262	\$ 201,003,708

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	<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	\$ 13,777,792	\$ 8,468,071	\$ 49,570	\$ 11,712
Public safety	18,094,404	1,023,934	472,554	-
Education	50,084,302	6,684,384	3,735,349	1,816,776
Public works	12,653,506	6,666,633	467,537	758,708
Health and human services	565,256	101,805	-	-
Culture and recreation	4,095,642	1,047,332	196,332	8,415
Community development	1,115,661	-	10,586	517,650
Interest on long-term debt	3,213,394	-	-	-
Total Governmental Activities	103,599,957	23,992,159	4,931,928	3,113,261
Business-Type Activities:				
Water services	7,149,014	9,225,357	-	482,144
Sewer services	9,104,103	14,244,796	-	394,655
Total Business-Type Activities	16,253,117	23,470,153	-	876,799
Total	\$ 119,853,074	\$ 47,462,312	\$ 4,931,928	\$ 3,990,060

General Revenues:
 Property taxes
 Interest on taxes
 Grants and contributions not restricted to specific programs
 Investment income
 Other revenues
 Contributions to permanent fund principal
 Transfers, net
 Total general revenues, contributions to permanent fund principal, and transfers
 Change in Net Position

Net Position:
 Beginning of year
 End of year

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

Net (Expenses) Revenues
and Changes in Net Position

Governmental Activities	Business- Type Activities	Total
\$ (5,248,439)	\$ -	\$ (5,248,439)
(16,597,916)	-	(16,597,916)
(37,847,793)	-	(37,847,793)
(4,760,628)	-	(4,760,628)
(463,451)	-	(463,451)
(2,843,563)	-	(2,843,563)
(587,425)	-	(587,425)
<u>(3,213,394)</u>	<u>-</u>	<u>(3,213,394)</u>
(71,562,609)	-	(71,562,609)
-	2,558,487	2,558,487
<u>-</u>	<u>5,535,348</u>	<u>5,535,348</u>
-	8,093,835	8,093,835
<u>(71,562,609)</u>	<u>8,093,835</u>	<u>(63,468,774)</u>
77,272,916	-	77,272,916
208,972	-	208,972
1,032,133	-	1,032,133
473,465	98,047	571,512
2,061,211	196,666	2,257,877
27,198	-	27,198
<u>1,104,652</u>	<u>(1,104,652)</u>	<u>-</u>
<u>82,180,547</u>	<u>(809,939)</u>	<u>81,370,608</u>
10,617,938	7,283,896	17,901,834
<u>99,152,508</u>	<u>83,949,366</u>	<u>183,101,874</u>
<u>\$ 109,770,446</u>	<u>\$ 91,233,262</u>	<u>\$ 201,003,708</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	<u>Building and Infrastructure</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 29,064,998	\$ 12,374,361	\$ 21,847,627	\$ 63,286,986
Investments	25,052,387	-	9,469,521	34,521,908
Receivables:				
Property taxes	2,153,669	-	-	2,153,669
Departmental and other	576,506	-	158,930	735,436
Intergovernmental	-	-	976,043	976,043
Loans and interest	-	-	2,099,893	2,099,893
Due from other funds	448,360	-	-	448,360
Advances to other funds	610,160	-	-	610,160
Inventory	-	-	28,610	28,610
Other assets	13,587	-	-	13,587
TOTAL ASSETS	<u>\$ 57,919,667</u>	<u>\$ 12,374,361</u>	<u>\$ 34,580,624</u>	<u>\$ 104,874,652</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 706,057	\$ 946,872	\$ 824,389	\$ 2,477,318
Accrued liabilities	1,176,737	-	64,698	1,241,435
Unearned revenue	84,828	-	38,699	123,527
Notes payable	-	7,000,000	-	7,000,000
Retainage payable	8,593	42,462	395,580	446,635
Tax refunds liability	3,364,005	-	-	3,364,005
Due to other funds	-	-	448,360	448,360
Advances from other funds	-	-	610,160	610,160
Other liabilities	809,520	-	-	809,520
TOTAL LIABILITIES	6,149,740	7,989,334	2,381,886	16,520,960
Deferred Inflows of Resources	1,157,680	-	2,076,401	3,234,081
Fund Balances:				
Nonspendable	610,160	-	1,661,672	2,271,832
Restricted	-	4,097,813	26,999,037	31,096,850
Committed	27,956,594	1,483,719	1,490,635	30,930,948
Assigned	8,887,314	-	-	8,887,314
Unassigned	13,158,179	(1,196,505)	(29,007)	11,932,667
TOTAL FUND BALANCES	<u>50,612,247</u>	<u>4,385,027</u>	<u>30,122,337</u>	<u>85,119,611</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 57,919,667</u>	<u>\$ 12,374,361</u>	<u>\$ 34,580,624</u>	<u>\$ 104,874,652</u>

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE

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

JUNE 30, 2016

Total governmental fund balances	\$ 85,119,611
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	190,813,699
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,234,081
• Deferred inflows and outflows of pension resources are not financial resources nor are they available to pay current-period expenditures. Pension related inflows and outflows consist of:	
Deferred inflows	7,759,884
Deferred outflows	(3,470,644)
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(388,474)
• Long-term liabilities, net of related deferred outflows and inflows, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Net pension liability	(70,467,778)
General obligation bonds & loans payable, including unamortized premiums	(89,881,757)
Other post-employment benefits payable	(5,393,090)
Compensated absences payable	(6,115,690)
Estimated liability for landfill postclosure care costs	<u>(1,439,396)</u>
Net position of governmental activities	\$ <u>109,770,446</u>

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Building and Infrastructure</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 77,311,239	\$ -	\$ 117,456	\$ 77,428,695
Licenses and permits	6,045,153	-	-	6,045,153
Intergovernmental	3,316,446	-	5,368,367	8,684,813
Charges for services	12,018,513	-	5,375,097	17,393,610
Investment income	120,314	-	353,151	473,465
Interest on taxes	208,972	-	-	208,972
Fines and costs	789,662	-	14,665	804,327
Contributions	-	-	287,408	287,408
Other	<u>1,478,133</u>	<u>-</u>	<u>218,770</u>	<u>1,696,903</u>
Total Revenues	101,288,432	-	11,734,914	113,023,346
Expenditures:				
Current:				
General government	8,480,623	-	180,406	8,661,029
Public safety	17,305,763	-	587,198	17,892,961
Education	43,060,293	-	5,181,753	48,242,046
Public works	6,316,303	-	3,461,228	9,777,531
Health and human services	589,457	-	-	589,457
Culture and recreation	2,598,453	-	1,204,069	3,802,522
Community development	-	-	817,479	817,479
Debt service:				
Principal	8,610,407	-	-	8,610,407
Interest	2,983,390	-	-	2,983,390
Capital outlay	930,133	5,802,816	6,791,751	13,524,700
Intergovernmental	<u>5,100,513</u>	<u>-</u>	<u>-</u>	<u>5,100,513</u>
Total Expenditures	<u>95,975,335</u>	<u>5,802,816</u>	<u>18,223,884</u>	<u>120,002,035</u>
Excess (deficiency) of revenues over (under) expenditures	5,313,097	(5,802,816)	(6,488,970)	(6,978,689)
Other Financing Sources (Uses):				
Bond premium	1,958,633	-	-	1,958,633
Issuance of bonds	-	5,500,000	8,148,000	13,648,000
Issuance of refunding bonds	3,040,500	-	-	3,040,500
Transfers in	1,104,652	-	2,716,667	3,821,319
Payment to refunded bonds escrow agent	(3,436,502)	-	-	(3,436,502)
Transfers out	<u>(2,716,667)</u>	<u>-</u>	<u>-</u>	<u>(2,716,667)</u>
Total Other Financing Sources (Uses)	<u>(49,384)</u>	<u>5,500,000</u>	<u>10,864,667</u>	<u>16,315,283</u>
Net change in fund balances	5,263,713	(302,816)	4,375,697	9,336,594
Fund Balances, at Beginning of Year, as restated	<u>45,348,534</u>	<u>4,687,843</u>	<u>25,746,640</u>	<u>75,783,017</u>
Fund Balances, at End of Year	<u>\$ 50,612,247</u>	<u>\$ 4,385,027</u>	<u>\$ 30,122,337</u>	<u>\$ 85,119,611</u>

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net changes in fund balances - Total governmental funds	\$	9,336,594																														
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Capital outlay purchases</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">14,208,615</td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">(6,905,128)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. (575,415) • The issuance of long-term debt (bonds and loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Issuance of long-term debt, including premiums</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(18,647,133)</td> </tr> <tr> <td>Repayments of debt</td> <td></td> <td style="text-align: right;">8,610,407</td> </tr> <tr> <td>Defeasance of debt refunding</td> <td></td> <td style="text-align: right;">3,200,000</td> </tr> <tr> <td>Bond premium amortization</td> <td></td> <td style="text-align: right;">532,900</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 6,607 • Pension and OPEB related inflows and outflows are recorded as expenses in the statement of activities, but are not recorded as expenditures in governmental funds. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Net pension liability</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(4,427,928)</td> </tr> <tr> <td>Pension related deferred outflows & inflows</td> <td></td> <td style="text-align: right;">6,013,608</td> </tr> <tr> <td>Other post-employment benefits</td> <td></td> <td style="text-align: right;">(892,369)</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Compensated absences</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">157,180</td> </tr> </table> 			Capital outlay purchases		14,208,615	Depreciation		(6,905,128)	Issuance of long-term debt, including premiums		(18,647,133)	Repayments of debt		8,610,407	Defeasance of debt refunding		3,200,000	Bond premium amortization		532,900	Net pension liability		(4,427,928)	Pension related deferred outflows & inflows		6,013,608	Other post-employment benefits		(892,369)	Compensated absences		157,180
Capital outlay purchases		14,208,615																														
Depreciation		(6,905,128)																														
Issuance of long-term debt, including premiums		(18,647,133)																														
Repayments of debt		8,610,407																														
Defeasance of debt refunding		3,200,000																														
Bond premium amortization		532,900																														
Net pension liability		(4,427,928)																														
Pension related deferred outflows & inflows		6,013,608																														
Other post-employment benefits		(892,369)																														
Compensated absences		157,180																														
Change in net position of governmental activities	\$	<u>10,617,938</u>																														

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original Budget	Final Budget		
Revenues and other sources:				
Taxes	\$ 78,220,980	\$ 78,220,980	\$ 78,252,105	\$ 31,125
Licenses and permits	4,777,950	4,777,950	6,045,153	1,267,203
Intergovernmental	9,049,232	9,049,232	9,561,395	512,163
Charges for services	5,124,555	5,124,555	5,773,564	649,009
Investment income	50,000	50,000	120,314	70,314
Interest and penalties	250,000	250,000	208,972	(41,028)
Fines and costs	717,000	717,000	789,662	72,662
Other revenues	178,333	178,333	171,726	(6,607)
Other financing sources:				
Bond premiums	-	-	1,540,767	1,540,767
Transfers in	1,104,652	1,104,652	1,104,652	-
Use of fund balance	1,573,500	2,223,500	2,223,500	-
Total Revenues and Other Sources	101,046,202	101,696,202	105,791,810	4,095,608
Expenditures and other uses:				
Current:				
General government	5,817,817	5,843,027	5,714,936	128,091
Other general government	1,698,453	1,466,553	1,184,906	281,647
Public works	6,237,275	6,237,609	6,136,264	101,345
Community services	3,168,274	3,191,783	3,061,409	130,374
Regulatory services	1,342,284	1,377,411	1,375,123	2,288
Emergency management	11,837	11,837	11,010	827
Police department	9,617,688	9,617,688	9,518,936	98,752
Fire department	7,995,247	7,997,067	7,949,420	47,647
School department	43,236,310	43,382,210	43,382,021	189
Non-operating	21,921,017	22,571,017	22,208,507	362,510
Total Expenditures and Other Uses	101,046,202	101,696,202	100,542,532	1,153,670
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 5,249,278	\$ 5,249,278

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
Current:			
Cash and short-term investments	\$ 18,089,524	\$ 32,621,895	\$ 50,711,419
Receivables, net of allowance for uncollectibles:			
User fees	1,496,745	2,246,174	3,742,919
Departmental and other	450,563	460,416	910,979
Intergovernmental	84,625	-	84,625
Inventory	216,743	21,357	238,100
Total current assets	20,338,200	35,349,842	55,688,042
Noncurrent:			
Departmental and other receivables, net of current portion	368,265	1,042,025	1,410,290
Capital assets:			
Land and construction in progress	5,505,515	13,839,626	19,345,141
Capital assets, net of accumulated depreciation	46,609,889	59,502,287	106,112,176
Total noncurrent assets	52,483,669	74,383,938	126,867,607
TOTAL ASSETS	72,821,869	109,733,780	182,555,649
DEFERRED OUTFLOW OF RESOURCES			
Pension related	176,317	183,849	360,166
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	72,998,186	109,917,629	182,915,815
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>			
Current:			
Accounts payable	328,475	300,634	629,109
Accrued liabilities	237,869	395,447	633,316
Deposits held in custody	15,429	15,731	31,160
Retainage payable	239,859	243,533	483,392
Unearned revenue	15,000	-	15,000
Other current liabilities	195,986	-	195,986
Current portion of long-term liabilities:			
Bonds and loans payable	2,322,272	3,997,403	6,319,675
Other liabilities	21,200	26,434	47,634
Total current liabilities	3,376,090	4,979,182	8,355,272
Noncurrent:			
Bonds and loans payable, net of current portion	29,690,923	49,356,159	79,047,082
Net OPEB obligation	186,945	127,998	314,943
Net pension liability	1,593,746	1,661,833	3,255,579
Other liabilities	243,795	303,989	547,784
Total noncurrent liabilities	31,715,409	51,449,979	83,165,388
DEFERRED INFLOWS OF RESOURCES			
Pension related	79,254	82,639	161,893
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	35,170,753	56,511,800	91,682,553
<u>NET POSITION</u>			
Net investment in capital assets	29,432,528	30,823,652	60,256,180
Restricted for debt service	-	650,192	650,192
Unrestricted	8,394,905	21,931,985	30,326,890
TOTAL NET POSITION	\$ 37,827,433	\$ 53,405,829	\$ 91,233,262

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Operating Revenues:			
Charges for services	\$ 8,409,115	\$ 13,873,937	\$ 22,283,052
Licenses and permits	538,471	213,433	751,904
Departmental revenue	<u>277,771</u>	<u>157,426</u>	<u>435,197</u>
Total Operating Revenues	9,225,357	14,244,796	23,470,153
Operating Expenses:			
Personnel services	2,258,362	2,472,653	4,731,015
Non-personnel services	1,917,996	3,194,057	5,112,053
Depreciation	<u>1,577,929</u>	<u>1,879,974</u>	<u>3,457,903</u>
Total Operating Expenses	<u>5,754,287</u>	<u>7,546,684</u>	<u>13,300,971</u>
Operating Income	3,471,070	6,698,112	10,169,182
Nonoperating Revenues (Expenses):			
Investment income	32,301	65,746	98,047
Gain on sale of asset	9,924	-	9,924
Bond amortization	60,112	126,630	186,742
Interest expense	<u>(1,394,727)</u>	<u>(1,557,419)</u>	<u>(2,952,146)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,292,390)</u>	<u>(1,365,043)</u>	<u>(2,657,433)</u>
Income Before Contributions and Transfers	2,178,680	5,333,069	7,511,749
Capital contributions	482,144	394,655	876,799
Transfers to other funds	<u>(552,326)</u>	<u>(552,326)</u>	<u>(1,104,652)</u>
Change in Net Position	2,108,498	5,175,398	7,283,896
Net Position at Beginning of Year	<u>35,718,935</u>	<u>48,230,431</u>	<u>83,949,366</u>
Net Position at End of Year	<u>\$ 37,827,433</u>	<u>\$ 53,405,829</u>	<u>\$ 91,233,262</u>

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 9,318,100	\$ 14,151,453	\$ 23,469,553
Payments to employees for salaries and related benefits	(2,246,017)	(2,469,896)	(4,715,913)
Payments to suppliers for goods and services	<u>(2,264,844)</u>	<u>(4,678,719)</u>	<u>(6,943,563)</u>
Net Cash Provided By Operating Activities	4,807,239	7,002,838	11,810,077
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers to other funds	<u>(552,326)</u>	<u>(552,326)</u>	<u>(1,104,652)</u>
Net Cash (Used For) Noncapital Financing Activities	(552,326)	(552,326)	(1,104,652)
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(3,734,463)	(4,987,388)	(8,721,851)
Proceeds from debt	4,100,000	4,000,000	8,100,000
Principal payments on bonds and loans	(1,937,528)	(3,595,593)	(5,533,121)
Proceeds from premium	325,880	371,025	696,905
Capital contributions	505,772	683,491	1,189,263
Intergovernmental revenue	12,500	-	12,500
Interest expense	<u>(1,021,820)</u>	<u>(1,580,077)</u>	<u>(2,601,897)</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,749,659)	(5,108,542)	(6,858,201)
<u>Cash Flows From Investing Activities:</u>			
Investment income	<u>32,304</u>	<u>65,744</u>	<u>98,048</u>
Net Cash Provided by Investing Activities	<u>32,304</u>	<u>65,744</u>	<u>98,048</u>
Net Change in Cash and Short-Term Investments	2,537,558	1,407,714	3,945,272
Cash and Short-Term Investments, Beginning of Year	<u>15,551,966</u>	<u>31,214,181</u>	<u>46,766,147</u>
Cash and Short-Term Investments, End of Year	<u>\$ 18,089,524</u>	<u>\$ 32,621,895</u>	<u>\$ 50,711,419</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>			
Operating income	\$ 3,471,070	\$ 6,698,112	\$ 10,169,182
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,577,929	1,879,974	3,457,903
Changes in assets and liabilities:			
User fees	68,085	(91,919)	(23,834)
Inventory	(31,960)	5,982	(25,978)
Accounts payable	(470,730)	(1,274,033)	(1,744,763)
Accrued liabilities	16,290	27,947	44,237
Retainage payable	155,842	(216,613)	(60,771)
Net OPEB obligation	30,933	21,179	52,112
Compensated absences	(105,220)	12,471	(92,749)
Net pension liability	70,342	(58,840)	11,502
Other liabilities	<u>24,658</u>	<u>(1,422)</u>	<u>23,236</u>
Net Cash Provided By Operating Activities	<u>\$ 4,807,239</u>	<u>\$ 7,002,838</u>	<u>\$ 11,810,077</u>
<u>Noncash Investing and Financing Activities</u>			
Capital contributions not yet received	\$ 491,066	\$ 546,083	\$ 1,037,149

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Private Purpose Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ 696,771	\$ 321,040
Investments	6,057,907	-
Interest receivable	<u>80</u>	<u>-</u>
Total Assets	6,754,758	321,040
<u>LIABILITIES AND NET POSITION</u>		
Other liabilities	<u>-</u>	<u>321,040</u>
Total Liabilities	<u>-</u>	<u>321,040</u>
<u>NET POSITION</u>		
Total net position held in trust	\$ <u><u>6,754,758</u></u>	\$ <u><u>-</u></u>

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust Fund</u>
Additions:	
Investment income	\$ 256,493
Contributions	<u>274,878</u>
Total additions	531,371
Deductions:	
Payments to beneficiaries	<u>248,589</u>
Total deductions	<u>248,589</u>
Net increase	282,782
Net position:	
Beginning of year	<u>6,471,976</u>
End of year	<u>\$ 6,754,758</u>

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

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CITY OF PORTSMOUTH, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The government is a municipal corporation governed by an elected City Council, including a Mayor, eight members, and an appointed City Manager. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2016, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues and loans to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- *The General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- *The Building and Infrastructure Fund* is used to account for building and infrastructure improvements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- *Water Enterprise Fund* is used to account for the operation of a water treatment plant, City Wells and water system.
- *Sewer Enterprise Fund* is used to account for the operations of two sewer treatment plants, pumping stations and sewer lines.

Fiduciary Funds employ the same economic resources measurement focus and accrual basis of accounting as do proprietary funds. Agency Funds, however, only report assets and liabilities, and thus have no measurement focus. The government also reports the following fiduciary funds:

- *The Private-Purpose Trust Funds* are used to account for trust arrangements, under which principal and investment income exclusively benefits individuals, private organizations, or other governments. Private Purpose Trust Funds held by the City include trust arrangements for the Parks, Scholarships, Worthy Poor, Memorials, and Commemorations.
- *Agency Funds* account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. Agency Funds held by the City include the Claremont Coalition Fund, Art Speak Fund, and School Fund.

D. Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Each of those funds' portions of consolidated cash is displayed on its respective balance sheet as "cash and short-term investments". Cash balances are invested to the extent available, and interest earnings are recognized in the appropriate funds. Cash and short-term investments are separately held and reflected in proprietary, permanent, fiduciary, and certain special revenue funds.

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

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

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

E. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due from/to other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

The government-wide Statement of Activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement.

F. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method for business-type activities. The costs of governmental fund-type inventories

are recorded as expenditures when purchased rather than when consumed, except for the Cafeteria fund, a nonmajor governmental fund, which used the FIFO method.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 50
Improvements	20
Machinery and equipment	5 - 10
Infrastructure	20 - 50

H. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits depending on their date of hire. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

I. Long-Term Obligations

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

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory) or can never be spent (i.e., nonspendable balances of permanent funds) because they are legally or contractually required to be maintained intact.
- 2) Restricted funds are used solely for the purpose in which the fund was established. They represent amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended. In case of capital project funds, these funds are financed by issuance of bonds or transfers from General Fund authorized by City Council for specific projects. In the case of permanent funds, these funds represent the income portion of permanent trust funds.
- 3) Committed funds are reported and expended as a result of annual resolutions passed by the City Council, the highest decision making authority in the government. Subsequent City Council meeting is necessary to modify or rescind a fund balance commitment.
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include general fund encumbrances, have been assigned for specific goods and services ordered but not yet paid for. The funds have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period. The City’s Charter authorizes the City Manager to approve assignments established by departments.

- 5) Unassigned funds represent the residual classification for the general fund and include all amounts not contained in the other classifications. Unassigned amounts are available for any purpose. Temporary fund balance deficits are reported as negative amounts in the unassigned classification in other governmental funds. Positive unassigned amounts are reported only in the general fund.

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

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

K. Use of Estimates

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

L. Mandated Fund Balance

In August, 1997 (revised for GASB 54 terminology in fiscal year 2012), the City Council adopted ordinances Chapter I, Sections 1:1401 and 1:1402 that mandates the City's Unassigned Fund Balance be maintained (amended in fiscal year 2013) between 10% and 17% of total current year appropriations.

Specific City Council ordinances are as follows:

Section 1:1401 - Mandated Fund Balance

The General Fund Balance of the City, at the end of any fiscal year as recorded in accordance with generally accepted accounting principles (GAAP) and excluding any and all reserves, and any dedicated fund balances of the General Fund (otherwise referred to as Unassigned Fund balance of the General Fund) shall be maintained at the prescribed

amount of not less than 10% of the actual Total General Fund appropriations for that fiscal year.

Section 1:1402 - Operational Objective

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

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

B. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>	<u>Excess (Deficiency)</u>
Revenues/Expenditures (GAAP Basis)	\$ 101,288,432	\$ 95,975,335	\$ 5,313,097
Other financing sources/uses (GAAP Basis)	<u>6,103,785</u>	<u>6,153,169</u>	<u>(49,384)</u>
Subtotal (GAAP Basis)	107,392,217	102,128,504	5,263,713
Recognize tax revenue on an accrual basis	(361,597)	-	(361,597)
Reverse expenditures of prior year appropriation carryforwards	-	(2,088,267)	2,088,267
Reclassify use of overlay	1,302,463	1,302,463	-
Use of fund balance	2,223,500	-	2,223,500
Add end-of-year appropriation carryforwards	-	3,606,674	(3,606,674)
Remove effect of refunding	(3,458,366)	(3,458,366)	-
Other reconciling items	<u>(1,306,407)</u>	<u>(948,476)</u>	<u>(357,931)</u>
Budgetary Basis	<u>\$ 105,791,810</u>	<u>\$ 100,542,532</u>	<u>\$ 5,249,278</u>

C. Deficits

The City had Building and Infrastructure Major Fund's unassigned fund balance deficit of \$1,196,505 at June 30, 2016, which will be funded through future issuance of debt. The School Lunch special revenue fund had an unassigned fund balance deficit of \$29,007 at June 30, 2016, which will be funded through future user charges or a General Fund subsidy.

3. Cash and Investments

A. Custodial Credit Risk

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

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

As of June 30, 2016, \$1,165,772 of the City's cash bank balance of \$115,081,434 was exposed to custodial credit risk as uninsured or uncollateralized. The uninsured amount includes \$790,359 invested in state pool, and \$375,413 covered under a custodian's errors and omissions policy.

The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

At June 30, 2016, 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	\$ 3,265,672	4.18	A2
Other Investments:			
Certificates of Deposits	26,824,739	N/A	N/A
Equity Mutual Funds	<u>10,489,404</u>	N/A	N/A
Total	<u>\$ 40,579,815</u>		

The City's investments are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the City's brokerage firm, which is also the counterparty to these securities. This risk is managed by the custodian's errors and omissions policy and securities are held in a separately identifiable trust accounts.

B. Credit Risk

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

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

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

C. Concentration of Credit Risk

The trustees of trust fund policy on the concentration of credit risk is to limit the amount that may be invested in any one issue to \$15,000 or 10% of the value of the account whichever is greater. The City does not have a formal policy on the concentration of credit risk.

The City had the following investments in a single issuer which are greater than 5% of total investments:

Citizens Bank Certificate of Deposit	\$15,015,269
Century Bank Certificate of Deposit	\$10,037,049
Vanguard High Dividend Yield ETF	\$ 4,279,787
Vanguard Dividend Appreciation ETF	\$ 4,225,542

D. Interest Rate Risk

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

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City's policy limits investments to domestic securities.

F. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2016:

<u>Description</u>	<u>Fair value measurements using:</u>		
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:			
Debt securities:			
Ishares Barclays intermediate credit bond fund EFT	\$ 1,050,629	\$ -	\$ 1,050,629
Ishares tips bonds	409,162	-	409,162
Ishares 1-3 year treasury bond	1,116,413	-	1,116,413
Vanguard high-yield corporate ADM	689,468	-	689,468
Equity mutual funds			
Vanguard high-dividend yield ETF	4,279,787	4,279,787	-
Vanguard dividend appreciation ETF	4,225,542	4,225,542	-
Invesco diversified dividend A	28,293	28,293	-
Vanguard FTSE	1,424,937	1,424,937	-
Vanguard emerging market EFT	530,845	530,845	-
Total	<u>\$ 13,755,076</u>		

The City also holds \$26,824,739 in certificates of deposits that are nonparticipating interest-earning investment contracts and therefore uses the cost-based measurement for these investments.

4. Property Taxes Receivable

Property taxes were committed in October and were due in two installments, on December 12, 2015 and June 3, 2016. Taxes unpaid by December 13, 2015 and June 4, 2016 accrued interest at 12% until September 10, 2016. A tax lien was recorded on all properties with taxes unpaid as of September 10, 2016, 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, 2016 by levy year are comprised of (in thousands):

Property Taxes:		
2015	\$	1,597
Unredeemed Taxes:		
2014		285
2013		185
2012		41
Other		41
Elderly Liens and Deferred Taxes		<u>5</u>
Total	\$	<u><u>2,154</u></u>

5. User Fees Receivable

User fees receivable in water and sewer funds include amounts due from customers for water and sewer usage. User fees receivable are reported net of an allowance for doubtful accounts estimated at up to 30% of accounts receivable depending on the aging of the receivables. Water and sewer delinquent receivables are lienied in a similar manner as property taxes, described in Note 4.

User fees receivable and related allowance for doubtful accounts at June 30, 2016 consist of the following:

	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Total</u>
Gross	\$ 1,637,077	\$ 2,294,165	\$ 3,931,242
Less: Allowance for doubtful accounts	<u>(140,332)</u>	<u>(47,991)</u>	<u>(188,323)</u>
Total	<u><u>\$ 1,496,745</u></u>	<u><u>\$ 2,246,174</u></u>	<u><u>\$ 3,742,919</u></u>

6. Departmental and Other Receivables

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

	<u>Ambulance</u>	<u>Police Detail</u>	<u>Other</u>	<u>Total</u>
Gross	\$ 1,465,782	\$ 111,610	\$ 318,686	\$ 1,896,078
Less: Allowance for doubtful accounts	<u>(1,142,380)</u>	<u>(18,262)</u>	<u>-</u>	<u>(1,160,642)</u>
Total	<u>\$ 323,402</u>	<u>\$ 93,348</u>	<u>\$ 318,686</u>	<u>\$ 735,436</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, 2016 include the following:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Unrestricted contributions receivable	\$ 818,828	\$ 852,249	\$ 1,671,077
Contributions restricted for bonds payable	<u>-</u>	<u>650,192</u>	<u>650,192</u>
Total	<u>\$ 818,828</u>	<u>\$ 1,502,441</u>	<u>\$ 2,321,269</u>

Contributions receivable at June 30, 2016 are due as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Less than one year	\$ 450,563	\$ 460,416	\$ 910,979
One to five years	221,265	1,027,014	1,248,279
More than five years	<u>147,000</u>	<u>15,011</u>	<u>162,011</u>
Total	<u>\$ 818,828</u>	<u>\$ 1,502,441</u>	<u>\$ 2,321,269</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2016.

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, 2016 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
General fund	\$ 448,360	\$ -
Nonmajor Funds:		
Special Revenue Funds:		
School lunch	-	52,251
School categorical revenues	-	303,748
Police grants	-	80,355
Swimming pool	-	12,006
	<u> </u>	<u> </u>
Total	<u>\$ 448,360</u>	<u>\$ 448,360</u>

The balance due to general fund from police grants and school lunch resulted from a short-term loan made to establish working capital. The balance due to general fund from the remaining special revenue funds result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of advances to/from other funds (amounts considered to be long-term) as of June 30, 2016 is as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Governmental Funds:		
General fund	\$ 610,160	\$ -
Nonmajor Funds:		
Special Revenue Funds:		
City trust funds	-	610,160
	<u> </u>	<u> </u>
Total	<u>\$ 610,160</u>	<u>\$ 610,160</u>

This government reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2016:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,104,652	\$ 2,716,667
Nonmajor Funds:		
Special Revenue Funds:		
School lunch	104,813	-
School categorical revenues	777,800	-
Miscellaneous grants and contributions	56,873	-
Parking and transportation	-	5,778
Swimming pool	150,000	-
Library	13,189	-
City trust funds	-	26,322
Capital Project Funds:		
School renovations	650,000	-
Transportation management	2,510	-
Vehicle/equipment replacement	725,436	-
Technology equipment	268,146	-
Subtotal Nonmajor Funds	2,748,767	32,100
<u>Business-Type Funds:</u>		
Water Fund	-	552,326
Sewer Fund	-	552,326
Total	-	1,104,652
Grand Total	\$ <u>3,853,419</u>	\$ <u>3,853,419</u>

The transfers from the water and sewer fund to the general fund are made to cover indirect costs of water and sewer funds incurred by general fund. The general fund transfers out represent funding of various capital projects. Other transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

9. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings	\$ 140,914	\$ 85	\$ (1,800)	\$ 139,199
Improvements	4,134	-	-	4,134
Infrastructure	70,708	13,971	(4,008)	80,671
Machinery and equipment	<u>21,797</u>	<u>1,463</u>	<u>(1,734)</u>	<u>21,526</u>
Total capital assets, being depreciated	237,553	15,519	(7,542)	245,530
Less accumulated depreciation for:				
Buildings	(38,362)	(2,992)	1,800	(39,554)
Improvements	(3,506)	(103)	-	(3,609)
Infrastructure	(25,050)	(2,546)	4,008	(23,588)
Machinery and equipment	<u>(14,474)</u>	<u>(1,264)</u>	<u>1,734</u>	<u>(14,004)</u>
Total accumulated depreciation	<u>(81,392)</u>	<u>(6,905)</u>	<u>7,542</u>	<u>(80,755)</u>
Total capital assets, being depreciated, net	156,161	8,614	-	164,775
Capital assets, not being depreciated:				
Land	15,650	132	-	15,782
Construction in progress	<u>11,699</u>	<u>8,601</u>	<u>(10,043)</u>	<u>10,257</u>
Total capital assets, not being depreciated	<u>27,349</u>	<u>8,733</u>	<u>(10,043)</u>	<u>26,039</u>
Governmental activities capital assets, net	<u>\$ 183,510</u>	<u>\$ 17,347</u>	<u>\$ (10,043)</u>	<u>\$ 190,814</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings	\$ 37,141	\$ 15	\$ -	\$ 37,156
Infrastructure	80,351	7,924	(782)	87,493
Machinery and equipment	<u>30,533</u>	<u>731</u>	<u>(903)</u>	<u>30,361</u>
Total capital assets, being depreciated	148,025	8,670	(1,685)	155,010
Less accumulated depreciation for:				
Buildings	(14,549)	(818)	-	(15,367)
Infrastructure	(16,298)	(1,472)	782	(16,988)
Machinery and equipment	<u>(16,163)</u>	<u>(1,168)</u>	<u>788</u>	<u>(16,543)</u>
Total accumulated depreciation	<u>(47,010)</u>	<u>(3,458)</u>	<u>1,570</u>	<u>(48,898)</u>
Total capital assets, being depreciated, net	101,015	5,212	(115)	106,112
Capital assets, not being depreciated:				
Land	2,526	-	-	2,526
Construction in progress	<u>16,767</u>	<u>6,951</u>	<u>(6,899)</u>	<u>16,819</u>
Total capital assets, not being depreciated	<u>19,293</u>	<u>6,951</u>	<u>(6,899)</u>	<u>19,345</u>
Business-type activities capital assets, net	<u>\$ 120,308</u>	<u>\$ 12,163</u>	<u>\$ (7,014)</u>	<u>\$ 125,457</u>

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

Governmental Activities:		
General government		\$ 301
Public safety		595
Education		2,272
Public works		3,005
Culture and recreation		483
Community development		<u>249</u>
Total depreciation expense - governmental activities		<u>\$ 6,905</u>
Business-Type Activities:		
Water		\$ 1,578
Sewer		<u>1,880</u>
Total depreciation expense - business-type activities		<u>\$ 3,458</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the City that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2016:

	Entity-wide Basis		Fund Basis	
	Governmental Activities	Business-type Activities	Proprietary Funds Water	Sewer
Pension related:				
Fiscal year 2016 pension contributions paid subsequent to measurement date	\$ 6,288,242	\$ 343,458	\$ 168,138	\$ 175,320
Changes in proportion and differences between employer pension contributions and share of contributions	<u>1,471,642</u>	<u>16,708</u>	<u>8,179</u>	<u>8,529</u>
Total deferred outflows	<u>\$ 7,759,884</u>	<u>\$ 360,166</u>	<u>\$ 176,317</u>	<u>\$ 183,849</u>

11. Accounts Payable

Accounts payable represent additional 2016 expenditures paid after June 30, 2016.

12. 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.

13. Tax Refunds Payable

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

14. Other Liabilities

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

15. Notes Payable

The City had general obligation taxable bond anticipation notes during the year ended June 30, 2016 in the Building and Infrastructure governmental fund.

The following are changes in notes payable for the year ended June 30, 2016:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Taxable BAN	1.20%	6/23/2017	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000
Taxable BAN	1.50%	6/23/2017	-	<u>2,000,000</u>	-	<u>2,000,000</u>
Total			<u>\$ -</u>	<u>\$ 7,000,000</u>	<u>\$ -</u>	<u>\$ 7,000,000</u>

16. Long-Term Debt

A. Long-Term Debt Supporting Governmental Activities

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

B. General Obligation Bonds and State Revolving Loans

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

<u>Governmental Activities:</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/16</u>
Coakley Landfill	\$ 3,605,774	08/01/18	0.85	\$ 540,866
Coakley Landfill OU2	652,330	07/01/19	1.02	130,465
Capital Improvements 2006	950,000	06/15/17	4.00	95,000
Capital Improvements Streets Sidewalks 2007	3,450,000	06/15/17	4.00	345,000
Capital Improvements to Facilities 2007	1,000,000	06/15/17	4.00	100,000
New Castle Ave. Seawall	600,000	06/15/17	4.00	60,000
FY08 Streets, Sidewalks, Bridges	2,500,000	06/15/18	3.71	500,000
FY08 School Improvements	500,000	06/15/18	3.71	100,000
Fire Station 2	3,650,000	06/15/28	3.98	370,000
Purchase of Land for Fire Station 2	1,300,000	06/15/28	3.98	130,000
Capital Improvements 2009 Fire Station 2	1,500,000	01/15/29	3.76	225,000
Capital Improvements 2009	3,500,000	01/15/19	3.76	1,050,000
Capital Improvements 2010	1,800,000	05/15/20	3.27	720,000
School Improvements 2010	500,000	05/15/20	3.27	200,000
Middle School Construction	15,000,000	05/15/30	3.27	10,500,000
Middle School Construction	22,500,000	12/01/31	2.68	18,000,000
Capital Improvements 2011	6,400,000	12/01/21	2.68	3,840,000
Fire Apparatus	500,000	12/01/16	2.68	100,000
Refunding High School	17,325,000	09/15/22	1.40	11,850,000
Streets Sidewalks, Bridge 2013	2,267,000	06/15/23	2.38	1,575,000
School Improvements 2013	500,000	06/15/23	2.38	350,000
Facilities, Streets and Sidewalks 2014	5,750,000	06/01/24	1.78	4,600,000
Middle School Construction	3,300,000	06/01/34	2.87	2,970,000
School Energy Efficiency Improvements	345,000	10/21/17	2.09	252,608
Capital Improvements 2015	3,475,000	06/30/25	2.10	3,125,000
School Facility Improvements 2015	750,000	06/30/25	2.10	675,000
Refunding Library 2015	3,335,000	08/01/25	2.09	3,335,000
Streets Sidewalks, Bridge 2016	6,100,000	06/15/26	1.87	6,100,000
Fire Apparatus 2016	523,290	06/15/21	1.87	523,290
School Facilities 2016	500,000	05/15/26	1.87	500,000
Little Harbour School Facility Improvement 2016	5,000,000	05/15/26	1.87	5,000,000
Commerce Way 2016	1,524,710	05/15/26	1.87	1,524,710
Refunding Fire Station 2 Construction and Land	2,332,000	05/15/26	1.87	2,332,000
Refunding Fire Station 2 Improvements	708,500	01/15/29	1.57	708,500
Total Governmental Activities				<u>\$ 82,427,439</u>

<u>Business-Type Activities:</u>	<u>Original</u>	<u>Serial</u>	<u>Interest</u>	<u>Amount</u>
	<u>Issue</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
		<u>Through</u>		<u>as of</u>
				<u>6/30/16</u>
<u>Water:</u>				
Upgrade to Motor Control	\$ 300,000	01/01/22	3.98	\$ 90,000
Corrosion Control Program	288,000	01/01/22	3.80	86,400
Constitution Avenue	4,800,000	01/01/22	3.70	1,680,000
Spinney Tank	1,162,560	12/01/22	3.73	406,896
Madbury WTP Design	2,000,000	06/01/28	2.49	1,200,000
Water Treatment Plant	16,000,000	01/15/29	3.94	2,530,000
Madbury WTP	5,000,000	06/01/32	2.72	4,000,000
Hobb's Hill Water Tank	3,500,000	06/01/34	2.87	3,150,000
Greenland Well & Water Line	4,800,000	06/15/35	2.99	4,560,000
Water System Pressure and Storage	4,100,000	06/15/36	1.87	4,100,000
Refunding Madbury Plant	7,921,500	01/15/29	1.57	7,921,500
<u>Sewer:</u>				
Waste Water Treatment Plant Pease	6,586,836	03/01/20	1.02	1,285,802
Sewer Projects Phase I	4,931,361	08/01/21	1.36	1,479,408
Sewer Projects Phase II	8,898,110	12/01/24	1.87	4,004,149
Lower Court Utilities Upgrade	688,563	07/01/27	2.38	413,137
Phase III Sewer	5,508,137	12/01/27	2.38	3,304,882
Sewer-Rye Line Pump Station	1,069,714	11/01/29	2.58	748,800
Sewer-201 Facility Study	1,000,000	01/01/30	2.58	700,000
Bartlett Street	5,290,233	01/01/31	2.62	3,967,672
Sewer PIWWTP	3,000,000	01/01/31	2.68	2,400,000
Sewer WWTP - Plant	8,000,000	09/15/12	2.31	6,400,000
State St Utilities Upgrade	1,500,433	09/01/21	1.36	900,260
Lincoln 3C	3,929,000	06/15/33	2.38	3,325,000
Lincoln Separation	5,595,874	06/01/33	3.35	4,756,493
Pierce Island WWTP	10,000,000	06/01/34	2.87	9,000,000
Pease WWTP 2014	3,500,000	06/01/34	2.87	3,150,000
Pease WWTP 2015	1,000,000	06/15/35	2.99	950,000
Lafayette Pumping Station	4,000,000	06/15/36	1.87	4,000,000
Total Business-Type Activities				\$ <u>80,510,399</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2016 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 9,452,877	\$ 3,006,160	\$ 12,459,037
2018	8,725,540	2,703,954	11,429,494
2019	8,257,905	2,388,709	10,646,614
2020	7,717,617	2,065,304	9,782,921
2021	7,445,000	1,740,046	9,185,046
2022 - 2026	26,605,000	4,947,056	31,552,056
2027 - 2031	11,353,500	1,536,829	12,890,329
2032 - 2034	2,870,000	174,600	3,044,600
Total	<u>\$ 82,427,439</u>	<u>\$ 18,562,658</u>	<u>\$ 100,990,097</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 5,988,121	\$ 2,532,674	\$ 8,520,795
2018	5,988,121	2,467,782	8,455,903
2019	5,978,121	2,266,200	8,244,321
2020	5,933,121	2,085,218	8,018,339
2021	5,611,670	1,894,635	7,506,305
2022 - 2026	25,005,019	6,771,217	31,776,236
2027 - 2031	18,771,639	2,920,177	21,691,816
2032 - 2036	7,234,587	526,456	7,761,043
Total	<u>\$ 80,510,399</u>	<u>\$ 21,464,359</u>	<u>\$ 101,974,758</u>

D. Bond Authorizations/Unissued

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2016 are as follows:

<u>Purpose</u>	<u>Amount</u>
<u>Governmental activities:</u>	
Coakley landfill	\$ 4,641,897
Commerce way	75,290
Deer St. parking facility	23,200,000
New Franklin school energy efficiency	25,000
School facilities	5,000,000
Fire apparatus	76,710
Subtotal governmental	<u>33,018,897</u>
<u>Business-type activities:</u>	
Pierce Island wastewater treatment facility upgrade	<u>75,000,000</u>
Subtotal business-type	<u>75,000,000</u>
Total Bond Authorizations/unissued	<u>\$ 108,018,897</u>

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/15	Additions	Refunding	Reductions	Total Balance 6/30/16	Less Current Portion	Equals Long-Term Portion 6/30/16
<u>Governmental Activities</u>							
General obligation bonds	\$ 76,665	\$ 16,689	\$ (3,200)	\$ (8,398)	\$ 81,756	\$ (9,240)	\$ 72,516
Unamortized premium	6,029	1,959	-	(533)	7,455	(694)	6,761
Subtotal	82,694	18,648	(3,200)	(8,931)	89,211	(9,934)	79,277
State revolving loans	884	-	-	(213)	671	(213)	458
Net OPEB obligation	4,501	892	-	-	5,393	-	5,393
Net pension liability	66,040	4,428	-	-	70,468	-	70,468
Other:							
Landfill closure	1,440	-	-	-	1,440	-	1,440
Accrued employee benefits	6,273	855	-	(1,013)	6,115	(734)	5,381
Subtotal	7,713	855	-	(1,013)	7,555	(734)	6,821
Totals	\$ 161,832	\$ 24,823	\$ (3,200)	\$ (10,157)	\$ 173,298	\$ (10,881)	\$ 162,417
	Balance 7/1/15	Additions	Refunding	Reductions	Total Balance 6/30/16	Less Current Portion	Equals Long-Term Portion 6/30/16
<u>Business-Type Activities</u>							
General obligation bonds	\$ 46,600	\$ 16,022	\$ (8,400)	\$ (2,735)	\$ 51,487	\$ (3,190)	\$ 48,297
Unamortized premium	3,317	2,040	-	(501)	4,856	(332)	4,524
Subtotal	49,917	18,062	(8,400)	(3,236)	56,343	(3,522)	52,821
State revolving loans	31,822	-	-	(2,798)	29,024	(2,798)	26,226
Net OPEB obligation	263	52	-	-	315	-	315
Net pension liability	2,951	305	-	-	3,256	-	3,256
Other:							
Accrued employee benefits	688	61	-	(153)	596	(48)	548
Totals	\$ 85,641	\$ 18,480	\$ (8,400)	\$ (6,187)	\$ 89,534	\$ (6,368)	\$ 83,166

F. Advance Refunding

On June 23, 2016, the City issued a general obligation bond for capital improvements and to refund 4 bonds for prior projects.

Series A in the amount of \$8,630,000 with interest rates ranging from 2.00% to 4.00% was used to advance refund a \$750,000 fire station improvements bond and a \$8,400,000 Madbury Water Treatment Plant bond with an effective interest rate of 3.76%. The net proceeds were \$10,042,956 after a premium of \$1,497,989, net of discount of \$35,828 and cost of issuance of \$49,503. The proceeds were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide debt service payments until called on January 15, 2019. As a result of refunding, the City reduced its total debt service requirement by \$905,219 with a net present value savings of \$825,578 (economic gain).

Series B in the aggregate amount of \$24,080,000, with interest rates ranging from 2.00% to 4.00% throughout the life of the bond, included \$21,748,000 to fund new projects. The \$2,332,000 in refunding bonds was issued to advance refund a \$1,800,000 fire station phase II bond and a \$650,000 fire station land bond with an effective interest rate of 3.98%. The term bonds are callable on June 15, 2018. After paying issuance costs of \$17,499, the net proceeds were \$2,613,309 including premium, net of discount, in an amount of \$298,809. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called. As a result of the refunding, the City reduced its total debt service cash flow requirements by \$285,493 which resulted in an economic gain (net present value benefit, which is the difference between the present value of debt service payments on the old and new debt) of \$251,836.

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

17. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2016:

	Entity-wide Basis		Fund Basis			
	Governmental Activities	Business-type Activities	Governmental General Fund	Funds Nonmajor	Proprietary Funds Water	Funds Sewer
Unavailable revenues	\$ -	\$ -	\$ 1,157,680	\$ -	\$ -	\$ -
Long-term portion of loans receivable	-	-	-	2,076,401	-	-
Pension related:						
Difference between expected and actual experience	1,546,347	71,440	-	-	34,973	36,467
Net difference between projected and actual investment earnings	1,883,337	87,009	-	-	42,595	44,414
Changes in proportion and differences between employer contributions and share of contributions	40,960	3,444	-	-	1,686	1,758
Total deferred inflows	\$ <u>3,470,644</u>	\$ <u>161,893</u>	\$ <u>1,157,680</u>	\$ <u>2,076,401</u>	\$ <u>79,254</u>	\$ <u>82,639</u>

18. Restricted Net Position

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

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

19. Governmental Funds - Balances

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

The following types of fund balances are reported at June 30, 2016:

Nonspendable - This fund balance classification includes an offset for inventory, advances to other funds, and reserves for the principal portion of permanent trust funds.

Restricted - This fund balance classification includes various special revenue funds, capital project balances funded by bond issuances and grants, and the income portion of permanent trust funds.

Committed - This fund balance classification includes General Fund capital reserve funds set aside by City Council vote for future debt payments, health insurance costs, future tax abatements, capital acquisitions and improvements, subsequent year's use of fund balance, and amounts used from operations for capital per City Council resolutions.

Assigned - This fund balance classification includes General Fund surplus balances that management assigns for specific purposes with City Council approval.

Unassigned - This fund balance classification includes General Fund available balance and other funds' temporary fund balance deficits.

The following types of fund balances are reported at June 30, 2016:

	General Fund	Major Governmental Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Advance to other funds	\$ 610,160	\$ -	\$ -	\$ 610,160
Inventory	-	-	28,610	28,610
Nonexpendable permanent funds	-	-	1,633,062	1,633,062
Total Nonspendable	610,160	-	1,661,672	2,271,832
Restricted				
Bonded projects and capital contributions	-	4,097,813	8,453,551	12,551,364
Community development	-	-	2,264,603	2,264,603
Education	-	-	491,650	491,650
Police and Fire	-	-	193,522	193,522
Public works	-	-	2,141,966	2,141,966
Parking and transportation	-	-	3,779,117	3,779,117
Portwalk place services and repairs	-	-	62,675	62,675
Conservation	-	-	1,371,103	1,371,103
Recreation	-	-	596,567	596,567
Human resources	-	-	9,963	9,963
Legal	-	-	122,086	122,086
Planning	-	-	51,409	51,409
Library	-	-	27,257	27,257
Trusts for education and recreation	-	-	2,001,629	2,001,629
Expendable permanent funds	-	-	5,431,939	5,431,939
Total Restricted	-	4,097,813	26,999,037	31,096,850
Committed				
Debt service	14,861,974	-	-	14,861,974
Health insurance	8,128,265	-	-	8,128,265
Tax appraisal	2,174,551	-	-	2,174,551
Compensated absences	1,263,980	-	-	1,263,980
Claremont Coalition	658,180	-	-	658,180
Coakley landfill	619,644	-	-	619,644
Other	250,000	-	-	250,000
Capital	-	1,483,719	1,490,635	2,974,354
Total Committed	27,956,594	1,483,719	1,490,635	30,930,948
Assigned				
Encumbered for:				
Finance	87,151	-	-	87,151
Human Resources	20,000	-	-	20,000
City Clerk	2,217	-	-	2,217
Planning	78,965	-	-	78,965
Legal	48,335	-	-	48,335
Inspection	1,446	-	-	1,446
Police	278,234	-	-	278,234
Fire	129,612	-	-	129,612
Education	115,751	-	-	115,751
Public works	938,842	-	-	938,842
Recreation	43,288	-	-	43,288
Capital	5,380,021	-	-	5,380,021
Contingency	882,539	-	-	882,539
General administration	130,000	-	-	130,000
Landfill monitoring	332,547	-	-	332,547
Revaluation	98,276	-	-	98,276
IT upgrades and replacements	320,090	-	-	320,090
Total Assigned	8,887,314	-	-	8,887,314
Unassigned	13,158,179	(1,196,505)	(29,007)	11,932,667
Total Fund Balance	\$ 50,612,247	\$ 4,385,027	\$ 30,122,337	\$ 85,119,611

20. Commitments and Contingencies

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 – For the period 1972 through 1982, the Coakley Landfill site, located in North Hampton, New Hampshire, served as the municipal refuse disposal site for the City of Portsmouth and for the Towns of North Hampton, 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 the 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.

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 \$493,644 payable over the life of the loan. The City awaits a final determination of the City's remaining liability and has \$4,641,897 remaining in the bond authority to pay its liability, if necessary.

Wastewater Treatment Facility – The City of Portsmouth is obligated under a consent Decree with the Environmental Protection Agency (EPA) and New Hampshire Department of Environmental Services (DES) to complete construction of an upgraded wastewater treatment facility and achieve secondary treatment permit limits by May 2017. Construction commenced in September 2016 and substantial completion is anticipated in May 2020. The City's request for a schedule extension has been agreed to by Federal and State regulators

and approved by the U.S. District Court for the District of New Hampshire. Bond authorization for up to \$75 million was approved for the construction effort.

Other legal matters – Between 1995 and 1997 the City constructed a sewer line across property of the State of New Hampshire located off the Route 1 By-pass. The State had given the City permission, but no formal easement was ever recorded. In 2003, after passing through several owners, the property came to be owned by 150 Greenleaf Avenue Realty Trust, which is now seeking removal of the sewer line from the property as well as substantial money damages as a result of allegations that the sewer line has flooded the property and otherwise impeded the development of the land into a second automobile dealership. The City disputes these claims. The matter is scheduled for trial in early 2017. On the completion of trial, appeals are likely. Therefore, it is not the City's Legal Department's expectation that the case will reach resolution or that the City's liability, if any exists, will be determined with finality for several years. The City also has commenced eminent domain proceedings to acquire rights in the property; \$345,000 is being offered to acquire rights as supported by an appraisal.

In addition to the above, there are various suits pending in courts within the State in which the City is a defendant. In the opinion of Counsel for the City, no litigation is pending, or to his knowledge, threatened, which is likely to result, either individually or in the aggregate, in final judgements against the City that would materially affect its financial position.

21. Post-Employment Healthcare and Life Insurance Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the City provides post-employment healthcare and life insurance benefits for retired employees through the City's single employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of June 30, 2015, the actuarial valuation date, approximately 78 retirees and 739 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The City provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 100% of the cost of the health plan, as determined by the City. The City contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2016 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2016, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of June 30, 2015.

Annual Required Contribution (ARC)	\$ 1,538,585
Interest on net OPEB obligation	171,858
Adjustment to ARC	<u>(162,781)</u>
Annual OPEB cost	1,547,662
Contributions made	<u>(603,181)</u>
Increase in net OPEB obligation	944,481
Net OPEB obligation - beginning of year	<u>4,763,552</u>
Net OPEB obligation - end of year	<u>\$ 5,708,033</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 1,547,662	39.0%	\$ 5,708,033
2015	\$ 1,547,662	39.0%	\$ 4,763,552
2014	\$ 1,702,453	52.2%	\$ 3,819,072
2013	\$ 1,702,453	52.2%	\$ 3,005,989
2012	\$ 1,493,990	58.4%	\$ 2,192,906
2011	\$ 1,493,990	58.4%	\$ 1,571,921

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 14,833,362
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 14,833,362</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 42,543,250</u>
UAAL as a percentage of covered payroll	<u>34.9%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of OPEB Funding Progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 9% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an opened group basis. This has been calculated assuming the amortization payment increases at an inflation rate of 3.0%.

22. Retirement System

The City follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

A. Plan Description

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Benefits Provided

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is $1/60$ or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at $1/66$ or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have a nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service

up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earned compensation and/or service.

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.17% to 29.16% of covered compensation. The City's contributions to NHRS for the year ended June 30, 2016 was \$6,243,379, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS' fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City reported a liability of \$73,723,357 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the City's proportion was 1.84 percent. At June 30, 2015, the City's proportion was 1.86 percent, which was an increase of 0.02 percent from its previous year proportion.

For the year ended June 30, 2016, the City recognized pension expense of \$6,176,524. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Fiscal year 2016 pension contributions	\$ 6,631,700	\$ -
Changes in proportion and differences between employer contributions and share of contributions	1,488,350	44,404
Difference between expected and actual experience	-	1,617,787
Net difference between projected and actual investment earnings	-	1,970,346
Total	<u>\$ 8,120,050</u>	<u>\$ 3,632,537</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized in pension expense in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Deferred Outflows (Inflows) of Resources</u>
2017	\$ (1,058,437)
2018	(1,058,437)
2019	(1,058,437)
2020	1,105,150
2021	<u>(74,026)</u>
Total	<u>\$ (2,144,187)</u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent per year
Salary increases	3.75 - 5.8 percent average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for woman for mortality improvements.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation Percentage	Weighted Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	3.25%
Small/Mid Cap Equities	7.50	3.25%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.25%
Emerging Int'l Equities	7.00	6.50%
Total international equities	20.00	
Core Bonds	4.50	-0.70%
Short Duration	2.50	-1.00%
Global Multi-Sector Fixed Income	11.00	0.28%
Unconstrained Fixed Income	7.00	0.16%
Total fixed income	25.00	
Private equity	5.00	5.50%
Private debt	5.00	4.50%
Real estate	10.00	3.50%
Opportunistic	5.00	2.75%
Total alternative investments	25.00	
Total	100.00 %	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2016	\$ 90,872,665	\$ 73,723,357	\$ 50,530,948

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

23. 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.

24. Beginning Fund Balance Reclassification

The City's beginning fund balance for fiscal year 2016 has been reclassified from the previous fiscal year to conform to GASB Statement 34 definition of funds. Accordingly, the following reconciliation is provided:

Governmental Funds:	<u>Building and Infrastructure</u>	<u>Nonmajor Governmental Funds</u>
As previously reported, June 30, 2015	\$ -	\$ 30,434,483
To reclass to major fund	<u>4,687,843</u>	<u>(4,687,843)</u>
As restated, July 1, 2015	<u>\$ 4,687,843</u>	<u>\$ 25,746,640</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE
SCHEDULE OF OPEB FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Projected Unit Credit <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
06/30/15	\$ -	\$ 14,833,362	\$ 14,833,362	0.0%	\$ 42,543,250	34.9%
06/30/13	\$ -	\$ 16,485,101	\$ 16,485,101	0.0%	\$ 35,783,000	46.1%
06/30/11	\$ -	\$ 14,476,591	\$ 14,476,591	0.0%	\$ 37,748,418	38.4%
06/30/09	\$ -	\$ 15,064,283	\$ 15,064,283	0.0%	\$ 35,619,012	42.3%

See Independent Auditors' Report.

CITY OF PORTSMOUTH, NEW HAMPSHIRE
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016
(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	1.86%	\$73,723,357	\$ 45,846,939	160.80%	65.47%
June 30, 2015	1.84%	\$68,991,223	\$ 43,883,269	157.22%	66.32%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

**SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016
(Unaudited)**

New Hampshire Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 6,243,379	\$ 6,243,379	\$ -	\$ 45,846,939	13.6%
June 30, 2015	\$ 5,962,925	\$ 5,962,925	\$ -	\$ 43,883,269	13.6%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

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Combining Financial Statements

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to account for resources obtained and expended for specified purposes and restricted by law or local action.

Special Revenue Funds are established for the following purposes:

- Community Development: to account for the use of Community Development Block Grant Funds as received from the federal government through the New Hampshire Office of State Planning. Current grants are mainly designed for City of Portsmouth economic development, housing rehabilitation, public service, and public facilities.
- School Lunch: to account for local funds and funds received from the federal and state governments to provide lunches at City of Portsmouth schools.
- School Categorical Revenues: to account for funds received from the federal and state governments for special programs and projects at City of Portsmouth schools.
- Miscellaneous Grants and Contributions: to account for the various other funds of the City designated for specific purposes.
- Police Grants: to account for federal and State grants for the Police Department.
- Seizure: to account for Federal Equitable Sharing program funds received from seized funds and equipment.
- Parking and Transportation: to account for operations of the City's parking facility, parking enforcement, parking meter operations and parking administration funded by funds generated from these parking activities.
- Portwalk Place: to account for public works services, private street maintenance, parking enforcement services and reserve for future repair and maintenance costs of the private street.
- Housing Subsidy: to account for housing subsidy grants to provide assistance to first time homebuyers.
- Conservation: to account for Land Use Change Tax dedicated for the acquisition or preservation of open space.
- Unmet Parking Needs: to account for fees collected for unmet parking needs to be used within the Central Business District for transportation related improvements.
- Recreation: to account for fees collected for sports and other recreational activities and related expenditures.

- Swimming Pool: to account for operations of the Portsmouth indoor swimming pool.
- Library: to account for certain revenues, including equipment fees and donations and related expenditures incurred in operation of this public library located at 175 Parrott Avenue.
- Library Trust: to account for expendable gifts received by the Library.
- City Trust: to account for the various expendable portions of the City's trusts.

CAPITAL PROJECT FUNDS

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

The current funds were established for the following purposes:

- School Renovations: to fund Middle School renovation costs.
- Transportation Management: to fund transportation management projects.
- Transportation State: to account for transportation projects funded both by City and State funds and as where the City manages the project.
- Vehicle/Equipment Replacement: to fund purchases of vehicles and equipment.
- Technology Equipment: to fund purchases of technology equipment.

PERMANENT FUNDS

Permanent Funds are established to account for certain assets held by the City in a fiduciary capacity as trustee. The following is a description of City Permanent Funds:

- City Trust: to account for various bequests to the City designated for particular purposes.
- Library Trust: 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, 2016

	Special Revenue Funds			
	Community Development	School Lunch	School Categorical Revenues	Miscellaneous Grants and Contributions
ASSETS				
Cash and short-term investments	\$ 1,948,269	\$ -	\$ -	\$ 2,869,741
Investments	-	-	-	-
Receivables:				
Departmental and other	-	61,943	19,452	77,535
Intergovernmental	-	-	780,905	17,974
Loans and interest	1,013,214	-	-	19,923
Inventory	<u>-</u>	<u>28,610</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,961,483</u>	<u>\$ 90,553</u>	<u>\$ 800,357</u>	<u>\$ 2,985,173</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 25,310	\$ -	\$ -	\$ 52,926
Accrued liabilities	1,435	-	4,959	2,548
Unearned revenue	-	38,699	-	-
Retainage payable	-	-	-	16,681
Due to other funds	-	52,251	303,748	-
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	26,745	90,950	308,707	72,155
Deferred Inflows of Resources				
Non pension related	990,140	-	-	19,923
Fund Balances:				
Nonspendable	-	28,610	-	-
Restricted	1,944,598	-	491,650	2,893,095
Committed	-	-	-	-
Unassigned	<u>-</u>	<u>(29,007)</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>1,944,598</u>	<u>(397)</u>	<u>491,650</u>	<u>2,893,095</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,961,483</u>	<u>\$ 90,553</u>	<u>\$ 800,357</u>	<u>\$ 2,985,173</u>

Special Revenue Funds

<u>Police Grants</u>	<u>Seizure</u>	<u>Parking and Transportation</u>	<u>Portwalk Place</u>	<u>Housing Subsidy</u>	<u>Conservation</u>	<u>Unmet Parking Needs</u>
\$ -	\$ 42,830	\$ 3,918,861	\$ 62,675	\$ 219,079	\$ 1,036,110	\$ 5,747
-	-	-	-	-	-	-
-	-	-	-	-	-	-
144,241	5,337	-	-	-	-	-
-	-	-	-	1,066,338	-	-
-	-	-	-	-	-	-
<u>\$ 144,241</u>	<u>\$ 48,167</u>	<u>\$ 3,918,861</u>	<u>\$ 62,675</u>	<u>\$ 1,285,417</u>	<u>\$ 1,036,110</u>	<u>\$ 5,747</u>
\$ 5,447	\$ -	\$ 97,441	\$ -	\$ -	\$ -	\$ -
1,467	-	44,906	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	3,144
80,355	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>87,269</u>	<u>-</u>	<u>142,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,144</u>
-	-	-	-	1,066,338	-	-
-	-	-	-	-	-	-
56,972	48,167	3,776,514	62,675	219,079	1,036,110	2,603
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>56,972</u>	<u>48,167</u>	<u>3,776,514</u>	<u>62,675</u>	<u>219,079</u>	<u>1,036,110</u>	<u>2,603</u>
<u>\$ 144,241</u>	<u>\$ 48,167</u>	<u>\$ 3,918,861</u>	<u>\$ 62,675</u>	<u>\$ 1,285,417</u>	<u>\$ 1,036,110</u>	<u>\$ 5,747</u>

(continued)

(continued)

	Special Revenue Funds					
	<u>Recreation</u>	<u>Swimming Pool</u>	<u>Library</u>	<u>Library Trust</u>	<u>City Trust</u>	<u>Subtotals</u>
ASSETS						
Cash and short-term investments	\$ 162,352	\$ 83,669	\$ 189,990	\$ 163,217	\$ 224,508	\$ 10,927,048
Investments	-	-	-	28,293	2,386,863	2,415,156
Receivables:						
Departmental and other	-	-	-	-	-	158,930
Intergovernmental	-	-	-	-	-	948,457
Loans and interest	-	-	-	-	418	2,099,893
Inventory	-	-	-	-	-	28,610
TOTAL ASSETS	\$ <u>162,352</u>	\$ <u>83,669</u>	\$ <u>189,990</u>	\$ <u>191,510</u>	\$ <u>2,611,789</u>	\$ <u>16,578,094</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 9,063	\$ 2,458	\$ 14,156	\$ -	\$ -	\$ 206,801
Accrued liabilities	-	9,383	-	-	-	64,698
Unearned revenue	-	-	-	-	-	38,699
Retainage payable	-	-	-	-	-	19,825
Due to other funds	-	12,006	-	-	-	448,360
Advances from other funds	-	-	-	-	610,160	610,160
TOTAL LIABILITIES	9,063	23,847	14,156	-	610,160	1,388,543
Deferred Inflows of Resources						
Non pension related	-	-	-	-	-	2,076,401
Fund Balances:						
Nonspendable	-	-	-	-	-	28,610
Restricted	153,289	59,822	175,834	191,510	2,001,629	13,113,547
Committed	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(29,007)
TOTAL FUND BALANCES	<u>153,289</u>	<u>59,822</u>	<u>175,834</u>	<u>191,510</u>	<u>2,001,629</u>	<u>13,113,150</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>162,352</u>	\$ <u>83,669</u>	\$ <u>189,990</u>	\$ <u>191,510</u>	\$ <u>2,611,789</u>	\$ <u>16,578,094</u>

Capital Project Funds					
<u>School Renovations</u>	<u>Transportation Management</u>	<u>Transportation State</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Technology Equipment</u>	<u>Subtotals</u>
\$ 867,323	\$ 9,204,214	\$ 158,550	\$ 634,997	\$ 36,135	\$ 10,901,219
-	-	-	-	-	-
-	-	-	-	-	-
-	-	27,586	-	-	27,586
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 867,323</u>	<u>\$ 9,204,214</u>	<u>\$ 186,136</u>	<u>\$ 634,997</u>	<u>\$ 36,135</u>	<u>\$ 10,928,805</u>
\$ 11,590	\$ 580,641	\$ -	\$ 5,000	\$ 11,633	\$ 608,864
-	-	-	-	-	-
-	-	-	-	-	-
183,094	192,661	-	-	-	375,755
-	-	-	-	-	-
-	-	-	-	-	-
<u>194,684</u>	<u>773,302</u>	<u>-</u>	<u>5,000</u>	<u>11,633</u>	<u>984,619</u>
-	-	-	-	-	-
-	-	-	-	-	-
22,639	8,430,912	-	-	-	8,453,551
650,000	-	186,136	629,997	24,502	1,490,635
-	-	-	-	-	-
<u>672,639</u>	<u>8,430,912</u>	<u>186,136</u>	<u>629,997</u>	<u>24,502</u>	<u>9,944,186</u>
<u>\$ 867,323</u>	<u>\$ 9,204,214</u>	<u>\$ 186,136</u>	<u>\$ 634,997</u>	<u>\$ 36,135</u>	<u>\$ 10,928,805</u>

(continued)

(continued)	Permanent Funds			Total Nonmajor Governmental Funds
	City Trust	Library Trust	Subtotals	
ASSETS				
Cash and short-term investments	\$ 19,360	\$ -	\$ 19,360	\$ 21,847,627
Investments	7,049,894	4,471	7,054,365	9,469,521
Receivables:				
Departmental and other	-	-	-	158,930
Intergovernmental	-	-	-	976,043
Loans and interest	-	-	-	2,099,893
Inventory	-	-	-	28,610
TOTAL ASSETS	\$ 7,069,254	\$ 4,471	\$ 7,073,725	\$ 34,580,624
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 8,724	\$ -	\$ 8,724	\$ 824,389
Accrued liabilities	-	-	-	64,698
Unearned revenue	-	-	-	38,699
Retainage payable	-	-	-	395,580
Due to other funds	-	-	-	448,360
Advances from other funds	-	-	-	610,160
TOTAL LIABILITIES	8,724	-	8,724	2,381,886
Deferred Inflows of Resources				
Non pension related	-	-	-	2,076,401
Fund Balances:				
Nonspendable	1,629,062	4,000	1,633,062	1,661,672
Restricted	5,431,468	471	5,431,939	26,999,037
Committed	-	-	-	1,490,635
Unassigned	-	-	-	(29,007)
TOTAL FUND BALANCES	7,060,530	4,471	7,065,001	30,122,337
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,069,254	\$ 4,471	\$ 7,073,725	\$ 34,580,624

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CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures
and Changes in Fund Equity

Nonmajor Governmental Funds

For the Year Ended June 30, 2016

	Special Revenue Funds			
	Community <u>Development</u>	School <u>Lunch</u>	School Categorical <u>Revenues</u>	Miscellaneous Grants and <u>Contributions</u>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	514,162	308,646	3,426,703	402,656
Charges for services	-	461,005	-	-
Investment income	11,329	-	-	-
Fines and costs	-	-	-	13,416
Contributions	-	-	-	61,185
Other	121,019	-	-	16,200
Total Revenues	646,510	769,651	3,426,703	493,457
Expenditures:				
Current:				
General government	-	-	-	180,406
Public safety	-	-	-	96,479
Education	-	877,488	4,208,590	-
Public works	-	-	-	171,680
Culture and recreation	-	-	-	12,922
Community development	788,384	-	-	29,044
Capital outlay	-	-	-	-
Total Expenditures	788,384	877,488	4,208,590	490,531
Excess (deficiency) of revenues over (under) expenditures	(141,874)	(107,837)	(781,887)	2,926
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Transfers in	-	104,813	777,800	56,873
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	104,813	777,800	56,873
Net change in fund balances	(141,874)	(3,024)	(4,087)	59,799
Fund Balances, beginning of year	2,086,472	2,627	495,737	2,833,296
Fund Balances, end of year	\$ 1,944,598	\$ (397)	\$ 491,650	\$ 2,893,095

Special Revenue Funds

<u>Police Grants</u>	<u>Seizure</u>	<u>Parking and Transportation</u>	<u>Portwalk Place</u>	<u>Housing Subsidy</u>	<u>Conservation</u>	<u>Unmet Parking Needs</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,456	\$ -
452,674	-	-	-	-	-	-
-	-	4,134,267	31,774	-	-	-
-	-	-	-	138	-	-
-	1,249	-	-	-	-	-
2,693	-	-	-	-	-	-
-	<u>21,566</u>	<u>5,901</u>	<u>-</u>	<u>53,886</u>	<u>-</u>	<u>-</u>
455,367	22,815	4,140,168	31,774	54,024	117,456	-
-	-	-	-	-	-	-
446,721	43,998	-	-	-	-	-
-	-	-	-	-	-	-
-	-	3,248,056	5,463	-	-	36,029
-	-	-	-	-	-	-
-	-	-	-	51	-	-
-	-	-	-	-	-	-
<u>446,721</u>	<u>43,998</u>	<u>3,248,056</u>	<u>5,463</u>	<u>51</u>	<u>-</u>	<u>36,029</u>
8,646	(21,183)	892,112	26,311	53,973	117,456	(36,029)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(5,778)	-	-	-	-
-	-	(5,778)	-	-	-	-
8,646	(21,183)	886,334	26,311	53,973	117,456	(36,029)
<u>48,326</u>	<u>69,350</u>	<u>2,890,180</u>	<u>36,364</u>	<u>165,106</u>	<u>918,654</u>	<u>38,632</u>
<u>\$ 56,972</u>	<u>\$ 48,167</u>	<u>\$ 3,776,514</u>	<u>\$ 62,675</u>	<u>\$ 219,079</u>	<u>\$ 1,036,110</u>	<u>\$ 2,603</u>

(continued)

(continued)

	Special Revenue Funds					
	<u>Recreation</u>	<u>Swimming Pool</u>	<u>Library</u>	<u>Library Trust</u>	<u>City Trust</u>	<u>Subtotals</u>
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,456
Intergovernmental	-	-	-	-	-	5,104,841
Charges for services	162,870	440,814	77,897	-	66,470	5,375,097
Investment income	-	-	-	2,361	28,122	41,950
Fines and costs	-	-	-	-	-	14,665
Contributions	-	-	7,117	-	189,215	260,210
Other	198	-	-	-	-	218,770
Total Revenues	163,068	440,814	85,014	2,361	283,807	11,132,989
Expenditures:						
Current:						
General government	-	-	-	-	-	180,406
Public safety	-	-	-	-	-	587,198
Education	-	-	-	-	91,943	5,178,021
Public works	-	-	-	-	-	3,461,228
Culture and recreation	143,053	588,473	151,333	174	68,001	963,956
Community development	-	-	-	-	-	817,479
Capital outlay	-	-	-	-	-	-
Total Expenditures	143,053	588,473	151,333	174	159,944	11,188,288
Excess (deficiency) of revenues over (under) expenditures	20,015	(147,659)	(66,319)	2,187	123,863	(55,299)
Other Financing Sources (Uses):						
Issuance of bonds	-	-	-	-	-	-
Transfers in	-	150,000	13,189	-	-	1,102,675
Transfers out	-	-	-	-	(26,322)	(32,100)
Total Other Financing Sources (Uses)	-	150,000	13,189	-	(26,322)	1,070,575
Net change in fund balances	20,015	2,341	(53,130)	2,187	97,541	1,015,276
Fund Balances, beginning of year	133,274	57,481	228,964	189,323	1,904,088	12,097,874
Fund Balances, end of year	\$ 153,289	\$ 59,822	\$ 175,834	\$ 191,510	\$ 2,001,629	\$ 13,113,150

Capital Project Funds					
<u>School Renovations</u>	<u>Transportation Management</u>	<u>Transportation State</u>	<u>Vehicle/ Equipment Replacement</u>	<u>Technology Equipment</u>	<u>Subtotals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	263,526	-	-	263,526
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	263,526	-	-	263,526
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>287,646</u>	<u>4,815,688</u>	<u>573,749</u>	<u>829,969</u>	<u>284,699</u>	<u>6,791,751</u>
<u>287,646</u>	<u>4,815,688</u>	<u>573,749</u>	<u>829,969</u>	<u>284,699</u>	<u>6,791,751</u>
(287,646)	(4,815,688)	(310,223)	(829,969)	(284,699)	(6,528,225)
-	7,624,710	-	523,290	-	8,148,000
650,000	-	2,510	725,436	268,146	1,646,092
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>650,000</u>	<u>7,624,710</u>	<u>2,510</u>	<u>1,248,726</u>	<u>268,146</u>	<u>9,794,092</u>
362,354	2,809,022	(307,713)	418,757	(16,553)	3,265,867
<u>310,285</u>	<u>5,621,890</u>	<u>493,849</u>	<u>211,240</u>	<u>41,055</u>	<u>6,678,319</u>
<u>\$ 672,639</u>	<u>\$ 8,430,912</u>	<u>\$ 186,136</u>	<u>\$ 629,997</u>	<u>\$ 24,502</u>	<u>\$ 9,944,186</u>

(continued)

(continued)

	<u>Permanent Funds</u>			Total Nonmajor Governmental Funds
	<u>City Trust</u>	<u>Library Trust</u>	<u>Subtotals</u>	
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ 117,456
Intergovernmental	-	-	-	5,368,367
Charges for services	-	-	-	5,375,097
Investment income	311,146	55	311,201	353,151
Fines and costs	-	-	-	14,665
Contributions	27,198	-	27,198	287,408
Other	-	-	-	218,770
Total Revenues	<u>338,344</u>	<u>55</u>	<u>338,399</u>	<u>11,734,914</u>
Expenditures:				
Current:				
General government	-	-	-	180,406
Public safety	-	-	-	587,198
Education	3,732	-	3,732	5,181,753
Public works	-	-	-	3,461,228
Culture and recreation	240,113	-	240,113	1,204,069
Community development	-	-	-	817,479
Capital Outlay	-	-	-	6,791,751
Total Expenditures	<u>243,845</u>	<u>-</u>	<u>243,845</u>	<u>18,223,884</u>
Excess (deficiency) of revenues over (under) expenditures	94,499	55	94,554	(6,488,970)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	8,148,000
Transfers in	-	-	-	2,748,767 (1)
Transfers out	-	-	-	(32,100) (1)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,864,667</u>
Net change in fund balances	94,499	55	94,554	4,375,697
Fund Balances, beginning of year	<u>6,966,031</u>	<u>4,416</u>	<u>6,970,447</u>	<u>25,746,640</u>
Fund Balances, end of year	<u>\$ 7,060,530</u>	<u>\$ 4,471</u>	<u>\$ 7,065,001</u>	<u>\$ 30,122,337</u>

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

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: 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: represents contributions used to subsidize education costs for eligible students.
- Worthy Poor: represents contributions to help eligible residents with living costs.
- Memorial: 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: represents contributions for celebration on Emancipation Day, tri-centennial celebration in 2076, and to further Japanese-American relations.

AGENCY FUNDS

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

- Claremont Coalition: 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: represents contributions from various sources used to fully or partially support artistic and/or cultural activities within the City of Portsmouth.
- School: represents primarily student activity funds, which are contributions from students and fundraising receipts used to pay for student-related activities.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2016

	<u>Park</u>	<u>Scholarship</u>	<u>Worthy Poor</u>	<u>Memorial</u>	<u>Commemoration</u>	<u>Total</u>
<u>ASSETS</u>						
Cash and short-term investments	\$ 116,063	\$ 119,115	\$ 57,727	\$ 399,576	\$ 4,290	\$ 696,771
Investments	-	6,057,907	-	-	-	6,057,907
Other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>80</u>	<u>-</u>	<u>80</u>
Total Assets	<u>\$ 116,063</u>	<u>\$ 6,177,022</u>	<u>\$ 57,727</u>	<u>\$ 399,656</u>	<u>\$ 4,290</u>	<u>\$ 6,754,758</u>
Net position held in trust	<u>\$ 116,063</u>	<u>\$ 6,177,022</u>	<u>\$ 57,727</u>	<u>\$ 399,656</u>	<u>\$ 4,290</u>	<u>\$ 6,754,758</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

For the Year Ended June 30, 2016

	<u>Park</u>	<u>Scholarship</u>	<u>Worthy Poor</u>	<u>Memorial</u>	<u>Commemoration</u>	<u>Total</u>
<u>ADDITIONS</u>						
Investment income	\$ 2,722	\$ 232,310	\$ 2,684	\$ 18,578	\$ 199	\$ 256,493
Contributions	<u>156,751</u>	<u>118,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,878</u>
Total Additions	159,473	350,437	2,684	18,578	199	531,371
<u>DEDUCTIONS</u>						
Payments to beneficiaries	<u>119,791</u>	<u>127,487</u>	<u>163</u>	<u>1,137</u>	<u>11</u>	<u>248,589</u>
Net increase	39,682	222,950	2,521	17,441	188	282,782
<u>NET POSITION</u>						
Beginning of year	<u>76,381</u>	<u>5,954,072</u>	<u>55,206</u>	<u>382,215</u>	<u>4,102</u>	<u>6,471,976</u>
End of year	<u>\$ 116,063</u>	<u>\$ 6,177,022</u>	<u>\$ 57,727</u>	<u>\$ 399,656</u>	<u>\$ 4,290</u>	<u>\$ 6,754,758</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2016

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2016</u>
<u>Claremont Coalition:</u>				
Assets - cash and short-term investments	\$ <u>4,284</u>	\$ <u>24,002</u>	\$ <u>(23,599)</u>	\$ <u>4,687</u>
Liabilities - other liabilities	\$ <u>4,284</u>	\$ <u>24,002</u>	\$ <u>(23,599)</u>	\$ <u>4,687</u>
 <u>Art Speak:</u>				
Assets - cash and short-term investments	\$ <u>19,690</u>	\$ <u>15,000</u>	\$ <u>(34,690)</u>	\$ <u>-</u>
Liabilities - other liabilities	\$ <u>19,690</u>	\$ <u>15,000</u>	\$ <u>(34,690)</u>	\$ <u>-</u>
 <u>School:</u>				
Assets - cash and short-term investments	\$ <u>283,436</u>	\$ <u>983,402</u>	\$ <u>(950,485)</u>	\$ <u>316,353</u>
Liabilities - other liabilities	\$ <u>283,436</u>	\$ <u>983,402</u>	\$ <u>(950,485)</u>	\$ <u>316,353</u>
 <u>Totals:</u>				
Assets - cash and short-term investments	\$ <u>307,410</u>	\$ <u>1,022,404</u>	\$ <u>(1,008,774)</u>	\$ <u>321,040</u>
Liabilities - other liabilities	\$ <u>307,410</u>	\$ <u>1,022,404</u>	\$ <u>(1,008,774)</u>	\$ <u>321,040</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATISTICAL SECTION

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

	<u>Page</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	114 - 118
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	119 - 125
<i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	126 - 129
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	130 - 131
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the service the government provides and the activities it performs.	132 - 134

City of Portsmouth, New Hampshire

Net Assets/Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013 ⁽¹⁾⁽²⁾	2014	2015	2016
Governmental Activities										
Net invested in capital assets	\$ 54,020,817	\$ 59,571,267	\$ 64,657,970	\$ 71,574,714	\$ 75,937,883	\$ 78,587,672	\$ 85,565,006	\$ 100,313,414	\$ 109,917,788	\$ 113,265,585
Restricted	14,389,205	14,514,810	14,103,944	14,696,926	15,701,688	17,147,890	17,238,560	17,107,717	16,604,810	17,379,705
Unrestricted	18,269,352	19,928,592	26,730,894	29,747,020	33,595,065	36,242,831	37,952,181	40,877,993	(27,370,090)	(20,874,844)
Total governmental activities net position	\$ 86,679,374	\$ 94,014,669	\$ 105,492,808	\$ 116,018,660	\$ 125,234,636	\$ 131,978,393	\$ 140,755,747	\$ 158,299,124	\$ 99,152,508	\$ 109,770,446
Business-type activities										
Net invested in capital assets	\$ 27,065,756	\$ 29,978,192	\$ 35,326,336	\$ 38,650,422	\$ 43,749,770	\$ 42,709,386	\$ 47,882,518	\$ 50,987,816	\$ 56,301,452	\$ 60,256,180
Restricted	2,443,121	1,950,574	1,788,026	1,625,478	1,462,931	1,300,383	1,137,835	975,288	812,740	650,192
Unrestricted	15,034,184	15,314,959	11,027,529	12,193,230	13,546,674	21,966,267	23,551,956	27,699,734	26,835,174	30,326,890
Total business-type activities net position	\$ 44,543,061	\$ 47,243,725	\$ 48,141,891	\$ 52,469,130	\$ 58,759,375	\$ 65,976,036	\$ 72,572,309	\$ 79,662,838	\$ 83,949,366	\$ 91,233,262
Primary government										
Net invested in capital assets	\$ 81,086,573	\$ 89,549,459	\$ 99,984,306	\$ 110,225,136	\$ 119,687,653	\$ 121,297,058	\$ 133,447,524	\$ 151,301,230	\$ 166,219,240	\$ 173,521,765
Restricted	16,832,326	16,465,384	15,891,970	16,322,404	17,164,619	18,448,273	18,376,395	18,083,005	17,417,550	18,029,897
Unrestricted	33,303,536	35,243,551	37,758,423	41,940,250	47,141,739	58,209,098	61,504,137	68,577,727	(534,916)	9,452,046
Total primary government net position	\$ 131,222,435	\$ 141,258,394	\$ 153,634,699	\$ 168,487,790	\$ 183,994,011	\$ 197,954,429	\$ 213,328,056	\$ 237,961,962	\$ 183,101,874	\$ 201,003,708

Notes:

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

⁽²⁾ As Restated

City of Portsmouth, New Hampshire

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013 ⁽³⁾	2014	2015	2016
All governmental funds⁽¹⁾										
Reserved for encumbrances	\$ 4,547,358	\$ 4,952,158	\$ 5,710,359	\$ 6,468,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve for Inventory	-	-	21,142	21,287	-	-	-	-	-	-
Reserved for advances	157,500	156,000	95,000	43,500	-	-	-	-	-	-
Reserve for perpetual permanent funds	1,588,492	1,588,492	1,588,492	1,588,492	-	-	-	-	-	-
Total Reserved	6,293,350	6,696,650	7,414,993	8,121,280	-	-	-	-	-	-
Designated Unreserved	13,366,904	16,070,029	16,509,100	18,289,507	-	-	-	-	-	-
Undesignated	26,950,676	31,555,100	33,020,510	42,890,153	-	-	-	-	-	-
Nonspendable	-	-	-	-	1,632,425	1,616,387	1,652,765	1,654,749	2,338,528	2,271,832
Restricted	-	-	-	-	27,107,030	37,311,546	29,485,301	28,494,530	27,200,344	31,096,850
Committed	-	-	-	-	22,466,249	26,363,315	25,056,206	27,219,500	26,784,433	30,930,948
Assigned	-	-	-	-	5,294,862	5,978,717	6,533,785	6,656,298	7,621,331	8,887,314
Unassigned	-	-	-	-	10,329,071	10,470,953	11,007,797	11,769,423	11,838,381	11,932,667
Total all governmental funds	\$ 46,610,930	\$ 54,321,779	\$ 56,944,603	\$ 69,300,940	\$ 66,829,637	\$ 81,740,918	\$ 73,735,854	\$ 75,794,500	\$ 75,783,017	\$ 85,119,611
General Fund										
Reserved for encumbrances	\$ 4,547,358	\$ 4,952,158	\$ 5,710,359	\$ 6,468,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved for advances	157,500	156,000	95,000	43,500	-	-	-	-	-	-
Total Reserved	4,704,858	5,108,158	5,805,359	6,511,501	-	-	-	-	-	-
Designated Unreserved	13,366,904	16,070,029	16,509,100	18,289,507	-	-	-	-	-	-
Undesignated	7,330,854	7,756,054	9,875,900	10,069,956	-	-	-	-	-	-
Nonspendable ⁽²⁾	-	-	-	-	28,000	6,000	-	-	672,927	610,160
Committed	-	-	-	-	19,960,221	22,631,684	22,624,205	26,173,686	24,544,530	27,956,594
Assigned	-	-	-	-	5,294,862	5,978,717	6,533,785	6,656,298	7,621,331	8,887,314
Unassigned	-	-	-	-	10,329,071	10,470,953	11,027,473	11,790,868	12,509,746	13,158,179
Total General Fund	\$ 25,402,616	\$ 28,934,241	\$ 32,190,359	\$ 34,870,964	\$ 35,612,154	\$ 39,087,354	\$ 40,185,463	\$ 44,620,852	\$ 45,348,534	\$ 50,612,247
All other governmental funds										
Inventory	\$ -	\$ -	\$ 21,142	\$ 21,287	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve for perpetual permanent funds	1,588,492	1,588,492	1,588,492	1,588,492	-	-	-	-	-	-
Total Reserved	1,588,492	1,588,492	1,609,634	1,609,779	-	-	-	-	-	-
Undesignated, reported in:										
Special revenue funds	7,816,687	8,440,924	9,301,673	9,347,520	-	-	-	-	-	-
Capital projects funds	6,608,544	11,164,120	10,853,843	20,179,357	-	-	-	-	-	-
Permanent funds	5,194,591	4,194,002	2,989,094	3,293,320	-	-	-	-	-	-
Nonspendable	-	-	-	-	1,604,425	1,610,387	1,652,765	1,654,749	1,665,601	1,661,672
Restricted	-	-	-	-	27,107,030	37,311,546	29,485,301	28,494,530	27,200,344	31,096,850
Committed	-	-	-	-	2,506,028	3,731,631	2,432,001	1,045,814	2,239,903	2,974,354
Unassigned	-	-	-	-	-	-	(19,676)	(21,445)	(671,365)	(1,225,512)
Total all other governmental funds	\$ 21,208,314	\$ 25,387,538	\$ 24,754,244	\$ 34,429,976	\$ 31,217,483	\$ 42,653,564	\$ 33,550,391	\$ 31,173,648	\$ 30,434,483	\$ 34,507,364

Notes:

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

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

⁽³⁾ As restated

City of Portsmouth, New Hampshire

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013 ⁽³⁾	2014	2015	2016
Revenues										
Real estate taxes	\$ 55,227,095	\$ 59,149,241	\$ 62,507,154	\$ 63,840,741	\$ 65,792,501	\$ 67,203,467	\$ 69,355,426	\$ 72,964,294	\$ 73,635,672	\$ 77,428,695
Licenses and permits	4,710,975	4,729,604	4,736,101	4,111,438	4,097,592	4,517,610	4,669,868	5,140,721	5,311,858	6,045,153
Intergovernmental	11,321,336	8,958,668	12,406,095	13,942,037	9,933,900	10,270,965	7,936,593	11,214,081	11,195,901	8,684,813
Charges for service	11,073,122	11,999,676	11,770,319	12,326,877	12,887,711	13,309,488	13,885,548	14,657,539	15,938,798	17,393,610
Investment income	2,091,575	972,642	(193,673)	1,084,222	1,520,906	478,213	861,856	1,143,153	252,291	473,465
Interest on taxes	53,211	131,228	136,306	270,299	300,578	266,690	371,247	279,531	289,805	208,972
Fines and costs	1,080,900	924,357	970,280	892,889	853,011	848,243	809,832	747,940	836,479	804,327
Contributions	729,980	139,248	50,283	306,795	871,594	217,658	2,526,208	569,549	602,041	287,408
Other	576,909	568,229	594,945	441,635	954,176	456,282	715,816	1,850,862	1,424,041	1,696,903
Total revenues	86,865,103	87,572,893	92,977,810	97,216,933	97,211,969	97,568,616	101,132,394	108,567,670	109,486,886	113,023,346
Expenditures										
General government	6,337,794	6,729,085	6,989,766	7,227,725	7,095,358	6,884,833	7,647,165	7,950,275	8,489,860	8,661,029
Public safety	14,799,315	15,260,082	15,368,533	15,980,896	15,791,806	16,145,072	16,246,164	17,162,643	17,415,808	17,892,961
Education	36,095,015	37,735,944	39,733,580	40,600,275	42,223,687	43,426,320	43,274,802	45,679,948	47,346,209	48,242,046
Public works	7,523,511	7,669,166	7,838,831	8,027,090	7,862,765	7,617,764	8,724,410	9,170,490	9,638,677	9,777,531
Health and human services	604,410	646,877	705,227	692,997	642,402	607,995	663,744	673,703	588,645	589,457
Culture and recreation	3,336,256	3,072,046	3,007,027	3,064,439	3,207,984	3,268,232	3,194,516	3,594,783	4,256,940	3,802,522
Community development	1,600,476	1,231,984	1,158,173	2,569,207	799,099	1,649,106	743,466	1,039,811	1,768,051	817,479
Debt service										
Principal	4,897,905	5,127,905	5,682,906	6,107,905	6,327,905	6,327,905	8,257,905	7,394,905	8,092,905	8,610,407
Interest	2,162,752	2,284,850	2,420,957	2,397,714	2,754,978	3,264,915	3,091,322	3,045,212	3,170,237	2,983,390
Capital outlay ⁽¹⁾	9,528,922	6,172,464	9,943,934	12,982,848	9,703,505	21,714,928	16,796,251	17,434,367	9,928,572	13,524,700
Intergovernmental	3,273,969	3,578,292	3,628,417	3,949,898	4,201,480	4,181,246	4,426,943	4,667,200	4,832,388	5,100,513
Total expenditures	90,160,325	89,508,695	96,477,351	103,600,994	100,610,969	115,088,316	113,066,688	117,813,337	115,528,292	120,002,035
Excess of revenues										
Over/(under) expenditures	(3,295,222)	(1,935,802)	(3,499,541)	(6,384,061)	(3,399,000)	(17,519,700)	(11,934,294)	(9,245,667)	(6,041,406)	(6,978,689)
Other Financing Sources (Uses)										
Issuance of bonds/loans	6,000,000	8,700,000	5,000,000	17,300,000	-	29,400,000	2,767,000	9,050,000	4,600,000	13,648,000
Issuance of refunding bond	-	-	-	-	-	17,325,000	-	-	3,335,000	3,040,500
Bond premium	-	42,083	208,230	512,701	-	4,369,900	184,652	1,233,245	586,229	1,958,633
Transfers in	2,272,652	1,729,071	2,149,817	2,357,357	3,986,128	3,864,932	2,897,492	2,932,606	4,746,516	3,821,319
Payment to refunded bond escrow agent	-	-	-	-	-	(19,622,983)	-	-	(3,531,788)	(3,436,502)
Transfers out	(1,381,301)	(824,503)	(1,235,682)	(1,429,660)	(3,058,431)	(2,905,868)	(1,919,914)	(1,911,538)	(3,706,034)	(2,716,667)
Total governmental activities	6,891,351	9,646,651	6,122,365	18,740,398	927,697	32,430,981	3,929,230	11,304,313	6,029,923	16,315,283
Net Change in fund balances	\$ 3,596,129	\$ 7,710,849	\$ 2,622,824	\$ 12,356,337	\$ (2,471,303)	\$ 14,911,281	\$ (8,005,064)	\$ 2,058,646	\$ (11,483)	\$ 9,336,594
Debt Service as a percentage of non-capitalized expenditures ⁽²⁾	8.91%	8.97%	9.40%	9.59%	10.04%	10.38%	11.88%	11.20%	10.88%	10.96%

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

⁽²⁾ Capital Outlay Purchases from the Reconciliation of the Statement of Revenues Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, are used to calculate this ratio.

⁽³⁾ As restated

City of Portsmouth, New Hampshire

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

Fiscal Year	Revenue					Expenses					Increase (Decrease) Total Net Position	Total Net Position (1)	
	Charges for Services	Licenses and Permits	Departmental	Other	Transfers In	Operations & Maintenance	Depreciation	Interest Expense	Transfers Out	Total			
2016	\$ 22,283,052	\$ 751,904	\$ 435,197	\$ 1,171,512	\$ -	\$ 24,641,665	\$ 9,843,068	\$ 3,457,903	\$ 2,952,146	\$ 1,104,652	\$ 17,357,769	\$ 7,283,896	\$ 91,233,262
2015	21,362,069	726,695	484,826	872,763	-	23,446,353	9,133,723	3,347,761	2,531,819	1,040,482	16,053,785	7,392,568	83,949,366
2014	20,961,597	867,053	496,895	796,239	-	23,121,784	9,569,274	3,132,231	2,308,682	1,021,068	16,031,255	7,090,529	79,662,838
2013	19,622,020	631,727	548,222	872,200	-	21,674,169	8,832,762	2,950,004	2,317,552	977,578	15,077,896	6,596,273	72,572,309
2012	18,421,963	642,677	413,611	1,696,302	-	21,174,553	8,469,049	2,612,231	1,917,548	959,064	13,957,892	7,216,661	65,976,036
2011	15,267,463	624,333	272,521	2,573,309	-	18,737,626	7,659,246	2,073,581	1,786,857	927,697	12,447,381	6,290,245	58,759,375
2010	11,909,267	568,783	259,608	3,446,191	-	16,183,849	7,098,493	1,995,862	1,834,558	927,697	11,856,610	4,327,239	52,469,130
2009	10,227,288	585,696	230,464	1,839,607	-	12,883,055	7,621,610	1,873,959	1,575,185	914,135	11,984,889	898,166	48,141,891
2008	10,695,209	596,662	280,468	2,247,099	-	13,819,438	7,318,994	1,764,697	1,130,515	904,568	11,118,774	2,700,664	47,243,725
2007	9,364,205	614,669	185,533	2,404,703	-	12,569,110	7,061,767	1,582,347	1,213,423	891,351	10,748,888	1,820,222	44,543,061

Includes Water and Sewer Funds

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

Fiscal Year	Revenue					Expenses					Increase (Decrease) Total Net Position	Total Net Position (1)	
	Charges for Services	Licenses and Permits	Departmental	Other	Transfers In	Operations & Maintenance	Depreciation	Interest Expense	Transfers Out	Total			
2016	\$ 8,409,115	\$ 538,471	\$ 277,771	\$ 584,481	\$ -	\$ 9,809,838	\$ 4,176,358	\$ 1,577,929	\$ 1,394,727	\$ 552,326	\$ 7,701,340	\$ 2,108,498	\$ 37,827,433
2015	7,998,954	552,155	298,090	276,604	-	9,125,803	3,887,203	1,521,953	937,092	520,241	6,866,489	2,259,314	35,718,935
2014	8,191,372	618,554	304,652	142,381	-	9,256,959	4,202,136	1,419,960	879,823	510,534	7,012,453	2,244,506	34,904,778
2013	8,023,896	431,680	383,459	102,743	-	8,941,778	3,716,855	1,370,019	1,038,229	495,908	6,621,011	2,320,767	32,660,272
2012	8,321,997	465,232	268,109	78,336	-	9,133,674	3,372,887	1,198,958	847,244	486,786	5,905,875	3,227,799	30,339,505
2011	8,302,713	422,694	189,506	141,291	-	9,056,204	3,260,188	731,813	902,977	470,604	5,365,582	3,690,622	27,111,706
2010	6,115,419	430,914	181,253	123,570	-	6,851,156	3,127,917	686,804	938,468	470,604	5,223,793	1,627,363	23,421,084
2009	4,759,495	448,697	158,447	98,454	-	5,465,093	3,299,188	666,409	326,671	463,691	4,755,959	709,134	21,793,721
2008	4,422,348	472,406	192,368	87,433	-	5,174,555	3,149,284	585,529	186,436	458,922	4,380,171	794,384	21,084,587
2007	3,707,528	496,764	79,939	171,834	-	4,456,065	3,096,340	730,366	198,637	451,756	4,477,099	(21,034)	20,290,203

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

Fiscal Year	Revenue					Expenses					Increase (Decrease) Total Net Position	Total Net Position (1)	
	Charges for Services	Licenses and Permits	Departmental	Other	Transfers In	Operations & Maintenance	Depreciation	Interest Expense	Transfers Out	Total			
2016	\$ 13,873,937	\$ 213,433	\$ 157,426	\$ 587,031	\$ -	\$ 14,831,827	\$ 5,666,710	\$ 1,879,974	\$ 1,557,419	\$ 552,326	\$ 9,656,429	\$ 5,175,398	\$ 53,405,829
2015	13,363,115	174,540	186,736	596,159	-	14,320,550	5,246,520	1,825,808	1,594,727	520,241	9,187,296	5,133,254	48,230,431
2014	12,770,225	248,499	192,243	653,858	-	13,864,825	5,367,138	1,712,271	1,428,859	510,534	9,018,802	4,846,023	44,758,060
2013	11,598,124	200,047	164,763	769,457	-	12,732,391	5,115,907	1,579,985	1,279,323	481,670	8,456,885	4,275,506	39,912,037
2012	10,099,966	177,445	145,502	1,617,966	-	12,040,879	5,096,162	1,413,273	1,070,304	472,278	8,052,017	3,988,862	35,636,531
2011	6,964,750	201,639	83,015	2,432,018	-	9,681,422	4,399,058	1,341,768	883,880	457,093	7,081,799	2,599,623	31,647,669
2010	5,793,848	137,869	78,355	3,322,621	-	9,332,693	3,970,576	1,309,058	896,090	457,093	6,632,817	2,699,876	29,048,046
2009	5,467,793	136,999	72,017	1,741,153	-	7,417,962	4,322,422	1,207,550	1,248,514	450,444	7,228,930	189,032	26,348,170
2008	6,272,861	124,256	88,100	2,159,666	-	8,644,883	4,169,710	1,179,168	944,079	445,646	6,738,603	1,906,280	26,159,138
2007	5,656,677	117,905	105,594	2,232,869	-	8,113,045	3,965,427	851,981	1,014,786	439,595	6,271,789	1,841,256	24,252,858

Notes:

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

City of Portsmouth, New Hampshire

General Government Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property Taxes	Payment in Lieu of Tax	Tax Interest & Penalties	Total
2016	\$ 77,191,614	\$ 119,625	\$ 208,972	\$ 77,520,211
2015	73,492,844	142,828	289,805	73,925,477
2014	72,721,967	143,413	279,531	73,144,911
2013	69,241,043	114,383	371,247	69,726,673
2012	67,008,930	194,537	266,690	67,470,157
2011	65,639,699	152,802	300,578	66,093,079
2010	63,633,412	207,329	270,299	64,111,040
2009	62,387,310	119,844	136,306	62,643,460
2008	59,000,841	148,400	131,228	59,280,469
2007	54,779,457	125,638	53,211	54,958,306

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
2016	\$ 78,413,113	\$ 76,816,032	98.0%	\$ 1,597,081	\$ -	\$ 1,597,081	\$ 76,816,032	98.0%	8,536	112	1.3%
2015	74,936,960	73,219,903	97.7%	1,717,057	1,432,370	284,687	74,652,272	99.6%	8,559	121	1.4%
2014	72,401,876	70,320,311	97.1%	2,081,565	1,896,535	185,031	72,216,845	99.7%	8,540	133	1.6%
2013	70,007,505	67,688,563	96.7%	2,318,942	2,278,118	40,823	69,966,681	99.9%	8,522	172	2.0%
2012	67,841,808	65,297,485	96.2%	2,544,323	2,543,958	365	67,841,443	100.0%	8,457	208	2.5%
2011	67,027,315	64,531,067	96.3%	2,496,248	2,495,881	368	67,026,948	100.0%	8,360	214	2.6%
2010	64,141,858	61,788,074	96.3%	2,353,785	2,319,910	33,875	64,107,984	99.9%	8,321	204	2.5%
2009	63,263,633	61,011,224	96.4%	2,252,409	2,252,133	276	63,263,357	100.0%	8,299	235	2.8%
2008	60,035,344	57,924,795	96.5%	2,110,549	2,110,301	248	60,035,097	100.0%	8,268	151	1.8%
2007	57,092,233	55,280,205	96.8%	1,812,027	1,811,785	241	57,091,991	100.0%	8,197	152	1.9%

Data Source:

Audited Internal Financial Statements, Property Tax Warrants and Reports of Tax Lien Executions

Tax liens are placed within 60 days after the end of the fiscal year.

City of Portsmouth, New Hampshire

Assessed and Estimated Full Value of Real Property Last Ten Fiscal Years

Fiscal Year	Local Assessed Value ⁽¹⁾					Total Assessed Value	Less Exemptions to Assessed Value ⁽¹⁾	Total Taxable Assessed Value ⁽¹⁾	Total Direct Tax Rate per \$1,000 of Assessed Value	Total Equalized Valuation ⁽²⁾	Ratio of Total Assessed Value to Total Estimated Full Value
	Current Use/ Conservation	Residential	Commercial/ Industrial	Utilities							
2016	\$ 57,856	\$ 2,538,551,208	\$ 2,016,983,163	\$ 219,583,616	\$ 4,775,175,843	\$ 47,333,200	\$ 4,727,842,643	\$ 15.71	\$ 5,166,602,923	92.4%	
2015	57,450	2,362,869,900	1,670,440,660	198,604,095	4,231,972,105	49,603,300	4,182,368,805	16.94	4,924,402,209	85.9%	
2014	61,620	2,327,198,200	1,612,709,460	206,444,495	4,146,413,775	49,810,200	4,096,603,575	16.77	4,526,473,144	91.6%	
2013	79,920	2,303,569,472	1,588,643,960	200,685,995	4,092,979,347	49,212,300	4,043,767,047	16.46	4,281,196,422	95.6%	
2012	79,620	2,272,393,300	1,552,957,800	194,836,478	4,020,267,198	48,822,500	3,971,444,698	16.22	4,174,795,440	96.3%	
2011	105,400	2,258,277,800	1,514,466,100	181,789,500	3,954,638,800	51,607,000	3,903,031,800	16.33	4,088,268,814	96.7%	
2010	76,300	2,192,502,720	1,495,856,932	173,122,669	3,861,558,621	54,022,100	3,807,536,521	16.05	4,161,741,642	92.8%	
2009	76,300	2,107,371,800	1,552,244,510	173,183,053	3,832,875,663	51,835,700	3,781,039,963	16.03	4,249,484,787	90.2%	
2008	81,900	2,045,544,400	1,564,037,390	173,251,525	3,782,915,215	51,929,800	3,730,985,415	15.39	4,086,528,948	92.6%	
2007	85,100	2,010,192,200	1,583,554,480	133,068,802	3,726,900,582	46,428,001	3,680,472,581	14.84	4,180,745,006	89.1%	

Data Sources:

⁽¹⁾ State MS-1 Report of Assessed Values

⁽²⁾ NH Department of Revenue Administration's annual Equalization Survey

City of Portsmouth, New Hampshire

Principal Taxpayers Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>	<u>FY 2016 Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>FY 2007 Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Public Service Co of NH	Utility	\$ 176,910,752	1	3.74%	\$ 122,013,211	1	3.32%
HCA Health Services of NH Inc.	Hospital	81,727,300	2	1.73%	53,732,000	2	1.46%
Service Credit Union	Bank	34,121,000	3	0.72%			
Liberty Mutual Insurance	Office Building	33,834,300	4	0.72%	44,505,100	3	1.21%
Hanover Apartments LLC	Apartments	31,616,600	5	0.67%			
Harborside Assoc.	Hotel	24,877,400	6	0.53%	23,624,700	4	0.64%
Northern Utilities	Utility	24,014,172	7	0.51%			
DPF 1600 Woodbury Ave LLC (Durgin Sq&DSP&Endicott)	Retail	23,368,100	8	0.49%	20,812,800	7	0.57%
Bromley Portsmouth LLC	Retail	22,384,800	9	0.47%	20,184,700	8	0.55%
2422 Lafayette Rd Assoc. LLC	Retail	19,940,700	10	0.42%			
Harborside Assoc.	Office Building				23,571,800	5	0.64%
Forum Development LLC	Office Building				23,468,900	6	0.64%
Inishmaan Assoc LTD Partnership	Apartments				18,787,190	9	0.51%
Nine Seven Six Realty Trust	Hotel				18,768,700	10	0.51%
Total Principal Taxpayers		<u>\$ 472,795,124</u>		10.00%	<u>\$ 369,469,101</u>		10.04%
Total Net Assessed Taxable Value		<u>\$ 4,727,842,643</u>			<u>\$ 3,680,472,581</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	
2016	\$ 8.07	\$ 5.33	\$ 2.31	\$ 7.64	\$ 15.71	\$ 1.08	\$ 16.79	\$ 15.28
2015	8.80	5.61	2.53	8.14	16.94	1.16	18.10	15.28
2014	8.72	5.56	2.49	8.05	16.77	1.14	17.91	16.11
2013	8.55	5.49	2.42	7.91	16.46	1.09	17.55	16.48
2012	8.42	5.34	2.46	7.80	16.22	1.05	17.27	16.33
2011	8.50	5.40	2.43	7.83	16.33	1.08	17.41	16.51
2010	8.01	5.72	2.32	8.04	16.05	1.04	17.09	15.54
2009	8.14	5.49	2.40	7.89	16.03	0.95	16.98	15.01
2008	7.55	5.50	2.34	7.84	15.39	0.95	16.34	14.82
2007	7.27	5.16	2.41	7.57	14.84	0.88	15.72	13.76

Data Source:
NH State Department of Revenue Administration

Notes:

- ⁽¹⁾ The NH State Legislature revised Education funding in Fiscal Year 2000, establishing a State Education Property Tax. Although warranted by the state, the taxes are collected by the City and spent for local school purposes. This rate does not apply to utility assessments. Utilities are billed directly by the State of NH.

City of Portsmouth, New Hampshire

Utility Fund Net Budget, Billable Volumes and Rates Last Ten Fiscal Years

Fiscal Year	Amount to be Raised by Rates ⁽¹⁾		Billable Volume Used for Setting Rates ⁽²⁾		Rates per HCF ^{(4) (5)}		
	Water	Sewer	Water	Sewer ⁽³⁾	Water	Sewer	Combined
2016	\$ 7,805,987	\$ 14,126,590	1,642,974	1,123,800	\$ 4.15/5.00	\$ 011.77/12.95	\$ 15.92/17.95
2015	7,433,983	13,899,608	1,565,239	1,160,278	4.15/5.00	11.21/12.34	15.36/17.34
2014	7,300,831	13,100,514	1,538,972	1,151,863	4.15/5.00	10.68/11.75	14.83/16.75
2013	7,549,916	10,389,358	1,577,620	1,020,971	4.15/5.00	9.54/10.49	13.69/15.49
2012	7,369,573	8,907,408	1,577,620	1,020,971	4.15/5.00	8.29/9.11	12.44/14.11
2011	7,914,865	6,702,250	1,687,128	1,157,405	4.15/5.00	5.50/6.05	9.65/11.05
2010	6,242,731	6,116,404	1,691,523	1,121,714	3.30/3.90	5.00/5.50	8.30/8.90
2009	4,709,071	6,313,698	1,741,523	1,171,714	2.40/2.85	5.00/5.50	7.40/8.35
2008	3,627,389	6,119,175	1,724,280	1,171,714	1.90/2.20	4.89/5.33	6.79/7.53
2007	3,476,251	5,751,538	1,879,103	1,198,237	1.85	4.80	6.65

Data Source:

City of Portsmouth Budget and Budget Resolutions

Notes:

- ⁽¹⁾ Amount to be raised by rate equals the net budget, i.e., appropriations less other revenue sources.
- ⁽²⁾ Billable Volume is the estimated billable water consumption in hundred cubic feet units (HCF).
- ⁽³⁾ Sewer charges are based on the amount of water consumed.
- ⁽⁴⁾ One hundred cubic feet (HCF) equals 748 gallons.
- ⁽⁵⁾ FY08 implementation of a 2 tier-inclining rate structure for both water and sewer.
First rate is for water consumption of 10 units or less. Second rate is for consumption over 10 units.

City of Portsmouth, New Hampshire

Portsmouth's Share of the Rockingham County Tax Apportionment

Last Ten Fiscal Years

(based on percentage of equalized value)

Total Equalized Values						Apportionment of County Tax Levy				
Tax Year	Portsmouth Base Valuation for Debt Limits	Add: Equalization of PILOTS and RR Tax Less: Equalization of State Shared Revenues	Portsmouth Total Equalized Valuation	Rockingham County	Portsmouth's %	Fiscal Year	County Tax Levy	Portsmouth's Share ⁽¹⁾	Portsmouth's Share \$ Change	Portsmouth's Share % Change
2015	\$5,118,914,757	\$ 47,688,166	\$ 5,166,602,923	\$ 46,585,299,985	11.0906293%	2016	\$46,013,873	\$ 5,100,511	\$ 268,123	5.5%
2014	4,871,579,273	52,822,935	4,924,402,208	44,425,117,020	11.0847253%	2015	44,809,156	4,832,388	165,188	3.5%
2013	4,481,154,370	45,318,774	4,526,473,144	41,972,510,217	10.7843756%	2014	43,873,563	4,667,200	240,257	5.4%
2012	4,238,460,159	42,736,264	4,281,196,423	40,244,948,862	10.6378478%	2013	43,141,885	4,426,943	245,697	5.9%
2011	4,129,016,814	45,778,625	4,174,795,439	40,684,633,568	10.2613569%	2012	41,991,666	4,181,246	(20,234)	-0.5%
2010	4,044,429,991	43,838,823	4,088,268,814	41,057,907,008	9.9573240%	2011	42,232,608	4,201,480	251,582	6.4%
2009	4,112,257,420	49,484,222	4,161,741,642	41,833,160,979	9.9484274%	2010	41,779,570	3,949,898	321,481	8.9%
2008	4,244,939,572	4,545,215	4,249,484,787	44,948,403,778	9.4541395%	2009	40,037,695	3,628,417	50,125	1.4%
2007	4,083,981,593	2,547,355	4,086,528,948	45,092,725,896	9.0625015%	2008	38,778,613	3,578,292	304,323	9.3%
2006	4,168,377,073	12,367,933	4,180,745,006	45,307,514,659	9.2274870%	2007	37,666,947	3,273,969	52,942	1.6%

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Issued Debt at June 30										
City Depts.	\$ 22,865,000	\$ 28,049,999	\$ 29,529,999	\$ 27,385,000	\$ 24,020,000	\$ 27,555,001	\$ 25,727,000	\$ 27,511,103	\$ 27,609,999	\$ 31,358,500
City-Unamortized Bond Premium	-	39,979	37,875	148,923	141,161	847,236	954,977	1,741,039	2,162,776	3,527,421
Landfill	2,587,476	2,374,572	2,161,666	1,948,760	1,735,855	1,522,951	1,310,048	1,097,144	884,238	671,332
School Dept.	30,400,000	29,000,000	27,050,000	40,600,000	37,850,000	55,925,000	52,475,000	51,915,000	49,055,000	50,397,607
School-Unamortized Bond Premium	766,393	715,300	664,207	1,012,662	941,592	4,526,586	4,186,573	4,198,367	3,865,809	3,926,897
Total Governmental Funds	56,618,869	60,179,850	59,443,747	71,095,345	64,688,608	90,376,774	84,653,598	86,462,654	83,577,822	89,881,757
Water Fund	5,211,048	4,883,520	22,455,992	22,028,464	20,929,382	19,606,919	23,037,202	24,971,873	28,040,824	29,724,796
Water-Unamortized Bond Premium	-	-	-	-	-	-	-	-	-	-
Sewer Fund	20,850,673	18,832,750	23,289,050	20,814,451	20,336,083	33,813,720	36,705,514	52,926,789	50,381,197	50,785,603
Sewer-Unamortized Bond Premium	-	-	-	-	-	772,748	870,421	2,414,740	2,323,564	2,567,959
Total Issued Debt at June 30	\$ 82,680,590	\$ 83,896,120	\$ 105,816,783	\$ 114,534,857	\$ 106,519,264	\$ 145,103,957	\$ 145,769,131	\$ 167,659,214	\$ 165,316,631	\$ 175,248,514
Authorized Unissued Debt June 30										
City Depts.	\$ 17,500,000	\$ 27,500,000	\$ 12,500,000	\$ -	\$ 6,900,000	\$ -	\$ 1,600,000	\$ 1,600,000	\$ 24,800,000	\$ 23,352,000
Landfill	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897	4,641,897
School Dept.	500,000	-	-	22,500,000	22,500,000	-	3,300,000	-	5,025,000	5,025,000
Total Governmental Funds	22,641,897	32,141,897	17,141,897	27,141,897	34,041,897	4,641,897	9,541,897	6,241,897	34,466,897	33,018,897
Water Fund	11,420,000	11,420,000	18,420,000	18,475,000	18,162,303	18,162,303	13,162,303	13,162,303	-	-
Sewer Fund	23,201,890	23,201,890	19,970,992	19,066,245	19,996,531	16,206,299	8,706,299	3,110,425	-	75,000,000
Total Authorized Unissued Debt June 30	\$ 57,263,787	\$ 66,763,787	\$ 55,532,889	\$ 64,683,142	\$ 72,200,731	\$ 39,010,499	\$ 31,410,499	\$ 22,514,625	\$ 34,466,897	\$ 108,018,897
Gross Debt June 30										
City Depts.	\$ 40,365,000	\$ 55,589,978	\$ 42,067,874	\$ 27,533,923	\$ 31,061,161	\$ 28,402,237	\$ 28,281,977	\$ 30,852,142	\$ 54,572,775	\$ 58,237,921
Coakley Landfill	7,229,373	7,016,469	6,803,563	6,590,657	6,377,752	6,164,848	5,951,945	5,739,041	5,526,135	5,313,229
School Dept.	31,666,393	29,715,300	27,714,207	64,112,662	61,291,592	60,451,586	59,961,573	56,113,367	57,945,809	59,349,504
Total Governmental Funds	79,260,766	92,321,747	76,585,644	98,237,242	98,730,505	95,018,671	94,195,495	92,704,551	118,044,719	122,900,654
Water Fund	16,631,048	16,303,520	41,503,987	41,100,061	39,656,877	38,303,018	36,701,901	39,017,334	29,034,048	32,013,195
Sewer Fund	44,052,563	42,034,640	43,260,042	39,880,696	40,332,614	50,020,019	46,282,234	58,451,954	52,704,761	126,353,562
Total Gross Debt June 30	\$ 139,944,377	\$ 150,659,907	\$ 161,349,672	\$ 179,217,999	\$ 178,719,995	\$ 184,114,456	\$ 177,179,630	\$ 190,173,839	\$ 199,783,528	\$ 283,267,411
Base Value for Debt Limits (1)										
	\$ 4,168,377,073	\$ 4,083,981,593	\$ 4,244,939,572	\$ 4,112,257,420	\$ 4,044,429,991	\$ 4,129,016,814	\$ 4,238,460,159	\$ 4,481,154,370	\$ 4,871,579,273	\$ 5,118,914,757
Legal Debt Limits (% of Base Value)										
City - 3% (2)	\$ 125,051,312	\$ 122,519,448	\$ 127,348,187	\$ 123,367,723	\$ 121,332,900	\$ 123,870,504	\$ 127,153,805	\$ 134,434,631	\$ 146,147,378	\$ 153,567,443
School - 7% (2)	291,786,395	285,878,712	297,145,770	287,858,019	283,110,099	289,031,177	296,692,211	313,680,806	341,010,549	358,324,033
Water - 10% (2)	416,837,707	408,398,159	424,493,957	411,225,742	404,442,999	412,901,681	423,846,016	448,115,437	487,157,927	511,891,476
Debt Against Legal Debt Limits										
City Depts.	40,365,000	55,589,978	42,067,874	27,533,923	31,061,161	28,402,237	28,281,977	30,852,142	54,572,775	58,237,921
School Dept.	31,666,393	29,715,300	27,714,207	64,112,662	61,291,592	60,451,586	59,961,573	56,113,367	57,945,809	59,349,504
Water Fund	16,631,048	16,303,520	41,503,987	41,100,061	39,656,877	38,303,018	36,701,901	39,017,334	29,034,048	32,013,195
Exempt from Legal Debt Limits (3)	51,281,936	49,051,109	50,063,605	46,471,353	46,710,366	56,957,615	52,234,179	64,190,995	58,230,896	133,666,791
Total Debt at June 30	\$ 139,944,377	\$ 150,659,907	\$ 161,349,672	\$ 179,217,999	\$ 178,719,995	\$ 184,114,456	\$ 177,179,630	\$ 190,173,839	\$ 199,783,528	\$ 283,267,411
Unused Capacity of Legal Debt Limits										
City Depts.	\$ 84,686,312	\$ 66,929,470	\$ 85,280,313	\$ 95,833,800	\$ 90,271,739	\$ 95,468,267	\$ 98,871,827	\$ 103,582,489	\$ 91,574,603	\$ 95,329,522
School Dept.	260,120,003	256,163,412	269,431,563	223,745,357	221,818,508	228,579,591	236,730,638	257,567,439	283,064,740	298,974,529
Water Fund	400,206,659	392,094,639	382,989,970	370,125,681	364,786,122	374,598,663	387,144,115	409,098,103	458,123,879	479,878,281
% of Legal Debt Limits Used										
City Depts.	32.3%	45.4%	33.0%	22.3%	25.6%	22.9%	22.2%	22.9%	37.3%	37.9%
School Dept.	10.9%	10.4%	9.3%	22.3%	21.6%	20.9%	20.2%	17.9%	17.0%	16.6%
Water Fund	4.0%	4.0%	9.8%	10.0%	9.8%	9.3%	8.7%	8.7%	6.0%	6.3%

Data Source
Audited Financial Statements

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

City of Portsmouth, New Hampshire

Ratios of Outstanding Debt by Debt Type Last Ten Fiscal Years

Governmental Activities - General Obligation Debt and State Revolving Loans

Fiscal Year	City Depts.	School Dept.	Total	Debt per Capita	% of Debt to Personal Income
2016	\$ 35,557,253	\$ 54,324,504	\$ 89,881,757	\$ 4,181	9.3%
2015	30,657,013	52,920,809	83,577,822	3,894	9.1%
2014	30,349,286	56,113,367	86,462,654	4,063	10.2%
2013	27,992,025	56,661,573	84,653,598	3,979	10.1%
2012	29,925,188	60,451,586	90,376,774	4,262	10.8%
2011	25,897,016	38,791,592	64,688,608	3,047	8.5%
2010	29,482,683	41,612,662	71,095,345	3,440	9.0%
2009	31,729,540	27,050,000	58,779,540	2,864	7.7%
2008	30,424,571	29,000,000	59,424,571	2,883	8.0%
2007	25,452,476	30,400,000	55,852,476	2,684	7.7%

Business-Type Activities - General Obligation Debt and State Revolving Loans

Fiscal Year	Water Fund	Sewer Fund	Total	Debt per capita	% of Debt to Personal Income
2016	\$ 32,013,192	\$ 53,353,562	\$ 85,366,754	\$ 3,971	8.8%
2015	29,034,048	52,704,761	81,738,809	3,808	8.9%
2014	25,855,031	55,341,529	81,196,560	3,816	9.6%
2013	23,539,598	37,575,935	61,115,533	2,873	7.3%
2012	20,140,715	34,586,468	54,727,183	2,581	6.6%
2011	21,494,574	20,336,083	41,830,657	1,970	5.5%
2010	22,625,061	20,814,451	43,439,512	2,102	5.5%
2009	22,455,992	23,289,050	45,745,042	2,229	6.0%
2008	4,883,520	18,832,750	23,716,270	1,151	3.2%
2007	5,211,048	20,850,673	26,061,721	1,252	3.6%

Fiscal Year	Total Debt Primary Government	Debt per capita	% of Debt to Personal Income
2016	\$ 175,248,511	\$ 8,153	18.1%
2015	165,316,631	7,702	18.0%
2014	167,659,214	7,879	19.8%
2013	145,769,131	6,852	17.4%
2012	145,103,957	6,843	17.4%
2011	106,519,264	5,017	14.0%
2010	114,534,857	5,542	14.5%
2009	104,524,582	5,094	13.7%
2008	83,140,841	4,034	11.2%
2007	81,914,197	3,936	11.3%

Data Source:
Finance Department Records

City of Portsmouth, New Hampshire

Direct and Overlapping Governmental Activities Debt As of June 30, 2016.

	End of Calendar Year	Net General Obligation Debt Outstanding ⁽¹⁾	Percentage Applicable to Portsmouth ⁽²⁾	Amount Applicable to Portsmouth
Rockingham County	2016	\$7,671,645	11.0906293%	\$ 850,834
			Subtotal, Overlapping Debt	<u>850,834</u>
City of Portsmouth Direct Debt				<u>89,881,757</u>
Total Direct Debt and Overlapping Debt				<u><u>\$ 90,732,591</u></u>

Data Sources:

⁽¹⁾ Rockingham County Audited Financial Statements are for calendar year-end, therefore, this amount is as of December 31, 2015.

⁽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

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding		
	General Obligation Bonds	Debt per Capita	% of Debt to Taxable Assessed Value
2016	\$ 89,210,425	\$ 4,150	1.9%
2015	82,693,584	3,853	2.0%
2014	85,365,510	4,012	2.1%
2013	83,343,550	3,918	2.1%
2012	88,853,823	4,190	2.2%
2011	62,952,753	2,965	1.6%
2010	69,146,585	3,346	1.8%
2009	57,282,081	2,792	1.5%
2008	57,805,278	2,805	1.5%
2007	54,031,393	2,596	1.5%

Data Source:
Finance Department Records

City of Portsmouth, New Hampshire

Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Income	Unemployment Rates ⁽³⁾		
				City of Portsmouth	State of NH	US
2016	21,496 ⁽¹⁾	\$ 968,652,752	\$ 45,062 ⁽⁵⁾	1.9%	2.8%	4.9%
2015	21,463 ⁽¹⁾	916,985,212	42,724 ⁽⁵⁾	2.7%	3.8%	5.3%
2014	21,280 ⁽¹⁾	847,752,640	39,838 ⁽⁵⁾	3.2%	4.3%	6.3%
2013	21,273 ⁽¹⁾	836,964,912	39,344 ⁽⁵⁾	4.2%	5.2%	7.1%
2012	21,206 ⁽¹⁾	834,328,864	39,344 ⁽⁵⁾	4.2%	5.4%	8.4%
2011	21,233 ⁽⁴⁾	761,372,914	35,858 ⁽⁴⁾	4.5%	5.2%	9.3%
2010	20,668 ⁽¹⁾	792,039,096	38,322 ⁽²⁾	4.7%	5.9%	9.6%
2009	20,520 ⁽¹⁾	761,784,480	37,124 ⁽²⁾	5.7%	5.2%	7.6%
2008	20,610 ⁽¹⁾	740,434,860	35,926 ⁽²⁾	3.3%	3.6%	4.9%
2007	20,811 ⁽¹⁾	722,724,408	34,728 ⁽²⁾	3.1%	3.7%	4.6%

Data Sources:

- ⁽¹⁾ NH Office of Energy and Planning population estimates.
- ⁽²⁾ Trended amounts based on 2002-2005 US Dept. of Commerce, Bureau of Economic Analysis information for Rockingham County.
- ⁽³⁾ NH Employment Security ELMI Data as of June 30.
- ⁽⁴⁾ 2010 Census.
- ⁽⁵⁾ U.S. Census Bureau-American Community Survey 5-Year Estimates.

City of Portsmouth, New Hampshire

Principal Employers Current Year and Nine Years Ago

Employer	Type of Business	2016			2007		
		Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
US Dept of State Consular Center (2)	Passport/Visa services	1,633	1	5.01 %			
Liberty Mutual	Insurance	1,015	2	3.12	1,800	1	6.26 %
HCA Hospital	Hospital	1,100	3	3.38	1,020	2	3.55
Lonza Biologics	Biotechnology	879	4	2.70	650	4	2.26
City of Portsmouth (FTEs)	Municipal services	697	5	2.14	937	3	3.26
Bottomline technologies	Software	454	6	1.39			
John Hancock	Finance	400	7	1.23			
Highliner Foods	Food Processor	324	8	0.99			
Service Credit Union	Banking	287	9	0.88			
Newmarket International	Software	283	10	0.87	252	10	0.88
Demoulas Market Basket	Supermarkets				425	5	1.48
US Dept of State National Visa Center (2)	Visa services				380	6	1.32
Erie Scientific/Thermo Fisher	Laboratory equipment				350	7	1.22
US Dept of State National Passport Center (2)	Passport Services				330	8	1.15
Shaws Supermarkets	Supermarkets				270	9	0.94
Total Principal Employers		7,072		21.71 %	6,414		22.30 %
Total City Employment (1)		32,579			28,768		

Data Source:
NH Employment Security-NH Community Profiles

Notes

- (1) NH Economic and Labor Market Information Bureau - Employment and Wages Covered (QCEW) calendar year annual average ending during fiscal year.
- (2) US Dept of State National Visa and Passport Centers combined in FY2014 to US Dept of State Consular Center

City of Portsmouth, New Hampshire

Operating Indicators by Function Last Ten Fiscal Years

Function ⁽¹⁾	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Taxable property parcels assessed	8,197	8,268	8,299	8,321	8,360	8,457	8,522	8,540	8,559	8,536
Registered Voters	16,618	17,461	19,188	17,945	18,463	13,858	17,047	15,894	18,807	17,069
Votes Cast:										
Municipal Election		4,142		3,904		3,654		4,755		4,673
State Primary			2,009		2,812		3,318		2,273	
State General Election	7,665				8,434				9,339	
Presidential Primary		9,586				4,832				9,842
Presidential General			13,135				13,215			
Building Permits	2,080	2,137	1,974	1,981	2,146	2,184	2,265	2,433	2,502	3,086
Estimated construction value	\$64,100,000	\$89,800,000	\$69,142,992	\$51,243,703	\$40,900,000	\$105,094,218	\$54,033,264	\$73,323,755	\$73,308,353	\$126,249,200
Public Safety										
Police ⁽²⁾										
Service Calls	40,335	38,248	35,931	33,742	31,115	36,782	38,673	39,963	40,820	40,019
Number of Arrests	1,607	1,553	1,361	1,266	1,189	1,137	1,113	1,144	1,033	1,063
Traffic Activity:										
Number of MV Stops										
Summons/Citation	1,424	1,444	1,133	798	838	458	345	278	273	343
Written Warning	4,421	5,645	4,683	2,560	3,072	1,784	1,683	2,003	2,532	3,339
Verbal Warning or No Action	3,630	3,484	2,807	2,325	3,166	2,994	2,403	2,381	3,627	4,414
Total MV Stops	9,475	10,573	8,623	5,683	7,076	5,236	4,431	4,662	6,432	8,096
Accidents	731	763	773	703	1,057	1,112	1,121	692	734	678
DWI arrests	166	117	131	89	68	51	57	49	68	55
Fire and EMS										
Fire Rescue	2,595	2,287	2,535	2,570	2,472	2,473	2,553	2,418	2,776	2,670
Ambulance	2,332	2,338	2,447	2,562	2,970	3,026	3,134	3,124	3,211	3,452
Education ⁽³⁾										
High School Fall Enrollment	1,091	1,073	1,052	1,072	1,120	1,100	1,129	1,075	1,077	1,110
Public Works										
Parking Enforcement										
Parking violations (Tickets written)	72,674	64,901	62,803	58,291	52,806	57,218	48,357	43,371	39,371	48,268
Streets resurfaced (miles)	5.45	3.77	4.20	2.80	0.86	6.69	5.75	9.70	6.50	3.80
Human Services - General Assistance										
Number of applicants	700	586	845	681	628	597	684	616	423	348
Culture and Recreation										
Public Library										
Circulation of materials	375,196	443,371	484,735	488,630	476,721	474,687	449,548	424,828	421,739	413,734
Annual visits	271,774	285,495	293,772	455,834	295,682	275,698	295,485	329,771	321,131	352,962
Water System:										
Water main breaks	38	26	32	41	10	27	29	37	31	29
Daily average consumption (millions of gallons)	4.6	4.7	4.4	4.4	4.5	4.6	4.4	4.7	4.5	4.6
Peak daily consumption (millions of gallons)	7.3	5.7	5.3	5.0	5.2	7.1	7.1	5.6	6.0	6.3
Sewage System:										
Daily average treatment (millions of gallons)	6.2	5.6	6.8	6.7	5.9	5.8	5.4	4.2	5.0	3.7

Data Source:

⁽¹⁾ Various City departments

⁽²⁾ 2012 eliminated "traffic car"

⁽³⁾ NH Department of Education

City of Portsmouth, New Hampshire

Capital Asset Statistics by Function Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of vehicles	31	30	30	30	30	30	30	30	30	30
Fire and Rescue										
Number of stations	3	3	3	3	3	3	3	3	3	3
Number of vehicles	17	18	18	18	19	19	19	19	19	19
Number of boats	1	1	1	1	1	1	1	1	1	1
Education										
High School Buildings	1	1	1	1	1	1	1	1	1	1
Middle School Buildings	1	1	1	1	1	1	1	1	1	1
Elementary School Buildings	3	3	3	3	3	3	3	3	3	3
Public Works										
Miles of streets	104	104	104	105	105	105	105	105	105	105
Number of bridges	16	16	16	15	15	15	15	15	15	15
Culture and Recreation:										
Libraries	1	1	1	1	1	1	1	1	1	1
Community centers	3	3	3	3	2	2	2	2	2	2
Number of boat dock facilities	2	2	2	2	2	2	2	2	2	2
Swimming pools	3	3	3	3	3	3	3	3	3	3
Tennis courts	10	10	10	10	10	10	10	10	10	10
Water system:										
Miles of water mains	175	175	175	175	175	175	176	186	188	188
Number of service connections	7,856	7,887	7,888	7,915	7,955	7,963	8,035	8,023	8,038	8,096
Storage capacity in gallons (millions of gallons)	9.6	9.5	9.5	9.5	9.5	10.4	10	10	10	10
Maximum daily capacity of plant (millions of gallons)	4.2	4.2	4.2	4.2	4.2	4.2	5.0	4.5	4.5	4.5
Number of fire hydrants	1,022	1,072	1,081	1,081	1,087	970	970	1,013	1,017	1,034
Sewage System:										
Miles of sanitary sewers	107	107	107	107	108	108	108	106	107	119
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of service connections	6,247	6,252	6,284	6,293	6,310	6,342	6,244	6,392	6,404	6,427
Maximum daily capacity of treatment (millions of gallons)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	25.3	25.3	25.3

Data Source:
Various city departments

City of Portsmouth, New Hampshire

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

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Executive	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finance	18.5	18.0	17.8	17.8	17.0	17.6	17.6	17.8	20.3	21.4
Human Resources	3.0	3.0	3.0	3.0	3.4	3.4	4.0	5.0	5.0	4.0
City Clerk	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Legal	5.5	5.5	6.0	6.0	5.0	5.0	5.5	5.5	6.0	6.6
Planning	6.1	6.2	6.2	6.2	6.2	5.0	6.0	7.5	7.5	8.5
Inspection	4.5	4.5	4.5	4.5	4.5	4.5	4.5	5.1	5.1	5.7
Health	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2.2
Total General Government	44.0	43.6	44.0	44.0	42.6	42.0	44.1	47.3	50.4	53.4
Public Safety										
Police - Sworn Officers:										
General Fund Funded	64.6	63.6	65.1	64.1	64.0	61.0	59.6	59.2	60.2	58.7
Grant Funded	4.4	4.4	2.9	2.9	1.0	1.0	2.4	1.8	1.8	3.3
Dispatch	10.0	10.0	11.0	10.0	10.0	10.0	10.0	10.0	10.0	11.0
Parking Enforcement										
Police - Non-sworn employees:										
General Fund Funded	11.2	12.2	12.4	10.4	9.0	9.0	8.9	9.0	10.8	10.8
Grant Funded	0.9	0.9	0.6	0.6	2.0	2.0	2.1	0.5	0.5	0.5
Total Police Department	91.0	91.0	92.0	88.0	86.0	83.0	83.0	80.5	83.3	84.3
Fire and Rescue	59.0	60.0	61.0	61.0	59.0	59.0	60.0	60.0	60.0	60.0
Fire Clerical	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total Public Safety	151.5	152.5	154.5	150.5	146.5	143.5	144.5	142.0	144.8	145.8
Education										
Administrators	14.0	14.0	14.1	14.1	14.1	12.2	13.2	13.2	13.2	13.7
Teachers	253.4	253.9	254.7	253.2	241.9	233.9	241.8	240.96	243.00	243.5
Clerical	25.0	23.8	23.3	22.8	22.5	21.7	20.7	20.7	20.7	20.9
Paraprofessional	41.4	41.4	49.1	46.5	40.0	45.4	43.2	42.7	41.0	44.0
School custodians	24.3	24.3	24.3	24.3	23.9	23.9	25.4	24.9	26.0	25.9
Security	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Technicians	7.0	7.0	6.9	6.9	7.8	7.0	7.0	7.0	7.0	7.0
System maintenance	5.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0
Total Education	371.0	370.3	378.4	373.8	356.2	349.0	356.3	354.4	355.9	360.0
Public Works										
General Fund functions	60.0	60.0	60.7	60.7	60.7	58.5	58.5	59.3	58.1	54.2
Parking Fund	14.2	14.5	14.5	16.9	16.9	16.9	17.5	18.7	18.2	23.8
Water	24.8	24.8	24.8	24.8	24.3	23.3	22.3	22.6	22.9	26.9
Sewer	23.4	23.4	23.4	23.4	22.8	22.8	24.0	27.4	27.4	29.6
Total Public Works	122.3	122.6	123.3	125.8	124.7	121.5	122.3	128.0	126.6	134.5
Culture and Recreation										
Recreation	8.5	8.5	8.5	7.5	4.5	4.5	5.2	5.3	5.8	5.7
Public Library	15.0	15.0	16.0	15.0	20.2	20.2	21.7	20.9	20.9	20.9
Total Culture and Recreation	23.5	23.5	24.5	22.5	24.7	24.7	26.9	26.2	26.7	26.6
Human Services										
Welfare	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total Human Services	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Community Development										
Community Development	4.0	3.9	3.2	2.1	2.1	1.4	1.3	1.3	1.6	2.3
UDAG	1.0	1.0	1.0	1.0	1.1	1.1	1.2	1.2	2.2	1.2
Total Community Development	5.0	4.9	4.2	3.1	3.2	2.5	2.5	2.4	3.8	3.5
Total All Functions	719.3	719.4	730.8	721.1	699.3	684.6	698.1	701.8	709.6	725.1
Percent of Total										
General Government	6.1%	6.1%	6.0%	6.1%	6.1%	6.1%	6.3%	6.7%	7.1%	7.4%
Public Safety	21.1%	21.2%	21.1%	20.9%	21.0%	20.7%	20.7%	20.2%	20.4%	20.1%
Education	51.6%	51.5%	51.8%	51.8%	50.9%	51.0%	51.0%	50.5%	50.2%	49.7%
Public Works	17.0%	17.0%	16.9%	17.4%	17.8%	17.7%	17.5%	18.2%	17.8%	18.5%
Culture and Recreation	3.3%	3.3%	3.4%	3.1%	3.5%	3.6%	3.9%	3.7%	3.8%	3.7%
Human Services	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Community Development	0.7%	0.7%	0.6%	0.4%	0.5%	0.4%	0.4%	0.3%	0.5%	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.