



City of Portsmouth, New Hampshire

Annual Comprehensive Financial Report (ACFR) Fiscal Year 2022 (July 1, 2021 - June 30, 2022)

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CITY OF PORTSMOUTH, NEW HAMPSHIRE

Annual Comprehensive Financial Report

For the Year Ended June 30, 2022



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City of Portsmouth, New Hampshire
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

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December 19, 2022

To the Honorable Mayor,
Members of the City Council,
And Citizens of the City of Portsmouth

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) for the City of Portsmouth as of June 30, 2022.

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.

INDEPENDENT AUDIT

City Charter, as well as State statutes require an annual audit by independent certified public accountants. The City's audit firm is Melanson. The independent auditor's report is located at the front of the financial section of this report.

The City is required to undergo an annual audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Uniform Guidance. Information related to the Single Audit, including the Schedule of Expenditures of Federal Awards, findings and recommendation, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are not included in the Annual Comprehensive Financial Report, but are available in a separate report.

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

This report includes all funds of the City. This report does not report on the Portsmouth

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

GOVERNMENT PROFILE

HISTORY

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.

ORGANIZATION OF THE GOVERNMENT

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

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

responsible for the funding of the School Department.

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, financial administration, planning and zoning, code enforcement, health and welfare services, parks operations and maintenance, recreation, senior services, library services, public education, parking and transportation, community and economic development, public works operations including solid waste collection and disposal, and general administrative services.

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

BUDGET PROCESS

The City's fiscal year begins on July 1st of each year and ends the following June 30th. As required by the City of Portsmouth's Charter, the City Manager submits a recommended six-year Capital Improvement Plan three months before the final submission date of the fiscal year recommended budget. The fiscal year recommended budget must be submitted to

the City Council at least 45 days (May 15th) before the start of the fiscal year. The budget, which includes the General Fund and Enterprise Funds, is prepared and presented by department and functions, which 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.

IMPLEMENTATION OF GASB 87

The City implemented for year ended June 30, 2022, GASB-87 Leases Accounting.

ECONOMIC CONDITIONS

During the reporting period of July 1, 2021 through June 30, 2022, the COVID-19 pandemic still impacted the global, national, and local economies. However, with a robust vaccination effort underway and restrictions being relaxed, there were indicators that the local economy was continuing to recover.

EMPLOYMENT

Portsmouth serves as the economic and cultural hub of seacoast New Hampshire. Despite its relatively small population (22,252), it is home to the third-largest number of companies in the state behind the considerably larger cities of Manchester (pop. 115,954) and Nashua (pop. 92,043).

Most recent data indicates unemployment rates continue to improve. The City's unemployment rate has steadily declined from the record levels achieved as a result of mandated business closures in 2020 during the pandemic and has fallen below pre-pandemic levels of 2019. Portsmouth shares the nationwide challenge of a labor shortage due to decreased childcare capacity and increased voluntary exiting from the workforce. The chart below illustrates the impact of the pandemic on workforce by comparing the months of January through June for the pre-pandemic year of 2019 to 2020, and through 2021 and 2022.

According to the NH Employment Security Office, the total average quarterly employment at the end of the fourth quarter of 2021 for Portsmouth businesses was 32,933 compared to 32,245 jobs at the end of 2020, an increase of 688 jobs. During the reporting period Q4 through June 2022, average weekly wages increased to \$1,723 from \$1,609. The increased wage rate reflects the tight labor market based on the same factors listed above.

Portsmouth Unemployment 2019-2022				
Month	2019	2020	2021	2022
January	2.5%	2.4%	3.6%	3.1%
February	2.3%	2.3%	2.7%	2.4%
March	2.3%	2.6%	2.8%	2.4%
April	2.2%	16.5%	2.2%	2.0%
May	2.1%	13.0%	1.8%	1.8%
June	2.1%	7.50%	2.4%	1.8%

Source: NH Economic & Labor Market Information Bureau (NH ELMI)

As of June 30, 2022, the Portsmouth unemployment rate was 1.8%; lower than the 2.4% posted for June 30, 2021, indicating that

businesses were returning to pre-pandemic employment. The respective rates for the state of New Hampshire, New England, and the nation in June 2022 were 2.0%, 3.5%, and 3.6%. The following chart illustrates how Portsmouth’s unemployment rate consistently ranks below the state, region, and nation from June 30, 2016 – June 30, 2022.

Annual Average Unemployment Rate (%) (Source NH Economic & Labor Market Information Bureau)							
	2016	2017	2018	2019	2020	2021	2022
U.S.	4.9	4.4	4.2	3.7	11.2	5.9	3.6
New England	4.4	4.1	3.7	3.1	13.5	5.3	3.5
State of NH	2.8	2.9	2.7	2.5	9.1	2.9	2.0
Portsmouth	1.9	2.0	2.2	2.1	7.5	2.4	1.8
Reported rates are for June 30th of each year							

UNIQUE ECONOMIC DRIVERS

Portsmouth benefits from two unique economic drivers that contribute significantly to the local economy and regional workforce: the Pease International Tradeport and the Portsmouth Naval Shipyard.

1. Pease International Tradeport

Pease International Tradeport is a former Air Force Base that was redeveloped as an international business park within the City of Portsmouth in the late 1990’s. The Tradeport is conveniently located off Interstate 95, just 50

miles from the major cities of Boston, Portland, and Manchester. In FY 2021, \$7.6 million was paid to the City in exchange for municipal services provided to the Tradeport as per the Municipal Services Agreement. Along with being a Foreign Trade Zone, Pease is home to Portsmouth International Airport, a customs-ready facility with commercial and passenger flights, cargo services, and business charter flights.

With over 250 companies and 10,500 direct hires, Tradeport businesses play a significant role in the region’s economic vitality. It is

home to eight of the City's top twenty employers including the National Passport and Visa Centers, Lonza Biologics, Bottomline Technologies, High Liner Seafoods, John Hancock, Amadeus and Sprague Energy. Additionally, Pease supports a \$700 million estimated annual wage base and \$16 million estimated business profits tax and rooms and meals taxes to the state of New Hampshire.

Lonza continues work on the expansion of cell therapy and mono-1 products with a phased \$200 million capital improvement investment including an excess of 1M sq. ft. in office manufacturing/ warehousing plus two, 4-story parking facilities. Initially, 150 new skilled jobs will be created. In May 2021, the company announced another 32,000 sq. ft. expansion to accommodate up to eight 2,000 liter single use bioreactors. The project, which is scheduled for completion in 2023, will improve production speed and efficiency and add another 250 future hires on top of its 1,200 person workforce.

The Tradeport is also home to the Pease International Airport, which is an asset to the entire region. Its proximity to Boston, MA's Logan International Airport, the Portland, Maine International Airport, and the Manchester, NH Regional Airport creates a unique opportunity to capture both passenger and airplane service companies. Diversity of services include the New Hampshire Air National Guard (NHANG) 15th Refueling Division of the National Guard, the commercial air services, corporate aviation technical services and the unique cargo capacity provided at the facility. Currently, passenger flights are available on Allegiant Airlines and several charter and private jets that operate out of the airport.

In 2021, the airport completed a \$19 million terminal expansion project which includes an additional gate and jet bridge, two-lane security checkpoint and better baggage screening. This expansion annually increased passenger capacity by 12,000 people.

The Air National Guard is also a critical component of the Tradeport. The twelve new KC-46A refueling aircraft that recently joined the fleet are a great addition to the base and the local economy with the approximate 100 new hires and visiting pilots scheduled to train on the new plane simulators.

2. Portsmouth Naval Shipyard (PNSY)

The Portsmouth Naval Shipyard (PNSY) is located in Kittery, Maine, just across the Piscataqua River from the City. It is a major submarine overhaul and refueling facility as well as the U.S. Government's oldest continuously operating naval shipyard. The Shipyard is also the largest regional employer with a highly-skilled, technical workforce.

The following is a summary of the Seacoast Shipyard Association's most current regional economic impact report for the calendar year (CY) 2021:

- Overall, the Shipyard had an economic impact of \$1,322,611,898 which is an increase from \$947,819,044 CY 2020. The majority of this 39.5% increase resulted from increased facilities contracts (+\$320 million year over year).
- The Shipyard employs a total of 7,257 employees with a civilian payroll of \$671 million, a slight decrease from 7,639 employees although the payroll remained flat from CY 2020.
- The shipyard purchased \$134 million of goods and services in CY 2021, an increase

over the total purchase of \$123 million in CY 2020.

- Total contracted facility services purchased in CY 2021 was \$469 million, a significant increase from the \$87 million in CY 2020.

REAL ESTATE MARKET ACTIVITY

Commercial Real Estate Market

At the end of the second quarter of 2022, Colliers International real estate advisory firm reported that the average modified gross office market asking rent for properties over 10,000 sq. ft. was \$25.78 modified gross, on a per square foot basis in the Portsmouth submarket.

Class A rents brought \$28.59 per square foot, a 6.5% (\$1.76 sq. ft.) increase compared to the same period in 2021.

Class B rents brought \$22.24 per square foot; a 1.3% (\$0.30 sq. ft.) decrease compared to the same period in the previous year.

The average occupancy rate at the end of the second quarter of 2022 for all office classes was 89%, which is 1.7% lower year-over-year. The Class A sector had the largest shift with over 60,000 sq. ft. becoming vacant compared to last year, plus the addition of the vacancies of the newly constructed 145 Maplewood Avenue in Portsmouth, which is currently 58% occupied.

The local industrial market continues to be in high demand. Lease rates and sale prices for industrial spaces are at historic highs due to a lack of inventory properties and the cost of new construction. According to the Colliers report, the Portsmouth submarket* has the second lowest industrial property vacancy rate of all six NH submarkets at the end of the second quarter of 2022, hovering around 1% for the last eight quarters. The low vacancy rate has led to the

submarket having one of the higher rents, above the state average asking rent.

In the Portsmouth submarket, the average industrial property rent for the 2022 second quarter was \$11.81 triple net lease (NNN) per square foot, an increase of 38.3% (\$3.27 sq. ft.) compared to the previous year. The demand for space in the warehouse/distribution and flex sectors has driven asking rents up by over \$3 per square foot. It is rare for manufacturing space to become available in the Portsmouth submarket, so the \$11.80 NNN in two buildings also caused the sharp rise in rents.

The occupancy rate in the Portsmouth submarket sits at 98.9% at the end of the second quarter of 2022, practically unchanged year-over-year. With that being said, the occupancy rate in the City of Portsmouth is 100%, with 16,000 sq. ft. being absorbed over the year.

*The Portsmouth submarket includes all buildings and condominiums that are 10,000 sq. ft. and higher. The towns that make up the submarket are Brentwood, East Kingston, Epping, Exeter, Fremont, Greenland, Hampton, Hampton Falls, Kensington, Newfields, Newington, North Hampton, Portsmouth, Raymond, Rye, Seabrook, and Stratham.

Residential Real Estate

Properties in the residential market are in high demand for both multi- and single-family dwellings. According to the New Hampshire Housing Finance Authority, the average monthly gross rent for a two-bedroom unit in Portsmouth decreased 7% to \$1,762 in 2022 down from \$1,881 in June 2021. The current multi-family vacancy rate in Portsmouth of 0.4% has created an ongoing challenge for people seeking housing.

Sales of homes priced at or above \$1 million paced a lukewarm start for the residential real estate market in the 13 Sample Seacoast Towns. The 13 Sample Seacoast Towns are Exeter, Greenland, Hampton, Hampton Falls, New Castle, Newfields, Newington, North Hampton, Newmarket, Portsmouth, Rye, Seabrook, and Stratham. It was the slowest March in at least the last 10 years for single-family sales. The month ended with 52 closings and just 48 active listings, both the fewest ever for March. Nevertheless, the high-end market remained hot with 12 sales over \$1 million, a new March record. Sales were off by 21% from last year, while the median price of \$695,000 is a new high for the year, up 19% over 2021.

For the year, total single-family sales are off 27%; however, the 3-month median of \$624,000 is up 6.1% from last year. On the condominium side, there were only 37 active listings at month's end, the fewest ever for March. The 47 sales represent the best monthly total of 2022, but still the fewest for March since 2019. The monthly median sale price was up from 2021 by a robust 39.7% at \$503,000. For the year, total condominium sales are off 24.4%, but the median of \$530,000 is up 40.6%.

DEVELOPMENT ACTIVITY

Several new development projects are in the permit approval queue and many previously approved projects are underway.

Two significant mixed-use projects are proposed along the North Mill Pond. At 53 Green St, development firm Carthartes has proposed a 5-story mixed use project with first floor commercial space and 48 residential units above and a 40-foot wide community space adjacent to the proposed North Mill Pond Trail. Just to the west of this development is a proposal by XXS Hotels and ProCon to construct

a five-story, 128-room hotel adjacent to a new 68-unit apartment project of studio and one-bedroom units. Also, on the North Mill Pond at 105 Bartlett Street, a 152-unit apartment, three-story building development is proposed, but currently working through abutter appeals.

In the same vicinity, the Deer Street Associates' proposal for a large multi-lot mixed-use development that will include a hotel, office, bank, multi-family residences, retail, and restaurant uses with on-site parking near the Foundry Place Public Parking Garage is still pending.

In the center of downtown Market Square, a 2-building project dubbed "Brick Market" continues construction and is scheduled for completion in late 2022. The project involves the rehabilitation of the existing 7,400 square foot historic bank building at 3 Pleasant Street for mixed-use. Behind the former bank building will be a new 100,000 sq. ft. contemporary, mixed-use building that will house offices on the upper floors and a public market on the ground floor. The development will offer commercial and office space with underground parking and feature a maritime theme. Wide sidewalks are planned for outdoor dining and musician and artisan use.

Across the street from the Brick Market, planning continues on the application by the City of Portsmouth with partner Redgate/Kane to the US General Service Administration (GSA) for the acquisition of the Federal McIntyre Building under the federal Historic Surplus Property Program for a mixed-use, urban infill development. Also in the Route 1 corridor, construction is nearing completion on the 100,000 sq. ft. mixed-use redevelopment of the former Frank Jones Conference Center, at 428 Route 1 Bypass. Dubbed "West End Yards." This redevelopment includes a new connector road

and multipurpose path between the Route 1 Bypass and Bartlett Street as well as a connection to Borthwick Avenue. Included in the development are 250 multi-family residential units (complete), 23 townhouse condos (complete), retail, office, and restaurant facilities as well as 495 on-site parking spaces.

Other notable developments proposed or underway new include:

- 19,000 sq. ft. expansion of NovoCure global oncology company to 135 Commerce Way at Portsmouth Business Park. It will now occupy 79,000 square feet and employ 250 local employees.
- NovoCure redevelopment and expansion of the existing 4-story structure commercial and office space located at 64 Vaughn Mall.
- Construction is underway to expand the Portsmouth Regional Hospital adding eleven new beds to the Intensive Care Unit and eight beds to the Med Surge Unit. The \$22 million investment will add 35 full-time jobs.
- Fifty two-unit multi-family redevelopment of existing 3-story structure and new structure at 93 Pleasant Street by McNabb Properties.
- Redevelopment of the former Wrens Nest Motel into 75 apartments.
- New 95-unit multi-family development at 2454 Lafayette Road, plus 5000 sq. ft. restaurant pad, and 21,897 sq. ft. of community space.
- New 50-unit multi-family development at 3400 Lafayette Road in 13 new buildings by Green & Company.
- Fifty-six unit single-family home development with two pocket parks off Peverly Hill Road by Green & Company.

CREATIVE ECONOMY

Portsmouth's creative economy drives Portsmouth's reputation as New Hampshire's premier cultural and culinary destination and is an important asset for both residents, businesses, and visitors. The significant concentration of theatres, historic homes, restaurants, museums, and galleries 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 vibrant hospitality and leisure industry.

Through collaboration, outreach and the impact of a targeted marketing effort; the spring and summer of 2022 has seen consistent increases in attendance at live outdoor and indoor performances and events. A further indication of recovery is that many of the larger performance venues have begun booking national touring artists/shows.

TOURISM

The Chamber Collaborative of Greater Portsmouth reports improved occupancy rate across downtown hotels as well as increased sales at restaurants, arts venues, and cultural attractions.

Despite the pandemic, the City continued to attract media attention as an excellent destination location to enjoy safe activities. Although less numerous than in non-pandemic years, the City was the subject in both on-line and traditional media as demonstrated in the following list of articles in FY 21/22:

- Portsmouth listed by Livability.com; July 2022
[Best Places to Live in the US in 2022 Ranked | Livability](#)

- WOKQ Outstanding Restaurants to Enjoy Outdoor Dining; July 2022
<https://wokq.com/15-best-restaurants-for-outdoor-seating-in-portsmouth-new-hampshire/>
- Portsmouth favorably listed by Cheapism.com; June 2022
Vacation Spots for People Who Hate the Beach | Cheapism.com
- Portsmouth included Family Vacationist; August 2021
[11 Coastal New England Vacations for Families \(2021\) - FamilyVacationist](#)
- Portsmouth list by Getaway Mavens as best romantic getaway; July 2021
[Best Romantic New Hampshire Getaways - Getaway Mavens](#)

The indicators in this report demonstrate that Portsmouth is a resilient community that has responded to the negative impacts of the COVID-19 pandemic through adherence to health guidelines, capitalization of federal and state relief programs, astute fiscal management and community collaboration on recovery.

The downward trend of unemployment claims, jobs opportunities plus robust development activity and significant commercial and residential real estate investment are positive signs of recovery. Add to this, the return of brisk activity downtown at restaurants and retail stores and at arts and culture venues bodes well for the third and fourth quarters of 2022 if the virus variants are kept in check.

MAJOR CITY ACCOMPLISHMENTS & INITIATIVES

The following describes completed and continued major financial, citywide infrastructure upgrades, economic, and community development initiatives as well as City awards as a result of the continued efforts and dedication of the City.

CITYWIDE AWARDS

Arbor Day Foundation Awards

The Arbor Day Foundation awarded the City of Portsmouth's Department of Public Works with its 23rd *Tree City USA* designation as well as its fourth *Tree Growth Award*.



Portsmouth has achieved the Tree City USA recognition by meeting the program's four requirements: maintaining a tree board or department, establishing a tree-care ordinance, funding an annual community forestry budget of at least two dollars per capita, and holding an Arbor Day observance and proclamation.

In addition to being named a Tree City USA, the City's Department of Public Works' Parks and Greenery group was awarded the Tree Growth Award due to its high levels of education, partnerships, planning and management, as well as tree planting and maintenance.

For Arbor Day 2022, the Parks & Greenery Division planted a sugar maple on Four Tree Island and a total of 100 trees in different locations around the city.

Water Fluoridation Quality Award

Each year, the Center for Disease Control (CDC) recognizes water systems that achieve optimal fluoridation levels for all 12 months with its annual Quality Award and has honored the City of Portsmouth DPW Water Division with its

second consecutive Water Fluoridation Quality Award for its water fluoridation achievement.

The NH State Oral Health Program, within the Department of Health and Human Services, has a 5-year cooperative grant from the CDC and has issued water quality awards since 2014. Portsmouth is one of just nine water systems in New Hampshire that has received this CDC Water Quality Award.

New England Water Works Association

The City's Department of Public Works Water Division received the New England Water Works Association Distinguished Public Involvement Award.



Peirce Island Wastewater Treatment Facility Awards:



- 2022 American Council of Engineering Companies of MA Project Excellence Award for the Silver award
- Water Environment Federation (WEF) Project Excellence Award
- Associated Builders and Contractors of New Hampshire and Vermont (ABC NH/VT) Excellence in Construction Award and Chairman's Award



Pease Wastewater Treatment Facility Awards

- American Council of Engineering Companies (ACEC) National Recognition Award
- New Hampshire Chapter of the American Council of Engineering Companies (ACEC-NH) Engineering Excellence Awards (Weston & Sampson)

- Water Environment Foundation, Associated Builders and Contractors (ABC) and the Environmental Protection Agency national awards

Additional ACEC-NH Engineering Excellence Awards

- Portsmouth Stormwater Treatment (CMA)
- Maplewood Avenue Neighborhood Complete Streets Project (GPI)

COMMUNITY OUTREACH

Pandemic Response & ARPA Funds

FY22 began with continuing concerns about the spread of COVID-19 through the Omicron variant but also with the welcome news that the City of Portsmouth was eligible to receive \$12.88 million in American Rescue Plan Act (ARPA) funds.

In January 2022, the City reinstated a mask mandate due to high levels of community transmission however, was able to rescind the mandate in February as infections subsided. The Health and Fire Departments staffed a total of ten free public vaccination clinics in October, December, January and May. In June, Portsmouth also joined the national Wastewater Sampling program designed to flag early indicators of infection increases. In addition, the City extended reduced fees for the use of parking spaces and sidewalks for outdoor dining to reflect the ongoing impact of the pandemic and agreed to fund several the Portsmouth Arts and Nonprofits Committee recovery initiatives: American For the Arts economic impact survey, a pilot arts and culture destination marketing campaign and preliminary work on a new Cultural Plan (updating the 2002 Plan).

By the end of FY22, the City Council appropriated 57.5% of the ARPA funds to

projects that qualified under the rigorous Federal standards for eligibility. These allocations include:

- Multi-purpose Fields Lighting
- Sidewalk and paving reconstruction
- Public Health profile and Needs Assessment
- Various capital and rolling stock items
- Police Public Safety Software

Allocation of the ARPA Funds balance must be defined by December 2023 and the funds spent by December 2024. Further public discussion will follow the conclusion of work by the COVID Response Task Force, a committee comprised of Seacoast social services and healthcare agencies.

Portsmouth Energy Advisory Committee and Portsmouth Community Power

In FY22, the City Council voted to approve the creation of the Portsmouth Energy Advisory Committee (PEAC) to research the risks and opportunities of a Community Power program for Portsmouth under RSA 53-E, which allows towns and cities to aggregate their customer demand and purchase electricity in bulk for savings and a more rapid shift to renewables. PEAC reported to the City Council in April 2022 recommending, with the approval of City Council, that Portsmouth became a member of the Community Power Coalition of NH (CPCNH), joining the neighboring communities of Dover, Durham, Exeter, Newmarket and Rye. The PEAC continues to guide the creation of Portsmouth Community Power Electric Aggregation Plan, intending to present it for consideration and a City Council vote in 2023.

Portsmouth NH 400th Anniversary

Preparations for celebrating the City's 400th anniversary in 2023 were revived with the hiring of a PNH400 Managing Director and the

formation of Portsmouth NH 400th, Inc. an independent 501c3 non-profit. In addition to dozens of events, programs, performances and exhibitions, the City has earmarked funds to help support several signature and legacy initiatives including:

- 400 Trees for the 400th
- Maritime-themed Sculpture Park at Bohenko Gateway Park
- Portsmouth NH 400 Parade
- Little Italy Carnival
- Street.life! 400 Community Dinner

CITY INFRASTRUCTURE

Streets & Sidewalks

In FY22, the City continued its investment in the vital infrastructure of its streets and sidewalks.

Completed Projects:

- Banfield Road-paving, traffic calming, culvert replacement, and sidewalk
- Cutts Street, Central Avenue, and Leslie Drive utility upgrades and road paving
- Hodgdon Way new road connecting to Route 1 By-pass
- Longmeadow Road Extension – new road connecting Lang Road to Route 1
- Route 33 paving from Peverly Hill Road to Oxford Avenue
- Dodge Avenue paving
- Harvard Street paving
- Princeton Street paving
- Arboretum Drive paving
- Durham Street paving
- South Street from Junkins Avenue to Middle Road
- Islington Street Complete Street Phase 1B
- Dennett Street paving

Projects in process included:

- Islington Street Phase 2

- Little Harbor Road paving
- Marcy Street from South Street to New Castle Avenue paving
- State Street sidewalks and paving
- Sagamore Avenue reconstruction as part of Sagamore Sewer Extension Project
- Pannaway Manor sidewalk project
- Maple Haven sidewalk project
- Union Street sewer separation project
- Willard Avenue sewer separation project
- Peeverly Hill Road traffic calming
- Elwyn Road sidepath

Neighborhood Traffic-Calming Efforts

The City of Portsmouth prioritizes convenient, safe, and accessible streets and roadways for all transportation users. As traffic safety issues arise, the Neighborhood Traffic Calming Program provides a mechanism for neighborhood groups to work with the City. It is intended to ensure that all neighborhood stakeholders are provided the opportunity to be involved. FY22 projects included:

- Lang Road-Route 1 intersection (Longmeadow Road extension)
- Bartlett-Cate St. intersection
- Middle Road-Middle St. intersection
- Greenleaf-Lafayette Rd. intersection

Prescott Park Master Plan

The Prescott Park Master Plan Implementation Committee has approved the Plan to move forward with Phase 1A, addressing resiliency and infrastructure initiatives. The historic Shaw Warehouse will be raised and moved towards Marcy Street and then mothballed to Department of the Interior preservation standards. New infrastructure addressing stormwater and providing upgraded electrical service will be built under a raised Water Street.

In addition, the seawall will be raised against future sea level rise.

Lafayette Trail & Purple Heart Community

On October 1, 2021, Portsmouth unveiled a **Lafayette Trail** marker in Vaughan Mall. Markers follow the path of General Lafayette's 1824-25 Farewell Tour through 25 states and Washington DC including his visit to Portsmouth on September 1, 1824.

In December 2021, Portsmouth declared itself to be a Purple Heart Community, joining more than a dozen other cities and towns across New Hampshire in honoring residents who have earned The Purple Heart medal, awarded to members of the US military in all branches who are wounded by enemy action in a combat zone.

Community Campus Acquisition

The City purchased the 72,000 square foot building and surrounding 34 acres of land from the Foundation for Seacoast Health on March 14, 2022. The building is home to the Recreation Department, who moved their main offices to the Campus in May 2022. The City will continue to support the current non-profit tenants servicing Seacoast area residents.

Since the City's acquisition of the property, there are new programs being offered by the Recreation Department for ages pre-K through seniors, and in working with the School Department, were able to secure bus service to the Campus for afterschool programs. There is also a playground, grass athletic field, tennis courts, a greenhouse, and is adjacent to the newly built Recreation Athletic Field Complex. The Campus is also slated to become the future home of Robert J. Lister Academy.

City-Wide Park Improvements

- *South Mill Pond Recreation Complex:* Two tennis courts were transformed into eight new pickleball courts in August of 2021 as a request from residents. With lighting at the courts, they are utilized 7 days a week, year-round with play into the evenings.
- *Tony Rahn Park:* Spring of 2022, four new long-lasting aluminum bleachers were installed replacing the deteriorated wooden bleachers at the two softballs fields, home to the Portsmouth Girls Softball Association.
- *Hislop Park- Atlantic Heights:* In Spring 2022, the fencing around the heavily-utilized baseball field was upgraded to include a cantilevered backstop to increase safety.

Skateboard Park

In December 2021, the City Council approved the construction of a skateboard park at the “Stump Dump” on Greenland Road. The Recreation Department, Department of Public Works, and Skateboard Park Blue Ribbon Committee worked together to create a design for the new park.

Indoor and Outdoor Pools

Outdoor Pool: The Outdoor Pool project includes improvements to the aquatics and constructs a new pool house at the Peirce Island pool, which is part of the Peirce Island Master Plan adopted in 1999. Because of budget constraints, the project will be completed in phases. The first phase, renovation of the filter building, is in design and construction is pending adequate funding. The renovation of the Bath House is the second phase.

Indoor Pool: During the closure of the Indoor Pool during the pandemic, DPW staff identified repair work needed to correct a leak in the filter pits. The City also recognized the value of doing

a more comprehensive needs assessment and engaged a consultant to do a complete review of the short-term and long-term needs of the Pool. Updates and improvements will be made over time. New filters, drainage, pool deck, and interior paint was completed in the Fall of 2022.

Kayak Racks at Boat Launch

City installed two kayak storage racks for use at the Peirce Island Boat Launch in June 2022. Each rack hold 12 kayaks or stand-up paddleboards. Installed in late summer, the rental program will commence in Spring 2023.

McIntyre Update

The City accepted responsibility for maintaining and managing the Thomas J. McIntyre Federal Building from the General Services Administration (GSA) in January 2022 after the transfer of the property as a Public-Benefit Conveyance (PBC) through the Historic Monument Program. After the City Council voted to reset negotiations with the GSA, National Park Service (NPS), and Kane & Company developers, work continued on the formal proposal to NPS. The GSA has granted extensions for the preparation of the final submission package, now due on March 31, 2023.

TRANSPORTATION

Hanover Parking Garage Project

In June 2022, the City began work on the project to renovate the Hanover Garage. This significant upgrade to the Hanover Parking Garage will address aged sections of the garage to extend its useful life and provide parking for the foreseeable future. Seasonal construction, affecting one-third (up to 300 parking spaces closed) of the structure at a time, will continue for three years.

ParkMobile, Bridge Street Lot, Additional Parking Inventory

- The Department of Public Works' Parking Division replaced the metered-parking payment EasyPark, and encouraged subscribers to sign up for the ParkMobile smartphone app, which provides more convenience and flexibility.
- The Parking Division converted the parking lot behind the McIntyre Building, which added to the on-street parking inventory.
- Bridge Street Lot was renovated to support Electric Vehicle charging stations, which will become operational in FY23.

Neighborhood Parking Program

The City extended the Islington Creek Neighborhood Parking pilot program to collect data on use and cost of such a program. A determination on creating a framework for neighborhood parking programs here and in other neighborhoods will be made in FY23.

WATER, WASTEWATER, AND STORMWATER

Bellamy Reservoir Water protection

The City's Department of Public Works Water Division continued work with Southeast Land Trust (SELT) to purchase an additional conservation easement for land adjacent to the Reservoir. As was the case in FY21, the City will be seeking grants from the New Hampshire Groundwater and Drinking Water Trust Fund and the Great Bay Resource Protection Partnership in addition funds from the City's Water Enterprise Fund to complete the purchase of the easement.

PFAS Treatment Piloting at Pease

The City continues to be at the forefront of exploring and testing options for treatment of PFAS in drinking water. Since the contamination was discovered at Pease in May 2014, City staff have worked with engineering consultants and

vendors to run treatment pilots. The initial pilot was to determine the efficacy of granular activated carbon (GAC) on two of the Pease wells. This was followed by a full-scale GAC demonstration project treating those wells. In 2017, the City piloted resin treatments using the previously identified, most contaminated water source to measure their effectiveness in treating PFAS. The Pease Water Treatment Facility, which opened in June 2021 included both resin and carbon filters. The City continues to explore and pilot other filter medias and resins. Testing for PFAS occurs periodically to determine the comparative performance of the different treatments.

Madbury Wells Upgrade Project

The replacement Well 4 in Madbury along with the newly permitted Well 5 is complete. This involved testing, permitting and construction of new water mains, a water meter and treatment building and all associated controls, metering and pumping equipment. The wells will continue to help the water system expand our integrated water system management. Between the Portsmouth and Pease systems, there are now 10 wells and a surface water treatment facility.

Sewer Force Main Repairs on Peirce Island

In FY21, the City addressed a sewer force main failure in the pipes that carry wastewater from the Mechanic Street Wastewater Pumping Station to the Peirce Island Wastewater Treatment Facility. The interim solution, temporary surface force main along Peirce Island Road, was replaced with permanent force mains in FY 22. This project also allowed for the enhancement of the public trails on Peirce Island to increase access to the scenic overlook behind the new Waste Water Treatment Facility.

Sagamore Avenue Sewer Extension Project

The City of Portsmouth is required under the EPA Consent Decree to extend sewer service to the Sagamore Avenue area (including Sagamore Avenue, Walker Bungalow Road, Shaw Road, Cliff Road, Little Harbor Road, Sagamore Grove and Wentworth House Road.) The City began construction on the right-of-way pipes for the sewer system to serve the residential, commercial, and recreational properties that reside in the project area. Individual household connections to the new sewer pipes will begin in FY23.

Sewer Separation Work

The City continued its program to replace aging pipes in the water and sewer infrastructure systems. The total amount of piping that has been upgraded in these systems since 1990 includes more than 43 miles of water and more than 22 miles of sewer.

Ongoing Projects:

- Islington Street Phase 2
- Fleet Street -- The City also surveyed residents, businesses and other stakeholders to determine the preferred streetscape for the project.
- Union Street
- Willard Avenue

Islington Street Corridor Roadway Improvements

The Islington Street Corridor Project work includes replacement of underground utilities (water sewer drain), roadway reconstruction, curbing and sidewalk installations, and landscaping improvements. Phase 1B was completed in FY22 spanning Islington Street from the intersection with Albany Street to Dover Street, Columbia Street, and Columbia Court.

Stormwater BMPs

The Department of Public Works' Water and Sewer Divisions continues to advance work done by University of New Hampshire's (UNH) interns evaluating and implementing Stormwater Best Management Practices (BMPs) including the Pollutant Tracking & Accounting Project (PTAP) application. PTAP is required by the EPA in all Site Plan Review Regulations for communities like Portsmouth who are following MS4 permit requirements for discharges from separated Storm/Sewer systems. Portsmouth uses the PTAP application metrics when evaluating BMP effectiveness in limiting nitrogen and other pollutant levels in the City's stormwater discharges.

LONG-TERM FINANCIAL PLANNING

STATEWIDE EDUCATION PROPERTY TAX

The Statewide Education Property Tax assessment process remained essentially the same for FY22. Legislation in 2022 provided property tax relief to taxpayers by reducing the amount of SWEPT property taxpayers needed to raise throughout the State and created a State fund to supplement that reduction. The best information available at this time suggests there will not be another reduction in the amount of SWEPT property taxpayers need to raise and the SWEPT amount will return to its previous level. By way of background, 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. Historically, except for last year, 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 ("excess SWEPT"). 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 “Receiver” communities. Over the past several years, a number of bills have been introduced that would require those communities that collect excess SWEPT to pay it over to the State to deposit in the general fund or educational trust fund. Those bills have not passed and it is anticipated that similar bills will be filed in 2023. The City actively opposed these bills and has joined other former Donor communities (collectively “Coalition Communities 2.0” or “CC2”) to lobby against the return of a donor/receiver education funding model. In addition, it is significant to note that there are two pending lawsuits that challenge the constitutionality of SWEPT and the State’s adequacy of per pupil funding. The matter of *Contoocook Valley School District v. State of New Hampshire*, Docket No. 213-2019-CV-00069, is pending in the Rockingham County Superior Court. The Attorney General’s Office represents the State and supports the constitutionality of the current education funding formula. *Contoocook* is scheduled for jury selection in April of 2023. The second lawsuit, *Steven Rand, et al v. The State of New Hampshire*, Docket Number 215-2022-CV-00167, is also pending in the Rockingham County Superior Court. This lawsuit seeks, among other things, to prohibit communities that collect excess SWEPT from retaining the excess. The Plaintiffs filed a Preliminary Injunction and Temporary Restraining Order to enjoin the DRA from permitting property wealthy communities from retaining excess SWEPT for the current tax year. CC2 filed a Motion to Intervene, which was granted on this limited issue, and Plaintiffs’ Motions for Preliminary Injunction and Temporary Restraining Order were denied on December 5, 2022. The constitutionality of the collection and distribution of SWEPT and the adequacy of per pupil funding will be adjudicated at the final

hearing, which has been scheduled for late September, early October of 2023. Like in the *Contoocook* matter, the Attorney General’s Office represents the State and supports the constitutionality of the collection and distribution of SWEPT and the adequacy of per pupil funding. Because any change to the education funding formula that would prohibit the City from retaining excess SWEPT could negatively affect the City’s tax rate. The City, along with other CC2 communities, will continue to monitor these cases, and through the Legislative Subcommittee, work with City Staff and the Portsmouth Delegates to monitor legislation on education funding.

BOND RATING

In June of 2022, the last time the City issued bonds, Standard & Poor’s Rating Group (S&P) affirmed the City’s bond rating to AAA citing:

- “Strong coastal economy, with leisure and hospitality sectors that have recovered from the pandemic;
- Proficient management with well-embedded formalized policies and practices, and a very strong institutional framework score;
- Adequate budgetary performance reflecting the city’s breakeven operating results, bolstered by robust reserve level; and
- Adequate debt and contingent liability profile, but a low funded pension plan and funding requirement that could increase during the outlook period.”

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 sixteen (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 \$5,003,233, a net change of (\$725,727) 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, 2022, the Unassigned Fund Balance is 13.57% of appropriations.

DEBT MANAGEMENT

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 FY22, the amount of net annual debt remains within the policy limits at 7.92%.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement ACFR

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021.

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

The City has received a total of twenty-nine (29) awards for its' Fiscal Years ending June 30, 1988, 1989, and for twenty-seven consecutive years from 1995 to 2021. The City believes that

its current annual comprehensive 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.

Award for the Popular Annual Financial Report

The City also received the GFOA *Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR)* for the publication of the annual citizens' report for the Fiscal Year ended June 30, 2021. This is the City's fifth consecutive award. In order to achieve this award, the government unit must produce a high quality popular annual financial report specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

Award for Distinguished Budget

The City of Portsmouth also received the GFOA's *Distinguished Budget Presentation Award* for its annual budget document for the fiscal year beginning July 1, 2022 with a special recognition for Strategic Goals and Strategies. This award marks the seventeenth (17) consecutive year. 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.

Triple Crown Medallion

The Government Finance Officers Association implemented in Fiscal Year 2019 a new recognition, the GFOA Triple Crown. The Triple Crown recognizes governments who have

received GFOA's Certificate of Achievement for Excellence in Financial Reporting, Popular Annual Financial Reporting Award, and the Distinguished Budget Presentation Award.

GFOA presented to the City of Portsmouth the Triple Crown medallion to recognize all three aforementioned GFOA awards for the Fiscal Year End 2020.

The preparation of the Annual Comprehensive Financial Report would not have been accomplished without the dedication and professional efforts of the staff in the Finance Department and diligent efforts of department heads and other City staff who have contributed to this report. I would especially like to express my sincere appreciation to Andrew Purgiel, the Deputy Finance Director, and Abigail Mills, Administrative Manager/Budget Coordinator, who contributed a significant amount of hours, support, and dedication to the preparation of this report.

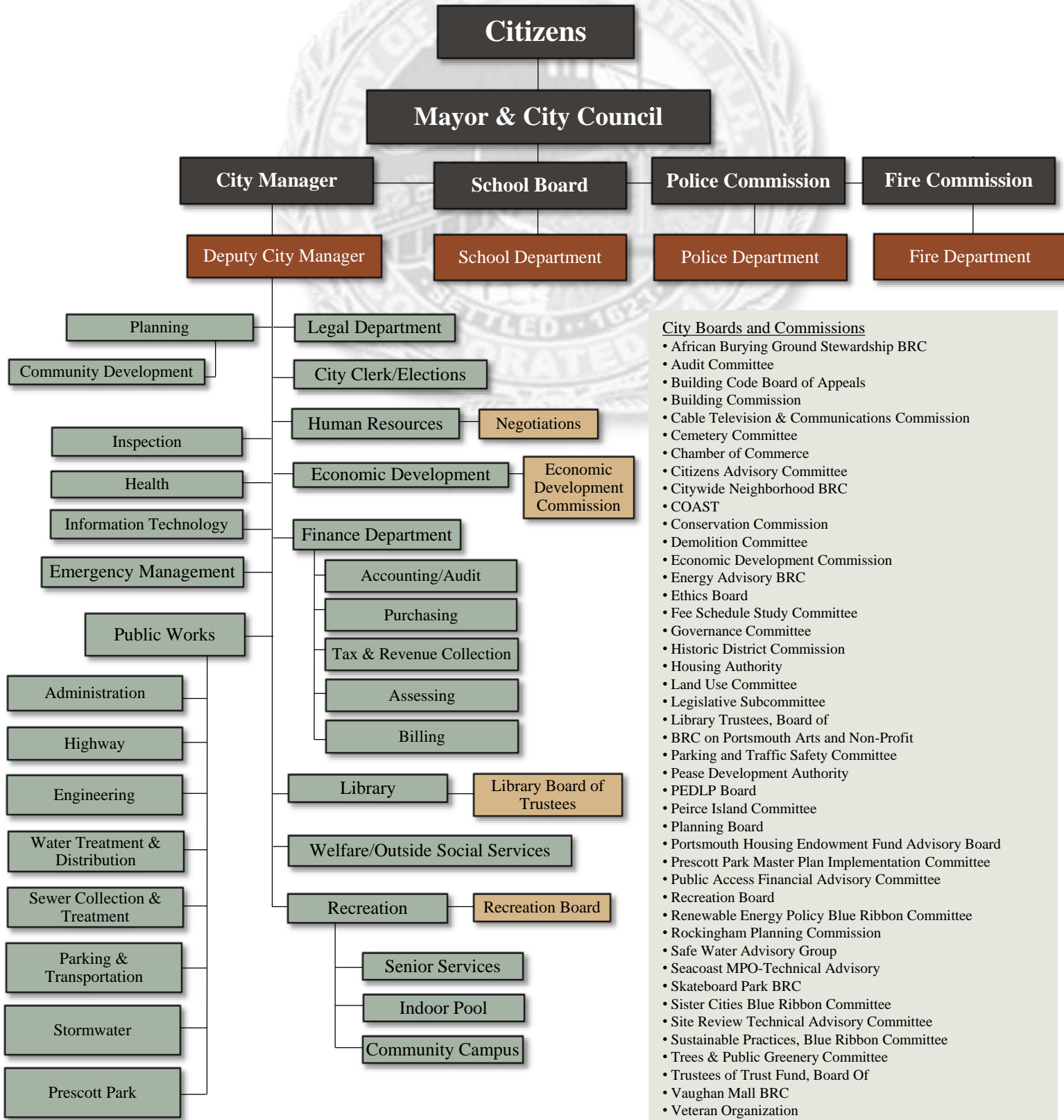
I express my appreciation to the Mayor, City Council, and City Manager, Karen S. Conard, for their continuing interest to the commitment to improve and maintain a strong financial position as reflected in this report.

Sincerely,



Judith Belanger
Director of Finance & Administration

City of Portsmouth, New Hampshire Citywide Organizational Chart



- City Boards and Commissions**
- African Burying Ground Stewardship BRC
 - Audit Committee
 - Building Code Board of Appeals
 - Building Commission
 - Cable Television & Communications Commission
 - Cemetery Committee
 - Chamber of Commerce
 - Citizens Advisory Committee
 - Citywide Neighborhood BRC
 - COAST
 - Conservation Commission
 - Demolition Committee
 - Economic Development Commission
 - Energy Advisory BRC
 - Ethics Board
 - Fee Schedule Study Committee
 - Governance Committee
 - Historic District Commission
 - Housing Authority
 - Land Use Committee
 - Legislative Subcommittee
 - Library Trustees, Board of
 - BRC on Portsmouth Arts and Non-Profit
 - Parking and Traffic Safety Committee
 - Pease Development Authority
 - PEDLP Board
 - Peirce Island Committee
 - Planning Board
 - Portsmouth Housing Endowment Fund Advisory Board
 - Prescott Park Master Plan Implementation Committee
 - Public Access Financial Advisory Committee
 - Recreation Board
 - Renewable Energy Policy Blue Ribbon Committee
 - Rockingham Planning Commission
 - Safe Water Advisory Group
 - Seacoast MPO-Technical Advisory
 - Skateboard Park BRC
 - Sister Cities Blue Ribbon Committee
 - Site Review Technical Advisory Committee
 - Sustainable Practices, Blue Ribbon Committee
 - Trees & Public Greenery Committee
 - Trustees of Trust Fund, Board Of
 - Vaughan Mall BRC
 - Veteran Organization
 - Zoning Board of Adjustment

BRC= Mayor's Blue Ribbon Committee

City of Portsmouth, New Hampshire Proposed Annual Budget 2022-2023

Directory of Officials

City Council

Deaglan McEachern, Mayor
JoAnna Kelley, Assistant Mayor

John Tabor
Josh Denton
Beth Moreau

Andrew Bagley
Vincent Lombardi
Rich Blalock
Kate Cook

Board of Education

Stephen Zdravec, Superintendent
Nancy Novelline Clayburgh, Chair
Margaux Peabody, Vice Chair

Traci Hope Van Epps
Ann M. Walker
Christiana "Pip" Clews

Elizabeth Barrett
Lisa Rapaport
Brian French
Kerry Nolte

Police Commission

Mark Newport, Police Chief
Stefany Shaheen, Chair
Buzz Scherr
Kate Coyle

Fire Commission

Todd Germain, Fire Chief
Jennifer Mosher-Matthes, Chair
Michael Hughes, Vice-Chair
Richard Gamester, Clerk

Principal Executive Officers

Karen Conard, City Manager
Suzanne Woodland, Deputy City Manager
Sean Clancy, Assistant City Manager for Economic Development
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
Kelly Harper, Human Resources Director
Nancy Bates, Revenue Administrator
Rosann Maurice-Lentz, City Assessor
Todd Henley, Recreation Director
Christine Friese, Library Director
Shanti Wolph, Chief Building Inspector
Kimberly McNamara, Public Health Director
Beverly M. Zendt, 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and certain pension and OPEB schedules 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.

Supplementary 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 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report (ACFR). The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

A handwritten signature in black ink that reads "Melanson".

Merrimack, New Hampshire
December 22, 2022

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2022



The City of Portsmouth's (the City's) management offers readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. 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 \$267,811,988. This is an increase of \$21,451,028 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$74,126,130, a decrease of \$7,803,545 in comparison with the prior year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was \$17,156,799, an increase of \$792,801 in comparison with 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 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 City's governmental activities separately from its business-type activities, are designed to provide readers with a broad overview of the City'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 City'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 42-45 of this report.

- **Governmental Activities:** The activities in this section represent most of the City's basic services and are principally supported by taxes, grants, and intergovernmental revenues. The governmental activities of the City 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 project 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 City'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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances

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

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

The basic governmental fund financial statements can be found on pages 46-50 of this report.

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

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

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

The basic proprietary funds financial statements can be found on pages 51-53 of this report.

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

The basic fiduciary fund financial statements can be found on pages 54-55 of this report.

Notes to the Financial Statements. The notes provide additional information that 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 56 of this report.

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

The combining schedules are presented immediately following the required supplementary information on pensions and Other Post-Employment Benefits (OPEB).

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	
	Activities		Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$ 116,707	\$ 105,026	\$ 64,224	\$ 66,732	\$ 180,931	\$ 171,758
Capital assets	269,934	255,991	260,977	253,307	530,911	509,298
Total assets	386,641	361,017	325,201	320,039	711,842	681,056
Deferred outflows of resources	25,341	35,423	1,385	1,633	26,726	37,056
Total assets and deferred outflows	<u>\$ 411,982</u>	<u>\$ 396,440</u>	<u>\$ 326,586</u>	<u>\$ 321,672</u>	<u>\$ 738,568</u>	<u>\$ 718,112</u>
Liabilities:						
Long-term liabilities	\$ 214,199	\$ 259,390	\$ 178,183	\$ 97,998	\$ 392,382	\$ 357,388
Other liabilities	35,692	18,070	6,250	88,819	41,942	106,889
Total liabilities	249,891	277,460	184,433	186,817	434,324	464,277
Deferred inflows of resources	34,735	7,162	1,697	312	36,432	7,474
Net position:						
Net investment in capital assets	158,507	151,205	109,948	99,765	268,455	250,970
Restricted	15,728	17,101	-	-	15,728	17,101
Unrestricted	(46,879)	(56,488)	30,508	34,778	(16,371)	(21,710)
Total net position	<u>127,356</u>	<u>111,818</u>	<u>140,456</u>	<u>134,543</u>	<u>267,812</u>	<u>246,361</u>
Total liabilities, deferred inflows and net position	<u>\$ 411,982</u>	<u>\$ 396,440</u>	<u>\$ 326,586</u>	<u>\$ 321,672</u>	<u>\$ 738,568</u>	<u>\$ 718,112</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 are still outstanding. As of year-end, net investment in capital assets is \$268,454,742, an increase of \$17,485,110 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 \$15,727,416 or 6% represents resources that are subject to external restrictions on how they may be used. The unrestricted net position of (\$16,370,170) represents amounts without constraints established by enabling legislation, external agreements, or other legal requirements. That amount is reduced by a deficit in governmental activities primarily resulting from the City's unfunded net pension and total OPEB liabilities as discussed in the

Notes 21 and 22. The City's governmental activities will continue to report a deficit until the funding mechanisms and asset returns improve at the State system.

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

	Summary of Changes in Net Position (000s)					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 23,871	\$ 20,132	\$ 27,080	\$ 26,448	\$ 50,951	\$ 46,580
Operating grants and contributions	12,126	13,464	-	-	12,126	13,464
Capital grants and contributions	3,297	2,546	5,280	5,699	8,577	8,245
General revenues:						
Property taxes	97,948	89,201	-	-	97,948	89,201
Interest on taxes	169	191	-	-	169	191
Grants and contributions not restricted to specific programs	1,639	1,318	-	-	1,639	1,318
Investment income (loss)	(1,153)	3,096	159	422	(994)	3,518
Other	4,523	3,348	616	456	5,139	3,804
Total revenues	142,420	133,296	33,135	33,025	175,555	166,321
Expenses:						
General government	17,257	16,340	-	-	17,257	16,340
Public safety	21,771	26,064	-	-	21,771	26,064
Education	60,177	65,079	-	-	60,177	65,079
Public works	18,139	17,266	-	-	18,139	17,266
Health and human services	683	756	-	-	683	756
Culture and recreation	4,772	3,688	-	-	4,772	3,688
Community development	628	989	-	-	628	989
Interest on long-term debt	3,767	4,039	-	-	3,767	4,039
Water operations	-	-	8,986	9,325	8,986	9,325
Sewer operations	-	-	17,924	16,636	17,924	16,636
Total expenses	127,194	134,221	26,910	25,961	154,104	160,182
Change in net position before transfers and special items	15,226	(925)	6,225	7,064	21,451	6,139
Transfers in (out)	312	278	(312)	(278)	-	-
Change in net position	15,538	(647)	5,913	6,786	21,451	6,139
Net position - beginning of year	111,818	112,465	134,543	127,757	246,361	240,222
Net position - end of year	\$ 127,356	\$ 111,818	\$ 140,456	\$ 134,543	\$ 267,812	\$ 246,361

Governmental Activities. Governmental activities for the year resulted a net position of \$127,355,934 which is an increase of \$15,538,430 from the prior year. Governmental activities realized the following significant transactions:

- Property tax increased by \$8,747,366 or 9.8% from the prior year primarily from an increase of 2.4% in the tax rate on all classes of property, a reduction in abatement liability that will not be realized, and an increase of approximately 1.5% in the taxable property values driven by new growth and increased local real estate market values.
- All other revenues and transfers combined, besides property taxes, resulted in a net increase of \$411,014 from the prior year primarily due to an increase in charges for services of \$3,739,450, a decrease in operating and capital grants and contributions of \$587,293, a decrease from interest on investments of \$4,248,150, an increase of grants and contributions not restricted to specific programs of \$321,034 and an increase in other revenues of \$1,174,379.
- Overall governmental expenses experienced a net decrease of \$7,027,348 or 5.2% from prior year primarily due to a change in the OPEB pension liability.

Business-Type Activities. Business-type activities for the year resulted in a net position of \$140,456,054 which is an increase of \$5,912,598 from the prior year. The key elements of the changes are as follows:

- Operating revenues over operating expenses of \$4,473,181 represent a decrease of \$3,610 from the prior year. Charges for services in the business-type activities experienced an increase of \$502,084. The Water Fund experienced an increase in operating revenues of \$81,664 or 0.8% and the Sewer Fund experienced an increase of \$551,064 or 3%, both primarily as a result of a rate increase.
- Non-operating revenues of \$775,310 represent a decrease of \$102,495 primarily due to a decrease in investment income.
- Non-operating interest expense increased by \$315,186 to \$4,303,820.
- Capital grants and contributions of \$5,279,920 represent a decrease of \$420,088 primarily due to a reduction of contributions of \$4.5 million made from the Air Force for well and water source projects at Pease and an increase in sewer capital contributions of \$4.1 million from the State forgiveness of principal debt on a SRF loan for the PIWWTF.

FINANCIAL ANALYSIS OF THE CITY'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 City’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 \$74,126,130, a decrease of \$7,803,546 in comparison with the prior year.

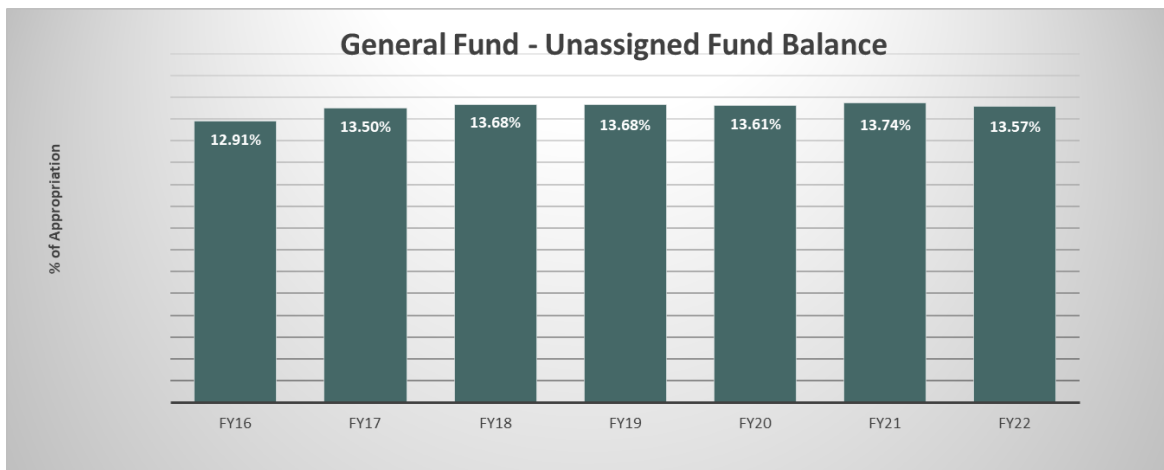
General Fund

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 final general fund budget.

City Council adopted in Fiscal Year 1998 the “Unassigned Fund Balance Ordinance” to maintain unassigned 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 \$17,156,799 or 13.57% of the final general fund budget. This is an increase of \$792,801 or 4.84% from prior year.

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



Total fund balance for the General Fund at the end of the current fiscal year was \$50,184,611 or 39.7% of the final general fund budget. This is an increase of \$1,569,290 or 3.23% from prior year. The key factors in this change are as follows:

- A decrease of fund balance of \$2,480,000 from budgetary use of fund balance;
- A decrease of fund balance of \$3,216,000 from a supplemental appropriation;

- A net increase to fund balance of \$2,207,687 from revenues and other financing sources exceeding final budget estimates net of budgeted use of Fund Balance;
- A net increase of \$2,921,513 from remaining departmental appropriations;
- An increase of fund balance of \$2,493,356 due to a decrease in abatement liabilities from FY21;
- A decrease of fund balance of \$320,215 from expenditures exceeding appropriations in the Leave at Termination Stabilization Account;
- An increase of fund balance of \$734,665 from excess funding in the Health Insurance Stabilization Account; and
- A decrease of \$838,353 to fund balance from non-lapsing appropriations.

At the end of the current fiscal year, total fund balance of other governmental funds was \$23,941,519, which is a net decrease of \$9,372,835 or 28% from prior year. Key factors in this change are as follows:

Major Funds - Grants and Contributions was established as a major fund in FY22 due to the receipt of the American Rescue Plan Act-State and Local Fiscal Recovery Funds (ARPA-SLFRF) of \$12.88 million of which \$12.4 million remains as an unearned revenue liability at the end of the fiscal year.

Non-major Funds - At the end of the current fiscal year, total fund balance of non-major governmental funds was \$19,619,305 which is a net decrease of \$9,411,085 from prior year. This change was primarily due to the issuance of \$10.4 million in Bond Anticipation Notes (BANS) for the purchase of Community Campus and renovations to the High Hanover Parking Facility.

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 \$5,912,598 to a total of \$140,456,054. The water fund increased by \$1,498,889 mainly attributed to revenue raised for future rate stabilization and capital projects. The sewer fund increased by \$4,413,709 mainly attributed to capital contributions of \$4.1 million from the state forgiveness of principal debt on a SRF loan for the PIWWTF.

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. Water rates for FY22 increased 2% over prior year. The first ten units (one unit equals 100 cubic feet or 748 gallons) of water consumed per month were billed at \$4.40 per unit; all units over ten units per month were billed at a rate of \$5.30 per unit. Irrigation meters

have a third tier to further capture the cost of additional capacity to service the customer's water demands. The first ten units of water consumed per month were billed at \$5.30 per unit, water consumed over 10 units up to 20 units were billed at \$10.00 per unit, and units over 20 units per month were billed at a rate of \$12.34 per unit.

Sewer, which is measured by water consumption, had a rate increase of 4% over prior year. The first ten units were billed at \$14.89 per unit; and all units over ten units per month were billed at a rate of \$16.38 per unit.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund budgetary highlights are recorded on a budgetary basis and not GAAP.

There were three supplemental appropriations during FY22 resulting in the difference between the original budget and the final amended budget.

- \$116,000 for operations at the recently purchased Community Campus property;
- \$2,200,000 for construction of a Skateboard Park; and
- \$900,000 for McIntyre settlement.

The difference between the final amended and actual budget results is a positive variance of \$6,629,200 with revenues exceeding estimated budgets by \$2,207,688 and expenditures were less than the estimated budget by \$4,421,512. Significant variances include:

- Positive variance in Licenses and Permits of \$322,004 is mainly attributed to an excess of \$100,874 from estimated motor vehicle registrations, \$75,718 in building, electrical and plumbing permits resulting from renovations and new construction citywide, \$52,442 from the Planning Department, and \$75,388 from other permit fees.
- Positive variance in Intergovernmental of \$591,082 is mainly attributed to excess of \$514,197 from an increase of the Rooms and Meals Tax distribution to municipalities from the State, and \$66,590 from School Tuition.
- Positive variance in Charges for Services of \$191,207 is mainly attributed to a surplus of \$253,712 from Police outside detail, \$145,878 from PDA Airport District, \$90,000 from recreation programs, and \$60,000 from welfare reimbursements.
- Positive variance in Other Revenues of \$728,464 is mainly attributed to \$586,905 from unanticipated revenues from Dental and Workers' Compensation Holiday Premium (rebate) from prior year, \$14,896 from ARPA reimbursement for the Senior Center expenditures from prior year, and \$115,530 from rentals and sale of surplus equipment and vehicles.

- Positive variance of \$1,435,258 in the operating expenditures is comprised of \$291,773 in the Police Department, \$228,518 in the Public Works Department, and \$476,255 from other General Government departments, primarily the result of several vacancies. In addition, a \$255,553 surplus in the Welfare Department was the result of a lower than estimated need for emergency and shelter assistance.
- Non-operating expenditures resulting in a net positive variance of \$2,986,254 mainly attributed to the Rockingham County Tax assessment at \$135,991 less than estimated and \$2 million from an appropriation for the Skateboard Park construction that will not be utilized.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$530,911,612 (net of accumulated depreciation), an increase of \$21,613,918 from the prior year. This investment in capital assets includes land, buildings, system improvements, and machinery and equipment. The following comparison shows net capital assets by category:

	Capital Assets (000s) (net of depreciation)									
	Governmental Activities		Business-type Activities		Totals		Amount Change	%		
	2022	2021	2022	2021	2022	2021				
Land	\$ 25,815	\$ 23,402	\$ 3,730	\$ 4,075	\$ 29,545	\$ 27,477	\$ 2,068	7.53%		
Building and improvement	142,571	136,815	61,804	63,396	204,375	200,211	4,164	2.08%		
Machinery and equipment	10,248	10,562	42,969	44,725	53,217	55,287	(2,070)	-3.74%		
Infrastructure	69,352	67,092	107,920	96,622	177,272	163,714	13,558	8.28%		
Construction in Progress	21,948	18,120	44,555	44,489	66,503	62,609	3,894	6.22%		
Total Assets	\$ 269,934	\$ 255,991	\$ 260,978	\$ 253,307	\$ 530,912	\$ 509,298	\$ 21,614	4.24%		

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

- Governmental Activities construction in progress totaled \$21,948,570.
- Governmental Funds capitalization of depreciable assets and land totaled \$20,291,381 summarized as follows:
 - Community Campus;
 - City Hall electrical upgrades;
 - Purchase of Fire Ladder Engine;
 - Maplewood Ave paving and streetscape;
 - Various Road reconstruction; and
 - Various general government vehicles and equipment for Public Works, Police, Fire, and School Departments.

- Business-type Activities construction in progress totaled \$44,554,316; Water Fund \$24,185,223 and Sewer Fund \$20,369,093.
- Water Fund capitalization of assets totaled \$7,981,598 summarized as follows:
 - Maplewood Ave, Pleasant Street, Wild Rose Lane, and Willard Ave waterline replacements; and
 - Various vehicles and equipment replacement.
- Sewer Fund capitalization of assets totaled \$7,218,833 summarized as follows:
 - Maplewood Ave, Pleasant Street, and McDonough Street area sewerline replacements; and
 - Various vehicles and equipment replacement.

Additional information on the City of Portsmouth’s capital assets can be found in Note 11 on pages 73-74 of this report.

Long-term Debt. At the end of the current fiscal year, total bonded debt, including unamortized bond premiums, and State revolving fund loans outstanding, including business-type activities (Water and Sewer Departments) was \$280,989,607 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 Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 96,732	\$ 101,931	\$ 78,133	\$ 68,769	\$ 174,865	\$ 170,700
State revolving fund loans	-	-	87,051	15,355	87,051	15,355
Unamortized premium	<u>11,844</u>	<u>11,287</u>	<u>7,229</u>	<u>6,397</u>	<u>19,073</u>	<u>17,684</u>
Total Debt	<u>\$ 108,576</u>	<u>\$ 113,218</u>	<u>\$ 172,413</u>	<u>\$ 90,521</u>	<u>\$ 280,989</u>	<u>\$ 203,739</u>

The City of Portsmouth’s total debt increased by \$77,250,788 or 37.9% during the current fiscal year. The key factors in this net increase are:

- Reductions of outstanding debt principal in the amount of \$22.1 million;

- The issuance of General Obligation bonds and the refunding of a callable bond \$32.7 million; and
- Permanent financing of the SRF loan of \$76.7 million for the Peirce Island Wastewater Treatment Facility.

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% 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%, for water purposes is 10% 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% 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, 2022, 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 \$8,082,803,530. The debt limit and outstanding debt are as follows:

Debt Limit Calculation						
Purpose	<u>Percent of Allowable Debt Limit</u>	<u>Maximum Debt Limit</u>	<u>Bonds Outstanding including Unamortized</u>		<u>Total Gross Debt as of June 30, 2022</u>	<u>% of Legal Debt Service Used</u>
			<u>Bond Premiums as of June 30, 2022</u>	<u>Authorized Unissued as of June 30, 2022</u>		
Municipal	3.00%	\$242,484,106	\$65,979,297	\$33,007,456	\$98,986,753	41%
Landfill closure (1)	N/A			4,641,897	4,641,897	N/A
School	7.00%	\$565,796,247	42,597,012	-	42,597,012	8%
Water	10.00%	\$808,280,353	38,414,617	8,150,000	46,564,617	6%
Sewer (1)	N/A		133,998,681	8,966,957	142,965,638	N/A
Total		<u>\$1,616,560,706</u>	<u>\$280,989,607</u>	<u>\$54,766,310</u>	<u>\$335,755,917</u>	

(1) Exempt from Debt Limit

Additional information on long-term debt can be found in Note 17 on pages 75-80 of this report.

ECONOMIC CONDITIONS AND NEXT YEAR’S BUDGET AND RATES

As of June 30, 2022, the City of Portsmouth’s unemployment rate was 1.8%. During the same period, Portsmouth’s rate remained lower by comparison to the State of New Hampshire, New England, and the Nation’s unemployment average of 2.0%, 3.5%, and 3.6%, respectively.

The tax rate for Fiscal Year 2023 (Tax Year 2022) has been approved by the Department of Revenue Administration. The tax rate has been set at \$15.20 per \$1,000 of assessed value. This is an increase of \$0.17 or 1.1% from the prior year.

Two one-time revenue sources were used to offset taxes:

- \$3,285,215 from State Adequate Education Grant; and
- \$624,195 Employer contribution reimbursement payment from the New Hampshire Retirement System (NHRS).

On a budgetary basis, the final General Fund budget of \$132,274,911 is an increase of \$5,849,878 or 4.6% from the prior year. This budget includes:

- Use of Committed Fund Balance of \$1,700,000 from debt service reserves and \$100,000 from abatement reserve; and
- Unassigned Fund Balance of \$1,000,000 for McIntyre settlement payment, which was recorded as a liability on June 30, 2022, and a \$500,000 supplemental appropriation voted on November 1, 2022, for the Deer Street Associates settlement payment.

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; therefore, a second tier at the higher rate captures the additional costs incurred to serve them.

The water rate increased by 3% over FY22 as follows:

WATER USER RATES	<u>FY22</u>	<u>FY23</u>
First Tier Rate (10 units or less)	\$4.40	\$4.54
Second Tier Rate (over 10 units)	\$5.30	\$5.46
IRRIGATION USER RATES	<u>FY22</u>	<u>FY23</u>
First Tier Rate (10 units or less)	\$5.30	\$5.46
Second Tier Rate (over 10 units)	\$10.00	\$10.30
Third Tier Rate (over 20 units)	\$12.34	\$12.71

The sewer rate increased by 6% over FY22 as follows:

SEWER USER RATES	<u>FY22</u>	<u>FY23</u>
First Tier Rate (10 units or less)	\$14.89	\$15.78
Second Tier Rate (over 10 units)	\$16.38	\$17.36

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 City'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 the Director of Finance and Administration

City of Portsmouth

1 Junkins Avenue

Portsmouth, New Hampshire 03801

Basic Financial Statements

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Statement of Net Position

June 30, 2022

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets and Deferred Outflows of Resources			
Assets			
Current:			
Cash and short-term investments	\$ 95,238,833	\$ 58,450,368	\$ 153,689,201
Investments	9,091,594	-	9,091,594
Receivables, net of allowance for uncollectibles:			
Property taxes	2,059,939	-	2,059,939
User fees	-	4,806,223	4,806,223
Departmental and other	1,379,413	-	1,379,413
Contributions	-	167,480	167,480
Intergovernmental	2,666,818	404,732	3,071,550
Special assessment	187,069	-	187,069
Loans and interest	18,072	-	18,072
Leases	520,080	-	520,080
Other assets	109,039	-	109,039
Inventory	<u>51,641</u>	<u>266,703</u>	<u>318,344</u>
Total current assets	111,322,498	64,095,506	175,418,004
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	326,537	-	326,537
Contributions	-	128,252	128,252
Special assessment	561,266	-	561,266
Loans and interest	2,668,429	-	2,668,429
Leases	1,828,341	-	1,828,341
Capital assets:			
Land and construction in progress	47,762,795	48,284,533	96,047,328
Other capital assets, net of accumulated depreciation	<u>222,171,227</u>	<u>212,693,057</u>	<u>434,864,284</u>
Total noncurrent assets	<u>275,318,595</u>	<u>261,105,842</u>	<u>536,424,437</u>
Total Assets	386,641,093	325,201,348	711,842,441
Deferred Outflows of Resources			
Related to pension	23,942,724	1,352,485	25,295,209
Related to OPEB	<u>1,397,985</u>	<u>32,535</u>	<u>1,430,520</u>
Total Deferred Outflows of Resources	<u>25,340,709</u>	<u>1,385,020</u>	<u>26,725,729</u>
Total Assets and Deferred Outflows of Resources	\$ <u>411,981,802</u>	\$ <u>326,586,368</u>	\$ <u>738,568,170</u>

(continued)

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Statement of Net Position

June 30, 2022

(continued)	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Current:			
Accounts payable	\$ 4,503,712	\$ 2,991,636	\$ 7,495,348
Accrued liabilities	3,229,578	846,686	4,076,264
Notes payable	10,423,820	1,026,116	11,449,936
Deposits held in custody	-	39,667	39,667
Unearned revenue	12,502,267	332,733	12,835,000
Retainage payable	957,919	688,359	1,646,278
Tax refunds payable	1,686,561	-	1,686,561
Other current liabilities	2,388,281	324,912	2,713,193
Current portion of long-term liabilities:			
Bonds and loans payable	12,624,054	11,207,627	23,831,681
Landfill liability	150,829	-	150,829
Accrued employee benefits	532,638	45,167	577,805
Total current liabilities	<u>48,999,659</u>	<u>17,502,903</u>	<u>66,502,562</u>
Noncurrent:			
Bonds and loans payable, net of current portion	95,952,255	161,205,671	257,157,926
Landfill liability	1,288,567	-	1,288,567
Accrued employee benefits, net of current portion	3,906,009	519,420	4,425,429
Net pension liability	82,805,164	4,766,171	87,571,335
Total OPEB liability	<u>16,939,099</u>	<u>438,894</u>	<u>17,377,993</u>
Total noncurrent liabilities	<u>200,891,094</u>	<u>166,930,156</u>	<u>367,821,250</u>
Total Liabilities	249,890,753	184,433,059	434,323,812
Deferred Inflows of Resources			
Related to pension	24,509,508	1,438,658	25,948,166
Related to OPEB	7,883,103	258,597	8,141,700
Related to leases	<u>2,342,504</u>	<u>-</u>	<u>2,342,504</u>
Total Deferred Inflows of Resources	34,735,115	1,697,255	36,432,370
Net Position			
Net investment in capital assets	158,507,095	109,947,647	268,454,742
Restricted for:			
Public works improvements	3,138,247	-	3,138,247
Education	816,502	-	816,502
Public safety	715,036	-	715,036
Other purposes	2,462,535	-	2,462,535
Permanent funds:			
Nonexpendable	1,633,062	-	1,633,062
Expendable	6,962,034	-	6,962,034
Unrestricted (deficit)	<u>(46,878,577)</u>	<u>30,508,407</u>	<u>(16,370,170)</u>
Total Net Position	<u>127,355,934</u>	<u>140,456,054</u>	<u>267,811,988</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 411,981,802</u>	<u>\$ 326,586,368</u>	<u>\$ 738,568,170</u>

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Statement of Activities

For the Year Ended June 30, 2022

	Program Revenues				
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues</u>	
Governmental Activities					
General government	\$ 17,256,619	\$ 9,853,149	\$ 474,093	\$ -	\$ (6,929,377)
Public safety	21,771,468	1,632,381	686,248	-	(19,452,839)
Education	60,176,866	1,362,520	10,470,886	1,757,196	(46,586,264)
Public works	18,139,049	9,982,426	426,293	1,165,764	(6,564,566)
Health and human services	682,650	170,322	-	-	(512,328)
Culture and recreation	4,772,772	870,160	66,269	48,307	(3,788,036)
Community development	627,514	-	2,200	325,436	(299,878)
Interest on long-term debt	<u>3,767,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,767,100)</u>
Total Governmental Activities	127,194,038	23,870,958	12,125,989	3,296,703	(87,900,388)
Business-Type Activities					
Water services	8,986,385	9,767,614	-	460,641	1,241,870
Sewer services	<u>17,924,650</u>	<u>17,312,782</u>	<u>-</u>	<u>4,819,279</u>	<u>4,207,411</u>
Total Business-Type Activities	<u>26,911,035</u>	<u>27,080,396</u>	<u>-</u>	<u>5,279,920</u>	<u>5,449,281</u>
Total	<u>\$ 154,105,073</u>	<u>\$ 50,951,354</u>	<u>\$ 12,125,989</u>	<u>\$ 8,576,623</u>	<u>\$ (82,451,107)</u>

(continued)

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Statement of Activities

For the Year Ended June 30, 2022

(continued)

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Change in Net Position:			
Net (expenses) revenues from previous page	\$ (87,900,388)	\$ 5,449,281	\$ (82,451,107)
General Revenues and Transfers			
Property taxes	97,948,515	-	97,948,515
Interest on taxes	168,752	-	168,752
Grants and contributions not restricted to specific programs	1,639,197	-	1,639,197
Investment income (loss)	(1,152,364)	159,049	(993,315)
Other revenues	4,522,725	616,261	5,138,986
Transfers in (out), net	<u>311,993</u>	<u>(311,993)</u>	<u>-</u>
Total general revenues and transfers	<u>103,438,818</u>	<u>463,317</u>	<u>103,902,135</u>
Change in Net Position	15,538,430	5,912,598	21,451,028
Net Position			
Beginning of Year	<u>111,817,504</u>	<u>134,543,456</u>	<u>246,360,960</u>
End of Year	<u>\$ 127,355,934</u>	<u>\$ 140,456,054</u>	<u>\$ 267,811,988</u>

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Governmental Funds

Balance Sheet

June 30, 2022

	General <u>Fund</u>	Grants and Contributions <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets				
Cash and short-term investments	\$ 55,129,854	\$ 17,181,616	\$ 22,927,363	\$ 95,238,833
Investments	-	-	9,091,594	9,091,594
Receivables:				
Property taxes	2,386,476	-	-	2,386,476
Departmental and other	948,406	45,750	385,257	1,379,413
Intergovernmental	-	14,683	2,652,203	2,666,886
Special assessment	-	-	748,335	748,335
Loans and interest	-	-	2,686,503	2,686,503
Leases	293,877	1,255,037	799,507	2,348,421
Due from other funds	1,240,181	-	-	1,240,181
Advances to other funds	385,160	-	-	385,160
Other assets	109,038	-	-	109,038
Inventory	-	-	51,641	51,641
Total Assets	\$ <u>60,492,992</u>	\$ <u>18,497,086</u>	\$ <u>39,342,403</u>	\$ <u>118,332,481</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 1,599,959	\$ 451,882	\$ 2,451,929	\$ 4,503,770
Accrued liabilities	2,862,519	-	40,521	2,903,040
Notes payable	-	-	10,423,820	10,423,820
Unearned revenue	-	12,443,194	59,073	12,502,267
Retainage payable	-	41,910	916,009	957,919
Tax refunds payable	1,686,561	-	-	1,686,561
Due to other funds	-	-	1,240,181	1,240,181
Advances from other funds	-	-	385,160	385,160
Other liabilities	<u>2,388,281</u>	<u>-</u>	<u>-</u>	<u>2,388,281</u>
Total Liabilities	8,537,320	12,936,986	15,516,693	36,990,999
Deferred Inflows of Resources				
Unavailable revenues - taxes	774,825	-	-	774,825
Unavailable revenues - ambulance fees	705,159	-	-	705,159
Unavailable revenues - long-term receivables	-	-	3,392,864	3,392,864
Lease related	<u>291,077</u>	<u>1,237,886</u>	<u>813,541</u>	<u>2,342,504</u>
Total Deferred Inflows of Resources	1,771,061	1,237,886	4,206,405	7,215,352
Fund Balances				
Nonspendable	385,160	-	1,684,703	2,069,863
Restricted	-	4,322,214	18,068,722	22,390,936
Committed	23,464,101	-	9,438,901	32,903,002
Assigned	9,178,551	-	-	9,178,551
Unassigned	<u>17,156,799</u>	<u>-</u>	<u>(9,573,021)</u>	<u>7,583,778</u>
Total Fund Balances	<u>50,184,611</u>	<u>4,322,214</u>	<u>19,619,305</u>	<u>74,126,130</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>60,492,992</u>	\$ <u>18,497,086</u>	\$ <u>39,342,403</u>	\$ <u>118,332,481</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, 2022

Total Governmental Fund Balances		\$ 74,126,130
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		269,934,022
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.		4,872,848
• Deferred outflows and inflows of pension resources are not financial resources nor are they available to pay current-period expenditures. Pension related outflows and inflows consist of:		
Deferred outflows		23,942,724
Deferred inflows		(24,509,508)
• Deferred outflows and inflows of OPEB resources are not financial resources nor are they available to pay current-period expenditures. OPEB related outflows and inflows consist of:		
Deferred outflows		1,397,985
Deferred inflows		(7,883,103)
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.		(326,549)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds.		
General obligation bonds and loans payable, including unamortized premiums		(108,576,309)
Estimated liability for landfill postclosure care costs		(1,439,396)
Accrued employee benefits		(4,438,647)
Net pension liability		(82,805,164)
Total OPEB liability		<u>(16,939,099)</u>
Net Position of Governmental Activities		<u>\$ 127,355,934</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, 2022

	General Fund	Grants and Contributions Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 97,702,123	\$ -	\$ -	\$ 97,702,123
Licenses and permits	7,258,604	-	-	7,258,604
Intergovernmental	10,400,157	823,181	5,623,538	16,846,876
Charges for services	6,022,012	51,254	9,326,682	15,399,948
Investment income (loss)	201,845	-	(1,354,209)	(1,152,364)
Interest on taxes	168,752	-	-	168,752
Fines and costs	986,488	8,674	4,723	999,885
Contributions	-	176,817	38,194	215,011
Special assessment	-	-	187,084	187,084
Other	<u>1,936,750</u>	<u>210,663</u>	<u>1,014,509</u>	<u>3,161,922</u>
Total Revenues	124,676,731	1,270,589	14,840,521	140,787,841
Expenditures				
Current:				
General government	11,322,334	1,158,626	703	12,481,663
Public safety	21,842,511	123,531	603,765	22,569,807
Education	53,414,907	-	5,920,002	59,334,909
Public works	7,402,278	1,353,466	4,856,110	13,611,854
Health and human services	717,815	-	-	717,815
Culture and recreation	3,265,890	42,414	1,164,563	4,472,867
Community development	-	2,308	640,250	642,558
Debt service:				
Principal	10,727,000	-	1,090,000	11,817,000
Interest	2,912,841	-	880,013	3,792,854
Capital outlay	1,832,404	83,560	21,182,178	23,098,142
Intergovernmental	<u>5,677,887</u>	<u>-</u>	<u>-</u>	<u>5,677,887</u>
Total Expenditures	<u>119,115,867</u>	<u>2,763,905</u>	<u>36,337,584</u>	<u>158,217,356</u>
Excess (deficiency) of revenues over (under) expenditures	5,560,864	(1,493,316)	(21,497,063)	(17,429,515)
Other Financing Sources (Uses)				
Issuance of bonds	-	-	8,438,400	8,438,400
Issuance of refunding bonds	-	-	9,430,000	9,430,000
Premium on issuance of bonds	132,611	-	742,965	875,576
Premium on issuance of refunding bonds	-	-	1,820,000	1,820,000
Payment on refunding escrow	-	-	(11,250,000)	(11,250,000)
Transfers in	3,000	1,534,566	3,559,178	5,096,744
Transfers out	<u>(4,127,185)</u>	<u>(3,000)</u>	<u>(654,566)</u>	<u>(4,784,751)</u>
Total Other Financing Sources (Uses)	<u>(3,991,574)</u>	<u>1,531,566</u>	<u>12,085,977</u>	<u>9,625,969</u>
Net Change in Fund Balances	1,569,290	38,250	(9,411,086)	(7,803,546)
Fund Balances, at Beginning of Year, as reclassified	<u>48,615,321</u>	<u>4,283,964</u>	<u>29,030,391</u>	<u>81,929,676</u>
Fund Balances, at End of Year	<u>\$ 50,184,611</u>	<u>\$ 4,322,214</u>	<u>\$ 19,619,305</u>	<u>\$ 74,126,130</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, 2022

Net Changes in Fund Balances - Total Governmental Funds	\$ (7,803,546)																												
<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: 80%;">Capital outlay purchases</td> <td style="text-align: right;">24,119,914</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(10,177,073)</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., property taxes and other receivables) differ between the two statements. This amount represents the net change in deferred revenue. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(505,752)</td> </tr> </table> • The issuance of long-term debt 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: 80%;">Issuance of bonds, including refunded bonds</td> <td style="text-align: right;">(17,868,400)</td> </tr> <tr> <td>Premium received on issuance of bonds and refunding bonds</td> <td style="text-align: right;">(2,562,965)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">11,817,000</td> </tr> <tr> <td>Bond premium amortization</td> <td style="text-align: right;">2,005,775</td> </tr> <tr> <td>Deposit to escrow refunding agent</td> <td style="text-align: right;">11,250,000</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">25,754</td> </tr> </table> • Pension and OPEB liabilities, including related outflows and inflows are reported in the Statement of Net Position and the Statement of Activities, but are not reported in governmental funds. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Change in Net pension liability</td> <td style="text-align: right;">35,619,980</td> </tr> <tr> <td>Change in pension related deferred outflows and inflows of resources</td> <td style="text-align: right;">(31,966,290)</td> </tr> <tr> <td>Change in net other post employment benefits liability</td> <td style="text-align: right;">4,337,947</td> </tr> <tr> <td>Change in OPEB related deferred outflows and inflows of resources</td> <td style="text-align: right;">(3,346,388)</td> </tr> </table> • Accrued employee benefits reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">592,474</td> </tr> </table> 		Capital outlay purchases	24,119,914	Depreciation	(10,177,073)		(505,752)	Issuance of bonds, including refunded bonds	(17,868,400)	Premium received on issuance of bonds and refunding bonds	(2,562,965)	Repayments of debt	11,817,000	Bond premium amortization	2,005,775	Deposit to escrow refunding agent	11,250,000		25,754	Change in Net pension liability	35,619,980	Change in pension related deferred outflows and inflows of resources	(31,966,290)	Change in net other post employment benefits liability	4,337,947	Change in OPEB related deferred outflows and inflows of resources	(3,346,388)		592,474
Capital outlay purchases	24,119,914																												
Depreciation	(10,177,073)																												
	(505,752)																												
Issuance of bonds, including refunded bonds	(17,868,400)																												
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Change in pension related deferred outflows and inflows of resources	(31,966,290)																												
Change in net other post employment benefits liability	4,337,947																												
Change in OPEB related deferred outflows and inflows of resources	(3,346,388)																												
	592,474																												
Change in Net Position of Governmental Activities	\$ <u>15,538,430</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 of Other Uses - Budget and Actual

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual <u>Amounts</u>	Variance With <u>Final Budget</u>
	Original <u>Budget</u>	Final <u>Budget</u>		
Revenues and Other Sources:				
Property taxes	\$ 95,629,944	\$ 95,629,944	\$ 95,437,728	\$ (192,216)
Licenses and permits	6,936,600	6,936,600	7,258,604	322,004
Intergovernmental	9,809,075	9,809,075	10,400,157	591,082
Charges for services	5,830,805	5,830,805	6,022,012	191,207
Investment income	150,000	150,000	201,845	51,845
Interest on taxes	170,549	170,549	168,752	(1,797)
Fines and costs	605,000	605,000	986,488	381,488
Other revenues	178,692	178,692	907,156	728,464
Other financing sources:				
Transfers in	1,418,368	1,418,368	1,421,368	3,000
Bond premiums	-	-	132,611	132,611
Use of fund balance:				
To reduce taxes	2,480,000	2,480,000	2,480,000	-
For Skateboard Park	-	2,200,000	2,200,000	-
For McIntyre settlement	-	900,000	900,000	-
For Community Campus operations	-	116,000	116,000	-
Total Revenues and Other Sources	123,209,033	126,425,033	128,632,721	2,207,688
Expenditures and Other Uses:				
Current:				
General administrative	7,924,780	7,989,705	7,513,450	476,255
Other general administrative	1,871,557	1,824,523	1,716,434	108,089
Public works	6,996,470	6,996,470	6,767,952	228,518
Community services	3,871,182	3,871,182	3,572,633	298,549
Regulatory services	1,698,327	1,736,911	1,719,300	17,611
Emergency management	12,080	12,080	6,122	5,958
Police department	12,553,495	12,553,495	12,261,722	291,773
Fire department	9,816,421	9,816,421	9,812,552	3,869
School department	53,492,241	53,551,766	53,547,130	4,636
Non-operating	24,972,480	28,072,480	25,086,226	2,986,254
Total Expenditures and Other Uses	123,209,033	126,425,033	122,003,521	4,421,512
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 6,629,200	\$ 6,629,200

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Proprietary Funds

Statement of Net Position

June 30, 2022

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Assets and Deferred Outflows of Resources			
Assets			
Current:			
Cash and short-term investments	\$ 17,338,121	\$ 41,112,247	\$ 58,450,368
Receivables, net of allowance for uncollectibles:			
User fees	1,735,227	3,070,996	4,806,223
Contributions	145,054	22,426	167,480
Intergovernmental	-	404,732	404,732
Inventory	<u>213,580</u>	<u>53,123</u>	<u>266,703</u>
Total current assets	19,431,982	44,663,524	64,095,506
Noncurrent:			
Contribution receivables, net of current portion	105,000	23,252	128,252
Capital assets:			
Land and construction in progress	25,964,974	22,319,559	48,284,533
Capital assets, net of accumulated depreciation	<u>59,710,336</u>	<u>152,982,721</u>	<u>212,693,057</u>
Total noncurrent assets	<u>85,780,310</u>	<u>175,325,532</u>	<u>261,105,842</u>
Total Assets	105,212,292	219,989,056	325,201,348
Deferred Outflows of Resources			
Related to pension	626,711	725,774	1,352,485
Related to OPEB	<u>16,750</u>	<u>15,785</u>	<u>32,535</u>
Total Deferred Outflows of Resources	<u>643,461</u>	<u>741,559</u>	<u>1,385,020</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 105,855,753</u>	<u>\$ 220,730,615</u>	<u>\$ 326,586,368</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Current:			
Accounts payable	\$ 1,475,102	\$ 1,516,534	\$ 2,991,636
Accrued liabilities	242,894	603,792	846,686
Notes payable	-	1,026,116	1,026,116
Deposits held in custody	15,429	24,238	39,667
Unearned revenue	15,000	317,733	332,733
Retainage payable	350,307	338,052	688,359
Other current liabilities	324,912	-	324,912
Current portion of long-term liabilities:			
Bonds and loans payable	3,417,732	7,789,895	11,207,627
Accrued employee benefits	<u>19,787</u>	<u>25,380</u>	<u>45,167</u>
Total current liabilities	5,861,163	11,641,740	17,502,903
Noncurrent:			
Bonds and loans payable, net of current portion	34,996,885	126,208,786	161,205,671
Net pension liability	2,208,535	2,557,636	4,766,171
Net OPEB liability	221,446	217,448	438,894
Accrued employee benefits, net of current portion	<u>227,547</u>	<u>291,873</u>	<u>519,420</u>
Total noncurrent liabilities	<u>37,654,413</u>	<u>129,275,743</u>	<u>166,930,156</u>
Total Liabilities	43,515,576	140,917,483	184,433,059
Deferred Inflows of Resources			
Related to pension	666,641	772,017	1,438,658
Related to OPEB	<u>134,776</u>	<u>123,821</u>	<u>258,597</u>
Total Deferred Inflows of Resources	801,417	895,838	1,697,255
Net Position			
Net investment in capital assets	56,115,269	53,832,378	109,947,647
Unrestricted	<u>5,423,491</u>	<u>25,084,916</u>	<u>30,508,407</u>
Total Net Position	<u>61,538,760</u>	<u>78,917,294</u>	<u>140,456,054</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 105,855,753</u>	<u>\$ 220,730,615</u>	<u>\$ 326,586,368</u>

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 Net Position

For the Year Ended June 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 8,445,746	\$ 16,907,554	\$ 25,353,300
Licenses and permits	1,071,703	151,835	1,223,538
Departmental revenue	207,715	202,198	409,913
Other revenue	<u>42,450</u>	<u>51,195</u>	<u>93,645</u>
Total Operating Revenues	9,767,614	17,312,782	27,080,396
Operating Expenses			
Personnel services	3,584,565	4,293,254	7,877,819
Non-personnel services	2,063,640	5,415,543	7,479,183
Depreciation	<u>2,202,290</u>	<u>5,047,923</u>	<u>7,250,213</u>
Total Operating Expenses	<u>7,850,495</u>	<u>14,756,720</u>	<u>22,607,215</u>
Operating Income	1,917,119	2,556,062	4,473,181
Nonoperating Revenues (Expenses)			
Investment income	38,845	120,204	159,049
Bond premium amortization	218,174	398,087	616,261
Interest expense	<u>(1,135,890)</u>	<u>(3,167,930)</u>	<u>(4,303,820)</u>
Total Nonoperating Revenues (Expenses), net	<u>(878,871)</u>	<u>(2,649,639)</u>	<u>(3,528,510)</u>
Income Before Contributions and Transfers	1,038,248	(93,577)	944,671
Capital contributions	460,641	4,819,279	5,279,920
Transfers out	<u>-</u>	<u>(311,993)</u>	<u>(311,993)</u>
Change in Net Position	1,498,889	4,413,709	5,912,598
Net Position, at Beginning of Year	<u>60,039,871</u>	<u>74,503,585</u>	<u>134,543,456</u>
Net Position, at End of Year	<u>\$ 61,538,760</u>	<u>\$ 78,917,294</u>	<u>\$ 140,456,054</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, 2022

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 9,785,136	\$ 17,500,705	\$ 27,285,841
Payments to employees for salaries and related benefits	(3,720,456)	(4,212,969)	(7,933,425)
Payments to suppliers for goods and services	(1,742,674)	(6,509,663)	(8,252,337)
Other miscellaneous operating revenue	<u>42,450</u>	<u>51,195</u>	<u>93,645</u>
Net Cash Provided By Operating Activities	4,364,456	6,829,268	11,193,724
Cash Flows From Noncapital Financing Activities:			
Transfers to other funds	<u>-</u>	<u>(311,993)</u>	<u>(311,993)</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	-	(311,993)	(311,993)
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(5,845,701)	(10,132,269)	(15,977,970)
Proceeds from general obligation bonds	6,659,400	8,232,200	14,891,600
Principal payments on bonds and loans	(2,861,528)	(7,454,209)	(10,315,737)
Revolving loan drawdowns	-	2,249,842	2,249,842
Bond premium	540,599	667,798	1,208,397
Capital contributions	856,695	1,011,786	1,868,481
Interest expense	<u>(1,153,551)</u>	<u>(5,558,398)</u>	<u>(6,711,949)</u>
Net Cash Used For Capital and Related Financing Activities	(1,804,086)	(10,983,250)	(12,787,336)
Cash Flows From Investing Activities			
Investment income	<u>38,845</u>	<u>120,204</u>	<u>159,049</u>
Net Cash Provided by Investing Activities	<u>38,845</u>	<u>120,204</u>	<u>159,049</u>
Net Change in Cash and Short-Term Investments	2,599,215	(4,345,771)	(1,746,556)
Cash and Short-Term Investments, Beginning of Year	<u>14,738,906</u>	<u>45,458,018</u>	<u>60,196,924</u>
Cash and Short-Term Investments, End of Year	<u>\$ 17,338,121</u>	<u>\$ 41,112,247</u>	<u>\$ 58,450,368</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 1,917,119	\$ 2,556,062	\$ 4,473,181
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,202,290	5,047,923	7,250,213
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees receivable	104,912	277,558	382,470
Inventory	28,191	(3,813)	24,378
Deferred outflows	206,844	41,513	248,357
Accounts payable	292,775	(1,090,307)	(797,532)
Accrued liabilities	7,127	11,368	18,495
Accrued employee benefits	(72,783)	(57,489)	(130,272)
Net pension liability	(862,477)	(610,635)	(1,473,112)
Net OPEB liability	(58,530)	(45,543)	(104,073)
Deferred inflows	643,928	741,071	1,384,999
Other liabilities	<u>(44,940)</u>	<u>(38,440)</u>	<u>(83,380)</u>
Net Cash Provided By Operating Activities	<u>\$ 4,364,456</u>	<u>\$ 6,829,268</u>	<u>\$ 11,193,724</u>
Schedule of non-cash capital and related financing activities:			
Debt forgiveness	<u>\$ -</u>	<u>\$ 4,044,152</u>	<u>\$ 4,044,152</u>

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, 2022

	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Assets		
Cash and short-term investments	\$ 478,568	\$ 666,388
Investments:		
Fixed income mutual funds	2,360,522	-
Equity mutual funds	6,470,293	-
Other assets	<u>6,963</u>	<u>-</u>
Total Assets	\$ <u>9,316,346</u>	\$ <u>666,388</u>
 Liabilities and Net Position		
Liabilities		
Accounts payable	\$ -	\$ 13,538
 Net Position		
Restricted for:		
Individuals, coalitions, and other governments	<u>9,316,346</u>	<u>652,850</u>
Total Liabilities and Net Position	\$ <u>9,316,346</u>	\$ <u>666,388</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, 2022

	Private Purpose <u>Trust Fund</u>	Custodial <u>Funds</u>
Additions		
Property taxes collected for Rockingham County	\$ -	\$ 5,677,887
Fees collected for State of New Hampshire	-	1,436,268
Investment income (loss)	(1,226,864)	9
Contributions	<u>227,852</u>	<u>824,378</u>
Total Additions	(999,012)	7,938,542
Deductions		
Payments of taxes to Rockingham County	-	5,677,887
Payments of fees to State of New Hampshire	-	1,436,268
Payments to beneficiaries	<u>302,571</u>	<u>873,453</u>
Total Deductions	<u>302,571</u>	<u>7,987,608</u>
Change in Net Position	(1,301,583)	(49,066)
Net Position		
Beginning of year	<u>10,617,929</u>	<u>701,916</u>
End of year	\$ <u><u>9,316,346</u></u>	\$ <u><u>652,850</u></u>

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

CITY OF PORTSMOUTH, NEW HAMPSHIRE
Notes to Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies

The accounting policies of the City of Portsmouth, New Hampshire (the City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the significant policies:

A. Reporting Entity

The City is a municipal corporation governed by an elected City Council, including a Mayor, eight members, and an appointed City Manager. As required by GAAP, these financial statements present the City and applicable component units for which the City is considered to be financially accountable. In fiscal year 2022, it was determined that no entities met the component units requirements of GASB 14 (as amended).

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The City reports the following major governmental funds:

- The *General Fund* is the City'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 *Grants and Contributions Fund* is used to account for funds of the City designated for special purposes.

The proprietary fund financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 an 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 City reports the following major proprietary (enterprise) funds:

- *Water Fund* is used to account for the operation of a water treatment plant, City wells and water system.
- *Sewer 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. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The City 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 parks, scholarships, worthy poor, memorials, and commemorations.
- The *Custodial Funds* account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include taxes and fees collected on behalf of other governments, amounts held for coalitions, and student activity funds.

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 or city council under RSA 47:6, II. The treasurer may invest in participation units in the New Hampshire Public Deposit Investment Pool (NHPDIP) 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.

The City invests in NHPDIP, an external investment pool managed by the State Banking Commission. The portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost.

Investments are carried at fair value, except certificates of deposit and the investment in NHPDIP, which are reported at cost and amortized cost, respectively.

E. Leases

In accordance with GASB Statement No. 87, *Leases*, the discounted value of future lease receipts is included in deferred inflows of resources. The present value of the leases is valued at inception and periodically revalued in accordance with GASB Statement No. 87 and presented as a deferred inflow of resources. These deferred inflows are amortized as lease revenue in a systematic and rational manner over the life of the lease. When the interest rate is not readily determined the City will use the prime rate at the date of inception as the estimated incremental borrowing rate.

F. 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.

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.

G. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method for business-type activities. The costs of governmental fund-type inventory are recorded as an expenditure when purchased rather than when consumed, except for the School Lunch fund, a nonmajor governmental fund, which used the FIFO method valued at cost.

H. Capital Assets

Capital assets, which include buildings, improvements, infrastructure, machinery and equipment, land, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary funds Statement of Net Position. Capital assets are defined by the City as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of 2 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 City is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	5 - 50
Improvements	20
Machinery and equipment	2 - 30
Infrastructure	2 - 65

I. Compensated Absences

It is the City’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 and proprietary fund financial statements.

J. Long-Term Liabilities

All long-term liabilities are reported in the government-wide and proprietary funds Statement of Net Position.

K. 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 current assets/deferred outflows and current liabilities/deferred inflows. 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.

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, consists 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 use either through 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.

L. Use of Estimates

The preparation of basic financial statements in conformity with GAAP 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 revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

M. 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 of each fiscal year. 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 City 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 City 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 establishes 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 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>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>	Excess <u>(Deficiency)</u>
Revenues/Expenditures (GAAP Basis)	\$ 124,676,731	\$ 119,115,867	\$ 5,560,864
Other financing sources/uses (GAAP Basis)	<u>135,611</u>	<u>4,127,185</u>	<u>(3,991,574)</u>
Subtotal (GAAP Basis)	124,812,342	123,243,052	1,569,290
Reverse expenditures of prior year appropriation carryforwards	-	(3,598,599)	3,598,599
Reclassify use of overlay	(2,264,395)	(2,264,395)	-
Use of fund balance	5,696,000	-	5,696,000
Indirect costs from enterprise funds	1,418,368	1,418,368	-
Add end-of-year appropriation carryforwards	-	2,826,983	(2,826,983)
Other reconciling items	<u>(1,029,594)</u>	<u>378,112</u>	<u>(1,407,706)</u>
Budgetary Basis	<u>\$ 128,632,721</u>	<u>\$ 122,003,521</u>	<u>\$ 6,629,200</u>

C. *Deficit Fund Equity*

The City reports deficits in several nonmajor governmental funds. The City's Debt Service Fund had an unassigned fund balance deficit of \$4,307 at June 30, 2022. This deficit will be funded through special assessments not yet due. The Transportation Management Capital Project Fund had an unassigned fund balance deficit of \$1,144,893 and the Building and Infrastructure Capital Project Fund had an unassigned fund balance deficit of \$8,423,821 at June 30, 2022. These capital project fund deficits will be funded through future issuances of bonds.

3. **Deposits and Investments**

A. *Custodial Credit Risk*

The custodial credit risk for deposits or investments is the risk that, in the event of the failure of the bank or counterparty to a transaction, the City will not be able to recover the value of its deposits, investments, 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, 2022, deposits and short-term investments were collateralized by the City's counterparty in the City's name. The City also held \$839,412 in NHPDIP, a state investment pool, which is not subject to custodial credit risk disclosure.

The City's investments are held in the City's name by the City's brokerage firm, which is also the counterparty to these securities.

B. Investment Summary

The following is a summary of the City’s investments as of June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>
Fixed income mutual funds	\$ 4,316,504
Equity mutual funds	<u>13,605,905</u>
Total	<u>\$ 17,922,409</u>

C. 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.

The City’s Investment Policy minimizes credit risk by limiting investments to eligible instruments.

The Trustees of Trust Funds are also required to report annually to the New Hampshire Attorney General any securities retained under the provisions of RSA 31:25c.

As of June 30, 2022, \$4,316,504 of the City’s investments were held in bond mutual funds, with average S&P credit rating of A-.

D. Concentration of Credit Risk

The Trustees of Trust Funds’ 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 exposure, since all investments are in mutual funds.

E. 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.

As of June 30, 2022, \$4,316,504 of the City’s investments were held in bond mutual funds, with average effective duration of 5.53 years.

F. 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.

As of June 30, 2022, the City did not have any investments exposed to foreign currency risk.

G. 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 an asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for the fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identifiable assets or liabilities that are accessible at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs are used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The City has the following fair value measurements as of June 30, 2022:

Investment Type	Amount	Fair value measurements using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Fixed income mutual funds	\$ 4,316,504	\$ 4,316,504	\$ -	\$ -
Equity mutual funds	13,605,905	13,605,905	-	-
Total	\$ 17,922,409	\$ 17,922,409	\$ -	\$ -

4. Property Taxes Receivable

Property taxes were committed in November and were due in two installments, on December 20, 2021 and June 1, 2022. Taxes unpaid by December 21, 2021 and June 2, 2022 accrued interest at 8% until August 30, 2022. A tax lien was recorded on all properties with taxes unpaid as of August 31, 2022, at which time interest began accruing at 14%.

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.

Property taxes receivable at June 30, 2022 by levy year consist of the following:

Property Taxes:	
2021	\$ 2,059,939
Unredeemed Taxes:	
2020	196,970
2019	93,366
2018	2,821
Prior Years	<u>33,380</u>
Total	\$ <u>2,386,476</u>

5. User Fees Receivable

User fees receivable in the Water Fund and Sewer Fund include amounts due from customers for water and sewer usage. User fees receivable are reported net of an allowance for doubtful accounts based on the age of the receivables. Water and sewer delinquent receivables are liened in a similar manner as property taxes, described in Note 4.

User fees receivable and related allowance for doubtful accounts at June 30, 2022 consist of the following:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
Billed user fees	\$ 896,202	\$ 1,490,763	\$ 2,386,965
Unbilled at year end	907,020	1,586,484	2,493,504
Less: Allowance for doubtful accounts	<u>(67,995)</u>	<u>(6,251)</u>	<u>(74,246)</u>
Net Amount	<u>\$ 1,735,227</u>	<u>\$ 3,070,996</u>	<u>\$ 4,806,223</u>

6. Departmental and Other Receivables

Departmental and other receivables represent ambulance, police detail, and other receivables.

	<u>Ambulance</u>	Police <u>Detail</u>	<u>Other</u>	<u>Total</u>
Gross receivable	\$ 2,024,210	\$ 264,177	\$ 464,479	\$ 2,752,866
Less: Allowance for doubtful accounts	<u>(1,319,051)</u>	<u>(54,402)</u>	<u>-</u>	<u>(1,373,453)</u>
Total	<u>\$ 705,159</u>	<u>\$ 209,775</u>	<u>\$ 464,479</u>	<u>\$ 1,379,413</u>

7. Contributions Receivable

Contributions receivable, as reported in business-type funds, represent agreements between the City and the contributors, for which the City has met its purpose restrictions requirements.

Contributions receivable at June 30, 2022 are due as follows:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
Less than one year	\$ 145,054	\$ 22,426	\$ 167,480
One to five years	<u>105,000</u>	<u>23,252</u>	<u>128,252</u>
Total	<u>\$ 250,054</u>	<u>\$ 45,678</u>	<u>\$ 295,732</u>

8. Intergovernmental Receivables

This balance represents reimbursements requested from federal and state agencies for expenditures incurred in fiscal year 2022.

9. Leases Receivable

During the year ended June 30, 2022, the City adopted GASB Statement No. 87, *Leases*. This statement requires the recording of a lease receivable asset and a deferred inflow of resources by the lessor (the City) even in the case of a lease which does not transfer ownership of the leased asset.

At June 30, 2022, the City was the lessor in the following leasing arrangements:

The City leases a portion of land at 680 Peverly Hill Road to Message Center Management, Inc. (MCM). The agreement was initiated on July 14, 2000, and is currently on its fifth extension period, which ends on October 30, 2033. MCM pays the City on a monthly schedule and submits 60% of gross collected receipts that the cell tower generates to the City. The incremental borrowing rate is 3.25%.

The City leases five designated spaces in the Worth Lot to Bluestone Properties of Rye, LLC (Bluestone). The agreement was initiated on October 1, 2021, and continues for a period of 20 years. Bluestone pays the City annually \$3,750 per space for a total annual payment of \$18,750. For years 6 -20 the annual rate will change to equal the hourly rate charged by the City for parking spaces in the Worth Lot during the City's enforcement times as established by the City Council. The incremental borrowing rate is 3.25%.

The City leases a portion of the City Hall Annex / Seybolt Building to the AIDS Response of the Seacoast. The agreement was initiated on August 23, 2018, and terminates on September 30, 2023. Monthly payments of \$1,820 to the City commenced on October 1, 2018, and were due on or before the 10th day of the month. Rent in subsequent years will be based on the square footage multiplied by the lessor's annual operating cost per square foot. The incremental borrowing rate is 3.25%.

In fiscal year 2022, the City took over five leases from the Foundation for Seacoast Health known collectively as the “Community Campus”. The five leases include contracts with the Krempels Center, Seacoast Community School, Seacoast Outright, Child Advocacy Center of Rockingham County, and Southern NH Services, Inc. The incremental borrowing rate is 3.50%. The lease terms are as follows:

Lessee	Lease Term	Year Ending June 30,				Total
		2022	2023	2024	2025	
Krempels Center	4/1/22 - 12/31/23	\$ 12,624	\$ 51,756	\$ 26,508	\$ -	\$ 90,888
Seacoast Community School	4/1/22 - 12/31/24	74,820	303,816	248,814	126,246	753,696
Seacoast Outright	4/1/22 - 12/31/23	2,310	9,474	-	-	11,784
Child Advocacy Center of Rockingham County	4/1/22 - 12/31/23	4,989	20,454	10,476	-	35,919
Southern NH Services, Inc.	4/1/22 - 12/31/23	5,580	22,878	11,718	-	40,176
	Total	\$ <u>100,323</u>	\$ <u>408,378</u>	\$ <u>297,516</u>	\$ <u>126,246</u>	\$ <u>932,463</u>

The total amount of inflows recognized in the reporting period were as follows:

Lessee	Amount
Cell Tower	\$ 118,837
Worth Parking Lot	10,362
AIDS Response	20,101
Community Campus Leases	<u>81,354</u>
Total	\$ <u>230,654</u>

10. Interfund Accounts

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. At June 30, 2022, interfund receivable and payable accounts were as follows:

Fund	Due From Other Funds	Due To Other Funds
Governmental Funds:		
General Fund	\$ 1,240,181	\$ -
Nonmajor Governmental Funds:		
Special Revenue Funds:		
School lunch	-	117,498
School categorical revenues	-	785,572
Police grants	-	332,804
Debt service fund	-	<u>4,307</u>
Total	\$ <u>1,240,181</u>	\$ <u>1,240,181</u>

The balance due to the General Fund from police grants resulted from a short-term loan made to establish working capital. The balance due to General Fund from the remaining special revenue funds results 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, 2022 is as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
Governmental Funds:		
General Fund	\$ 385,160	\$ -
Nonmajor Governmental Funds:		
Special Revenue Funds:		
City trust	<u>-</u>	<u>385,160</u>
Total	<u>\$ 385,160</u>	<u>\$ 385,160</u>

The advance from the General fund, to the City trust, represents a loan agreement signed in fiscal year 2015 for the replacement of the Prescott Park south dock system. The loan will be repaid by the marine maintenance trust.

The City reports interfund transfers between many of its funds. The sum of all transfers presented in the following table agrees with the sum of interfund transfers presented in

the governmental and proprietary fund financial statements. The following is a schedule of interfund transfers made in fiscal year 2022:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,000	\$ 4,127,185
Grants and Contributions Fund	1,534,566	3,000
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Community development	28,600	-
School categorical revenues	1,002,871	-
Prescott Park	390,686	-
Conservation	1,600	-
Stormwater	623,986	-
Swimming pool	150,000	-
Community campus	116,000	-
Library	65,000	-
Library trust	-	65,000
City trust	-	675,566
Capital Project Funds:		
Vehicle/equipment replacement	584,500	-
Technology equipment	874,135	-
Permanent Funds		
City trust	-	192,200
Subtotal Nonmajor Funds	<u>3,837,378</u>	<u>932,766</u>
<u>Business-Type Funds:</u>		
Sewer Fund	<u>-</u>	<u>311,993</u>
Total Business-Type Funds	<u>-</u>	<u>311,993</u>
Grand Total	<u>\$ 5,374,944</u>	<u>\$ 5,374,944</u>

The majority of the transfers out of the General Fund represent the City's practice of funding capital with current year revenues, including a \$584,500 transfer into vehicle/equipment replacement fund and a \$874,135 transfer into the technology equipment fund. A transfer of \$1,002,871 to the school categorical revenues fund represents school department appropriations transferred for special education expenses. The transfer of \$623,986 to the stormwater fund was funded half by the General Fund and half by the Sewer Fund. Prior to 2019, stormwater functions were shown as part of the General Fund portion of public works. However, because of the combined nature of the City's sewer system, stormwater functions were also completed by the City's sewer division.

Other transfers are used to (1) move revenues from the fund that statute or the budget requires to collect them to the fund that statute or the budget requires to expend them, (2) move unrestricted revenues collected in the General Fund to finance various programs and accounted for in other funds, in accordance with budgetary authorizations.

11. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings	\$ 193,920	\$ 9,969	\$ -	\$ 203,889
Improvements	2,439		(1,182)	1,257
Infrastructure	100,591	6,166	(1,297)	105,460
Machinery and equipment	<u>29,890</u>	<u>1,744</u>	<u>(3,944)</u>	<u>27,690</u>
Total capital assets, being depreciated	326,840	17,879	(6,423)	338,296
Less accumulated depreciation for:				
Buildings	(57,227)	(4,160)		(61,387)
Improvements	(2,317)	(53)	1,182	(1,188)
Infrastructure	(33,499)	(3,906)	1,297	(36,108)
Machinery and equipment	<u>(19,328)</u>	<u>(2,058)</u>	<u>3,944</u>	<u>(17,442)</u>
Total accumulated depreciation	<u>(112,371)</u>	<u>(10,177)</u>	<u>6,423</u>	<u>(116,125)</u>
Capital assets, being depreciated, net	214,469	7,702	-	222,171
Capital assets, not being depreciated:				
Land	23,402	2,413	-	25,815
Construction in progress	<u>18,120</u>	<u>9,425</u>	<u>(5,597)</u>	<u>21,948</u>
Total capital assets, not being depreciated	<u>41,522</u>	<u>11,838</u>	<u>(5,597)</u>	<u>47,763</u>
Governmental activities capital assets, net	<u>\$ 255,991</u>	<u>\$ 19,540</u>	<u>\$ (5,597)</u>	<u>\$ 269,934</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Buildings	\$ 81,210	\$ 113	\$ (2,578)	\$ 78,745
Improvements	4	-	-	4
Infrastructure	122,528	13,653	-	136,181
Machinery and equipment	<u>63,788</u>	<u>1,435</u>	<u>(268)</u>	<u>64,955</u>
Total capital assets, being depreciated	267,530	15,201	(2,846)	279,885
Less accumulated depreciation for:				
Buildings	(17,815)	(1,708)	2,578	(16,945)
Improvements	-	-	-	-
Infrastructure	(25,906)	(2,355)	-	(28,261)
Machinery and equipment	<u>(19,063)</u>	<u>(3,188)</u>	<u>265</u>	<u>(21,986)</u>
Total accumulated depreciation	<u>(62,784)</u>	<u>(7,251)</u>	<u>2,843</u>	<u>(67,192)</u>
Capital assets, being depreciated, net	204,746	7,950	(3)	212,693
Capital assets, not being depreciated:				
Land	4,075	-	(345)	3,730
Construction in progress	<u>44,488</u>	<u>11,057</u>	<u>(10,990)</u>	<u>44,555</u>
Total capital assets, not being depreciated	<u>48,563</u>	<u>11,057</u>	<u>(11,335)</u>	<u>48,285</u>
Business-type activities capital assets, net	<u>\$ 253,309</u>	<u>\$ 19,007</u>	<u>\$ (11,338)</u>	<u>\$ 260,978</u>

Depreciation expense was charged to functions of the City as follows:

Governmental Activities	
General government	\$ 279,169
Public safety	878,966
Education	2,815,020
Public works	5,741,149
Culture and recreation	<u>462,769</u>
Total governmental activities	\$ <u>10,177,073</u>
Business-Type Activities	
Water	\$ 2,203,290
Sewer	<u>5,047,923</u>
Total business-type activities	\$ <u>7,251,213</u>

12. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the City that apply to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

13. Accrued Liabilities

Accrued liabilities represent accrued payroll and a reserve for insurance claims in governmental funds, and accrued payroll and accrued interest in proprietary funds. Governmental activities also include accrued interest in government-wide Statement of Net Position.

14. Unearned Revenue

This balance consists primarily of the unspent portion of the American Rescue Plan Act grant that was received prior to the City incurring eligible expenditures.

15. 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.

16. Notes Payable

The City had notes payable during the year ended June 30, 2022 in the Sewer Fund (an enterprise fund). The notes payable are state revolving loans and are used to fund various capital projects within the Sewer Fund. The notes will be permanently funded upon completion of the projects.

The following summarizes activity in notes payable for the year ended June 30, 2022:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance
<u>State Revolving Loan</u>					
Pierce Island WWTF Upgrade Project	2.23%	\$ 78,994,381	\$ 1,773,971	\$ (80,768,352)	\$ -
Sagamore Avenue Sewer Extension	2.00%	550,245	475,871	-	1,026,116
<u>Taxable BAN</u>					
Hanover Parking Facility	3.25%	-	2,000,000	-	2,000,000
Community Campus	3.25%	-	8,423,820	-	8,423,820
Total		\$ <u>79,544,626</u>	\$ <u>12,673,662</u>	\$ <u>(80,768,352)</u>	\$ <u>11,449,936</u>

17. Long-Term Debt

A. Long-Term Debt Supporting Activities

General obligation bonds and state revolving loans, issued by the City for various municipal improvements, are approved by City Council and repaid with property taxes recorded in the General Fund and water and sewer charges recorded in the enterprise funds. The Commerce Way bond issued in fiscal year 2016 is being repaid by the Debt Service Fund, from special assessment revenues. 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, net pension liability, and the total OPEB liability are repaid from the funds that the costs relate to, mostly general, water, and sewer funds.

B. General Obligation Bonds (Public Offerings) and State Revolving Loans (Direct Borrowing)

General obligation bonds and state revolving loans have been issued for both governmental and business-type activities. The City has outstanding general obligation bonds from public offerings totaling \$96,731,900, related to governmental activities. The City has general obligation bonds from public offerings and notes from direct borrowings related to business-type activities totaling \$78,133,100 and \$87,051,207, respectively, related to

business-type activities. General obligation bonds and state revolving loans outstanding at June 30, 2022 are as follows:

Governmental Activities	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate %</u>	<u>Amount Outstanding as of 6/30/22</u>
Refunding High School	\$ 17,325,000	09/15/22	1.40	\$ 1,650,000
Streets Sidewalks, Bridge 2013	2,267,000	06/15/23	2.38	225,000
School Improvements 2013	500,000	06/15/23	2.38	50,000
Facilities, Streets and Sidewalks 2014	5,750,000	06/01/24	1.78	1,150,000
Middle School Construction	3,300,000	06/01/34	2.87	1,980,000
Capital Improvements 2015	3,475,000	06/30/25	2.10	1,035,000
School Facility Improvements 2015	750,000	06/30/25	2.10	225,000
Refunding Library 2015	3,335,000	08/01/25	2.09	1,280,000
Streets, Sidewalks, Bridge 2016	6,100,000	06/15/26	1.87	2,440,000
School Facilities 2016	500,000	05/15/26	1.87	200,000
Little Harbour School Facility Improvement 2016	5,000,000	05/15/26	1.87	3,500,000
Commerce Way 2016	1,524,710	05/15/26	1.87	675,000
Refunding Fire Station 2 Construction and Land	2,332,000	05/15/26	1.87	1,365,000
Refunding Fire Station 2 Improvements	708,500	01/15/29	1.57	488,500
Elementary School Facilities 2017	5,000,000	06/15/37	2.56	3,750,000
Street, Sidewalks, Facilities 2017	6,850,000	06/15/27	1.63	3,425,000
Fire Station 3 Improvements 2017	610,000	06/15/27	1.63	300,000
FY18 Elementary School Facilities	5,000,000	06/15/38	2.93	4,000,000
High School Athletic Field Lighting	550,000	06/15/28	2.23	330,000
Street Sidewalk and Facility	6,200,000	06/15/28	2.24	3,720,000
Foundry Place Parking Facility	23,149,000	06/15/39	2.42	20,470,000
FY18 Elementary School Facilities	4,508,500	06/15/39	2.45	3,820,000
FY18 Fire Boat	164,000	06/15/24	1.39	55,000
FY17 Street, Sidewalks, and Facilities	2,802,000	06/15/29	1.53	1,945,000
FY18 Fire Apparatus	544,000	06/15/24	1.39	210,000
FY18 School Facility Improvements	426,000	06/15/29	1.52	290,000
FY18 Street, Sidewalks, and Facilities	2,018,000	06/15/29	1.53	1,395,000
North Mill Pond	425,600	04/01/31	1.48	380,000
Multi-Purpose Recreation Fields	2,605,600	04/01/41	1.48	2,470,000
City Hall Electrical upgrades	547,200	04/01/41	1.48	515,000
Longmeadow Road Extension	364,000	04/01/41	1.48	345,000
Senior Center construction	1,889,900	04/01/41	1.48	1,800,000
Elementary School Upgrades	1,833,000	04/01/41	1.48	1,740,000
City Wide facility upgrades	917,300	04/01/41	1.48	870,000
Bi-annual sidewalk improvements	364,000	04/01/41	1.48	345,000
City Wide Bridge Improvements	1,101,000	04/01/41	1.48	1,045,000
Maplewood Ave Bridge improvements	454,800	04/01/41	1.48	430,000
Cate Street Connector	1,374,300	04/01/41	1.48	1,310,000
Bi-Annual street Paving	1,833,000	04/01/41	1.48	1,740,000
Police Facility upgrades	364,000	04/01/41	1.48	345,000
School Facilities Improvement	454,800	04/01/41	1.48	430,000
Refunding of the Middle School Bond	5,773,500	04/01/41	1.48	5,125,000
Refunding of the Middle School	9,430,000	12/01/31	0.93	9,430,000
Prescott Park Master Plan	694,000	06/15/42	3.08	694,000
Pease Tradeport St Rehab	694,000	06/15/42	3.08	694,000
Ladder #2 Truck	1,188,500	06/15/32	3.08	1,188,500
School Facilities	459,800	06/15/42	3.08	459,800
Islington Street	1,518,500	06/15/42	3.08	1,518,500
Elementary School Upgrades	1,018,500	06/15/42	3.08	1,018,500
Police Station Upgrade	368,000	06/15/42	3.08	368,000
Banfield Rd Pederstrain Access	459,800	06/15/42	3.08	459,800
Willard Ave Reconstruction	1,111,500	06/15/42	3.08	1,111,500
Union street Reconstruction	925,800	06/15/42	3.08	925,800
Total Governmental Activities				\$ 96,731,900

Business-Type Activities	Original <u>Issue</u>	Serial Maturities <u>Through</u>	Interest <u>Rate %</u>	Amount
				Outstanding as of <u>6/30/22</u>
<u>Water:</u>				
Constitution Avenue	\$ 4,800,000	01/01/22	3.70	\$ 240,000
Spinney Tank	1,162,560	12/01/22	3.73	58,128
Madbury WTP Design	2,000,000	06/01/28	2.49	600,000
Madbury WTP	5,000,000	06/01/32	2.72	2,500,000
Hobb's Hill Water Tank	3,500,000	06/01/34	2.87	2,100,000
Greenland Well & Water Line	4,800,000	06/15/35	2.99	3,120,000
Water System Pressure and Storage	4,100,000	06/15/36	1.87	2,870,000
Refunding Madbury Plant	7,921,500	01/15/29	1.57	5,536,500
Water Line Replacement and Storage	2,250,000	06/15/37	2.55	1,675,000
Water Line Replacement	600,000	06/15/38	2.93	360,000
Water Line Replacement	2,500,000	06/15/38	2.93	2,000,000
Water Line Replacement FY18	426,000	06/15/29	1.52	290,000
Pressure and Storage FY18	1,981,400	06/15/39	2.44	1,680,000
Waterline Replacement	917,300	04/01/41	1.48	870,000
Madbury Well	687,000	04/01/41	1.48	650,000
Water Transmission Main Replacement	228,400	04/01/41	1.48	215,000
Maplewood Ave Area Construction	1,100,900	04/01/41	1.48	1,045,000
Pleasant Street Water Main	699,400	04/01/41	1.48	665,000
New Groundwater Source	454,800	04/01/41	1.48	430,000
Water Transmission Main Replacement	547,200	04/01/41	1.48	515,000
Islington Street Phase 1B	1,514,000	04/01/41	1.48	1,435,000
Reservoir Management	552,800	06/15/42	3.08	552,800
Annual Waterlin Replacement	925,800	06/15/42	3.08	925,800
Islington Phase 2	2,128,900	06/15/42	3.08	2,128,900
Willard Ave	1,664,000	06/15/42	3.08	1,664,000
Union Street	1,387,900	06/15/42	3.08	1,387,900
<u>Sewer:</u>				
Sewer Projects Phase II	8,898,110	12/01/24	1.87	1,334,716
Lower Court Utilities Upgrade	688,563	07/01/27	2.38	206,569
Phase III Sewer	5,508,137	12/01/27	2.38	1,652,441
Sewer-Rye Line Pump Station	1,069,714	11/01/29	2.58	427,885
Sewer-201 Facility Study	1,000,000	01/01/30	2.58	400,000
Bartlett Street	5,290,233	01/01/31	2.62	2,380,605
Sewer WWTP - Plant	8,000,000	09/15/31	2.31	4,000,000
Lincoln 3C	3,929,000	06/15/33	2.38	2,145,000
Lincoln Separation	5,595,874	06/01/33	3.35	3,077,731
Pierce Island WWTP	10,000,000	06/01/34	2.87	6,000,000
Pease WWTP 2014	3,500,000	06/01/34	2.87	2,100,000
Pease WWTP 2015	1,000,000	06/15/35	2.99	650,000
Lafayette Pumping Station	4,000,000	06/15/36	1.87	2,500,000
Sewer Line and Pump Station	900,000	06/15/27	1.63	450,000
Pumping Station	2,500,000	06/15/37	2.56	1,875,000
Sewer Line and Pump Station	1,800,000	06/15/28	2.24	1,080,000
Sewer Line Replacement	3,000,000	06/15/37	2.24	2,400,000
FY18 Pease Wastewater Treatment	6,490,000	06/15/39	2.45	5,515,000
FY18 Consent Decree Mitigation, Annual Sewer Lines	1,361,100	06/15/29	1.53	935,000
Annual Sewer Line Replacement	917,300	04/01/41	1.48	870,000
Pleasant Street Sewer	621,000	04/01/41	1.48	585,000
Maplewood Ave Area	894,000	04/01/41	1.48	850,000
Mechanic Street Pump Station	3,302,700	04/01/41	1.48	3,135,000
Islington Street Phase 1B	1,514,000	04/01/41	1.48	1,435,000
Refunding Peirce Island WWTP	1,260,000	12/01/31	0.09	1,260,000
Annual Sewer Line Replacement	459,800	06/15/42	3.08	459,800
Mechanic Street Pump Station	1,849,500	06/15/42	3.08	1,849,500
Islington Street Phase 2	2,128,900	06/15/42	3.08	2,128,900
Willard Ave	2,775,500	06/15/42	3.08	2,775,500
Annual Union Street	1,018,500	06/15/42	3.08	1,018,500
Peirce Island Wastewater Treatment Facility	76,724,200	04/01/51	2.00	<u>74,173,132</u>
Total Business-Type Activities				\$ <u>165,184,307</u>

C. *Future Debt Service*

The annual payments to retire all general obligation bonds and state revolving loans outstanding as of June 30, 2022 are as follows:

		<u>Governmental Activities</u>			
		<u>General Obligation Bonds</u>			
		<u>(Public Offerings)</u>			
<u>Year Ending June 30,</u>		<u>Principal</u>		<u>Interest</u>	
2023	\$	11,383,400	\$	3,799,721	
2024		9,530,000		3,342,096	
2025		8,885,000		2,912,246	
2026		8,505,000		2,513,146	
2027		7,400,000		2,135,171	
2028 - 2032		27,488,500		6,344,474	
2033 - 2037		17,865,000		2,266,688	
2038 - 2042		5,675,000		376,088	
Total	\$	<u>96,731,900</u>	\$	<u>23,689,630</u>	

		<u>Business-Type Activities</u>					
		<u>General Obligation Bonds</u>		<u>State Revolving Loans (Direct</u>			
		<u>(Public Offerings)</u>		<u>Borrowing)</u>		<u>Total</u>	
<u>Year Ending June 30,</u>		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal</u>	<u>Total Interest</u>
2023	\$	6,021,600	\$ 2,915,575	\$ 4,608,354	\$ 1,839,305	\$ 10,629,954	\$ 4,754,880
2024		6,030,000	2,666,558	4,310,226	1,732,363	10,340,226	4,398,921
2025		6,020,000	2,406,033	4,310,226	1,636,250	10,330,226	4,042,283
2026		5,995,000	2,145,233	3,865,320	1,540,137	9,860,320	3,685,370
2027		5,890,000	1,886,933	3,865,320	1,452,343	9,755,320	3,339,276
2028 - 2032		25,006,500	6,157,807	17,215,778	6,012,657	42,222,278	12,170,464
2033 - 2037		15,830,000	2,377,665	13,068,265	4,357,459	28,898,265	6,735,124
2038 - 2042		7,340,000	568,238	12,788,471	3,069,233	20,128,471	3,637,471
2043 - 2047		-	-	12,788,471	1,790,386	12,788,471	1,790,386
2048 - 2052		-	-	10,230,776	511,539	10,230,776	511,539
Total	\$	<u>78,133,100</u>	<u>\$ 21,124,042</u>	<u>\$ 87,051,207</u>	<u>\$ 23,941,672</u>	<u>\$ 165,184,307</u>	<u>\$ 45,065,714</u>

D. Bond Authorizations/Unissued

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2022 are as follows:

<u>Purpose</u>	<u>Amount</u>
<u>Governmental activities</u>	
Coakley landfill	\$ 4,641,897
2018 Streets and sidewalks	950,000
2019 Streets and sidewalks	4,775,000
2020 Street / sidewalks / facilities	800,000
2021 Fire apparatus	58,635
2021 Outdoor Pool / Islington Street (Phase I)	2,000,000
2022 Prescott Park / Streets and sidewalks	8,300,000
2022 Parking garage	6,300,000
2022 Community Campus	8,423,821
2022 Police facility / rehabilitation	<u>1,400,000</u>
Subtotal governmental	37,649,353
<u>Business-type activities</u>	
2021 Water storage tanks painting	850,000
2022 Water SRF	7,300,000
2022 Sewer SRF	3,550,000
Sewer PIWWTP	1,016,957
2020 Sewer consent mitigation SRF	<u>4,400,000</u>
Subtotal business-type	<u>17,116,957</u>
Total Bond Authorizations / Unissued	<u>\$ 54,766,310</u>

E. Changes in Long-Term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities (in thousands):

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less Current <u>Portion</u>	Equals Long-Term <u>Portion</u>
Governmental Activities						
General obligation bonds (public offerings)	\$ 101,931	\$ 17,868	\$ (23,067)	\$ 96,732	\$ (11,383)	\$ 85,349
Unamortized premium	<u>11,287</u>	<u>2,563</u>	<u>(2,006)</u>	<u>11,844</u>	<u>(1,241)</u>	<u>10,603</u>
Subtotal bonds and loans payable	113,218	20,431	(25,073)	108,576	(12,624)	95,952
Net pension liability	118,425	-	(35,620)	82,805	-	82,805
Total OPEB liability	21,277	-	(4,338)	16,939	-	16,939
Landfill closure	1,440	-	-	1,440	(151)	1,289
Accrued employee benefits	<u>5,031</u>	<u>-</u>	<u>(592)</u>	<u>4,439</u>	<u>(533)</u>	<u>3,906</u>
Totals Governmental Activities	<u>\$ 259,391</u>	<u>\$ 20,431</u>	<u>\$ (65,623)</u>	<u>\$ 214,199</u>	<u>\$ (13,308)</u>	<u>\$ 200,891</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Business-Type Activities						
General obligation bonds (public offerings)	\$ 68,769	\$ 16,152	\$ (6,788)	\$ 78,133	\$ (6,022)	\$ 72,111
State revolving loans (direct borrowing)	15,355	76,724	(5,028)	87,051	(4,608)	82,443
Unamortized premium	<u>6,397</u>	<u>1,448</u>	<u>(616)</u>	<u>7,229</u>	<u>(578)</u>	<u>6,651</u>
Subtotal bonds and loans payable	90,521	94,324	(12,432)	172,413	(11,208)	161,205
Net pension liability	6,239	-	(1,473)	4,766	-	4,766
Total OPEB liability	543	-	(104)	439	-	439
Accrued employee benefits	<u>695</u>	<u>-</u>	<u>(131)</u>	<u>564</u>	<u>(45)</u>	<u>519</u>
Totals Business-Type Activities	<u>\$ 97,998</u>	<u>\$ 94,324</u>	<u>\$ (14,140)</u>	<u>\$ 178,182</u>	<u>\$ (11,253)</u>	<u>\$ 166,929</u>

F. Current Refundings

On October 28, 2021, the City issued general obligation bonds in the amount of \$10,690,000 with a coupon rate of 5.0% to current refund \$12,750,000 of bonds originally dated December 14, 2011 (the 'refunded bonds'), with interest rates ranging from 3.0% to 4.0%. The refunded bonds mature on December 1, 2022 through December 1, 2031 and are callable on December 1, 2021. The general obligation bonds were issued at a true interest cost of 0.9341% and, after paying issuance costs of \$91,475, the net proceeds were \$13,066,155. The net proceeds from the issuance of the general obligation bonds were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called on December 1, 2021. The current refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the City's financial statements.

As a result of the current refunding, the City reduced its total debt service cash flow requirements by \$1,790,989, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,696,309.

Defeased debt still outstanding at June 30, 2022 was \$0.

18. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the City to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$1,439,396 reported as landfill postclosure care liability at June 30, 2022 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2022. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

19. 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 City reports three items as deferred inflows of resources, one which is attributable to the changes in the net pension liability and total OPEB liability, and the other two which arise from the current financial resources' measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes.

Unavailable revenues are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

20. Governmental Fund 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, 2022:

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 management 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, 2022:

	General Fund	Grants and Contributions Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Advance to other funds	\$ 385,160	\$ -	\$ -	\$ 385,160
Inventory	-	-	51,641	51,641
Nonexpendable permanent funds:				
City Trust	-	-	1,629,062	1,629,062
Library Trust	-	-	4,000	4,000
Total Nonspendable	385,160	-	1,684,703	2,069,863
Restricted				
Public works improvements	-	1,593,201	-	1,593,201
Telecommunications tower license	-	545,046	-	545,046
US route 1 and constitution ave expansion	-	500,000	-	500,000
Ocean road improvements	-	500,000	-	500,000
Public safety grants	-	456,533	-	456,533
Planning	-	227,294	-	227,294
Other miscellaneous grants and contributions	-	500,140	-	500,140
Bonded projects and capital contributions	-	-	7,534,624	7,534,624
Community development	-	-	1,312,817	1,312,817
Education	-	-	569,647	569,647
School lunch	-	-	246,855	246,855
Police and fire	-	-	258,503	258,503
Recreation	-	-	357,274	357,274
Community campus	-	-	65,010	65,010
Trusts for education and recreation	-	-	761,958	761,958
Expendable permanent funds:				
City Trust	-	-	6,962,034	6,962,034
Total Restricted	-	4,322,214	18,068,722	22,390,936
Committed				
Debt service	10,760,766	-	-	10,760,766
Health insurance	7,367,014	-	-	7,367,014
Tax appraisal	3,434,041	-	-	3,434,041
Compensated absences	704,455	-	-	704,455
Coakley landfill	619,645	-	-	619,645
Future Statewide Property Tax Coalition Fund	578,180	-	-	578,180
Parking and transportation	-	-	5,644,303	5,644,303
Portwalk Place services and repairs	-	-	137,016	137,016
Conservation	-	-	1,162,753	1,162,753
Stormwater	-	-	304,860	304,860
Recreation	-	-	157,993	157,993
Other capital project funds	-	-	2,031,976	2,031,976
Total Committed	23,464,101	-	9,438,901	32,903,002
Assigned				
Capital	5,884,129	-	-	5,884,129
Contingency	617,538	-	-	617,538
Police	344,540	-	-	344,540
Public works	295,555	-	-	295,555
IT upgrades and replacements	546,019	-	-	546,019
Professional services	409,453	-	-	409,453
Skateboard park	200,000	-	-	200,000
Landfill closure	259,177	-	-	259,177
Other purposes	622,140	-	-	622,140
Total Assigned	9,178,551	-	-	9,178,551
Unassigned				
	17,156,799	-	(9,573,021)	7,583,778
Total Fund Balance	\$ 50,184,611	\$ 4,322,214	\$ 19,619,305	\$ 74,126,130

21. 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).

The following pension disclosures for the New Hampshire Retirement System pension plan are based upon an actuarial valuation performed as of June 30, 2020, using a measurement date of June 30, 2021.

A. Plan Description

Full-time employees participate in the 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 provides 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 NHRS, 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 at www.nhrs.org.

B. Benefits Provided

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service, and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012, the benefit is calculated the same way but the multiplier

used in the calculation will change depending on age and years of creditable service, as follows:

Years of creditable service as of <u>January 1, 2012</u>	Minimum <u>Age</u>	Minimum <u>Service</u>	Benefit <u>Multiplier</u>
At least 3 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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 contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100 - A:16, III, which is 13.75% for employees, 19.48% for teachers, 30.67% for police, and 29.78% for fire. The City's contribution to NHRS for the year ended June 30, 2022 was \$11,392,339 (exclusive of a \$822,041 medical subsidy contribution), 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 pension, 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, 2022, the City reported a liability of \$87,571,335 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the City's proportion was 1.98%.

For the year ended June 30, 2022, the City recognized pension expense of \$7,574,011. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to measurement date	\$ 11,155,417	\$ -
Changes in proportion and differences between employer contributions and share of contributions	2,541,336	539,660
Difference between expected and actual experience	2,452,124	916,811
Net difference between projected and actual investment earnings	-	24,491,695
Changes of assumptions	<u>9,146,332</u>	<u>-</u>
Total	<u>\$ 25,295,209</u>	<u>\$ 25,948,166</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as an increase (decrease) in pension expense as follows:

Year ended June 30:	
2023	\$ (1,201,074)
2024	(1,145,104)
2025	(1,749,388)
2026	<u>(7,712,808)</u>
Total	<u>\$ (11,808,374)</u>

F. Actuarial Assumptions and Other Inputs

The collective total pension liability as of June 30, 2021, which was based on a roll-forward of the June 30, 2020 valuation was determined using the following actuarial assumptions:

Price inflation	2.00%
Wage Inflation	2.75%, (2.25% for teachers)
Salary increases	5.60% average, including inflation
Investment rate of return	6.75%, net of investment expense, including inflation

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (police and fire combined) and projected fully generational mortality improvements using scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

G. Target Allocation

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 following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long-Term Expected Real Rate of Return</u>
Large cap equities	22.50 %	6.46%
Small/mid cap equities	<u>7.50</u>	1.14%
Total domestic equities	30.00	
Int'l equities (unhedged)	13.00	5.53%
Emerging int'l equities	<u>7.00</u>	2.37%
Total international equities	20.00	
Core U.S. fixed income	<u>25.00</u>	3.60%
Total fixed income	25.00	
Private equity	10.00	8.85%
Private debt	<u>5.00</u>	7.25%
Total alternative investments	15.00	
Real estate	<u>10.00</u>	6.60%
Total	<u>100.00</u> %	

H. *Discount Rate*

The discount rate used to measure the total pension liability was 6.75%. 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.

I. *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 6.75%, as well as what the City’s proportionate share of the net pension liability would be if it was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	Current Discount Rate	
1% Decrease <u>(5.75%)</u>	<u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
\$125,237,028	\$ 87,571,335	\$56,151,997

J. *Pension Plan Fiduciary Net Position*

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

22. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

A. *City OPEB Plan*

All the following OPEB disclosures for the City OPEB Plan are based on a measurement date of June 30, 2022.

General Information about the OPEB Plan

Plan Description

The City indirectly provides postemployment healthcare for retired employees through an implicit rate covered by current employees. Retirees of the City who participate in this single-employer plan pay 100% of the healthcare premiums to participate in the City’s healthcare program. Since they are included in the same pool as active employees, the insurance rates are implicitly higher for current employees due to the age consideration.

This increased rate is an implicit subsidy the City pays for the retirees. This is a single-employer plan, that does not issue a standalone financial report.

The benefits, benefit levels, employee contributions, and employer contributions are based on requirements of the New Hampshire Retirement System (NHRS) and governed by RSA 100-A:50. The OPEB Plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

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

Plan Membership

At June 30, 2022 (the last full valuation date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	55
Active employees	<u>708</u>
Total	<u><u>763</u></u>

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022. Interim year valuation results have been projected from the prior year’s valuation, with adjustments for actual premium changes. The following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00% per year
Salary increases	2.75% for wage inflation plus merit/productivity growth, which are based on the Employees, Police, Fire, and Teachers rates used in the New Hampshire Retirement System actuarial valuation as of June 30, 2021
Discount rate	4.09% as of June 30, 2021; 2.19% as of July 1, 2021
Healthcare cost trend rates	7.5% for fiscal year ending June 30, 2022, decreasing 0.50% for 7 years, to an ultimate 4.5% in 2028

The discount rate was based on Bond Buyer Go 20 – Bond Municipal Bond Index at June 30, 2022.

Mortality rates were based on the following:

- Police and fire participants: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021.
- All other participants: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021.
- Surviving spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021.

The actuarial assumptions used in the valuation were based on the results of the City's historical experience.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Total OPEB Liability

The City's total OPEB liability of \$9,724,949 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022.

Changes in the Total OPEB Liability

The following summarizes the changes to the total OPEB liability for the past year:

	Total OPEB <u>Liability</u>
Balance, beginning of year	\$ 13,573,681
Changes for the year:	
Service cost	893,568
Interest	309,905
Differences between expected and actual experience	(2,762,635)
Changes in assumptions	(1,653,469)
Benefit payments	<u>(636,101)</u>
Net Changes	<u>(3,848,732)</u>
Balance, end of year	\$ <u>9,724,949</u>

Changes in assumptions reflect a change in the discount rate from 2.19% in 2021 to 4.09% in 2022.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1%</u> <u>Decrease</u>	Current Discount <u>Rate</u>	<u>1%</u> <u>Increase</u>
\$ 10,445,991	\$ 9,724,949	\$ 9,055,185

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it was calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1%</u> <u>Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	<u>1%</u> <u>Increase</u>
\$ 8,796,796	\$ 9,724,949	\$ 10,793,697

OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized an OPEB expense of \$(25,767). At June 30, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 4,874,838
Change in assumptions	<u>625,741</u>	<u>3,169,665</u>
Total	<u>\$ 625,741</u>	<u>\$ 8,044,503</u>

The amounts reported as deferred outflows and inflows of resources (other than contributions subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2023	\$ (1,229,240)
2024	(1,229,240)
2025	(1,229,234)
2026	(1,130,251)
2027	(1,021,078)
Thereafter	<u>(1,579,719)</u>
Total	\$ <u>(7,418,762)</u>

B. New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB Plan

Plan Description

In addition to the OPEB plan discussed in Note 22A, the City participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer, defined benefit postemployment medical subsidy healthcare plan designated in statute by membership type. The four membership groups are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plan.

NHRS issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their website at <http://www.nhrs.org>.

Benefits Provided

The OPEB plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Group I benefits are based on creditable service, age, and retirement date. Group II benefits are based on hire date, age, and creditable service. The OPEB plan is closed to new entrants.

The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. The monthly Medical Subsidy rates are:

1 Person - \$375.56
2 Person - \$751.12
1 Person Medicare Supplement - \$236.84
2 Person Medicare Supplement - \$473.68

Contributions

Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The City contributed 0.31% of gross payroll for Group I employees, 1.54% of gross payroll for Group I teachers, and 3.21% of gross payroll for Group II fire and police department members, respectively. Employees are not required to contribute. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the medical subsidy plan.

Actuarial Assumptions and Other Inputs

Actuarial assumptions for the collective total OPEB liability are the same as the NHRS, which is disclosed in Note 21.

Net OPEB Liability, Expense, and Deferred Outflows and (Inflows)

The City's proportionate share of the total NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2021 was \$7,653,044, representing 1.91%.

For the year ended June 30, 2022, the City recognized an OPEB expense related to the NHRS Medical Subsidy of \$476,622. At June 30, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Contributions subsequent to the measurement date	\$ 803,786	\$ -
Changes in proportion	993	-
Differences between expected and actual experience	-	1,597
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>95,600</u>
Total	<u>\$ 804,779</u>	<u>\$ 97,197</u>

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows and inflows of resources related to the total OPEB liability will be recognized as increase (decrease) in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2023	\$ (22,471)
2024	(20,090)
2025	(22,515)
2026	<u>(31,128)</u>
Total	\$ <u>(96,204)</u>

Sensitivity of the Total NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability calculated using the discount rate of 6.75%, as well as what the net OPEB liability would be if it was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 8,319,462	\$ 7,653,044	\$ 7,073,220

Healthcare Cost Trend Rate

Health care cost trend rates are not applicable given that the benefits are fixed stipends.

C. Consolidation of Total OPEB Liabilities and Related Deferred Outflows and (Inflows)

The following consolidates the City's total OPEB liability and related deferred outflows/(inflows) and OPEB expense, and the City's proportionate share of the NHRS Medical Subsidy net OPEB liability and related deferred outflows/(inflows) and OPEB expense at June 30, 2022:

	<u>Total OPEB Liability</u>	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred Inflows of Resources</u>	<u>Total OPEB Expense</u>
City OPEB Plan	\$ 9,724,949	\$ 625,741	\$ 8,044,503	\$ (25,767)
Proportionate share of NHRS Medical Subsidy Plan	<u>7,653,044</u>	<u>804,779</u>	<u>97,197</u>	<u>476,622</u>
Total	\$ <u>17,377,993</u>	\$ <u>1,430,520</u>	\$ <u>8,141,700</u>	\$ <u>450,855</u>

23. Deferred Compensation Plans

The City offers its employees voluntary participation in various 457(b) plans. The City does not contribute to such plans. The plans permit full-time employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, or death. The investments are self-directed by employees.

24. 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 two Consent Decrees (Decrees) with the United States Environmental Protection Agency (EPA). The Decrees commit 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 Decrees 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 Decrees. 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 and is paid in full. The City also received state aid payments in connection with the project in the total amount of \$943,644 which was paid 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.

It is not estimated that the remediation required by the Consent Decrees will be completed prior to 2035 or 2040. With emerging contaminants such as PFAs as well as 1,4- Dioxane, it is possible that the completion of the project will be extended beyond that time. Currently, regulatory agencies are contemplating what if any remediation will be required to deal with these new issues. As in the past, costs for taking mandated remediation efforts will be paid by a system of assessments made against the parties to the Consent Decrees and to the Participating Parties agreements. It is not possible to predict with any degree of certainty what the regulatory agencies might require in the future or what share of those costs would be assessed against the City. However, it is believed that the overwhelming majority of remediation expenses occurred in the past during times of heavy construction at the site and that future costs will be of significantly lower amounts.

Greenleaf Avenue Realty Trust – Between 1967 and 1968 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. In 2010, 150 Greenleaf Avenue Realty Trust commenced a legal action against the City of Portsmouth with multiple claims sounding in trespass, nuisance and inverse condemnation related to the construction of a municipal sewer line across the property in the late 1960s and the alleged unlawful detention of water on his property. In February 2017, a New Hampshire Superior Court jury awarded \$3.57 million on various claims, the sole damages for which were lost profits. The City vigorously contested many issues throughout the course of litigation including those related to the applicability and calculation of lost profits. The City and the plaintiff filed appeals to the New Hampshire Supreme Court.

Separate from but related to the 150 Greenleaf Avenue Realty Trust litigation, the City took by eminent domain a portion of the property at 150 Greenleaf Avenue in order to acquire the rights to maintain the sewer line, detain water for stormwater purposes and protect wetlands. The owner successfully contested the City's right to take that action at the superior court level. That determination was also appealed to the New Hampshire Supreme Court.

In January of 2020, the New Hampshire Supreme Court ruled on both pending appeals. In the sewer line case, the Court vacated the jury award of \$3.57 million but ruled against the City on the trespass issues. The case has been remanded and litigation is likely to continue for some years. In the eminent domain matter, the Court upheld the decision of the Superior Court and the matter is before the New Hampshire Board of Tax and Land Appeals (BTLA) for a determination of damages owed by the City based on fair rental value of the land temporarily taken. The BTLA rejected the landowner's claim for over \$2 million in fees and damages and instead awarded the amount the City argued was due in damages approximately \$200,000. The landowner has exercised his statutory right to have the Superior Court hear the matter de novo.

The City has finished preliminary design to construct a sewer pump station in order to remove the sewer pipe from the plaintiff's property to resolve the trespass. The plaintiff however has recently blocked the City's efforts to construct the pump station by appealing to the Superior Court the grant of a local conditional use permit to allow the construction of the pump station within a wetland buffer.

SoBow Square, LLC v. City – In the downtown of the City of Portsmouth there is a building owned by the United States Government called the McIntyre Federal Building (McIntyre). The Federal Government has removed its operations entirely from the McIntyre Building. It is anticipated that it will be conveyed to the City of Portsmouth under the so-called Federal Monument Program. In connection with that process, the City of Portsmouth entered a Development Agreement dated August 29, 2019, with SoBow Square, LLC under which it was contemplated that after acquisition of the property by the City it would then be the subject of a Ground Lease to SoBow Square, LLC and a major redevelopment. The City and SoBow Square, LLC were thus development partners for the project. When progress under the Development Agreement was not proceeding in a manner sought by SoBow Square, LLC that entity brought suit against the City of Portsmouth for breach of contract by complaint dated March 11, 2020. SoBow Square, LLC indicated in writing that its lawsuit was seeking in the “tens of millions” of dollars.

With the case pending in court, the parties engaged in serious settlement discussions for more than a year. However, when these discussions were not fruitful on, November 18, 2021 the Portsmouth City Council voted to terminate the Development Agreement. This lawsuit has been settled. The City agreed to pay SoBow Square, LLC., \$2 million and entered into a new agreement with SoBow Square, LLC., to continue to work together towards the City's acquisition of the building through the Federal Monument program and the development of the building by SoBow Square, LLC. Currently, a new design for the project has been completed and financial responsibilities are being negotiated between the parties. The National Park Service Application for the Monument Program requires detail regarding how the development project will be funded.

This \$2 million settlement is partially paid with the remainder to be paid over the next two fiscal years. As long as both parties continue to work in good faith on this project, no future lawsuits regarding this matter are anticipated.

DSA v. City - The City of Portsmouth and Deer Street Associates (DSA), also known as G.L. Rogers, Inc., Foundry Place LLC and Foundry Place Hotel Owner, LLC, have arrived at an agreement to settle a breach of contract lawsuit initiated by DSA in March 2021. On October 17, 2022, the City Council voted to authorize the City Manager to execute the settlement agreement, the payment of \$500,000 by the City to DSA, and a limited release of liability on behalf of the City.

When the City purchased the land on which the Foundry Garage now sits from DSA in 2016, the two parties entered into a certain Post Closure Obligations Agreement (PCOA).

The PCOA required, in part, that the City provide DSA with 68 paid parking passes in the Foundry Garage. DSA alleged that the City breached the PCOA when the City Council voted against entering into an agreement to provide parking passes to DSA on November 23, 2020. This lawsuit was pending in Rockingham County Superior Court and was scheduled for trial in 2023. This settlement agreement concludes that litigation.

Other legal matters – In addition to the above, there are various suits pending in courts within the State of New Hampshire in which the City is a defendant. In the opinion of Counsel for the City, no litigation is pending, or to Counsel’s 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.

Encumbrances – At year-end the City’s General Fund has \$9,178,551 in encumbrances that will be honored in the next fiscal year.

25. Beginning Fund Balance Reclassification

Beginning fund balances were reclassified as follows due to GASB 34 classification of major funds:

Fund Financial Statements:

	Fund Balance 6/30/2021 (as previously reported)	<u>Reclassification</u>	Fund Balance 6/30/2021 (as reclassified)
Nonmajor Governmental Funds	\$ 33,314,355	\$ (4,283,964)	\$ 29,030,391
Grants and Contributions Fund	<u>-</u>	<u>4,283,964</u>	<u>4,283,964</u>
Total	<u>\$ 33,314,355</u>	<u>\$ -</u>	<u>\$ 33,314,355</u>

26. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (P3s and APAs), and Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), effective for the City beginning with its fiscal year June 30, 2023. These statements establish new reporting and disclosure requirements for P3s, APAs and SBITAs. Management is currently evaluating the impact of implementing these GASB pronouncements.

27. Subsequent Events

The City has evaluated subsequent events through December 22, 2022, the date the financial statements were available to be issued and determined that any subsequent events that would have required disclosure have been considered in the preparation of these financial statements.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Required Supplementary Information

Schedule of Proportionate Share
of the Net Pension Liability
(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</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 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, 2022	June 30, 2021	1.98%	\$ 87,571,335	\$ 56,437,810	155.16%	72.22%
June 30, 2021	June 30, 2020	1.95%	\$ 124,664,427	\$ 53,997,615	230.87%	58.72%
June 30, 2020	June 30, 2019	1.94%	\$ 93,399,589	\$ 49,698,886	187.93%	65.59%
June 30, 2019	June 30, 2018	1.92%	\$ 92,668,486	\$ 48,895,625	189.52%	64.73%
June 30, 2018	June 30, 2017	1.87%	\$ 92,175,747	\$ 48,508,941	190.02%	62.66%
June 30, 2017	June 30, 2016	1.86%	\$ 98,937,025	\$ 45,846,939	215.80%	58.30%
June 30, 2016	June 30, 2015	1.86%	\$ 73,723,357	\$ 43,883,269	168.00%	65.47%
June 30, 2015	June 30, 2014	1.84%	\$ 68,991,223	\$ 42,543,250	162.17%	66.32%

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

See notes to the City's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Required Supplementary Information

Schedule of Pension Contributions

(Unaudited)

New Hampshire Retirement System

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2022	\$ 11,392,339	\$ 11,392,339	\$ -	\$ 58,477,323	19.5%
June 30, 2021	\$ 9,075,480	\$ 9,075,480	\$ -	\$ 56,437,810	16.1%
June 30, 2020	\$ 8,665,646	\$ 8,665,646	\$ -	\$ 53,997,615	16.0%
June 30, 2019	\$ 8,447,361	\$ 8,447,361	\$ -	\$ 49,698,886	17.0%
June 30, 2018	\$ 8,134,040	\$ 8,134,040	\$ -	\$ 48,895,625	16.6%
June 30, 2017	\$ 8,074,117	\$ 8,074,117	\$ -	\$ 48,508,941	16.6%
June 30, 2016	\$ 6,866,210	\$ 6,866,210	\$ -	\$ 45,846,939	15.0%
June 30, 2015	\$ 6,662,274	\$ 6,662,274	\$ -	\$ 43,883,269	15.2%

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

See notes to the City's financial statements for summary of significant actuarial methods and assumptions

See Independent Auditor's Report.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Required Supplementary Information

Schedule of Proportionate Share and Contributions of the Net OPEB Liability
(Unaudited)

Schedule of Proportionate Share

New Hampshire Retirement System Medical Subsidy

Fiscal Year	Measurement Date	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total OPEB Liability
June 30, 2022	June 30, 2021	1.91%	\$ 7,653,044	\$ 56,437,810	13.56%	11.06%
June 30, 2021	June 30, 2020	1.88%	\$ 8,246,332	\$ 53,997,615	15.27%	7.74%
June 30, 2020	June 30, 2019	1.89%	\$ 8,296,898	\$ 49,698,886	16.69%	7.75%
June 30, 2019	June 30, 2018	1.89%	\$ 8,625,408	\$ 48,895,625	17.64%	7.53%
June 30, 2018	June 30, 2017	1.75%	\$ 8,021,348	\$ 48,508,941	16.54%	7.91%
June 30, 2017	June 30, 2016	1.75%	\$ 8,490,288	\$ 45,846,939	18.52%	5.21%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy

Fiscal Year	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2022	\$ 822,041	\$ 822,041	-	\$ 58,477,323	1.41%
June 30, 2021	\$ 915,833	\$ 915,833	-	\$ 56,437,810	1.62%
June 30, 2020	\$ 853,498	\$ 853,498	-	\$ 53,997,615	1.58%
June 30, 2019	\$ 833,310	\$ 833,310	-	\$ 49,698,886	1.68%
June 30, 2018	\$ 1,039,787	\$ 1,039,787	-	\$ 48,895,625	2.13%

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

See notes to the City's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

CITY OF PORTSMOUTH, NEW HAMPSHIRE
Required Supplementary Information

Other Post-Employment Benefits - City Plan
Schedule of Changes in the Total OPEB Liability
(Unaudited)

Schedule of Changes in Total OPEB Liability

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service cost	\$ 893,568	\$ 860,752	\$ 1,032,861	\$ 982,172	\$ 1,004,806
Interest on unfunded liability - time value of money	309,905	371,203	593,708	646,717	590,211
Differences between expected and actual experience	(2,762,635)	(959,321)	(1,092,644)	(1,314,662)	(887,452)
Changes of assumptions	(1,653,469)	474,758	(2,719,864)	441,310	95,546
Benefit payments, including refunds of member contributions	<u>(636,101)</u>	<u>(532,415)</u>	<u>(668,753)</u>	<u>(536,933)</u>	<u>(574,642)</u>
Net change in total OPEB liability	(3,848,732)	214,977	(2,854,692)	218,604	228,469
Total OPEB liability - beginning	<u>13,573,681</u>	<u>13,358,704</u>	<u>16,213,396</u>	<u>15,994,792</u>	<u>15,766,323</u>
Total OPEB liability - ending	<u>\$ 9,724,949</u>	<u>\$ 13,573,681</u>	<u>\$ 13,358,704</u>	<u>\$ 16,213,396</u>	<u>\$ 15,994,792</u>
Covered employee payroll	\$ 57,679,936	\$ 56,136,191	\$ 54,633,763	\$ 45,387,789	\$ 44,280,770
Total OPEB liability as a percentage of covered employee payroll	16.9%	24.2%	24.5%	35.7%	36.1%

There are no assets accumulated in a trust that meets the criteria of GASB codification P52.101 to pay related benefits for the OPEB plan.

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

See notes to the City's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

Combining Financial Statements

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Special revenue funds are established for the following purposes:

- Community Development: to account for the use of Community Development Block Grant Funds as received from the federal government through the New Hampshire Office of State Planning. Current grants are mainly designed for City of Portsmouth economic development, housing rehabilitation, public service, and public facilities.
- School Lunch: to account for local funds and funds received from the federal and state government to provide lunches at City of Portsmouth schools.
- School Categorical Revenues: to account for funds received from the federal and state government for special programs and projects at City of Portsmouth schools.
- Police Grants: to account for federal and state grants for the Police Department.
- Prescott Park: to account for maintenance costs associated with the park. The fund is funded by the Josie F. Prescott trust, Marine Maintenance trust, a transfer from the General Fund, and revenues generated from weddings and license agreements.
- 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.
- Stormwater: to account for funds dedicated to improving water quality in drainage areas by management of stormwater and combined sewer/stormwater systems.
- Recreation: to account for fees collected for sports and other recreational activities and related expenditures.
- Swimming Pool: to account for operations of the City's indoor swimming pool.

- Community Campus: to account for public works and recreation activity at the Community Campus Complex.
- 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 capital project funds are 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.
- Building and Infrastructure: to account for building and infrastructure improvements.

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 the City's 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.

DEBT SERVICE FUNDS

Debt service funds are established to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources. The following is a description of the City's Debt Service Fund:

- Debt Service Fund: to account for the betterment improvement on Commerce Way.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

	Special Revenue Funds				
	Community <u>Development</u>	School <u>Lunch</u>	School Categorical <u>Revenues</u>	Police <u>Grants</u>	Prescott <u>Park</u>
Assets					
Cash and short-term investments	\$ 968,518	\$ 95,706	\$ -	\$ -	\$ 59,351
Investments	-	-	-	-	-
Receivables:					
Departmental and other	-	332,960	44,297	-	4,917
Intergovernmental	-	-	1,310,922	525,516	-
Special assessment	-	-	-	-	-
Loans and interest	1,318,428	-	-	-	-
Leases	-	-	-	-	-
Inventory	-	51,641	-	-	-
Total Assets	\$ 2,286,946	\$ 480,307	\$ 1,355,219	\$ 525,516	\$ 64,268
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 12,437	\$ 5,240	\$ -	\$ -	\$ 25,172
Accrued liabilities	-	-	-	-	6,884
Notes payable	-	-	-	-	-
Unearned revenue	-	59,073	-	-	-
Retainage payable	-	-	-	-	-
Due to other funds	-	117,498	785,572	332,804	-
Advances from other funds	-	-	-	-	-
Total Liabilities	12,437	181,811	785,572	332,804	32,056
Deferred Inflows of Resources					
Unavailable revenues - long-term receivables	1,266,410	-	-	-	16,896
Lease related	-	-	-	-	-
Total Deferred Inflows of Resources	1,266,410	-	-	-	16,896
Fund Balances					
Nonspendable	-	51,641	-	-	-
Restricted	1,008,099	246,855	569,647	192,712	15,316
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	1,008,099	298,496	569,647	192,712	15,316
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,286,946	\$ 480,307	\$ 1,355,219	\$ 525,516	\$ 64,268

(continued)

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

(continued)

	Special Revenue Funds					
	Seizure	Parking and Transportation	Portwalk Place	Housing Subsidy	Conservation	Stormwater
Assets						
Cash and short-term investments	\$ 60,960	\$ 5,769,620	\$ 137,016	\$ 304,718	\$ 1,162,753	\$ 321,526
Investments	-	-	-	-	-	-
Receivables:						
Departmental and other	-	-	-	-	-	-
Intergovernmental	4,831	-	-	-	-	-
Special assessment	-	-	-	-	-	-
Loans and interest	-	-	-	1,361,223	-	-
Leases	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Total Assets	\$ 65,791	\$ 5,769,620	\$ 137,016	\$ 1,665,941	\$ 1,162,753	\$ 321,526
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 98,524	\$ -	\$ -	\$ -	\$ 11,906
Accrued liabilities	-	26,793	-	-	-	4,760
Notes payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Retainage payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total Liabilities	-	125,317	-	-	-	16,666
Deferred Inflows of Resources						
Unavailable revenues - long-term receivables	-	-	-	1,361,223	-	-
Lease related	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	1,361,223	-	-
Fund Balances						
Nonspendable	-	-	-	-	-	-
Restricted	65,791	-	-	304,718	-	-
Committed	-	5,644,303	137,016	-	1,162,753	304,860
Unassigned	-	-	-	-	-	-
Total Fund Balances	65,791	5,644,303	137,016	304,718	1,162,753	304,860
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 65,791	\$ 5,769,620	\$ 137,016	\$ 1,665,941	\$ 1,162,753	\$ 321,526

(continued)

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

(continued)

	Special Revenue Funds						
	Recreation	Swimming Pool	Community Campus	Library	Library Trust	City Trust	Subtotals
Assets							
Cash and short-term investments	\$ 167,972	\$ 87,765	\$ 130,624	\$ 215,748	\$ 90,509	\$ 400,131	\$ 9,972,917
Investments	-	-	-	-	36,498	746,416	782,914
Receivables:							
Departmental and other	-	-	2,630	-	-	-	384,804
Intergovernmental	-	-	-	-	-	-	1,841,269
Special assessment	-	-	-	-	-	-	-
Loans and interest	-	-	-	-	-	571	2,680,222
Leases	-	-	799,507	-	-	-	799,507
Inventory	-	-	-	-	-	-	51,641
Total Assets	<u>\$ 167,972</u>	<u>\$ 87,765</u>	<u>\$ 932,761</u>	<u>\$ 215,748</u>	<u>\$ 127,007</u>	<u>\$ 1,147,118</u>	<u>\$ 16,513,274</u>
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts payable	\$ 9,979	\$ 87,511	\$ 52,380	\$ 797	\$ -	\$ -	\$ 303,946
Accrued liabilities	-	254	1,830	-	-	-	40,521
Notes payable	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	59,073
Retainage payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	1,235,874
Advances from other funds	-	-	-	-	-	385,160	385,160
Total Liabilities	9,979	87,765	54,210	797	-	385,160	2,024,574
Deferred Inflows of Resources							
Unavailable revenues - long-term receivables	-	-	-	-	-	-	2,644,529
Lease related	-	-	813,541	-	-	-	813,541
Total Deferred Inflows of Resources	-	-	813,541	-	-	-	3,458,070
Fund Balances							
Nonspendable	-	-	-	-	-	-	51,641
Restricted	-	-	65,010	214,951	127,007	761,958	3,572,064
Committed	157,993	-	-	-	-	-	7,406,925
Unassigned	-	-	-	-	-	-	-
Total Fund Balances	<u>157,993</u>	<u>-</u>	<u>65,010</u>	<u>214,951</u>	<u>127,007</u>	<u>761,958</u>	<u>11,030,630</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 167,972</u>	<u>\$ 87,765</u>	<u>\$ 932,761</u>	<u>\$ 215,748</u>	<u>\$ 127,007</u>	<u>\$ 1,147,118</u>	<u>\$ 16,513,274</u>

(continued)

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

(continued)

	Capital Project Funds						
	School Renovations	Transportation Management	Transportation State	Vehicle/ Equipment Replacement	Technology Equipment	Building and Infrastructure	Subtotals
Assets							
Cash and short-term investments	\$ 22,652	\$ 5,321,177	\$ 241,027	\$ 1,147,546	\$ 626,343	\$ 5,316,019	\$ 12,674,764
Investments	-	-	-	-	-	-	-
Receivables:							
Departmental and other	-	-	-	-	-	-	-
Intergovernmental	-	793,874	17,060	-	-	-	810,934
Special assessment	-	-	-	-	-	-	-
Loans and interest	-	-	-	-	-	-	-
Leases	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Total Assets	\$ 22,652	\$ 6,115,051	\$ 258,087	\$ 1,147,546	\$ 626,343	\$ 5,316,019	\$ 13,485,698
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ 1,641,904	\$ -	\$ -	\$ -	\$ 506,079	\$ 2,147,983
Accrued liabilities	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	10,423,820	10,423,820
Unearned revenue	-	-	-	-	-	-	-
Retainage payable	-	762,875	-	-	-	153,134	916,009
Due to other funds	-	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-	-
Total Liabilities	-	2,404,779	-	-	-	11,083,033	13,487,812
Deferred Inflows of Resources							
Unavailable revenues - long-term receivables	-	-	-	-	-	-	-
Lease related	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-	-
Fund Balances							
Nonspendable	-	-	-	-	-	-	-
Restricted	22,652	4,855,165	-	-	-	2,656,807	7,534,624
Committed	-	-	258,087	1,147,546	626,343	-	2,031,976
Unassigned	-	(1,144,893)	-	-	-	(8,423,821)	(9,568,714)
Total Fund Balances	22,652	3,710,272	258,087	1,147,546	626,343	(5,767,014)	(2,114)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 22,652	\$ 6,115,051	\$ 258,087	\$ 1,147,546	\$ 626,343	\$ 5,316,019	\$ 13,485,698

(continued)

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2022

(continued)

	Permanent Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	City Trust	Library Trust	Subtotals		
Assets					
Cash and short-term investments	\$ 279,682	\$ -	\$ 279,682	\$ -	\$ 22,927,363
Investments	8,304,680	4,000	8,308,680	-	9,091,594
Receivables:					
Departmental and other	453	-	453	-	385,257
Intergovernmental	-	-	-	-	2,652,203
Special assessment	-	-	-	748,335	748,335
Loans and interest	6,281	-	6,281	-	2,686,503
Leases	-	-	-	-	799,507
Inventory	-	-	-	-	51,641
Total Assets	\$ 8,591,096	\$ 4,000	\$ 8,595,096	\$ 748,335	\$ 39,342,403
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 2,451,929
Accrued liabilities	-	-	-	-	40,521
Notes payable	-	-	-	-	10,423,820
Unearned revenue	-	-	-	-	59,073
Retainage payable	-	-	-	-	916,009
Due to other funds	-	-	-	4,307	1,240,181
Advances from other funds	-	-	-	-	385,160
Total Liabilities	-	-	-	4,307	15,516,693
Deferred Inflows of Resources					
Unavailable revenues - long-term receivables	-	-	-	748,335	3,392,864
Lease related	-	-	-	-	813,541
Total Deferred Inflows of Resources	-	-	-	748,335	4,206,405
Fund Balances					
Nonspendable	1,629,062	4,000	1,633,062	-	1,684,703
Restricted	6,962,034	-	6,962,034	-	18,068,722
Committed	-	-	-	-	9,438,901
Unassigned	-	-	-	(4,307)	(9,573,021)
Total Fund Balances	8,591,096	4,000	8,595,096	(4,307)	19,619,305
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,591,096	\$ 4,000	\$ 8,595,096	\$ 748,335	\$ 39,342,403

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2022

	Special Revenue Funds				
	Community <u>Development</u>	School <u>Lunch</u>	School Categorical <u>Revenues</u>	Police <u>Grants</u>	Prescott <u>Park</u>
Revenues					
Intergovernmental	\$ 325,435	\$ -	\$ 3,893,415	\$ 592,475	\$ -
Charges for services	-	1,362,520	-	-	13,052
Investment income (loss)	12,733	-	-	-	-
Fines and costs	-	-	-	-	-
Contributions	-	-	-	15,375	-
Special assessment	-	-	-	-	-
Other	<u>417,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,734</u>
Total Revenues	755,527	1,362,520	3,893,415	607,850	18,786
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	566,030	-
Education	-	1,066,495	4,795,893	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	394,609
Community development	600,250	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,025</u>	<u>-</u>
Total Expenditures	600,250	1,066,495	4,795,893	571,055	394,609
Excess (deficiency) of revenues over (under) expenditures	155,277	296,025	(902,478)	36,795	(375,823)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Bond premium	-	-	-	-	-
Bond premium on refunding bonds	-	-	-	-	-
Payment of refunding escrow	-	-	-	-	-
Transfers in	28,600	-	1,002,871	-	390,686
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	28,600	-	1,002,871	-	390,686
Net change in fund balances	183,877	296,025	100,393	36,795	14,863
Fund Balances, beginning of year	<u>824,222</u>	<u>2,471</u>	<u>469,254</u>	<u>155,917</u>	<u>453</u>
Fund Balances, end of year	\$ <u>1,008,099</u>	\$ <u>298,496</u>	\$ <u>569,647</u>	\$ <u>192,712</u>	\$ <u>15,316</u>

(continued)

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2022

(continued)

	Special Revenue Funds					
	<u>Seizure</u>	<u>Parking and Transportation</u>	<u>Portwalk Place</u>	<u>Housing Subsidy</u>	<u>Conservation</u>	<u>Stormwater</u>
Revenues						
Intergovernmental	\$ 1,281	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	7,262,855	49,498	-	-	-
Investment income (loss)	118	-	-	-	-	-
Fines and costs	4,723	-	-	-	-	-
Contributions	-	-	-	-	-	-
Special assessment	-	-	-	-	-	-
Other	<u>21,070</u>	<u>73,463</u>	<u>-</u>	<u>90,968</u>	<u>279,341</u>	<u>5,875</u>
Total Revenues	27,192	7,336,318	49,498	90,968	279,341	5,875
Expenditures						
Current:						
General government	-	-	-	-	703	-
Public safety	37,735	-	-	-	-	-
Education	-	-	-	-	-	-
Public works	-	4,209,432	14,221	-	-	485,857
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	40,000	-	-
Debt service:						
Principal	-	935,000	-	-	-	-
Interest	-	846,813	-	-	-	-
Capital outlay	<u>-</u>	<u>140,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>37,735</u>	<u>6,131,581</u>	<u>14,221</u>	<u>40,000</u>	<u>703</u>	<u>485,857</u>
Excess (deficiency) of revenues over (under) expenditures	(10,543)	1,204,737	35,277	50,968	278,638	(479,982)
Other Financing Sources (Uses)						
Issuance of bonds	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-
Bond premium on refunding bonds	-	-	-	-	-	-
Payment of refunding escrow	-	-	-	-	-	-
Transfers in	-	-	-	-	1,600	623,986
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600</u>	<u>623,986</u>
Net change in fund balances	(10,543)	1,204,737	35,277	50,968	280,238	144,004
Fund Balances, beginning of year	<u>76,334</u>	<u>4,439,566</u>	<u>101,739</u>	<u>253,750</u>	<u>882,515</u>	<u>160,856</u>
Fund Balances, end of year	\$ <u>65,791</u>	\$ <u>5,644,303</u>	\$ <u>137,016</u>	\$ <u>304,718</u>	\$ <u>1,162,753</u>	\$ <u>304,860</u>

(continued)

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2022

(continued)

	Special Revenue Funds						
	<u>Recreation</u>	<u>Swimming Pool</u>	<u>Community Campus</u>	<u>Library</u>	<u>Library Trust</u>	<u>City Trust</u>	<u>Subtotals</u>
Revenues							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,812,606
Charges for services	273,408	251,031	-	42,342	-	71,976	9,326,682
Investment income (loss)	-	-	-	-	(373)	(83,725)	(71,247)
Fines and costs	-	-	-	-	-	-	4,723
Contributions	-	-	-	7,510	-	15,309	38,194
Special assessment	-	-	-	-	-	-	-
Other	-	969	119,730	-	-	-	1,014,509
Total Revenues	273,408	252,000	119,730	49,852	(373)	3,560	15,125,467
Expenditures							
Current:							
General government	-	-	-	-	-	-	703
Public safety	-	-	-	-	-	-	603,765
Education	-	-	-	-	-	57,614	5,920,002
Public works	-	-	144,946	-	-	-	4,854,456
Culture and recreation	184,715	502,432	25,774	23,203	-	10,291	1,141,024
Community development	-	-	-	-	-	-	640,250
Debt service:							
Principal	-	-	-	-	-	-	935,000
Interest	-	-	-	-	-	-	846,813
Capital outlay	-	-	-	-	-	-	145,361
Total Expenditures	184,715	502,432	170,720	23,203	-	67,905	15,087,374
Excess (deficiency) of revenues over (under) expenditures	88,693	(250,432)	(50,990)	26,649	(373)	(64,345)	38,093
Other Financing Sources (Uses)							
Issuance of bonds	-	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-	-
Bond premium on refunding bonds	-	-	-	-	-	-	-
Payment of refunding escrow	-	-	-	-	-	-	-
Transfers in	-	150,000	116,000	65,000	-	-	2,378,743
Transfers out	-	-	-	-	(65,000)	(675,566)	(740,566)
Total Other Financing Sources (Uses)	-	150,000	116,000	65,000	(65,000)	(675,566)	1,638,177
Net change in fund balances	88,693	(100,432)	65,010	91,649	(65,373)	(739,911)	1,676,270
Fund Balances, beginning of year	69,300	100,432	-	123,302	192,380	1,501,869	9,354,360
Fund Balances, end of year	\$ 157,993	\$ -	\$ 65,010	\$ 214,951	\$ 127,007	\$ 761,958	\$ 11,030,630

(continued)

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2022

(continued)

	Capital Project Funds						
	School Renovations	Transportation Management	Transportation State	Vehicle/ Equipment Replacement	Technology Equipment	Building and Infrastructure	Subtotals
Revenues							
Intergovernmental	\$ -	\$ 793,873	\$ 17,059	\$ -	\$ -	\$ -	\$ 810,932
Charges for services	-	-	-	-	-	-	-
Investment income (loss)	-	-	-	-	-	-	-
Fines and costs	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-
Special assessment	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Revenues	-	793,873	17,059	-	-	-	810,932
Expenditures							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Public works	-	-	-	-	-	1,654	1,654
Culture and recreation	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay	-	7,338,243	21,324	1,463,093	465,722	11,748,435	21,036,817
Total Expenditures	-	7,338,243	21,324	1,463,093	465,722	11,750,089	21,038,471
Excess (deficiency) of revenues over (under) expenditures	-	(6,544,370)	(4,265)	(1,463,093)	(465,722)	(11,750,089)	(20,227,539)
Other Financing Sources (Uses)							
Issuance of bonds	-	4,709,600	-	1,188,500	-	2,540,300	8,438,400
Issuance of refunding bonds	-	-	-	-	-	9,430,000	9,430,000
Bond premium	-	380,400	-	152,865	-	209,700	742,965
Bond premium on refunding bonds	-	-	-	-	-	1,820,000	1,820,000
Payment of refunding escrow	-	-	-	-	-	(11,250,000)	(11,250,000)
Transfers in	-	-	-	584,500	874,135	-	1,458,635
Transfers out	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	5,090,000	-	1,925,865	874,135	2,750,000	10,640,000
Net change in fund balances	-	(1,454,370)	(4,265)	462,772	408,413	(9,000,089)	(9,587,539)
Fund Balances, beginning of year	22,652	5,164,642	262,352	684,774	217,930	3,233,075	9,585,425
Fund Balances, end of year	\$ 22,652	\$ 3,710,272	\$ 258,087	\$ 1,147,546	\$ 626,343	\$ (5,767,014)	\$ (2,114)

(continued)

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2022

(continued)

	Permanent Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	City Trust	Library Trust	Subtotals		
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 5,623,538
Charges for services	-	-	-	-	9,326,682
Investment income (loss)	(1,282,962)	-	(1,282,962)	-	(1,354,209)
Fines and costs	-	-	-	-	4,723
Contributions	-	-	-	-	38,194
Special assessment	-	-	-	187,084	187,084
Other	-	-	-	-	1,014,509
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	(1,282,962)	-	(1,282,962)	187,084	14,840,521
Expenditures					
Current:					
General government	-	-	-	-	703
Public safety	-	-	-	-	603,765
Education	-	-	-	-	5,920,002
Public works	-	-	-	-	4,856,110
Culture and recreation	22,696	843	23,539	-	1,164,563
Community development	-	-	-	-	640,250
Debt service:					
Principal	-	-	-	155,000	1,090,000
Interest	-	-	-	33,200	880,013
Capital outlay	-	-	-	-	21,182,178
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	22,696	843	23,539	188,200	36,337,584
Excess (deficiency) of revenues over (under) expenditures	(1,305,658)	(843)	(1,306,501)	(1,116)	(21,497,063)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	-	8,438,400
Issuance of refunding bonds	-	-	-	-	9,430,000
Bond premium	-	-	-	-	742,965
Bond premium on refunding bonds	-	-	-	-	1,820,000
Payment of refunding escrow	-	-	-	-	(11,250,000)
Transfers in	-	-	-	-	3,837,378 (1)
Transfers out	(192,200)	-	(192,200)	-	(932,766) (1)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(192,200)	-	(192,200)	-	12,085,977
Net change in fund balances	(1,497,858)	(843)	(1,498,701)	(1,116)	(9,411,086)
Fund Balances, beginning of year	10,088,954	4,843	10,093,797	(3,191)	29,030,391
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances, end of year	\$ 8,591,096	\$ 4,000	\$ 8,595,096	\$ (4,307)	\$ 19,619,305

(1) Transfers in and out were netted on page 48 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, coalitions, 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, 400th celebration in 2023, and to further Japanese-American relations.

CUSTODIAL FUNDS

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

- Coalition Communities: represents contributions from local governments in the State of New Hampshire to ensure a fair and sustainable education funding solution, without the statewide property tax, that guarantees every NH schoolchild an equal education opportunity.
- School: represents primarily student activity funds, which are contributions from students and fundraising receipts used to pay for student-related activities.
- Seacoast Stormwater Coalition: represents contributions from various local governments in the State of New Hampshire, which are used to pay costs related to assist with meeting EPA stormwater management regulations.
- Taxes and Fees: Used to account for taxes and fees collected by the City on behalf of other governments.

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Fiduciary Net Position

Private Purpose Trust Funds

June 30, 2022

	<u>Park</u>	<u>Scholarship</u>	<u>Worthy Poor</u>	<u>Memorial</u>	<u>Commemoration</u>	<u>Total</u>
Assets						
Cash and short-term investments	\$ 142,702	\$ (341,335)	\$ 84,691	\$ 586,217	\$ 6,293	\$ 478,568
Investments:						
Fixed income mutual funds	-	2,360,522	-	-	-	2,360,522
Equity mutual funds	-	6,470,293	-	-	-	6,470,293
Other assets	<u>64</u>	<u>6,312</u>	<u>63</u>	<u>520</u>	<u>4</u>	<u>6,963</u>
 Total Assets	 <u>\$ 142,766</u>	 <u>\$ 8,495,792</u>	 <u>\$ 84,754</u>	 <u>\$ 586,737</u>	 <u>\$ 6,297</u>	 <u>\$ 9,316,346</u>
 Net Position Held in Trust	 <u>\$ 142,766</u>	 <u>\$ 8,495,792</u>	 <u>\$ 84,754</u>	 <u>\$ 586,737</u>	 <u>\$ 6,297</u>	 <u>\$ 9,316,346</u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Changes in Fiduciary Net Position

Private Purpose Trust Funds

For the Year Ended June 30, 2022

		<u>Park</u>	<u>Scholarship</u>	<u>Worthy Poor</u>	<u>Memorial</u>	<u>Commemoration</u>	<u>Total</u>
Additions							
Investment income (loss)	\$	(12,119)	\$ (1,116,323)	\$ (12,309)	\$ (85,198)	\$ (915)	\$ (1,226,864)
Contributions		<u>124,241</u>	<u>103,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,852</u>
Total Additions		112,122	(1,012,712)	(12,309)	(85,198)	(915)	(999,012)
Deductions							
Payments to beneficiaries		<u>135,194</u>	<u>165,800</u>	<u>197</u>	<u>1,365</u>	<u>15</u>	<u>302,571</u>
Change in Net Position		(23,072)	(1,178,512)	(12,506)	(86,563)	(930)	(1,301,583)
Net Position							
Beginning of year		<u>165,838</u>	<u>9,674,304</u>	<u>97,260</u>	<u>673,300</u>	<u>7,227</u>	<u>10,617,929</u>
End of year	\$	<u><u>142,766</u></u>	<u><u>8,495,792</u></u>	<u><u>84,754</u></u>	<u><u>586,737</u></u>	<u><u>6,297</u></u>	<u><u>9,316,346</u></u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Fiduciary Net Position

Custodial Funds

June 30, 2022

	<u>Coalition Communities</u>	<u>School</u>	<u>Seacoast Stormwater Coalition</u>	<u>Taxes and Fees</u>	<u>Total</u>
Assets					
Cash and short-term investments	\$ <u>107,815</u>	\$ <u>558,573</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>666,388</u>
Total Assets	\$ <u><u>107,815</u></u>	\$ <u><u>558,573</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>666,388</u></u>
Liabilities and Net Position					
Liabilities					
Accounts payable	\$ 13,538	\$ -	\$ -	\$ -	\$ 13,538
Net Position					
Restricted for individuals, coalitions, and other governments	<u>94,277</u>	<u>558,573</u>	<u>-</u>	<u>-</u>	<u>652,850</u>
Total Liabilities and Net Position	\$ <u><u>107,815</u></u>	\$ <u><u>558,573</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>666,388</u></u>

CITY OF PORTSMOUTH, NEW HAMPSHIRE

Combining Statement of Changes in Fiduciary Net Position

Custodial Funds

For the Year Ended June 30, 2022

	<u>Coalition Communities</u>	<u>School</u>	<u>Seacoast Stormwater Coalition</u>	<u>Taxes and Fees</u>	<u>Total</u>
Additions					
Property taxes collected for Rockingham County	\$ -	\$ -	\$ -	\$ 5,677,887	\$ 5,677,887
Fees collected for State of New Hampshire	-	-	-	1,436,268	1,436,268
Investment Income	9	-	-	-	9
Other	<u>79,130</u>	<u>745,248</u>	<u>-</u>	<u>-</u>	<u>824,378</u>
 Total Additions	 79,139	 745,248	 -	 7,114,155	 7,938,542
 Deductions					
Payment of taxes to Rockingham County	-	-	-	5,677,887	5,677,887
Payments of fees to State of New Hampshire	-	-	-	1,436,268	1,436,268
Payments to beneficiaries	<u>54,334</u>	<u>789,922</u>	<u>29,197</u>	<u>-</u>	<u>873,453</u>
 Total Deductions	 <u>54,334</u>	 <u>789,922</u>	 <u>29,197</u>	 <u>7,114,155</u>	 <u>7,987,608</u>
 Change in Net Position	 24,805	 (44,674)	 (29,197)	 -	 (49,066)
 Net Position					
Beginning of year	<u>69,472</u>	<u>603,247</u>	<u>29,197</u>	<u>-</u>	<u>701,916</u>
End of year	<u>\$ 94,277</u>	<u>\$ 558,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 652,850</u>

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CITY OF PORTSMOUTH, NEW HAMPSHIRE

STATISTICAL SECTION

The City of Portsmouth’s annual comprehensive 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 City’s overall financial health.

	<u>Page</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	124 - 128
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	129- 135
<i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	136- 139
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	140 - 141
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the service the City provides and the activities it performs.	142 - 144

City of Portsmouth, New Hampshire

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities										
Net invested in capital assets	\$ 85,565,006	\$ 100,313,414	\$ 109,917,788	\$ 113,265,585	\$ 120,182,374	\$ 126,962,691	\$ 134,801,319	\$ 145,409,298	\$ 151,204,499	\$ 158,507,095
Restricted	17,238,560	17,107,717	16,604,810	17,379,705	23,682,016	27,866,299	23,358,486	14,219,166	17,101,039	15,727,416
Unrestricted	37,952,181	40,877,993	(27,370,090)	(20,874,844)	(26,597,332)	(47,851,018)	(48,314,956)	(47,163,662)	(56,488,034)	(46,878,577)
Total governmental activities net position	\$ 140,755,747	\$ 158,299,124	\$ 99,152,508	\$ 109,770,446	\$ 117,267,058	\$ 106,977,972	\$ 109,844,849	\$ 112,464,802	\$ 111,817,504	\$ 127,355,934
Business-type activities										
Net invested in capital assets	\$ 47,882,518	\$ 50,987,816	\$ 56,301,452	\$ 60,256,180	\$ 64,498,965	\$ 73,151,637	\$ 80,956,213	\$ 91,839,994	\$ 99,765,133	\$ 109,947,647
Restricted	1,137,835	975,288	812,740	650,192	487,644	325,096	162,549	-	-	-
Unrestricted	23,551,956	27,699,734	26,835,174	30,326,890	33,436,307	33,845,169	35,188,457	35,917,199	34,778,323	30,508,407
Total business-type activities net position	\$ 72,572,309	\$ 79,662,838	\$ 83,949,366	\$ 91,233,262	\$ 98,422,916	\$ 107,321,902	\$ 116,307,219	\$ 127,757,193	\$ 134,543,456	\$ 140,456,054
Primary government										
Net invested in capital assets	\$ 121,297,058	\$ 133,447,524	\$ 151,301,230	\$ 166,219,240	\$ 173,521,765	\$ 184,681,339	\$ 200,114,328	\$ 215,757,532	\$ 237,249,292	\$ 268,454,742
Restricted	18,448,273	18,376,395	18,083,005	17,417,550	18,029,897	24,169,660	28,191,395	23,521,035	14,219,166	15,727,416
Unrestricted	58,209,098	61,504,137	68,577,727	(534,916)	9,452,046	6,838,975	(14,005,849)	(13,126,499)	(11,246,463)	(16,370,170)
Total primary government net position	\$ 213,328,056	\$ 237,961,962	\$ 183,101,874	\$ 201,003,708	\$ 215,689,974	\$ 214,299,874	\$ 226,152,068	\$ 240,221,995	\$ 246,360,960	\$ 267,811,988

Notes:

⁽¹⁾As restated in conformity with GASB Statement 68.

⁽²⁾As restated in conformity with GASB Statement 75.

City of Portsmouth, New Hampshire

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
General government	\$ 11,905,707	\$ 11,652,734	\$ 12,330,468	\$ 12,673,140	\$ 13,503,790	\$ 15,088,352	\$ 16,128,724	\$ 16,600,160	\$ 16,340,029	\$ 17,256,619
Public safety	17,576,460	18,479,571	17,697,750	18,094,404	20,724,528	21,595,007	23,146,413	25,184,885	26,064,563	21,771,468
Education	44,546,643	47,492,836	49,212,516	50,084,302	54,271,573	55,519,796	57,309,963	57,810,208	65,078,849	60,176,866
Public works	10,303,800	11,337,941	12,367,464	12,653,506	14,283,986	15,615,743	16,596,453	17,308,970	17,265,865	18,139,049
Health and human services	689,895	675,256	582,910	565,256	674,704	650,045	745,703	772,738	755,861	682,650
Culture and recreation	3,634,914	3,895,264	3,888,467	4,095,642	4,331,428	4,291,601	4,679,018	4,460,453	3,688,659	4,772,772
Community development	863,416	1,125,562	888,705	1,115,661	1,278,188	1,356,490	1,129,752	686,920	988,745	627,514
Interest	3,095,996	3,013,917	3,123,714	3,213,394	3,157,534	3,840,248	4,042,650	4,328,783	4,038,815	3,767,100
Total governmental activities expenses	92,616,831	97,673,081	100,091,994	102,495,305	112,225,731	117,957,282	123,778,676	127,153,117	134,221,386	127,194,038
Business-type activities:										
Water services	6,621,011	7,012,453	6,866,489	7,701,340	7,906,621	8,006,293	8,196,446	8,760,831	9,325,133	8,986,385
Sewer services	8,456,885	9,018,802	9,187,296	9,656,429	10,534,561	10,764,490	12,134,267	12,518,334	16,636,378	17,924,650
Total business-type activities expenses	15,077,896	16,031,255	16,053,785	17,357,769	18,441,182	18,770,783	20,330,713	21,279,165	25,961,511	26,911,035
Total primary government expenses	\$ 107,694,727	\$ 113,704,336	\$ 116,145,779	\$ 119,853,074	\$ 130,666,913	\$ 136,728,065	\$ 144,109,389	\$ 148,432,282	\$ 160,182,897	\$ 154,105,073
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 6,800,409	\$ 7,421,658	\$ 7,620,989	\$ 8,468,071	\$ 9,118,467	\$ 9,238,699	\$ 10,174,313	\$ 9,443,267	\$ 10,459,791	\$ 9,853,149
Public safety	1,127,299	1,196,161	1,161,585	1,023,934	1,447,285	1,019,331	1,328,213	1,332,301	1,297,300	1,632,381
Education	437,772	416,624	453,266	439,435	439,435	521,698	586,097	615,001	427,586	463,641
Public Works	4,654,656	5,092,527	5,878,880	6,666,633	6,978,104	8,287,756	8,622,961	7,770,516	7,656,924	9,982,422
Health and Human Services	85,079	100,002	89,398	101,805	90,178	46,827	119,184	79,383	61,271	170,322
Culture and Recreation	874,509	955,544	969,031	1,047,332	1,046,097	1,037,737	1,013,455	689,334	192,581	870,160
Total charges for services	13,979,724	15,182,516	16,173,149	17,747,210	19,201,829	20,216,447	21,873,127	19,742,387	20,131,508	23,870,958
Operating grants and contributions	10,450,214	10,582,693	11,640,506	11,176,877	12,057,678	12,821,591	11,289,587	12,250,781	13,464,292	12,125,989
Capital grants and contributions	3,032,801	12,137,864	5,106,620	3,113,261	3,630,406	4,384,314	3,582,619	3,197,243	2,545,693	3,296,703
Total governmental activities program revenues	27,462,739	37,903,073	32,920,275	32,037,348	34,889,913	37,422,352	36,745,333	35,190,411	36,141,493	39,293,650
Business-type activities:										
Charges for services										
Water services	8,839,035	9,114,578	8,849,199	9,225,357	9,029,792	9,469,785	9,242,222	9,359,610	9,685,950	9,767,614
Sewer services	11,962,934	13,210,967	13,724,391	14,244,796	14,602,295	15,434,863	15,787,895	16,241,573	16,761,718	17,261,587
Total charges for services	20,801,969	22,325,545	22,573,590	23,470,153	23,632,087	24,904,648	25,030,117	25,601,183	26,447,668	27,029,201
Capital grants and contributions	784,754	719,148	638,259	876,799	1,397,118	2,035,271	3,030,126	7,681,347	5,700,008	5,331,115
Total business-type activities program revenues	21,586,723	23,044,693	23,211,849	24,346,952	25,029,205	26,939,919	28,060,243	33,282,530	32,147,676	32,360,316
Total primary government program revenues	\$ 49,049,462	\$ 60,947,766	\$ 56,132,124	\$ 56,384,300	\$ 59,919,118	\$ 64,362,271	\$ 64,805,576	\$ 68,472,941	\$ 68,289,169	\$ 71,653,966
Net (Expenses)Revenue										
Governmental activities	\$ (65,154,092)	\$ (59,770,008)	\$ (67,171,719)	\$ (70,457,957)	\$ (77,335,818)	\$ (80,534,930)	\$ (87,033,343)	\$ (91,962,706)	\$ (98,079,893)	\$ (87,900,388)
Business-type activities	6,508,827	7,013,438	7,158,064	6,989,183	6,588,023	8,169,136	7,729,530	12,003,365	6,186,165	5,449,281
Total primary government net expense	\$ (58,645,265)	\$ (52,756,570)	\$ (60,013,655)	\$ (63,468,774)	\$ (70,747,795)	\$ (72,365,794)	\$ (79,303,813)	\$ (79,959,341)	\$ (91,893,728)	\$ (82,451,107)
General Revenues and Other Changes in Net Assets/Position										
Governmental activities:										
Property taxes	\$ 69,226,282	\$ 72,594,154	\$ 73,416,098	\$ 77,272,916	\$ 78,955,625	\$ 81,811,278	\$ 84,827,646	\$ 88,733,646	\$ 89,201,149	\$ 97,948,515
Interest on taxes	371,247	279,531	289,805	208,972	168,675	88,770	104,157	164,713	191,444	168,752
Grants and contributions not restricted to specific programs	989,067	957,070	1,025,926	1,032,133	1,111,547	1,109,504	1,122,057	1,329,583	1,318,163	1,639,197
Special assessment	-	-	-	-	1,870,839	-	-	-	-	-
Investment income (loss)	861,855	1,143,154	252,292	473,465	1,219,261	1,548,840	1,834,402	1,563,074	3,095,785	(1,152,364)
Other revenues	1,045,112	2,321,745	1,967,808	2,061,211	1,493,503	3,115,350	1,751,891	2,393,837	3,348,347	4,522,725
Gain on sale of capital asset	1,426,433	-	-	-	-	-	-	-	-	-
Permanent fund contributions	11,450	17,731	34,330	27,198	12,980	865	-	-	-	-
Transfers in (out)	-	-	-	-	-	-	260,067	397,806	277,707	311,993
Total governmental activities	73,931,446	77,313,385	76,986,259	81,075,895	84,832,430	87,674,607	89,900,220	94,582,659	97,432,595	103,438,818
Business-type activities:										
Investment income	17,408	239	57,554	98,047	270,077	602,424	1,107,618	1,063,655	421,908	159,049
Other revenues	70,038	76,852	176,950	196,666	331,554	355,849	408,236	470,944	455,897	616,261
Special item - loss on disposal	-	-	-	-	-	-	-	(1,690,184)	-	-
Transfers in (out)	-	-	-	-	-	-	(260,067)	(397,806)	(277,707)	(311,993)
Total business-type activities	87,446	77,091	234,504	294,713	601,631	958,273	1,255,787	(553,391)	600,098	463,317
Total primary government	\$ 74,018,892	\$ 77,390,476	\$ 77,220,763	\$ 81,370,608	\$ 85,434,061	\$ 88,632,880	\$ 91,156,007	\$ 94,029,268	\$ 98,032,693	\$ 103,902,135
Change in Net Assets/Position										
Governmental activities	\$ 8,777,354	\$ 17,543,377	\$ 9,814,540	\$ 10,617,938	\$ 7,496,612	\$ 7,139,677	\$ 2,866,877	\$ 2,619,953	\$ (647,298)	\$ 15,538,430
Business-type activities	6,596,273	7,090,529	7,392,568	7,283,896	7,189,654	9,127,409	8,985,317	11,449,974	6,786,263	5,912,598
Total primary government	\$ 15,373,627	\$ 24,633,906	\$ 17,207,108	\$ 17,901,834	\$ 14,686,266	\$ 16,267,086	\$ 11,852,194	\$ 14,069,927	\$ 6,138,965	\$ 21,451,028

Notes:

(1)As restated in conformity with GASB Statement 68.

(2)As restated in conformity with GASB Statement 75.

City of Portsmouth, New Hampshire

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
All governmental funds										
Nonspendable	\$ 1,652,765	\$ 1,654,749	\$ 2,338,528	\$ 2,271,832	\$ 2,247,577	\$ 2,202,379	\$ 2,161,330	\$ 2,121,122	\$ 2,102,864	\$ 2,069,863
Restricted	29,485,301	28,494,530	27,200,344	31,096,850	37,783,517	39,515,897	36,764,757	22,958,279	24,782,152	22,390,936
Committed	25,056,206	27,219,500	26,784,433	30,930,948	29,694,220	28,243,458	26,692,031	29,680,844	28,243,725	32,903,002
Assigned	6,533,785	6,656,298	7,621,331	8,887,314	8,985,660	8,942,597	10,513,688	9,283,064	10,496,904	9,178,551
Unassigned	11,007,797	11,769,423	11,838,381	11,932,667	7,070,449	(4,041,649)	15,580,417	12,636,863	16,304,030	7,583,778
Total all governmental funds	<u>\$ 73,735,854</u>	<u>\$ 75,794,500</u>	<u>\$ 75,783,017</u>	<u>\$ 85,119,611</u>	<u>\$ 85,781,423</u>	<u>\$ 74,862,682</u>	<u>\$ 91,712,223</u>	<u>\$ 76,680,172</u>	<u>\$ 81,929,675</u>	<u>\$ 74,126,130</u>
General Fund										
Nonspendable ⁽¹⁾	\$ -	\$ -	\$ 672,927	\$ 610,160	\$ 567,160	\$ 524,160	\$ 480,160	\$ 443,160	\$ 430,160	\$ 385,160
Committed	22,624,205	26,173,686	24,544,530	27,956,594	26,964,585	25,642,234	22,665,499	21,917,043	21,324,259	23,464,101
Assigned	6,533,785	6,656,298	7,621,331	8,887,314	8,985,660	8,942,597	10,513,688	9,283,064	10,496,904	9,178,551
Unassigned	11,027,473	11,790,868	12,509,746	13,158,179	14,505,641	15,152,954	15,630,897	16,152,597	16,363,998	17,156,799
Total General Fund	<u>\$ 40,185,463</u>	<u>\$ 44,620,852</u>	<u>\$ 45,348,534</u>	<u>\$ 50,612,247</u>	<u>\$ 51,023,046</u>	<u>\$ 50,261,945</u>	<u>\$ 49,290,244</u>	<u>\$ 47,795,864</u>	<u>\$ 48,615,321</u>	<u>\$ 50,184,611</u>
All other governmental funds										
Nonspendable	\$ 1,652,765	\$ 1,654,749	\$ 1,665,601	\$ 1,661,672	\$ 1,680,417	\$ 1,678,219	\$ 1,681,170	\$ 1,677,962	\$ 1,672,704	\$ 1,684,703
Restricted	29,485,301	28,494,530	27,200,344	31,096,850	37,783,517	39,515,897	36,764,757	22,958,279	24,782,152	22,390,936
Committed	2,432,001	1,045,814	2,239,903	2,974,354	2,729,635	2,601,224	4,026,532	7,763,801	6,919,466	9,438,901
Unassigned	(19,676)	(21,445)	(671,365)	(1,225,512)	(7,435,192)	(19,194,603)	(50,480)	(3,515,734)	(59,968)	(9,573,021)
Total all other governmental funds	<u>\$ 33,550,391</u>	<u>\$ 31,173,648</u>	<u>\$ 30,434,483</u>	<u>\$ 34,507,364</u>	<u>\$ 34,758,377</u>	<u>\$ 24,600,737</u>	<u>\$ 42,421,979</u>	<u>\$ 28,884,308</u>	<u>\$ 33,314,354</u>	<u>\$ 23,941,519</u>

Notes:

⁽¹⁾ This nonspendable fund balance is for an advance to Trustees of Trust Funds for upgrades at Prescott Park.

City of Portsmouth, New Hampshire

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Property taxes	\$ 69,355,426	\$ 72,964,294	\$ 73,635,672	\$ 77,428,695	\$ 78,902,463	\$ 81,974,427	\$ 84,798,383	\$ 88,562,993	\$ 89,282,013	\$ 97,702,123
Licenses and permits	4,669,868	5,140,721	5,311,858	6,045,153	6,327,360	6,576,275	7,404,735	6,851,868	7,910,700	7,258,604
Intergovernmental	13,457,324	16,682,012	17,205,342	14,929,762	15,670,972	17,581,956	15,713,798	16,075,492	17,173,853	16,846,876
Charges for services	8,364,817	9,189,608	9,929,357	11,148,661	11,931,836	12,731,491	13,578,037	12,103,306	11,600,103	15,399,948
Investment income (loss)	861,856	1,143,153	252,291	473,465	1,219,261	1,548,840	1,834,400	1,565,136	3,095,783	(1,152,364)
Interest on taxes	371,247	279,531	289,805	208,972	168,675	88,770	104,157	164,713	191,444	168,752
Fines and costs	809,832	747,940	836,479	804,327	890,796	905,279	753,042	807,423	632,675	999,885
Contributions	2,526,208	569,549	602,041	287,408	1,141,640	734,318	280,465	702,314	155,244	215,011
Special Assessment	-	-	-	-	187,084	187,084	187,084	179,357	194,810	187,084
Other	715,816	1,850,862	1,424,041	1,696,903	411,561	617,788	655,473	1,151,909	2,343,737	3,161,922
Total revenues	101,132,394	108,567,670	109,486,886	113,023,346	116,851,648	122,946,228	125,309,574	128,164,511	132,580,362	140,787,841
Expenditures										
General government	6,669,587	6,929,207	7,449,378	7,556,377	10,450,462	8,945,562	10,545,576	10,174,548	9,643,095	12,481,663
Public safety	16,246,164	17,162,643	17,415,808	17,892,961	18,730,211	19,845,067	20,940,213	22,730,785	22,981,664	22,569,807
Education	43,274,802	45,679,948	47,346,209	48,242,046	49,875,849	51,966,015	54,058,715	53,337,106	56,866,963	59,334,909
Public works	8,724,410	9,170,490	9,638,677	9,777,531	10,480,446	11,054,124	13,512,993	12,382,192	11,471,196	13,611,854
Health and human services	663,744	673,703	588,645	589,457	658,401	635,743	743,721	745,845	712,966	717,815
Culture and recreation	3,194,516	3,594,783	4,256,940	3,802,522	3,719,880	3,873,945	4,395,664	3,893,519	3,355,535	4,472,867
Community development	743,466	1,039,811	1,768,051	817,479	1,026,946	1,171,019	1,102,132	528,343	970,091	642,558
Debt service										
Principal	8,257,905	7,394,905	8,092,905	8,610,407	9,452,877	9,805,540	10,262,905	11,504,117	11,245,000	11,817,000
Interest	3,091,322	3,045,212	3,170,237	2,983,390	3,190,755	3,874,129	4,049,128	4,375,337	3,954,853	3,792,854
Capital outlay ⁽¹⁾	16,796,251	17,434,367	9,928,572	13,524,700	17,922,741	30,405,286	21,336,460	18,361,212	16,640,988	23,098,142
Intergovernmental	4,426,943	4,667,200	4,832,388	5,100,513	5,203,357	5,629,133	5,503,199	5,561,364	5,667,030	5,677,887
Total expenditures	112,089,110	116,792,269	114,487,810	118,897,383	130,711,925	147,205,563	146,450,706	143,594,368	143,509,381	158,217,356
Excess of Revenues										
Over(under) expenditures	(10,956,716)	(8,224,599)	(5,000,924)	(5,874,037)	(13,860,277)	(24,259,335)	(21,141,132)	(15,429,857)	(10,929,019)	(17,429,515)
Other Financing Sources (Uses)										
Issuance of bonds/loans	2,767,000	9,050,000	4,600,000	13,648,000	12,860,000	11,750,000	33,611,500	-	14,528,500	8,438,400
Issuance of refunding bond	-	-	3,335,000	3,040,500	-	-	-	-	5,773,500	9,430,000
Bond premium	184,652	1,233,245	586,229	1,958,633	1,662,089	1,590,594	4,119,106	-	2,348,815	2,695,576
Transfers in	1,919,914	1,911,538	3,706,034	2,716,667	4,218,271	2,231,502	2,785,784	4,622,413	3,058,908	5,096,744
Payment to refunded bond escrow agent	-	-	(3,531,788)	(3,436,502)	-	-	-	-	(6,750,000)	(11,250,000)
Transfers out	(1,919,914)	(1,911,538)	(3,706,034)	(2,716,667)	(4,218,271)	(2,231,502)	(2,525,717)	(4,224,607)	(2,781,201)	(4,784,751)
Total governmental activities	2,951,652	10,283,245	4,989,441	15,210,631	14,522,089	13,340,594	37,990,673	397,806	16,178,522	9,625,969
Net Change in Fund Balances	\$ (8,005,064)	\$ 2,058,646	\$ (11,483)	\$ 9,336,594	\$ 661,812	\$ (10,918,741)	\$ 16,849,541	\$ (15,032,051)	\$ 5,249,503	\$ (7,803,546)
Debt Service as a percentage of non-capitalized expenditures ⁽²⁾										
	12.00%	11.33%	10.99%	11.07%	11.48%	11.68%	11.64%	12.62%	11.92%	11.64%

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

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

City of Portsmouth, New Hampshire

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

Fiscal Year	Revenue					Expenses						Increase (Decrease) Total Net Position	Total Net Position ⁽¹⁾⁽²⁾
	Charges for Services	Licenses and Permits	Departmental	Other	Total	Operations & Maintenance	Depreciation	Interest Expense	Special Item - Loss on Disposal	Transfers Out	Total		
2022	\$ 25,353,300	\$ 1,223,538	\$ 409,913	\$ 6,148,875	\$ 33,135,626	\$ 15,394,945	\$ 7,250,213	\$ 4,265,877	\$ -	\$ 311,993	\$ 27,223,028	\$ 5,912,598	\$ 140,456,054
2021	24,851,216	1,110,533	468,159	6,595,573	33,025,481	15,704,655	6,543,929	3,990,634	-	-	26,239,218	6,786,263	134,543,456
2020	23,808,307	1,285,215	497,587	9,175,279	34,766,388	13,383,457	4,606,859	3,635,914	1,690,184	-	23,316,414	11,449,974	127,757,193
2019	23,452,563	1,025,517	545,437	4,552,580	29,576,097	13,104,187	4,190,167	3,296,426	-	-	20,590,780	8,985,317	116,307,219
2018	23,534,582	911,770	458,296	2,993,544	27,898,192	12,009,200	3,823,387	2,938,196	-	-	18,770,783	9,127,409	107,321,902
2017	22,335,872	811,540	484,675	1,998,749	25,630,836	12,191,374	3,790,683	2,687,548	-	-	18,669,605	6,961,231	98,194,493
2016	22,283,052	751,904	435,197	1,171,512	24,641,665	10,947,720	3,457,903	2,952,146	-	-	17,357,769	7,283,896	91,233,262
2015	21,362,069	726,695	484,826	872,763	23,446,353	13,288,245	3,347,761	2,531,819	-	-	19,159,825	4,286,528	83,949,366
2014	20,961,597	867,053	496,895	796,239	23,121,784	10,590,342	3,132,231	2,308,682	-	-	16,031,255	7,090,529	79,662,838
2013	19,622,020	631,727	548,222	872,200	21,674,169	9,810,340	2,950,004	2,317,552	-	-	15,077,896	6,596,273	72,572,309

Includes Water and Sewer Funds

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

Fiscal Year	Revenue					Expenses						Increase (Decrease) Total Net Position	Total Net Position ⁽¹⁾⁽²⁾
	Charges for Services	Licenses and Permits	Departmental	Other	Total	Operations & Maintenance	Depreciation	Interest Expense	Special Item - Loss on Disposal	Transfers Out	Total		
2022	\$ 8,445,746	\$ 1,071,703	\$ 207,715	\$ 760,110	\$ 10,485,274	\$ 5,686,148	\$ 2,202,290	\$ 1,097,947	\$ -	\$ -	\$ 8,986,385	\$ 1,498,889	\$ 61,538,760
2021	8,414,656	917,705	335,829	5,259,964	14,928,154	6,176,478	2,110,415	1,038,240	-	-	9,325,133	5,603,021	60,039,871
2020	8,284,662	785,192	279,682	7,260,946	16,610,482	5,568,125	2,056,796	1,085,169	-	-	8,710,090	7,900,392	54,436,850
2019	8,135,894	750,021	356,307	2,692,257	11,934,479	5,217,921	1,901,401	1,077,124	-	-	8,196,446	3,738,033	46,536,458
2018	8,470,217	717,598	281,970	1,626,217	11,096,002	5,264,987	1,701,629	1,039,677	-	-	8,006,293	3,089,709	42,798,425
2017	8,129,970	627,915	271,907	857,856	9,887,648	5,215,935	1,737,531	1,052,899	-	-	8,006,365	1,881,283	39,708,716
2016	8,409,115	538,471	277,771	584,481	9,809,838	4,728,684	1,577,929	1,394,727	-	-	7,701,340	2,108,498	37,827,433
2015	7,998,954	552,155	298,090	276,604	9,125,803	5,852,601	1,521,953	937,092	-	-	8,311,646	814,157	35,718,935
2014	8,191,372	618,554	304,652	142,381	9,256,959	4,712,670	1,419,960	879,823	-	-	7,012,453	2,244,506	34,904,778
2013	8,023,896	431,680	383,459	102,743	8,941,778	4,212,763	1,370,019	1,038,229	-	-	6,621,011	2,320,767	32,660,272

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

Fiscal Year	Revenue					Expenses						Increase (Decrease) Total Net Position	Total Net Position ⁽¹⁾⁽²⁾
	Charges for Services	Licenses and Permits	Departmental	Other	Total	Operations & Maintenance	Depreciation	Interest Expense	Special Item - Loss on Disposal	Transfers Out	Total		
2022	\$ 16,907,554	\$ 151,835	\$ 202,198	\$ 5,388,765	\$ 22,650,352	\$ 9,708,797	\$ 5,047,923	\$ 3,167,930	\$ -	\$ 311,993	18,236,643	\$ 4,413,709	\$ 78,917,294
2021	16,436,560	192,828	132,330	1,335,609	18,097,327	9,528,177	4,433,514	2,952,394	-	-	16,914,085	1,183,242	74,503,585
2020	15,523,645	500,023	217,905	1,914,333	18,155,906	7,815,332	2,550,063	2,550,745	1,690,184	-	14,606,324	3,549,582	73,320,343
2019	15,316,669	275,496	189,130	1,860,323	17,641,618	7,886,266	2,288,766	2,219,302	-	-	12,394,334	5,247,284	69,770,761
2018	15,064,365	194,172	176,326	1,367,327	16,802,190	6,744,213	2,121,758	1,898,519	-	-	10,764,490	6,037,700	64,523,477
2017	14,205,902	183,625	212,768	1,140,893	15,743,188	6,975,439	2,053,152	1,634,649	-	-	10,663,240	5,079,948	58,485,777
2016	13,873,937	213,433	157,426	587,031	14,831,827	6,219,036	1,879,974	1,557,419	-	-	9,656,429	5,175,398	53,405,829
2015	13,363,115	174,540	186,736	596,159	14,320,550	7,427,644	1,825,808	1,594,727	-	-	10,848,179	3,472,371	48,230,431
2014	12,770,225	248,499	192,243	653,858	13,864,825	5,877,672	1,712,271	1,428,859	-	-	9,018,802	4,846,023	44,758,060
2013	11,598,124	200,047	164,763	769,457	12,732,391	5,597,577	1,579,985	1,279,323	-	-	8,456,885	4,275,506	39,912,037

Notes:

⁽¹⁾ Restated in 2015 in conformity with GASB Statement 68.

⁽²⁾ Restated in 2017 in conformity with GASB Statement 75.

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
2022	\$ 97,517,180	\$ 184,943	\$ 168,752	\$ 97,870,875
2021	89,075,575	206,438	191,444	89,473,457
2020	88,359,248	203,745	164,713	88,727,706
2019	84,620,658	177,725	104,157	84,902,540
2018	81,800,573	173,854	88,770	82,063,197
2017	80,717,918	168,577	168,675	81,055,170
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

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	Collections in Subsequent Years	Balance at End of Current Fiscal year	Total Collections to Date		Number of Parcels		
		Amount	% of Levy				Amount	% of Levy	in Levy	Liened	% Liened
2022	\$ 95,219,836	\$ 93,159,897	97.8%	\$ 2,059,939	\$ -	\$ 2,059,939	\$ 93,159,897	97.8%	8,878	125	1.4%
2021	91,850,101	89,821,119	97.8%	2,028,982	1,832,012	196,970	91,653,131	99.8%	8,859	92	1.0%
2020	90,571,793	89,137,643	98.4%	1,434,150	1,340,784	93,366	90,478,427	99.9%	8,688	125	1.4%
2019	87,304,835	85,503,865	97.9%	1,800,970	1,798,149	2,821	87,302,014	100.0%	8,655	101	1.2%
2018	83,756,100	82,251,487	98.2%	1,504,613	1,504,409	204	83,755,896	100.0%	8,624	110	1.3%
2017	80,406,957	78,768,028	98.0%	1,638,929	1,638,929	-	80,406,957	100.0%	8,567	113	1.3%
2016	78,413,113	76,816,032	98.0%	1,597,081	1,597,081	-	78,413,113	100.0%	8,536	112	1.3%
2015	74,936,960	73,219,903	97.7%	1,717,057	1,717,057	-	74,936,960	100.0%	8,559	121	1.4%
2014	72,401,876	70,320,311	97.1%	2,081,565	2,081,565	-	72,401,876	100.0%	8,540	133	1.6%
2013	70,007,505	67,688,563	96.7%	2,318,942	2,318,942	-	70,007,505	100.0%	8,522	172	2.0%

Data Source:

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

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

City of Portsmouth, New Hampshire

Assessed and Estimated Full Value of Real Property

Last Ten Fiscal Years

Fiscal Year	Local Assessed Value ⁽¹⁾					Total Assessed Value	Less Exemptions to Assessed Value ⁽¹⁾	Total Taxable Assessed Value ⁽¹⁾	Total Direct Tax Rate per \$1,000 of Assessed Value	Total Equalized Valuation ⁽²⁾	Ratio of Total Assessed Value to Total Estimated Full Value
	Current Use/ Conservation	Residential	Commercial/ Industrial	Utilities							
2022	\$ 57,801	\$ 3,708,945,500	\$ 2,524,388,137	\$ 192,443,479	\$ 6,425,834,917	\$ 27,193,900	\$ 6,398,641,017	\$ 14.14	8,166,077,195	78.7%	
2021	58,305	3,656,301,000	2,490,947,009	183,462,251	6,330,768,565	29,178,600	6,301,589,965	13.80	7,194,930,723	88.0%	
2020	59,114	3,563,876,900	2,436,618,949	171,160,012	6,171,714,975	19,874,499	6,151,840,476	13.96	6,784,387,454	91.0%	
2019	57,811	3,184,983,200	2,213,485,956	189,760,510	5,588,287,477	20,613,200	5,567,674,277	14.85	6,139,020,401	91.0%	
2018	60,090	3,111,438,500	2,152,216,919	250,037,813	5,513,753,322	45,409,300	5,468,344,022	14.35	5,800,517,168	95.1%	
2017	56,064	2,579,500,900	2,026,331,316	212,424,771	4,818,313,051	46,608,500	4,771,704,551	15.95	5,713,043,888	84.3%	
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%	

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 2022 Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>FY 2013 Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Public Service Co of NH	Utility	\$ 127,355,294	1	1.99%	\$ 171,668,017	1	4.25%
HCA Health Services of NH Inc.	Hospital	87,221,200	2	1.36%	77,596,800	2	1.92%
Arbor View & The Pines LLC (10 Years ago TGM Beechstone LLC)	Apartment Complex	54,347,500	3	0.85%	42,722,200	3	
Northern Utilities	Utility	47,225,841	4	0.74%	27,456,078	5	0.68%
Hanover Apartments LLC	Apartments	43,097,200	5	0.67%			
Vaughan Street Hotel LLC	Hotel	34,473,000	6	0.54%			0.00%
Liberty Mutual Insurance	Office Building	33,647,000	7	0.53%	35,433,200	4	
Port Owner Harbor LLC (formerly Harborside Assoc)	Hotel	33,646,200	8	0.53%			
Kenard Development LLC	Industrial	32,777,400	9	0.51%			
Inishmaan Assoc LTD Partnership	Apartments	32,231,200	10	0.50%	23,578,000	7	0.58%
Service Credit Union	Bank				24,526,300	6	0.61%
Bromley Portsmouth LLC	Shopping Center				21,644,000	8	0.54%
DSQ Holding LLC	Retail				20,976,100	9	0.52%
Fairpoint	Telephone				19,256,900	10	0.48%
Total Principal Taxpayers		<u>\$ 526,021,835</u>		<u>8.22%</u>	<u>\$ 464,857,595</u>		<u>9.56%</u>
Total Net Assessed Taxable Value		<u>\$ 6,398,641,017</u>			<u>\$ 4,043,767,047</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	
2022	\$7.02	\$5.18	\$ 1.94	\$ 7.12	\$ 14.14	\$ 0.89	\$ 15.03	\$ 11.73
2021	6.83	5.07	1.90	6.97	13.80	0.90	14.70	12.83
2020	7.22	4.83	1.91	6.74	13.96	0.90	14.86	13.43
2019	7.68	4.96	2.21	7.17	14.85	0.99	15.84	14.30
2018	7.27	4.95	2.13	7.08	14.35	1.03	15.38	14.42
2017	8.13	5.41	2.41	7.82	15.95	1.09	17.04	14.15
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

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
2022	\$ 8,332,074	\$ 17,114,440	1,624,340	1,079,390	\$ 4.40/5.30	\$ 14.89/16.38	\$ 19.29/21.68
2021	7,638,428	16,335,509	1,530,214	1,111,400	4.32/5.20	14.32/15.75	18.64/20.95
2020	8,222,671	16,880,687	1,648,450	1,148,426	4.32/5.20	13.77/15.14	18.09/20.34
2019	8,069,988	16,633,110	1,656,322	1,176,180	4.23/5.10	13.24/14.56	17.47/19.66
2018	8,022,640	15,630,407	1,669,361	1,152,772	4.15/5.00	12.73/14.00	16.88/19.00
2017	8,021,380	14,710,029	1,688,000	1,125,000	4.15/5.00	12.24/13.47	16.39/18.47
2016	7,805,987	14,126,590	1,642,974	1,123,800	4.15/5.00	11.77/12.95	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

Data Source:

City of Portsmouth Budget and Budget Resolutions

Notes:

- ⁽¹⁾ Amount to be raised by rate equals the net cash requirement 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⁾ First rate is for 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 %	Fiscal Year	County Tax Levy	Portsmouth Share ⁽¹⁾	Portsmouth's Share \$ Change	Portsmouth's Share % Change
2021	\$ 8,082,803,530	\$ 83,273,665	\$ 8,166,077,195	\$ 73,301,969,899	11.1403243%	2022	\$ 49,791,743	\$ 5,677,886	\$ 10,856	0.2%
2020	7,119,904,456	75,026,267	7,194,930,723	63,095,343,828	11.4032673%	2021	49,457,963	5,667,030	105,665	1.9%
2019	6,714,405,427	69,982,027	6,784,387,454	59,209,498,814	11.4582754%	2020	50,297,338	5,561,365	58,166	1.1%
2018	6,073,124,791	65,895,610	6,139,020,401	55,521,693,803	11.0569761%	2019	49,130,196	5,503,199	(125,934)	-2.2%
2017	5,731,071,264	69,445,904	5,800,517,168	51,784,538,619	11.2012530%	2018	48,369,198	5,629,133	425,776	8.2%
2016	5,651,979,770	61,064,118	5,713,043,888	49,090,222,780	11.6378447%	2017	46,916,696	5,203,357	102,846	2.0%
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	225,463	5.4%

Data Sources:

NH Department of Revenue Administration Equalization Surveys

County Tax Warrants

Adopted Rockingham County Budgets

⁽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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Issued Debt at June 30										
City Depts.	\$ 25,727,000	\$ 27,511,103	\$ 27,609,999	\$ 31,358,500	\$ 34,413,500	\$ 35,683,500	\$ 59,080,500	\$ 52,648,499	\$ 58,619,200	\$ 58,733,600
City-Unamortized Bond Premium	954,977	1,741,039	2,162,776	3,527,421	4,171,793	4,641,543	7,707,108	6,977,488	7,407,982	7,245,697
Landfill	1,310,048	1,097,144	884,238	671,332	458,427	245,522	32,617	-	-	-
School Dept.	52,475,000	51,915,000	49,055,000	50,397,607	50,962,635	51,850,000	52,014,500	46,975,000	43,311,300	37,998,300
School-Unamortized Bond Premium	4,186,573	4,198,367	3,865,809	3,926,897	3,773,863	3,750,262	3,848,033	3,348,330	3,879,238	4,598,712
Total Governmental Funds	84,653,598	86,462,654	83,577,822	89,881,757	93,780,218	96,170,827	122,682,758	109,949,317	113,217,720	108,576,309
Water Fund	23,037,202	24,971,873	28,040,824	29,724,796	29,832,268	30,674,740	30,644,612	28,104,684	31,716,156	35,514,028
Water-Unamortized Bond Premium	502,396	883,158	993,224	2,288,399	2,236,248	2,305,220	2,394,747	2,204,744	2,578,164	2,900,589
Sewer Fund	36,705,514	52,926,789	50,381,197	50,785,603	50,340,010	51,079,418	54,544,925	49,688,232	52,408,090	129,670,279
Sewer-Unamortized Bond Premium	870,421	2,414,740	2,323,564	2,567,959	2,664,321	2,951,701	3,695,439	3,430,885	3,818,690	4,328,402
Total Business-type Activities	61,115,533	81,196,560	81,738,809	85,366,757	85,072,847	87,011,079	91,279,723	83,428,545	90,521,100	172,413,298
Total Issued Debt at June 30	145,769,131	167,659,214	165,316,631	175,248,514	178,853,065	183,181,906	213,962,480	193,377,862	203,738,820	280,989,607
Authorized Unissued Debt June 30										
City Depts.	1,600,000	1,600,000	24,800,000	23,352,000	23,200,000	31,130,000	13,875,000	25,825,000	16,025,000	33,007,456
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.	3,300,000	-	5,025,000	5,025,000	5,000,000	5,000,000	2,000,000	2,000,000	500,000	-
Total Governmental Funds	9,541,897	6,241,897	34,466,897	33,018,897	32,841,897	40,771,897	20,516,897	32,466,897	21,166,897	37,649,353
Water Fund	13,162,303	13,162,303	-	-	-	-	-	4,623,000	1,450,000	8,150,000
Sewer Fund	8,706,299	3,110,425	-	75,000,000	75,000,000	81,900,000	81,900,000	89,045,000	86,300,000	8,966,957
Total Authorized Unissued Debt June 30	31,410,499	22,514,625	34,466,897	108,018,897	107,841,897	122,671,897	102,416,897	126,134,897	108,916,897	54,766,310
Gross Debt June 30										
City Depts.	28,281,977	30,852,142	54,572,775	58,237,921	61,785,293	71,455,043	80,662,608	85,450,987	82,052,182	98,986,753
Coakley Landfill	5,951,945	5,739,041	5,526,135	5,313,229	5,100,324	4,887,419	4,674,514	4,641,897	4,641,897	4,641,897
School Dept.	59,961,573	56,113,367	57,945,809	59,349,504	59,736,498	60,600,262	57,862,533	52,323,330	47,690,538	42,597,012
Total Governmental Funds	94,195,495	92,704,551	118,044,719	122,900,654	126,622,115	136,942,724	143,199,655	142,416,214	134,384,617	146,225,662
Water Fund	36,701,901	39,017,334	29,034,048	32,013,195	32,068,516	32,979,960	33,039,359	34,932,428	35,744,320	46,564,617
Sewer Fund	45,411,813	56,037,214	52,704,761	128,353,562	128,004,331	135,931,119	140,140,364	142,164,117	142,526,780	142,965,638
Total Gross Debt June 30	\$ 177,179,630	\$ 190,173,839	\$ 199,783,528	\$ 283,267,411	\$ 286,694,962	\$ 305,853,803	\$ 316,379,377	\$ 319,512,759	\$ 312,655,717	\$ 335,755,917
Base Value for Debt Limits⁽¹⁾	\$ 4,238,460,159	\$ 4,481,154,370	\$ 4,871,579,273	\$ 5,118,914,757	\$ 5,651,979,770	\$ 5,731,071,264	\$ 6,073,124,791	\$ 6,714,405,427	\$ 7,119,904,456	\$ 8,082,803,530
Legal Debt Limits (% of Base Value)										
City - 3% ⁽²⁾	\$ 127,153,805	\$ 134,434,631	\$ 146,147,378	\$ 153,567,443	\$ 169,559,393	\$ 171,932,138	\$ 182,193,744	\$ 201,432,163	\$ 213,597,134	\$ 242,484,106
School - 7% ⁽²⁾	296,692,211	313,680,806	341,010,549	358,324,033	395,638,584	401,174,988	425,118,735	470,008,380	498,393,312	565,796,247
Water - 10% ⁽²⁾	423,846,016	448,115,437	487,157,927	511,891,476	565,197,977	573,107,126	607,312,479	671,440,543	711,990,446	808,280,353
Debt Against Legal Debt Limits										
City Depts.	\$ 28,281,977	\$ 30,852,142	\$ 54,572,775	\$ 58,237,921	\$ 61,785,293	\$ 71,455,043	\$ 80,662,608	\$ 85,450,987	\$ 82,052,182	\$ 98,986,753
School Dept.	59,961,573	56,113,367	57,945,809	59,349,504	59,736,498	60,600,262	57,862,533	52,323,330	47,690,538	42,597,012
Water Fund	36,701,901	39,017,334	29,034,048	32,013,195	32,068,516	32,979,960	33,039,359	34,932,428	35,744,320	46,564,617
Exempt from Legal Debt Limits ⁽³⁾	52,234,179	64,190,995	58,230,896	133,666,791	133,104,655	140,818,538	144,814,878	146,806,014	147,168,677	147,607,535
Total Debt at June 30	\$ 177,179,630	\$ 190,173,839	\$ 199,783,528	\$ 283,267,411	\$ 286,694,962	\$ 305,853,803	\$ 316,379,377	\$ 319,512,759	\$ 312,655,717	\$ 335,755,917
Unused Capacity of Legal Debt Limits										
City Depts.	\$ 98,871,827	\$ 103,582,489	\$ 91,574,603	\$ 95,329,522	\$ 107,774,100	\$ 100,477,095	\$ 101,531,136	\$ 115,981,176	\$ 131,544,952	\$ 143,497,353
School Dept.	236,730,638	257,567,439	283,064,740	298,974,529	335,902,086	340,574,726	367,256,202	417,685,050	450,702,774	523,199,235
Water Fund	387,144,115	409,098,103	458,123,879	479,878,281	533,129,461	540,127,166	574,273,120	636,508,115	676,246,126	761,715,736
% of Legal Debt Limits Used										
City Depts.	22.2%	22.9%	37.3%	37.9%	36.4%	41.6%	44.3%	42.4%	38.4%	40.8%
School Dept.	20.2%	17.9%	17.0%	16.6%	15.1%	15.1%	13.6%	11.1%	9.6%	7.5%
Water Fund	8.7%	8.7%	6.0%	6.3%	5.7%	5.8%	5.4%	5.2%	5.0%	5.8%

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 Departments	School Department	Total Debt	Debt per Capita	% of Debt to Personal Income
2022	\$ 65,979,297	\$ 42,597,012	\$ 108,576,309	\$ 4,879	9.1%
2021	66,027,182	47,190,538	113,217,720	5,021	9.4%
2020	59,625,987	50,323,330	109,949,317	4,951	9.8%
2019	66,820,225	55,862,533	122,682,758	5,535	11.6%
2018	40,570,565	55,600,262	96,170,827	4,392	9.2%
2017	39,043,720	54,736,498	93,780,218	4,357	9.5%
2016	35,557,253	54,324,504	89,881,757	4,181	9.3%
2015	30,657,013	52,920,809	83,577,821	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%

Business-Type Activities - General Obligation Debt and State Revolving Loans					
Fiscal Year	Water Fund	Sewer Fund	Total Debt	Debt per capita	% of Debt to Personal Income
2022	\$ 38,414,617	\$ 133,998,681	\$ 172,413,298	\$ 7,748	14.5%
2021	34,294,320	56,226,780	90,521,100	4,015	7.5%
2020	30,309,428	53,119,117	83,428,545	3,757	7.5%
2019	33,039,359	58,240,364	91,279,723	4,118	8.6%
2018	32,979,960	54,031,119	87,011,079	3,973	8.3%
2017	32,068,516	53,004,331	85,072,847	3,952	8.6%
2016	32,013,195	53,353,562	85,366,757	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%

Fiscal Year	Total Debt Primary Government	Debt per capita	% of Debt to Personal Income
2022	\$ 280,989,607	\$ 12,628	23.7%
2021	203,738,820	9,036	16.9%
2020	193,377,862	8,708	17.3%
2019	213,962,480	9,653	20.2%
2018	183,181,906	8,365	17.5%
2017	178,853,065	8,309	18.2%
2016	175,248,514	8,153	18.1%
2015	165,316,630	7,702	18.0%
2014	167,659,214	7,879	19.8%
2013	145,769,131	6,852	17.4%

Data Source:

Finance Department Records

City of Portsmouth, New Hampshire

Direct and Overlapping Governmental Activities Debt As of June 30, 2022

	<u>End of Calendar Year</u>	<u>Net General Obligation Debt Outstanding ⁽¹⁾</u>	<u>Percentage Applicable to Portsmouth ⁽²⁾</u>	<u>Amount Applicable to Portsmouth</u>
Rockingham County	2022	\$28,661,379	11.1403243%	\$ 3,192,971
			Subtotal, Overlapping Debt	<u>3,192,971</u>
City of Portsmouth Direct Debt				<u>108,576,309</u>
Total Direct Debt and Overlapping Debt				<u><u>\$ 111,769,280</u></u>

Data Sources:

⁽¹⁾ 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	Governmental Activities			Fiscal Year	Business Type Activities			Fiscal Year	Primary Government		
	General Obligation Bonds	Debt per Capita	% of Debt to Estimated Actual Value		General Obligation Bonds	Debt per Capita	% of Debt to Estimated Actual Value		General Obligation Bonds	Debt per Capita	% of Debt to Estimated Actual Value
2022	\$ 108,576,309	\$ 4,879	1.3%	2022	\$ 172,413,298	\$ 7,748	2.1%	2022	\$ 280,989,607	\$ 12,628	3.4%
2021	113,217,720	5,021	1.6%	2021	75,166,354	3,334	1.0%	2021	188,384,074	8,355	2.6%
2020	109,949,317	4,951	1.6%	2020	65,597,129	2,954	1.0%	2020	175,546,446	7,905	2.6%
2019	122,650,141	5,533	2.0%	2019	70,650,185	3,187	1.2%	2019	193,300,325	8,721	3.1%
2018	95,925,305	4,381	1.7%	2018	63,583,421	2,904	1.1%	2018	159,508,726	7,284	2.7%
2017	93,321,791	4,336	1.6%	2017	58,847,067	2,734	1.0%	2017	152,168,858	7,070	2.7%
2016	89,210,425	4,150	1.7%	2016	56,342,856	2,621	1.1%	2016	145,553,281	6,771	2.8%
2015	82,693,584	3,853	1.7%	2015	49,916,787	2,326	1.0%	2015	132,610,371	6,179	2.7%
2014	85,365,510	4,012	1.9%	2014	46,542,896	2,187	1.0%	2014	131,908,406	6,199	2.9%
2013	83,343,550	3,918	1.9%	2013	29,216,820	1,373	0.7%	2013	112,560,370	5,291	2.6%

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 ⁽²⁾		
				City of Portsmouth	State of NH	US
2022	22,252 ⁽¹⁾	1,187,010,688	\$ 53,344 ⁽³⁾	1.8%	2.0%	3.6%
2021	22,548 ⁽¹⁾	1,202,800,512	53,344 ⁽³⁾	2.4%	2.9%	5.9%
2020	22,206 ⁽¹⁾	1,118,094,306	50,351 ⁽³⁾	7.5%	9.1%	11.2%
2019	22,166 ⁽¹⁾	1,060,332,776	47,836 ⁽³⁾	2.0%	2.5%	3.7%
2018	21,898 ⁽¹⁾	1,047,512,728	47,836 ⁽³⁾	2.2%	2.7%	4.0%
2017	21,524 ⁽¹⁾	984,615,380	45,745 ⁽³⁾	2.0%	2.9%	4.4%
2016	21,496 ⁽¹⁾	968,652,752	45,062 ⁽³⁾	1.9%	2.8%	4.9%
2015	21,463 ⁽¹⁾	916,985,212	42,724 ⁽³⁾	2.7%	3.8%	5.3%
2014	21,280 ⁽¹⁾	847,752,640	39,838 ⁽³⁾	3.2%	4.3%	6.3%
2013	21,273 ⁽¹⁾	836,964,912	39,344 ⁽³⁾	4.2%	5.2%	7.1%

Data Sources:

⁽¹⁾ NH Office of Energy and Planning population estimates.

⁽²⁾ NH Employment Security ELMI Data as of June 30.

⁽³⁾ U.S. Census Bureau-American Community Survey 5-Year Estimates.

* Prior year population numbers are subject to change per the New Hampshire Department of Business and Economic Affairs

City of Portsmouth, New Hampshire

Principal Employers

Current Year and Nine Years Ago

Employer	Type of Business	2022			2013		
		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	1,400	1	4.60 %			%
HCA Hospital	Hospital	1,340	2	4.40	1,079	1	3.72
Lonza Biologics	Biotechnology	1,300	3	4.30	727	4	2.50
Liberty Mutual	Insurance	1,000	4	3.00	1,013	2	3.49
City of Portsmouth (FT)	Municipal services	883	5	2.90	700	5	2.41
Sprague Energy	Utility	678	6	2.20			
Bottomline technologies	Software	514	7	1.70	350	7	1.21
WIN Waste Innovation	Utility	400	8	1.30			
Service Credit Union	Banking	378	9	1.20			
Amadeus	Software	362	10	1.20			
US Dept of State National Passport Center ⁽²⁾	Passport services				736	3	2.53
US Dept of State National Visa Center ⁽²⁾	Visa services				644	6	2.22
John Hancock	Finance				285	8	0.98
Erie Scientific/Thermo Fisher	Laboratory equipment				280	9	0.96
Newmarket International	Software				258	10	0.89
Total Principal Employers		8,255		26.80 %	6,072		20.91 %
Total City Employment ⁽¹⁾		31,215			29,040		

Data Source:

NH Employment Security-NH Community Profiles

Notes

* 2019 Employment Figure

⁽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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Taxable property parcels assessed	8,522	8,540	8,559	8,536	8,601	8,625	8,815	8,857	8,859	8,949
Registered Voters	17,047	15,894	18,807	17,069	17,939	18,127	19,416	21,563	21,563	17,429
Votes Cast:										
Municipal Election		4,755		4,673		5,050		5,813		6,099
State Primary	3,318		2,273		3,525		5,181		6,218	3,902
State General Election			9,339		13,556		11,338		14,771	11,772
Presidential Primary				9,842				9,168		
Presidential General	13,215				13,556				14,771	
Building Permits	2,265	2,433	2,502	3,086	3,259	3,123	2,873	2,634	4,228	4,353
Estimated construction value	\$54,033,264	\$73,323,755	\$73,308,353	\$126,249,200	\$134,395,844	\$211,585,486	\$157,936,179	\$134,866,113	\$ 212,826,565	\$ 144,822,449
Public Safety										
Police ⁽²⁾										
Service Calls	38,673	39,963	40,820	40,019	49,423	53,065	51,942	34,286	37,767	38,634
Number of Arrests	1,113	1,144	1,033	1,063	1,103	1,428	1,075	822	826	1,008
Traffic Activity:										
Number of MV Stops										
Summons/Citation	345	278	273	343	2,022	1,223	912	552	560	485
Written Warning	1,683	2,003	2,532	3,339	4,662	3,708	3,590	1,526	1,325	1,385
Verbal Warning or No Action	2,403	2,381	3,627	4,414	4,833	5,165	5,964	4,236	4,310	6,521
Total MV Stops	4,431	4,662	6,432	8,096	11,517	10,096	10,466	6,314	6,195	8,391
Accidents	1,121	692	734	678	663	684	609	510	419	533
DWI arrests	57	49	68	55	100	76	80	46	66	84
Fire and EMS										
Fire Rescue	2,553	2,418	2,776	2,670	2,845	2,851	2,755	2,201	2,547	2,647
Ambulance	3,134	3,124	3,211	3,452	3,576	3,654	3,448	3,235	3,331	3,548
Education ⁽³⁾										
High School Fall Enrollment	1,129	1,075	1,077	1,110	1,117	1,076	1,131	1,129	1,105	1,049
Public Works										
Parking Enforcement										
Parking violations (Tickets written)	48,357	43,371	39,371	48,268	43,997	54,422	51,873	40,589	34,863	35,573
Streets resurfaced (miles)	5.75	9.70	6.50	3.80	2.10	11.95	2.80	2.80	3.70	7.30
Human Services - General Assistance										
Number of applicants	684	616	423	348	303	353	526	469	263	65
Culture and Recreation										
Public Library										
Circulation of materials	449,548	424,828	421,739	413,734	411,840	413,120	435,022	297,500	232,498	330,792
Annual visits	295,485	329,771	321,131	352,962	378,351	346,121	325,580	238,937	126,101	108,132
Water System:										
Water main breaks	29	37	31	29	21	25	19	24	15	16
Daily average consumption (millions of gallons)	4.4	4.7	4.5	4.6	3.9	4.4	4.0	4.0	3.9	3.8
Peak daily consumption (millions of gallons)	7.1	5.6	6.0	6.3	6.1	6.0	6.8	6.5	3.2	6.4
Precipitation (inches)						36.2	47.8	39.8	33.80	45.02
Sewage System:										
Daily average treatment (millions of gallons)	4.7	3.6	4.0	3.8	4.1	3.7	4.7	4.0	3.5	4.1
Daily average treatment - Pease WWTF (millions of gallons)	0.5	0.5	0.5	0.5	0.6	0.7	0.7	0.7	0.7	0.7

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Public Safety										
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of vehicles	30	30	30	30	30	30	31	30	33	35
Fire and Rescue										
Number of stations	3	3	3	3	3	3	3	3	3	3
Number of vehicles	19	19	19	19	19	19	20	20	19	19
Number of boats	1	1	1	1	1	1	2	2	2	2
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	105	105	105	105	105	105	105	105	105	105
Number of bridges	15	15	15	15	15	15	15	15	15	15
Culture and Recreation:										
Libraries	1	1	1	1	1	1	1	1	1	1
Community centers	2	2	2	2	3	3	3	3	3	3
Number of boat dock facilities	2	2	2	2	2	2	2	2	2	2
Swimming pools	3	3	3	3	3	3	3	3	3	3
Tennis courts	10	10	10	10	10	10	10	10	6	6
Water system:										
Miles of water mains	176	174	174	174	174	190	189	190	190	190
Number of service connections	8,035	8,023	8,038	8,096	8,100	8,200	8,261	9,800	8,541	8,626
Storage capacity in gallons (millions of gallons)	9.5	10	10	10	10	10	11	11	11	11
Maximum daily capacity of plant (millions of gallons)	5.0	4.5	4.5	4.5	4.5	4.5	4.0	4.0	4.0	4.0
Number of fire hydrants	970	1,013	1,017	1,034	1,036	1,040	1,028	1,040	1,035	1,035
Sewage System:										
Miles of sanitary sewers	108	106	107	106	106	106	112	112	107	107
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of service connections	6,244	6,392	6,404	6,427	6,475	6,459	6,495	6,495	6,717	6,751
Maximum daily capacity of treatment (millions of gallons)	24.0	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3

Data Source:

Various city departments

City of Portsmouth, New Hampshire

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

Function	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Executive	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.80
Finance	17.00	18.00	19.00	20.00	22.08	22.28	24.23	24.33	22.33	23.33
Human Resources	2.00	4.00	4.00	3.00	3.00	3.00	2.00	4.00	4.00	4.00
City Clerk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Legal	4.00	5.00	5.00	5.36	5.36	5.36	5.64	6.64	6.64	6.64
Information Technology	-	-	-	-	-	-	1.00	1.00	1.00	1.00
Planning	5.95	7.45	8.45	8.45	8.45	8.53	8.55	8.45	7.45	6.80
Inspection	4.05	4.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	7.00
Health	1.50	1.50	1.50	1.50	1.50	1.50	1.50	2.50	2.50	3.00
Total General Government	39.50	45.00	48.00	48.36	50.44	50.72	53.97	57.97	54.97	58.57
Public Safety										
Police - Sworn Officers:										
General Fund Funded	59.60	59.20	60.20	60.20	62.20	64.20	64.20	66.20	66.20	66.20
Grant Funded	2.40	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80
Dispatch	10.00	10.00	10.00	11.00	11.00	11.00	11.00	11.00	10.00	9.00
Police - Non-sworn employees:										
General Fund Funded	11.00	9.00	9.00	9.00	11.00	12.00	12.00	14.00	14.00	14.00
Total Police Department	83.00	80.00	81.00	82.00	86.00	89.00	89.00	93.00	92.00	91.00
Fire and Rescue	60.00	60.00	60.00	61.00	61.00	61.00	61.00	65.00	65.00	65.00
Fire Clerical	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total Public Safety	144.00	141.00	142.00	144.00	148.00	151.00	151.00	159.00	158.00	157.00
Education										
General Fund Funded										
Administrators	13.20	13.16	13.16	13.72	13.72	13.72	14.67	15.41	14.64	14.60
Teachers	241.80	240.96	242.56	243.54	245.42	248.96	254.42	257.52	257.08	253.97
Clerical	20.70	20.73	20.73	20.91	20.91	20.91	20.91	21.05	21.05	20.16
Paraprofessional/Tutors	43.20	42.66	41.85	43.95	43.15	48.84	50.00	46.35	47.12	46.32
School custodians	25.40	24.88	25.88	25.88	25.88	25.88	26.00	26.01	26.01	26.01
Security	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-
Technicians	7.00	7.00	7.00	7.00	7.00	8.00	8.00	8.00	8.00	8.00
System maintenance	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00
Total General Fund Funded	356.30	354.39	356.18	360.00	361.08	371.31	379.00	380.34	379.90	374.06
Grant and other Funding	91.30	85.60	94.20	88.00	87.92	88.90	83.65	85.92	85.85	85.85
Total Education	447.60	439.99	450.38	448.00	449.00	460.21	462.65	466.26	465.75	459.91
Public Works										
General Fund functions	58.00	59.25	58.05	54.15	55.85	56.75	54.00	52.85	53.60	53.85
Parking Fund	10.00	11.25	10.70	15.76	16.21	17.21	25.46	25.31	24.06	26.31
Prescott Park	-	-	-	-	1.20	1.43	2.23	2.15	2.15	2.15
Stormwater	-	-	-	-	-	-	5.00	5.00	5.00	5.00
Water	22.30	22.60	22.90	26.90	26.45	25.80	27.70	28.95	29.20	29.45
Sewer	25.00	27.40	27.40	28.70	30.00	32.70	32.30	34.55	34.80	35.45
Total Public Works	115.30	120.50	119.05	125.51	129.71	133.89	146.69	148.81	148.81	152.21
Culture and Recreation										
Recreation	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00
Senior Services	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Library	14.00	15.00	15.00	15.00	15.00	16.00	16.00	16.00	16.00	17.00
Total Culture and Recreation	18.00	19.00	20.00	20.00	20.00	21.00	21.00	21.00	21.00	23.00
Human Services										
Welfare	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total Human Services	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Community Development										
Community Development	1.45	1.25	1.60	2.30	1.58	1.15	1.13	1.00	1.00	1.00
UDAG	1.15	2.15	2.15	1.15	1.00	1.00	1.00	1.00	1.00	1.00
Total Community Development	2.60	3.40	3.75	3.45	2.58	2.15	2.13	2.00	2.00	2.00
Total All Functions	768.00	769.89	784.18	790.32	800.73	819.96	838.44	856.04	851.53	853.69
Percent of Total										
General Government	5.1%	5.8%	6.1%	6.1%	6.3%	6.2%	6.4%	6.8%	6.5%	6.9%
Public Safety	18.8%	18.3%	18.1%	18.2%	18.5%	18.4%	18.0%	18.6%	18.6%	18.4%
Education	58.3%	57.1%	57.4%	56.7%	56.1%	56.1%	55.2%	54.5%	54.7%	53.9%
Public Works	15.0%	15.7%	15.2%	15.9%	16.2%	16.3%	17.5%	17.4%	17.5%	17.8%
Culture and Recreation	2.3%	2.5%	2.6%	2.5%	2.5%	2.6%	2.5%	2.5%	2.5%	2.7%
Human Services	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Community Development	0.3%	0.4%	0.5%	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Data Source:
Funded Full Time Positions as of the close of the fiscal year.