



City of
ROCHESTER
New Hampshire

CITY OF ROCHESTER, NEW HAMPSHIRE

Financial Statements
For the Year Ended June 30, 2021

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council and City Manager
City of Rochester, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, New Hampshire (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

Merrimack, New Hampshire
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Greenfield, Massachusetts
Ellsworth, Maine

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of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, New Hampshire, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements, in fiscal year 2021 the City adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the general fund 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 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.

Merrimack, New Hampshire
March 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Rochester (the City), we offer readers this narrative overview and analysis of the financial activities of the City of Rochester for the fiscal year ended June 30, 2021.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. 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 distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, education, health and welfare, culture and recreation, community development, community services, and conservation. The business-type activities include water and sewer.

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water and sewer operations, which are considered to be major funds.

Fiduciary Funds

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

Notes to 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.

Required Supplementary Information

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$34,582,869, a change of \$1,750,777, and net position in business-type activities was \$61,812,284, a change of \$396,946.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$27,786,474, a change of \$(2,144,384) in comparison to the prior year, as restated.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$25,736,042, a change of \$5,253,373 in comparison to the prior year.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

<u>NET POSITION</u>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 65,003,265	\$ 67,375,417	\$ 1,781,036	\$ 12,571,289	\$ 66,784,301	\$ 79,946,706
Capital assets	<u>154,550,717</u>	<u>148,545,761</u>	<u>118,827,690</u>	<u>105,486,275</u>	<u>273,378,407</u>	<u>254,032,036</u>
Total assets	219,553,982	215,921,178	120,608,726	118,057,564	340,162,708	333,978,742
Deferred outflows of resources	30,200,675	13,431,760	864,524	482,459	31,065,199	13,914,219
Current liabilities	14,592,118	6,577,810	17,004,504	10,790,786	31,596,622	17,368,596
Noncurrent liabilities	<u>174,771,551</u>	<u>153,333,191</u>	<u>41,911,072</u>	<u>45,409,406</u>	<u>216,682,623</u>	<u>198,742,597</u>
Total liabilities	189,363,669	159,911,001	58,915,576	56,200,192	248,279,245	216,111,193
Deferred inflows of resources	25,808,119	38,198,175	745,390	924,493	26,553,509	39,122,668
Net investment in capital assets	102,946,366	94,944,470	67,446,810	58,224,528	170,393,176	153,168,998
Restricted	2,511,799	780,888	-	-	2,511,799	780,888
Unrestricted	<u>(70,875,296)</u>	<u>(64,481,596)</u>	<u>(5,634,526)</u>	<u>3,190,810</u>	<u>(76,509,822)</u>	<u>(61,290,786)</u>
Total net position	<u>\$ 34,582,869</u>	<u>\$ 31,243,762</u>	<u>\$ 61,812,284</u>	<u>\$ 61,415,338</u>	<u>\$ 96,395,153</u>	<u>\$ 92,659,100</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$96,395,153 a change of \$2,147,723 in comparison to the prior year.

The largest portion of net position, \$170,393,176, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those

assets that is still outstanding. 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, \$2,511,799, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(76,509,822), primarily resulting from unfunded pension and OPEB liabilities.

<u>CHANGES IN NET POSITION</u>						
	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 8,111,075	\$ 8,067,030	\$ 10,650,198	\$ 9,637,950	\$ 18,761,273	\$ 17,704,980
Operating grants and contributions	42,504,689	35,533,505	-	264,351	42,504,689	35,797,856
Capital grants and contributions	-	4,146,553	257,278	570,507	257,278	4,717,060
General revenues:						
Property taxes	57,358,598	54,499,053	-	-	57,358,598	54,499,053
Licenses and permits	6,872,641	6,108,067	-	-	6,872,641	6,108,067
Penalties and interest on taxes	950,034	1,080,001	-	-	950,034	1,080,001
Grants and contributions not restricted to specific programs	3,103,262	2,903,139	-	-	3,103,262	2,903,139
Investment income	644,307	541,527	10,000	10,000	654,307	551,527
Other	735,448	630,363	-	-	735,448	630,363
Total revenues	120,280,054	113,509,238	10,917,476	10,482,808	131,197,530	123,992,046
Expenses:						
General government	8,447,263	6,857,642	-	-	8,447,263	6,857,642
Public safety	16,647,773	14,500,315	-	-	16,647,773	14,500,315
Highway and streets	7,443,223	7,230,530	-	-	7,443,223	7,230,530
Education	76,914,114	68,121,529	-	-	76,914,114	68,121,529
Health and welfare	356,729	423,228	-	-	356,729	423,228
Culture and recreation	2,574,488	2,591,714	-	-	2,574,488	2,591,714
Community development	2,534,224	557,794	-	-	2,534,224	557,794
Community services	1,341,266	729,559	-	-	1,341,266	729,559
Conservation	-	4,600	-	-	-	4,600
Interest	2,306,879	1,928,703	-	-	2,306,879	1,928,703
Water	-	-	4,845,327	4,464,695	4,845,327	4,464,695
Sewer	-	-	5,638,521	4,960,879	5,638,521	4,960,879
Total expenses	118,565,959	102,945,614	10,483,848	9,425,574	129,049,807	112,371,188
Change in net position before transfers	1,714,095	10,563,624	433,628	1,057,234	2,147,723	11,620,858
Transfers in (out)	36,682	(351,192)	(36,682)	351,192	-	-
Change in net position	1,750,777	10,212,432	396,946	1,408,426	2,147,723	11,620,858
Net position - beginning of year as restated	32,832,092	21,031,330	61,415,338	60,006,912	94,247,430	81,038,242
Net position - end of year	\$ 34,582,869	\$ 31,243,762	\$ 61,812,284	\$ 61,415,338	\$ 96,395,153	\$ 92,659,100

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$1,750,777 primarily from strong operating results, softened by the substantial increase in the net pension liability.

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$396,946. Key elements of this change result from:

Water operations	\$	47,330
Sewer operations		<u>349,616</u>
Total	\$	<u><u>396,946</u></u>

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 government's net resources available for spending at the end of the fiscal year.

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$25,736,042, while total fund balance was \$30,458,948. The unassigned fund balance changed by \$5,253,373 primarily from positive budgetary results of \$10,204,418 less the use of fund balance for capital improvements of \$2,177,674 and \$3,047,064 used for the fiscal year 2022 budget to fund capital improvements. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the following table.

<u>General Fund</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>
Unassigned fund balance	\$ 25,736,042	\$ 20,482,669	\$ 5,253,373
Total fund balance	\$ 30,458,948	\$ 23,625,046	\$ 6,833,902

The total fund balance of the general fund changed by \$6,833,902 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (3,177,674)
Revenues and transfers in excess of budget	4,957,149
Expenditures and transfers less than budget	5,247,269
Other changes	<u>(192,842)</u>
Total	\$ <u>6,833,902</u>

Included in the total general fund balance are the City's capital reserve accounts with the following balances:

	<u>6/30/21</u>	<u>6/30/20</u>	<u>Change</u>
Capital reserves	\$ <u>864,556</u>	\$ <u>870,704</u>	\$ <u>(6,148)</u>
Total	\$ <u>864,556</u>	\$ <u>870,704</u>	\$ <u>(6,148)</u>

Capital Project Fund

The capital project fund accounts for all financial transactions used for the acquisition or construction of major capital facilities, infrastructure, vehicles, and equipment for the City. At the end of the current fiscal year the fund balance of capital projects was \$(4,116,333) resulting from the City's practice of self-financing project that will be permanently bonded upon completion.

Non-Major Governmental Funds

The non-major fund balance changed by \$(1,037,518) primarily from timing differences between the receipt and disbursement of grants and Granite State Business Park TIF District.

Proprietary Funds

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

Unrestricted net position of the enterprise funds changed by (\$8,825,336) as the City follows a practice of using unrestricted cash/net position to finance capital improvements and issuing bonds at completion of most projects.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriation of \$2,262,141 primarily to fund capital projects with the use of unassigned fund balance.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year end amounted to \$273,378,407 (net of accumulated depreciation), a change of \$19,346,371 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

Governmental Activities

New addition to Construction in Progress:

Apparatus Replacement Program	\$	655,732
New DPW Facility	\$	6,271,094
Pavement Rehabilitation	\$	1,837,049
William Allen School Roof	\$	325,000

Business-type Activities

New addition to Construction in Progress:

DPW Facility Construction	\$	3,135,516
Regency Court Water Main	\$	225,841
WWTP Biosolids Dewatering	\$	3,321,677
NPDES	\$	154,345
WWTP Carbon Feed System	\$	1,299,999

Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$84,920,764, net of unamortized bond premiums \$4,654,797, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the City of Rochester's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City Finance Office
City of Rochester
31 Wakefield Street
Rochester, New Hampshire 03867

CITY OF ROCHESTER, NEW HAMPSHIRE

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 54,457,316	\$ -	\$ 54,457,316
Investments	2,854,279	-	2,854,279
Receivables, net of allowance for uncollectibles:			
Property taxes	11,220	-	11,220
User fees	1,980,822	2,986,906	4,967,728
Intergovernmental	15,420	195,700	211,120
Internal balances	3,107,012	(3,107,012)	-
Other assets	<u>91,346</u>	<u>356,613</u>	<u>447,959</u>
Total Current Assets	62,517,415	432,207	62,949,622
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	2,485,850	-	2,485,850
Intergovernmental	-	1,348,829	1,348,829
Capital Assets:			
Land and construction in progress	29,562,330	24,354,037	53,916,367
Other assets, net of accumulated depreciation	<u>124,988,387</u>	<u>94,473,653</u>	<u>219,462,040</u>
Total Noncurrent Assets	<u>157,036,567</u>	<u>120,176,519</u>	<u>277,213,086</u>
Total Assets	219,553,982	120,608,726	340,162,708
Deferred Outflows of Resources			
Related to pensions	28,085,082	806,518	28,891,600
Related to OPEB	1,858,617	58,006	1,916,623
Other	<u>256,976</u>	<u>-</u>	<u>256,976</u>
Total Deferred Outflows of Resources	30,200,675	864,524	31,065,199

(continued)

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

CITY OF ROCHESTER, NEW HAMPSHIRE

Statement of Net Position

June 30, 2021

(continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities			
Current:			
Accounts payable	4,133,411	1,078,138	5,211,549
Accrued liabilities	5,519,610	2,078,343	7,597,953
Tax refunds payable	675,000	-	675,000
Notes payable	-	13,842,850	13,842,850
Other liabilities	4,264,097	5,173	4,269,270
Current portion of long-term liabilities:			
Bonds payable	5,529,980	3,021,179	8,551,159
Loans payable	18,757	769,411	788,168
Compensated absences	279,839	17,868	297,707
Capital leases	<u>179,432</u>	<u>-</u>	<u>179,432</u>
Total Current Liabilities	20,600,126	20,812,962	41,413,088
Noncurrent:			
Bonds payable, net of current portion	45,538,152	27,401,486	72,939,638
Loans payable, net of current portion	206,334	7,090,262	7,296,596
Net pension liability	103,329,198	2,908,956	106,238,154
Net OPEB liability	17,039,615	541,099	17,580,714
Compensated absences	2,518,548	160,811	2,679,359
Capital leases	<u>131,696</u>	<u>-</u>	<u>131,696</u>
Total Noncurrent Liabilities	<u>168,763,543</u>	<u>38,102,614</u>	<u>206,866,157</u>
Total Liabilities	189,363,669	58,915,576	248,279,245
Deferred Inflows of Resources			
Related to pension	2,240,909	98,346	2,339,255
Related to OPEB	3,587,751	123,071	3,710,822
Taxes paid in advance	19,979,459	-	19,979,459
Other	<u>-</u>	<u>523,973</u>	<u>523,973</u>
Total Deferred Inflows of Resources	25,808,119	745,390	26,553,509
Net Position			
Net investment in capital assets	102,946,366	67,446,810	170,393,176
Restricted for:			
Grants and other statutory restrictions	334,251	-	334,251
Permanent funds	2,177,548	-	2,177,548
Unrestricted	<u>(70,875,296)</u>	<u>(5,634,526)</u>	<u>(76,509,822)</u>
Total Net Position	\$ <u><u>34,582,869</u></u>	\$ <u><u>61,812,284</u></u>	\$ <u><u>96,395,153</u></u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

Statement of Activities
For the Year Ended June 30, 2021

		Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	<u>Expenses</u>				
Governmental Activities					
General government	\$ 8,447,263	\$ 2,820,588	\$ 756,907	\$ -	\$ (4,869,768)
Public safety	16,647,773	464,155	112,932	-	(16,070,686)
Highway and streets	7,443,223	46,207	-	-	(7,397,016)
Education	76,914,114	3,861,947	40,998,601	-	(32,053,566)
Health and welfare	356,729	-	-	-	(356,729)
Culture and recreation	2,574,488	262,907	-	-	(2,311,581)
Community development	2,534,224	100	165,802	-	(2,368,322)
Community services	1,341,266	655,171	470,447	-	(215,648)
Interest on long-term debt	<u>2,306,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,306,879)</u>
Total Governmental Activities	118,565,959	8,111,075	42,504,689	-	(67,950,195)
Business-Type Activities					
Water operations	4,845,327	4,890,341	-	24,494	69,508
Sewer operations	<u>5,638,521</u>	<u>5,759,857</u>	<u>-</u>	<u>232,784</u>	<u>354,120</u>
Total Business-Type Activities	<u>10,483,848</u>	<u>10,650,198</u>	<u>-</u>	<u>257,278</u>	<u>423,628</u>
Total	\$ <u>129,049,807</u>	\$ <u>18,761,273</u>	\$ <u>42,504,689</u>	\$ <u>257,278</u>	(67,526,567)

(continued)

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

CITY OF ROCHESTER, NEW HAMPSHIRE

Statement of Activities
For the Year Ended June 30, 2021

(continued)

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
Changes in net (expenses) revenues from previous page	\$ (67,950,195)	\$ 423,628	\$ (67,526,567)
General Revenues and Transfers			
Property taxes	57,358,598	-	57,358,598
Licenses and permits	6,872,641	-	6,872,641
Penalties, interest, and other taxes	950,034	-	950,034
Grants and contributions not restricted to specific programs	3,103,262	-	3,103,262
Investment income	644,307	10,000	654,307
Miscellaneous	735,448	-	735,448
Transfers, net	<u>36,682</u>	<u>(36,682)</u>	<u>-</u>
Total general revenues and transfers	<u>69,700,972</u>	<u>(26,682)</u>	<u>69,674,290</u>
Change in Net Position	1,750,777	396,946	2,147,723
Net Position			
Beginning of year, as restated	<u>32,832,092</u>	<u>61,415,338</u>	<u>94,247,430</u>
End of year	\$ <u><u>34,582,869</u></u>	\$ <u><u>61,812,284</u></u>	\$ <u><u>96,395,153</u></u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

Governmental Funds
Balance Sheet
June 30, 2021

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and short-term investments	\$ 54,744,433	\$ -	\$ (287,117)	\$ 54,457,316
Investments	219,030	-	2,635,249	2,854,279
Receivables:				
Property taxes	2,961,396	-	-	2,961,396
User fees	266,635	-	1,714,187	1,980,822
Intergovernmental and other	5,633	9,787	-	15,420
Due from other funds	3,467,221	-	5,856,865	9,324,086
Other assets	<u>50,297</u>	<u>-</u>	<u>41,049</u>	<u>91,346</u>
Total Assets	\$ <u>61,714,645</u>	\$ <u>9,787</u>	\$ <u>9,960,233</u>	\$ <u>71,684,665</u>
Liabilities				
Accounts payable	\$ 1,672,514	\$ 1,809,727	\$ 651,170	\$ 4,133,411
Accrued liabilities	4,375,705	420,343	167,375	4,963,423
Tax refunds payable	675,000	-	-	675,000
Unearned revenue	-	-	3,073,751	3,073,751
Due to other funds	-	1,891,152	4,325,922	6,217,074
Other liabilities	<u>1,190,346</u>	<u>-</u>	<u>-</u>	<u>1,190,346</u>
Total Liabilities	7,913,565	4,121,222	8,218,218	20,253,005
Deferred Inflows of Resources				
Unavailable revenues	3,660,829	4,898	298,156	3,963,883
Taxes paid in advance	19,681,303	-	-	19,681,303
Fund Balances				
Nonspendable	442,706	-	2,177,548	2,620,254
Restricted	348,491	-	334,251	682,742
Committed	864,556	-	-	864,556
Assigned	3,067,153	-	-	3,067,153
Unassigned	<u>25,736,042</u>	<u>(4,116,333)</u>	<u>(1,067,940)</u>	<u>20,551,769</u>
Total Fund Balances	<u>30,458,948</u>	<u>(4,116,333)</u>	<u>1,443,859</u>	<u>27,786,474</u>
Total Liabilities, Deferred Inflows of Resources Resources and Fund Balances	\$ <u>61,714,645</u>	\$ <u>9,787</u>	\$ <u>9,960,233</u>	\$ <u>71,684,665</u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
June 30, 2021

Total governmental fund balances	\$ 27,786,474
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	154,550,717
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,976,309
Deferred outflows/inflows of resources represent a consumption/acquisition of net position that applies to a future period, therefore will not be recognized as an expenditure or revenue until then, and therefore, are not reported in the funds.	24,372,015
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(556,186)
Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable	(51,068,132)
Net pension liability	(103,329,198)
Net OPEB liability	(17,039,615)
Compensated absences	(2,798,387)
Leases	<u>(311,128)</u>
Net position of governmental activities	\$ <u>34,582,869</u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 55,099,382	\$ -	\$ 1,782,065	\$ 56,881,447
Penalties, interest, and other taxes	950,034	-	-	950,034
Charges for services	7,086,956	-	1,024,119	8,111,075
Intergovernmental	37,796,755	137,698	7,600,134	45,534,587
Licenses and permits	6,872,641	-	508,395	7,381,036
Investment income	135,912	-	-	135,912
Miscellaneous	<u>664,575</u>	<u>-</u>	<u>144,237</u>	<u>808,812</u>
Total Revenues	108,606,255	137,698	11,058,950	119,802,903
Expenditures				
Current:				
General government	6,171,045	-	39,456	6,210,501
Public safety	14,225,879	-	98,310	14,324,189
Highway and streets	2,925,263	-	23,982	2,949,245
Education	60,810,592	-	7,264,570	68,075,162
Health and welfare	356,729	-	-	356,729
Culture and recreation	1,983,088	-	377,656	2,360,744
Community development	390,231	-	2,139,096	2,529,327
Community services	5,462	-	1,335,804	1,341,266
Debt service				
Principal	5,186,011	-	891,061	6,077,072
Interest	1,641,588	-	291,179	1,932,767
Capital outlay	<u>-</u>	<u>15,826,967</u>	<u>-</u>	<u>15,826,967</u>
Total Expenditures	<u>93,695,888</u>	<u>15,826,967</u>	<u>12,461,114</u>	<u>121,983,969</u>
Excess (deficiency) of revenues over expenditures	14,910,367	(15,689,269)	(1,402,164)	(2,181,066)
Other Financing Sources (Uses)				
Transfers in	1,354,408	8,909,828	721,646	10,985,882
Transfers out	<u>(9,430,873)</u>	<u>(1,161,327)</u>	<u>(357,000)</u>	<u>(10,949,200)</u>
Total Other Financing Sources (Uses)	<u>(8,076,465)</u>	<u>7,748,501</u>	<u>364,646</u>	<u>36,682</u>
Change in fund balance	6,833,902	(7,940,768)	(1,037,518)	(2,144,384)
Fund Equity, at Beginning of Year, as revised	<u>23,625,046</u>	<u>3,824,435</u>	<u>2,481,377</u>	<u>29,930,858</u>
Fund Equity, at End of Year	\$ <u>30,458,948</u>	\$ <u>(4,116,333)</u>	\$ <u>1,443,859</u>	\$ <u>27,786,474</u>

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

CITY OF ROCHESTER, 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, 2021

Net changes in fund balances - total governmental funds \$ (2,144,384)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay, net of disposals of capital assets	14,365,433
Depreciation	(8,400,784)

The issuance of long-term debt (e.g., bonds) 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:

Repayments of debt	5,768,810
Bond premium amortization	215,670

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, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.

	516,516
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in pension expense from GASB 68	(8,415,789)
Change in OPEB expense from GASB 75	41,348
Compensated absences	(131,130)
Additional interest expense	(64,913)

Change in net position of governmental activities \$ 1,750,777

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

CITY OF ROCHESTER, NEW HAMPSHIRE

Proprietary Funds
Statement of Net Position
June 30, 2021

	Business-Type Activities Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Assets			
Current:			
User fees, net of allowance for uncollectibles	\$ 1,310,727	\$ 1,676,179	\$ 2,986,906
Intergovernmental receivables	-	195,700	195,700
Other assets	<u>335,446</u>	<u>21,167</u>	<u>356,613</u>
Total Current Assets	1,646,173	1,893,046	3,539,219
Noncurrent:			
Intergovernmental receivables	-	1,348,829	1,348,829
Capital assets:			
Land and construction in progress	7,419,135	16,934,902	24,354,037
Other assets, net of accumulated depreciation	<u>33,095,232</u>	<u>61,378,421</u>	<u>94,473,653</u>
Total Noncurrent Assets	<u>40,514,367</u>	<u>79,662,152</u>	<u>120,176,519</u>
Total Assets	42,160,540	81,555,198	123,715,738
Deferred Outflows of Resources			
Related to pensions	400,133	406,385	806,518
Related to OPEB	<u>31,641</u>	<u>26,365</u>	<u>58,006</u>
Total Deferred Outflows of Resources	431,774	432,750	864,524
Liabilities			
Current:			
Accounts payable	340,641	737,497	1,078,138
Accrued liabilities	487,028	1,591,315	2,078,343
Due to other funds	2,826,558	280,454	3,107,012
Other current liabilities	-	5,173	5,173
Current portion of long-term liabilities:			
Bonds payable	1,394,006	1,627,173	3,021,179
Loans payable	403,430	365,981	769,411
Compensated absences	<u>7,340</u>	<u>10,528</u>	<u>17,868</u>
Total Current Liabilities	5,459,003	18,460,971	23,919,974
Noncurrent:			
Bonds payable, net of current portion	11,732,883	15,668,603	27,401,486
Loans payable, net of current portion	4,244,521	2,845,741	7,090,262
Net pension liability	1,443,203	1,465,753	2,908,956
Net OPEB liability	297,380	243,719	541,099
Compensated absences	<u>66,055</u>	<u>94,756</u>	<u>160,811</u>
Total Noncurrent Liabilities	<u>17,784,042</u>	<u>20,318,572</u>	<u>38,102,614</u>
Total Liabilities	23,243,045	38,779,543	62,022,588
Deferred Inflows of Resources			
Related to pensions	48,792	49,554	98,346
Related to OPEB	71,288	51,783	123,071
Other	<u>15,256</u>	<u>508,717</u>	<u>523,973</u>
Total Deferred Inflows of Resources	135,336	610,054	745,390
Net Position			
Net investment in capital assets	23,118,464	44,328,346	67,446,810
Unrestricted	<u>(3,904,531)</u>	<u>(1,729,995)</u>	<u>(5,634,526)</u>
Total Net Position	\$ <u>19,213,933</u>	\$ <u>42,598,351</u>	\$ <u>61,812,284</u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

Proprietary Funds
Statement Of Revenues, Expenses And Changes In Fund Net Position
For the Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 4,788,871	\$ 5,306,688	\$ 10,095,559
Other	<u>101,470</u>	<u>453,169</u>	<u>554,639</u>
Total Operating Revenues	4,890,341	5,759,857	10,650,198
Operating Expenses			
Personnel costs	1,751,658	1,760,846	3,512,504
Non-personnel cost	895,532	1,127,807	2,023,339
Depreciation	<u>1,509,260</u>	<u>1,926,375</u>	<u>3,435,635</u>
Total Operating Expenses	<u>4,156,450</u>	<u>4,815,028</u>	<u>8,971,478</u>
Operating Income	733,891	944,829	1,678,720
Nonoperating Revenues (Expenses)			
Investment income	5,000	5,000	10,000
Interest expense	<u>(688,877)</u>	<u>(823,493)</u>	<u>(1,512,370)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(683,877)</u>	<u>(818,493)</u>	<u>(1,502,370)</u>
Income Before Transfers and Capital Contributions	50,014	126,336	176,350
Capital contributions	24,494	232,784	257,278
Transfers out	<u>(27,178)</u>	<u>(9,504)</u>	<u>(36,682)</u>
Change in Net Position	47,330	349,616	396,946
Net Position, Beginning of Year	<u>19,166,603</u>	<u>42,248,735</u>	<u>61,415,338</u>
Net Position, End of Year	\$ <u><u>19,213,933</u></u>	\$ <u><u>42,598,351</u></u>	\$ <u><u>61,812,284</u></u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 4,779,262	\$ 5,710,816	\$ 10,490,078
Payments to employees	(1,506,018)	(1,538,750)	(3,044,768)
Payments to suppliers	<u>(921,193)</u>	<u>(344,978)</u>	<u>(1,266,171)</u>
Net Cash Provided By Operating Activities	2,352,051	3,827,088	6,179,139
Cash Flows From Noncapital Financing Activities			
Transfers out	<u>(27,178)</u>	<u>(9,504)</u>	<u>(36,682)</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	(27,178)	(9,504)	(36,682)
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(4,013,935)	(13,325,739)	(17,339,674)
Interfund borrowing	4,023,622	5,111,665	9,135,287
Principal payments on bonds and notes	(1,810,864)	(1,381,609)	(3,192,473)
Interest expense	(553,190)	(953,271)	(1,506,461)
Intergovernmental revenue	<u>24,494</u>	<u>457,133</u>	<u>481,627</u>
Net Cash (Used For) Capital and Related Financing Activities	(2,329,873)	(3,822,584)	(6,152,457)
Cash Flows From Investing Activities			
Investment income	<u>5,000</u>	<u>5,000</u>	<u>10,000</u>
Net Cash Provided By Investing Activities	<u>5,000</u>	<u>5,000</u>	<u>10,000</u>
Net Change in Cash and Short-Term Investments	-	-	-
Cash and Short-Term Investments, Beginning of Year	-	-	-
Cash and Short-Term Investments, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities			
Operating income (loss)	\$ 733,891	\$ 944,829	\$ 1,678,720
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	1,509,260	1,926,375	3,435,635
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	(111,079)	(49,041)	(160,120)
Other assets	1,427	6,148	7,575
Deferred outflows - related to pensions	(240,712)	(252,954)	(493,666)
Deferred outflows - related to OPEB	(12,445)	(9,586)	(22,031)
Deferred outflows - other	99,416	34,216	133,632
Accounts payable	(14,894)	201,054	186,160
Accrued liabilities	-	575,627	575,627
Compensated absences	9,534	8,558	18,092
Net pension liability	389,542	451,689	841,231
Net OPEB liability	24,513	16,290	40,803
Deferred inflows - related to pensions	(34,616)	(30,720)	(65,336)
Deferred inflows - related to OPEB	8,981	4,603	13,584
Deferred inflows - other	<u>(10,767)</u>	<u>-</u>	<u>(10,767)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 2,352,051</u>	<u>\$ 3,827,088</u>	<u>\$ 6,179,139</u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2021

	Private Purpose Trust Funds	Custodial Funds
Assets		
Cash and short-term investments	\$ 46,868	\$ 332,921
Investments	<u>1,773,319</u>	<u>-</u>
Total Assets	1,820,187	332,921
Liabilities		
Other liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Position		
Restricted for other purposes	<u>1,820,187</u>	<u>332,921</u>
Total Net Position	<u>\$ 1,820,187</u>	<u>\$ 332,921</u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021

	<u>Private Purpose Trust Funds</u>	<u>Custodial Funds</u>
Additions		
Taxes collected for County	\$ -	\$ 6,752,536
Taxes collected for State of New Hampshire	-	2,128,921
Fees collected for students	-	147,345
Increase in fair value of investments	<u>143,445</u>	<u>-</u>
Total additions	143,445	9,028,802
Deductions		
Payment of taxes to County	-	6,752,536
Payment of taxes to State of New Hampshire	-	2,128,921
Payments on behalf of students	-	111,040
Other	<u>35,856</u>	<u>-</u>
Total deductions	<u>35,856</u>	<u>8,992,497</u>
Net increase	107,589	36,305
Net position restricted for other purposes		
Beginning of year, as restated	<u>1,712,598</u>	<u>296,616</u>
End of year	\$ <u><u>1,820,187</u></u>	\$ <u><u>332,921</u></u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

The City is a municipal corporation governed by a City Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2021, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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 Activities) 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. *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 is 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.

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*. 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 to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. 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 government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for all financial transactions used for the acquisition or construction of major capital facilities, infrastructure, vehicles, and equipment for the City.

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

The government reports the following major proprietary funds:

- The *Water Fund* accounts for services relating to water activities.
- The *Sewer Fund* accounts for services relating to sewer activities.

The fiduciary 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.

The City reports the following fiduciary funds:

- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *custodial funds* account for fiduciary assets held by the Town 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.

Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

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

Investments, generally, are presented at fair value. Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using the net asset value (NAV). The NAV per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period investments measured at the NAV for fair value are not subject to level classification.

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments are carried at fair value, except certificates of deposit which are reported at cost.

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).

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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 two 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10 – 20
Building improvements	5 – 100
Infrastructure	10 – 50
Vehicles and equipment	5 – 50

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

Fund Equity

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

Fund Balance

Generally, fund balance represents the difference between the current assets/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 their use, either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the

revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The City Manager presents an operating and capital budget for the proposed expenditures of the year commencing the following July 1. The budget, as enacted by the City Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the year at City Council meetings as required by changing conditions.

Departments are limited to the line item as voted. Formal budgetary integration is employed as a management control device during the year for the General Fund. At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2021.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Deposits and Investments

State statutes (RSA 48:16) place certain limitation on the nature of deposits and investments available to the City. Deposits may be made in the New Hampshire Deposit Investment Pool (NHPDIP), in NH Banks or banks outside the State if such banks pledge and deliver to a third-party custodial bank with various collateralized security, in accordance with RSA 383:22. NHDIP is under the control of the New Hampshire Banking Commission and Advisory Committee. Participation units of the NHDIP are considered short-term for financial presentation purposes due to high liquidity of the fund and is carried at amortized cost in accordance with GASB Statement 79.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a City with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The City does not have a deposit policy for custodial credit risk.

As of June 30, 2021, \$187,826 of the City's bank balance of \$57,019,263 was exposed to custodial credit risk as uninsured and/or uncollateralized. This amount represents the cash portion of investment accounts in the custody of the Trustees of Trust Funds.

Investment Summary

The following is a summary of the City's investments as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 1,583,480
Corporate equities	2,261,650
U.S. Treasury and agencies	<u>782,468</u>
Total investments	<u>\$ 4,627,598</u>

Custodial Credit Risk - Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in possession of another party. The City does not have formal investment policies related to custodial credit risk.

As of June 30, 2021, the City did not have investments subject to custodial credit risk exposure as all assets were held in the City's name.

Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The City does not have formal investment policies related to credit risk. U.S. Treasury and agencies have an implied AAA rating.

As of June 30, 2021, the credit quality ratings, as rated by S+P Global, of the City's debt securities are as follows :

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>			
		<u>AA+ - AA</u>	<u>AA- - A</u>	<u>BBB+ - BBB</u>	<u>Unrated</u>
Corporate bonds	\$ 1,583,480	\$ 153,363	\$ 889,505	\$ 383,408	\$ 157,204
U.S. Treasury and agencies	<u>782,468</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,365,948</u>	<u>\$ 153,363</u>	<u>\$ 889,505</u>	<u>\$ 383,408</u>	<u>\$ 157,204</u>

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City places no limit on the amount invested in any one issuer. The City does not have formal investment policies related to concentration of credit risk exposure.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

Interest Rate Risk – Investments of Debt Securities

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 policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Foreign Currency Risk- Investments

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. Although the City has an investment policy, it does not address foreign currency risk.

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset 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 fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access 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 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, 2021:

<u>Investment Type</u>	<u>Fair Value Measurements Using:</u>		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
Investments by fair value level:			
Corporate bonds	\$ 1,583,480	\$ -	\$ 1,583,480
Corporate equities	2,261,650	2,261,650	-
Fixed income mutual funds	-	-	-
Municipal bonds	-	-	-
U.S. Treasury and agencies	<u>782,468</u>	407,240	375,228
Total	<u>\$ 4,627,598</u>		

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

4. Property Taxes Receivable

The City bills property taxes on a semi-annually, in May and November. Property tax revenues are recognized in the year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 8% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The City purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are lien by the City will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 14%. The City annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Property taxes receivable reported in the government-wide financial statements are net of an allowance for doubtful accounts of \$464,326.

Property taxes receivable at June 30, 2021 consist of the following:

	Gross Amount (<u>fund</u> <u>basis</u>)	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long-Term <u>Portion</u>
Tax liens	\$ 2,950,176	\$ (464,326)	\$ -	\$ 2,485,850
Property Taxes	<u>11,220</u>	<u>-</u>	<u>11,220</u>	<u>-</u>
Total property taxes	<u>\$ 2,961,396</u>	<u>\$ (464,326)</u>	<u>\$ 11,220</u>	<u>\$ 2,485,850</u>

Taxes Collected for Others

The City collects property taxes for the State of New Hampshire, the Rochester School District, and the County of Strafford. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the City.

5. User Fee Receivables

Receivables for user charges and betterments for business type activities at June 30, 2021 consist of the following:

	Gross <u>Amount</u>
Water	\$ 1,310,727
Sewer	<u>1,676,179</u>
Total	<u>\$ 2,986,906</u>

6. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2021.

7. Interfund Fund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2021 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 3,467,221	\$ -
Capital Projects Fund	-	1,891,152
Non Major Funds:		
2021 grants	3,073,751	-
Rochester Economic Development	-	1,720,706
Granite State Business Park TIF	223,675	-
Granite State Business Park TIF - II	-	820,565
Arena	-	386,721
Safran TIF	316,338	-
Granite Ridge TIF - I	1,756,539	-
All other funds	<u>486,562</u>	<u>1,397,930</u>
Subtotal Nonmajor Funds	5,856,865	4,325,922
Enterprise Funds		
Water	-	2,826,558
Sewer	<u>-</u>	<u>280,454</u>
Subtotal Enterprise Funds	<u>-</u>	<u>3,107,012</u>
Total	\$ <u>9,324,086</u>	\$ <u>9,324,086</u>

Transfers

The City reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of interfund transfers:

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,354,408	\$ 9,430,873
Capital Projects Fund	8,909,828	1,161,327
Nonmajor Funds	721,646	357,000
<u>Business-Type Funds</u>		
Water Fund	-	27,178
Sewer Fund	<u>-</u>	<u>9,504</u>
Subtotal Business-Type Funds	<u>-</u>	<u>36,682</u>
Total	\$ <u>10,985,882</u>	\$ <u>10,985,882</u>

Transfers out of General Fund represent the City's practice of financing capital projects with General Fund revenue and/or fund balance.

The City's routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

8. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Land improvements	\$ 7,604,255	\$ 324,999	\$	\$ 7,929,254
Buildings and improvements	92,647,606	16,202,109		108,849,715
Vehicles and equipment	32,079,511	2,509,240	(270,621)	34,318,130
Infrastructure	<u>171,480,949</u>	<u>1,050,000</u>		<u>172,530,949</u>
Total capital assets, being depreciated	303,812,321	20,086,348	(270,621)	323,628,048
Less accumulated depreciation for:				
Land improvements	(5,018,972)	(357,235)	-	(5,376,207)
Buildings and improvements	(35,495,853)	(2,197,050)	-	(37,692,903)
Vehicles and equipment	(20,789,368)	(2,113,772)	271,561	(22,631,579)
Infrastructure	<u>(129,211,270)</u>	<u>(3,732,727)</u>	<u>5,026</u>	<u>(132,938,971)</u>
Total accumulated depreciation	<u>(190,515,463)</u>	<u>(8,400,784)</u>	<u>276,587</u>	<u>(198,639,660)</u>
Total capital assets, being depreciated, net	113,296,858	11,685,564	5,966	124,988,388
Capital assets, not being depreciated:				
Land	10,518,725		-	10,518,725
Easement	1,422,250	-	-	1,422,250
Construction in progress	<u>23,307,928</u>		<u>(5,686,574)</u>	<u>17,621,354</u>
Total capital assets, not being depreciated	<u>35,248,903</u>	<u>-</u>	<u>(5,686,574)</u>	<u>29,562,329</u>
Governmental activities capital assets, net	<u>\$ 148,545,761</u>	<u>\$ 11,685,564</u>	<u>\$ (5,680,608)</u>	<u>\$ 154,550,717</u>

Business-Type Activities

Capital assets, being depreciated:

Land improvements	\$ 2,617,157	\$ 75,000	\$ -	\$ 2,692,157
Buildings and improvements	60,039,501	6,385,282	-	66,424,783
Vehicles and equipment	8,418,231	265,094	-	8,683,325
Infrastructure	<u>75,269,558</u>	<u>457,984</u>	<u>-</u>	<u>75,727,542</u>

Total capital assets, being depreciated	146,344,447	7,183,360	-	153,527,807
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Less accumulated depreciation for:

Land improvements	(470,969)	(139,401)	-	(610,370)
Buildings and improvements	(26,244,683)	(1,516,645)	-	(27,761,328)
Vehicles and equipment	(6,738,845)	(334,235)	(1,452)	(7,074,532)
Infrastructure	<u>(22,158,212)</u>	<u>(1,445,354)</u>	<u>-</u>	<u>(23,603,566)</u>

Total accumulated depreciation	<u>(55,612,709)</u>	<u>(3,435,635)</u>	<u>(1,452)</u>	<u>(59,049,796)</u>
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Total capital assets, being depreciated, net	90,731,738	3,747,725	(1,452)	94,478,011
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Capital assets, not being depreciated:

Land	3,627,217	-	-	3,627,217
Easement	7,500	-	-	7,500
Construction in progress	<u>11,119,820</u>	<u>16,764,659</u>	<u>(7,169,517)</u>	<u>20,714,962</u>

Total capital assets, not being depreciated	<u>14,754,537</u>	<u>16,764,659</u>	<u>(7,169,517)</u>	<u>24,349,679</u>
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Business-type activities capital assets, net	\$ <u>105,486,275</u>	\$ <u>20,512,384</u>	\$ <u>(7,170,969)</u>	\$ <u>118,827,690</u>
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Depreciation expense was charged to functions of the City as follows:

Governmental Activities

General government	\$ 833,160
Public safety	735,687
Highway and streets	4,308,912
Education	2,321,736
Culture and recreation	174,843
Community services	21,549
Economic development	<u>4,897</u>

Total governmental activities	\$ <u>8,400,784</u>
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Business-Type Activities

Water	\$ 1,509,440
Sewer	<u>1,926,195</u>

Total business-type activities	\$ <u>3,435,635</u>
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9. Deferred Outflows of Resources

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

Other deferred outflows of resources consist of losses of debt refunding as of June 30, 2021.

10. Accrued Liabilities

Accrued liabilities represent fiscal 2021 expenditures paid in fiscal 2022.

11. Notes Payable

The City had notes payable during the year ended June 30, 2020 in the enterprise funds. The State Revolving Loan program provides low interest loans to assist communities with the design and construction of various types of projects, and the proceeds are disbursed as eligible costs are incurred through drawdowns. Upon completion of the project, the original financial assistant agreement shall be amended to reflect actual project expenditures. A supplemental agreement will then be executed between the State and the City containing the final project cost and the repayment schedule.

The City had the following notes outstanding at June 30, 2021:

<u>State Revolving Loan</u>	<u>Interest Rate</u>	<u>Date of Issuance</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/2020</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance at 6/30/2021</u>
Low Lift Pump Station	0.00%	4/1/18	*	\$ 452,712	\$ -	\$ (452,712)	\$ -
Colonial Press Sewer Ext	0.00%	12/1/18	*	2,481,888	447,858	-	2,929,746
Biosolids Dewatering	0.00%	11/1/19	*	<u>5,091,725</u>	<u>5,821,379</u>	<u>-</u>	<u>10,913,104</u>
Total notes payable				<u>\$ 8,026,325</u>	<u>\$ 6,269,237</u>	<u>\$ (452,712)</u>	<u>\$ 13,842,850</u>

* Notes will mature upon the completion of project and the supplemental agreement being finalized.

12. Capital Lease Obligations

The City is the lessee of certain equipment under capital leases expiring in various years through 2023. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2021:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2022	\$ 189,046
2023	<u>135,765</u>
Total payments	324,811
Less amounts representing interest	<u>13,683</u>
Present Value of Minimum Lease Payments	<u>\$ 311,128</u>

13. Long-Term Debt

Long-Term Debt Supporting Activities

The City issues general obligation bonds (including direct placements) and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds and direct borrowings currently outstanding are as follows:

<u>Governmental Activities</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/21</u>
<u>General Obligation Bonds</u>				
Public offerings:				
2008 Series A NHMBB - 20 year	\$ 692,995	08/15/28	4.00-5.25%	\$ 275,000
2012 Series A Bond Issue - 10 year	7,636,243	03/15/22	1.00-3.25%	4,324,578
2012 Series B Bond Issue - 20 year - Repurposed EDA	117,244	03/15/32	2.00-3.25%	78,084
2013 Series A Refunding 2004 bonds	3,896,698	07/15/24	2.00-3.00%	1,408,538
2015 Series A Bond Issue - 10 year	27,112,080	03/01/35	2.00-5.0%	17,348,629
2016 Refunding - Series 2008 - 10 year	5,167,929	02/15/28	1.94%	3,512,924
2017 Series A Bond Issue - 5 year	10,950,655	06/30/27	2.5-5.0%	8,052,265
2018 Series A Bond Issue - 20 year	4,845,302	08/15/38	4.06%	3,977,538
2020 Series A Bond Issue - 20 year	9,236,000	04/01/40	2.50-5.00%	<u>8,617,000</u>
Total public offerings				47,594,556
Direct placements				
2002 Bond Issue	7,111,000	08/15/22	4.25-4.70%	<u>681,000</u>
Total direct placements				<u>681,000</u>
Total general obligation bonds				48,275,556
Loans - Direct Borrowings				
2014 State Revolving Loan - Washington St Phase 4	1,675,282	06/01/33	3.39%	<u>225,091</u>
Total loans - direct borrowings				<u>225,091</u>
Total governmental activities				<u>\$ 48,500,647</u>

Business-Type Activities

	Original	Serial	Interest	Amount
<u>General Obligation Bonds</u>	<u>Issue</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
		<u>Through</u>		<u>as of</u>
				<u>6/30/21</u>
Public offerings:				
2012 Series A Bond Issue - 20 year	\$ 1,137,732	03/15/32	2.00-3.25%	\$ 697,337
2013 Series A Bond Issue - Refunding 2004 bonds	8,618,302	08/01/20	2.00-4.00%	411,462
2015 Series A Bond Issue - 20 year	6,973,758	03/01/35	2.00-3.25%	4,046,371
2016 Refunding Series 2008 - 10 year	2,982,072	02/15/28	1.94%	2,027,077
2017 Series A Bond Issue - 5 year	11,609,346	06/30/37	3.00-5.00%	8,282,735
2018 Series A Bond Issue - 20 year	3,194,698	06/30/39	3.375-5%	2,762,462
2020 Series A - 20 year	11,019,000	04/01/40	2.50-5.00%	<u>10,198,000</u>
Total public offerings				28,425,444
Direct placements				
2002 Series Bond Issue	1,475,000	08/15/22	4.25-4.70%	<u>135,000</u>
Total direct placements				<u>135,000</u>
Total general obligation bonds				\$ 28,560,444
Loans - Direct Borrowings				
2005 State Revolving Loan - Chestnut Hill - Clean Water	\$ 879,686	08/01/25	3.49%	\$ 219,921
2007 State Revolving Loan - Ground Water Supply - Drinking Water	483,988	09/01/26	3.35%	147,787
2007 State Revolving Loan - Homemakers - Clean Water	341,373	07/01/27	2.14%	145,711
2009 State Revolving Loan - East Rochester I & I - Clean Water	1,852,387	12/01/27	3.69%	648,335
2009 State Revolving Loan - South Main/Solar Bee Pilot - Clean Water	1,335,120	08/01/28	3.49%	534,048
2010 State Revolving Loan - South Main Street - Drinking Water	627,000	02/01/29	2.95%	254,121
2010 State Revolving Loan - Washington Street - Drinking Water	1,997,523	12/01/30	2.86%	1,181,315
2013 State Revolving Loan - Cocheco Well - Drinking Water	3,381,909	09/01/31	3.10%	1,096,035
2013 State Revolving Loan - Headworks - Clean Water	1,398,348	02/01/32	2.72%	769,092
2013 State Revolving Loan - Washington St Pump Station - Clean Water	646,346	07/01/31	3.10%	355,491
2014 State Revolving Loan - Washington & Pine St - Drinking Water	388,147	12/01/32	2.72%	132,894
2014 State Revolving Loan - Washington St Phase 4 - Clean Water	1,675,282	06/01/33	3.39%	285,896
2016 State Revolving Loan - New Rte 125 Pump Station	473,212	06/01/35	2.55%	248,471
2016 State Revolving Loan - Drinking Water SRF - 20 Yr	2,248,454	12/01/35	1.96%	1,433,389
2018 State Revolving Loan - WTP Low Lift Pump Station	452,712	12/01/35	1.96%	<u>407,167</u>
Total loans - direct borrowings				<u>\$ 7,859,673</u>

Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2021 are as follows:

Governmental	Bonds - Public Offerings		Bonds - Direct Placements		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 4,981,669	\$ 1,428,245	\$ 350,000	\$ 8,585	\$ 18,757	\$ 6,999
2023	4,877,120	1,247,195	331,000	4,231	18,757	6,803
2024	4,863,535	1,072,756	-	-	18,757	5,727
2025	4,789,071	906,135	-	-	18,757	5,090
2026	3,753,857	771,955	-	-	18,757	4,453
2027 - 2031	13,620,024	2,375,622	-	-	93,785	12,724
2032 - 2036	8,676,401	749,958	-	-	37,519	637
Thereafter	2,032,879	56,230	-	-	-	-
Total	\$ 47,594,556	\$ 8,608,096	\$ 681,000	\$ 12,816	\$ 225,089	\$ 42,433

The general fund has been designated as the sole source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2021.

Business-Type	Bonds - Public Offerings		Bonds - Direct Placements		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 2,805,079	\$ 1,015,662	\$ 70,000	\$ 4,666	\$ 769,411	\$ 219,925
2023	2,529,624	904,976	65,000	1,528	776,661	197,714
2024	2,538,215	804,996	-	-	783,810	175,290
2025	2,472,668	706,101	-	-	790,680	152,652
2026	1,817,888	610,694	-	-	796,859	129,805
2027 - 2031	7,791,218	2,032,316	-	-	3,098,045	321,868
2032 - 2036	5,968,603	869,471	-	-	844,207	42,574
Thereafter	2,502,149	139,519	-	-	-	-
Total	\$ 28,425,444	\$ 7,083,735	\$ 135,000	\$ 6,194	\$ 7,859,673	\$ 1,239,828

Changes in General Long-Term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Bonds payable						
Public offerings	\$ 52,902,415	\$ -	\$ (5,307,859)	\$ 47,594,556	\$ (4,981,669)	\$ 42,612,887
Direct placements	1,031,000	-	(350,000)	681,000	(350,000)	331,000
Unamortized premium	3,008,246	-	(215,670)	2,792,576	(198,311)	2,594,265
Subtotal	56,941,661	-	(5,873,529)	51,068,132	(5,529,980)	45,538,152
Loans payable (direct borrowings)	336,042	-	(110,951)	225,091	(18,757)	206,334
Net pension liability	76,791,230	26,537,968	-	103,329,198	-	103,329,198
Net OPEB liability	16,285,873	753,742	-	17,039,615	-	17,039,615
Compensated absences	2,493,203	305,184	-	2,798,387	(279,839)	2,518,548
Capital leases	485,182	-	(174,054)	311,128	(179,432)	131,696
Total	\$ 153,333,191	\$ 27,596,894	\$ (6,158,534)	\$ 174,771,551	\$ (6,008,008)	\$ 168,763,543

Business-Type Activities

Bonds payable						
Public offerings	\$ 32,177,104	\$ -	\$ (3,751,660)	\$ 28,425,444	\$ (2,805,079)	\$ 25,620,365
Direct placements	205,000	-	(70,000)	135,000	(70,000)	65,000
Unamortized premium	<u>2,063,856</u>	<u>-</u>	<u>(201,635)</u>	<u>1,862,221</u>	<u>(146,100)</u>	<u>1,716,121</u>
Subtotal	34,445,960	-	(4,023,295)	30,422,665	(3,021,179)	27,401,486
Loans payable (direct borrowings)	8,164,361	-	(304,688)	7,859,673	(769,411)	7,090,262
Net pension liability	2,067,725	841,231	-	2,908,956	-	2,908,956
Net OPEB liability	500,296	40,803	-	541,099	-	541,099
Compensated absences	<u>160,587</u>	<u>18,092</u>	<u>-</u>	<u>178,679</u>	<u>(17,868)</u>	<u>160,811</u>
Total	<u>\$ 45,338,929</u>	<u>\$ 900,126</u>	<u>\$ (4,327,983)</u>	<u>\$ 41,911,072</u>	<u>\$ (3,808,458)</u>	<u>38,102,614</u>

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds and loans issued by the City for various municipal projects are approved by City Council and repaid with revenues recorded in the general fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and enterprise funds.

14. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is 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. *Taxes paid in advance* are reported in the governmental funds balance sheet and statement of net position in connection with revenues that have been collected for the subsequent fiscal period.

15. Governmental Funds – Balances

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

The City has implemented *GASB Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2021:

Nonspendable

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification

includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved at City Council Meeting, capital reserve funds, and various special revenue funds.

Assigned

Represents amounts that are constrained by the City's intent to use these resources for a specific purpose.

Unassigned

Represents amounts that are available to be spent in future periods and deficit funds.

Following is a breakdown of the City's fund balances at June 30, 2021:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid expenditures	\$ 50,297	\$ -	\$ -	\$ 50,297
Arena deficit	392,409	-	-	392,409
Permanent funds	-	-	2,177,548	2,177,548
Total Nonexpendable	442,706	-	2,177,548	2,620,254
Restricted				
Community development	348,491	-	-	348,491
Special revenue funds:	-	-	334,251	334,251
Total Restricted	348,491	-	334,251	682,742
Committed				
Capital reserve funds	864,556	-	-	864,556
Total Committed	864,556	-	-	864,556
Assigned				
Computer lease program	20,089	-	-	20,089
Use of fund balance - FY 22 budget	3,047,064	-	-	3,047,064
Total Assigned	3,067,153	-	-	3,067,153
Unassigned				
General fund	25,736,042	-	-	25,736,042
Capital projects	-	(4,116,333)	-	(4,116,333)
Granite Ridge Business Park	-	-	(871,632)	(871,632)
Granite Ridge TIF fund	-	-	(196,308)	(196,308)
Total Unassigned	25,736,042	(4,116,333)	(1,067,940)	20,551,769
Total Fund Balance	\$ 30,458,948	\$ (4,116,333)	\$ 1,443,859	\$ 27,786,474

16. General Fund Unassigned Fund Balance

Minimum General Fund unassigned fund balance requirement. The General Fund unassigned fund balance of the City, at the end of any fiscal year, as established and reported to the State of New Hampshire on form MS-535, "Financial Report of the Budget," and confirmed within the notes of the City's annual audited financial statements, shall for the purposes of this section be designated as the "unassigned fund balance" of the General Fund of the City of Rochester, and shall be referred to throughout this section as the "unassigned fund balance." The unassigned fund balance for any fiscal year shall be maintained at a minimum level of between 8% and 17% of total General Fund expenditures for the City for that fiscal year.

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how unassigned fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 25,736,042
Reserve of arena deficit	392,458
Use of fund balance for fiscal year 2022	3,067,153
Other	<u>(20,006)</u>
Statutory Balance	<u>\$ 29,175,647</u>

Ending Unassigned Fund Balance - Budgetary basis as a % of general fund expenditures (including transfers and county tax)	26.56%
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17. 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).

Plan Description

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan provid-

ing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

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

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>Service</u>	Minimum <u>Age</u>	Benefit <u>Multiplier</u>
At least 8 but less than 10 years	21	46	2.4%
At least 6 but less than 8 years	22	47	2.3%
At least 4 but less than 6 years	23	48	2.2%
Less than 4 years	24	49	2.1%

Contributions

Plan members are required to contribute a percentage of their Earnable compensation 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 and School make annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.88% to 26.43% of covered compensation. The City's and School's contributions to NHRS for the year ended June 30, 2021 were \$2,610,341 and \$4,768,386, respectively, which were equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At June 30, 2021, the City and School reported a liability of \$37,583,422 and \$68,654,732, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The City's and School's proportion of the net pension liability was based on a projection of the City's and School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At the most recent measurement date, the City's proportion was .58759435%. At the most recent measurement date the School's proportion was 1.07337572%.

For the year ended June 30, 2021, the City and School recognized pension expense of \$5,582,418 and \$10,499,946, respectively. In addition, the City and School reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 2,868,944	\$ (1,140,693)
Changes of assumptions	10,509,061	-
Difference between projected and actual earnings on pension plan investments	6,570,944	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,488,974	(1,198,562)
Contributions subsequent to the measurement date	<u>7,453,677</u>	<u>-</u>
Total	<u>\$ 28,891,600</u>	<u>\$ (2,339,255)</u>

The amounts reported as deferred outflows of resources and deferred (inflows) of resources for City and School respectively, related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2021. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 3,764,980
2022	4,891,017
2023	5,321,964
2024	<u>5,120,708</u>
Total	\$ <u>19,098,669</u>

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.25% per year (3.00% for Teachers)
Salary increases	5.60% average, including inflation
Investment rate of return	6.75%, net of plan investment expense, including inflation, previously 7.25%

Mortality rates were updated to be 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.

Actuarial assumptions also reflect benefit changes resulting from CH 340 laws of 2019 (HB 616), which grants a one-time, 1.5% COLA on the first \$50,000 of an annual pension benefit to members who retired on or before July 1, 2014, or any beneficiaries of such member who is receiving a survivorship pension benefit. The COLA will take effect on the retired member's first anniversary date of retirement occurring after July 1, 2020. The adjustment shall become a permanent addition to the member's base retirement allowance.

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

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 target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<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 %	3.71%
Small/mid cap equities	<u>7.50</u>	4.15%
Total domestic equities	30.00	
Int'l equities (unhedged)	13.00	3.96%
Emerging int'l equities	<u>7.00</u>	6.20%
Total international equities	20.00	
Core bonds	9.00	0.42%
Global multi-sector fixed income	10.00	1.66%
Absolute return fixed income	<u>6.00</u>	0.92%
Total fixed income	25.00	
Private equity	10.00	7.71%
Private debt	5.00	4.81%
Real estate	<u>10.00</u>	2.95%
Total alternative investments	<u>25.00</u>	
Total	<u><u>100.00</u></u> %	

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.

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

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

1% Decrease	Current Discount Rate	1% Increase
\$ 137,535,174	\$ 106,238,154	\$ 80,664,346

Pension Plan Fiduciary Net Position

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

18. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *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.

City OPEB Plan

All the following OPEB disclosures for the City OPEB Plan are based on a measurement date of June 30, 2020. The City contracts with an outside actuary to complete the GASB 75 actuarial valuation and schedule of changes in Net OPEB liability. Detailed information can be found in separately issued reports through request of the City Finance department.

General Information about the OPEB Plan

Plan Description

The City indirectly provides post-employment 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.

The City's 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	66
Active employees	<u>683</u>
Total	<u><u>749</u></u>

Funding Policy

The City's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.25%
Salary increases	3.25%, average, including inflation
Discount rate	2.66%, previously 3.51%
Healthcare cost trend rates	7.5% for 2020, decreasing 0.5% per year to an ultimate rate of 4.5% for 2026 and later years.
Retirees' share of benefit-related costs	100%
Participation rate	100% active and 100% inactive

The discount rate was based on the long-term municipal bond rate at June 30, 2021.

Mortality rates were based on the RPH-2016 Total Dataset Mortality Table fully generational using Scale MP-2016 (RPH-2016 table created based on RPH-2014 Total Dataset Mortality Table with 8 years of MP-2014 mortality improvement basked out, projected to 2016 using MP-2016 improvement.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study dating back to the 2009 valuation.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66%. 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 \$10,393,677 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020.

Changes in the Total OPEB Liability

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

	Total OPEB Liability
Balances, beginning of year	\$ 9,827,870
Changes for the year:	
Service cost	566,969
Interest	357,415
Differences between expected and actual experience	(576,927)
Changes in assumptions or other inputs	646,213
Benefit payments	<u>(427,863)</u>
Net Changes	<u>565,807</u>
Balances, end of year	\$ <u><u>10,393,677</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51% in 2020 to 2.66% in 2021. All other assumptions were the same as those used in the previous measurement.

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 were 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>Current</u>	<u>1%</u>
<u>Decrease</u>	<u>Discount</u>	<u>Increase</u>
<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
\$ 11,205,083	\$ 10,393,677	\$ 9,637,607

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 were 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>Current</u>	<u>1%</u>
<u>Decrease</u>	<u>Healthcare</u>	<u>Increase</u>
<u>Cost Trend</u>	<u>Rates</u>	<u>Cost Trend</u>
\$ 9,204,150	\$ 10,393,677	\$ 11,793,087

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

For the year ended June 30, 2021, the City recognized an OPEB expense of \$302,648. At June 30, 2021, the City reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>(Inflows) of</u>
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ -	\$ (3,500,909)
Change in assumptions	602,686	(174,587)
Contributions subsequent to the measurement date	<u>426,028</u>	<u>-</u>
Total	\$ <u>1,028,714</u>	\$ <u>(3,675,496)</u>

The amounts 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 net OPEB liability in the year ending June 30, 2021.

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

<u>Fiscal Year Ended:</u>	
2022	\$ (621,736)
2023	(621,736)
2024	(621,736)
2025	(621,736)
2026	(432,568)
Thereafter	<u>(153,298)</u>
Total	\$ <u><u>(3,072,810)</u></u>

New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB Plan

Plan Description

In addition to the OPEB plan discussed above, the City participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer other post-employment benefit plan (OPEB Plan) for retiree health insurance subsidies. Benefit amounts and eligibility requirements are set by state law, and members are designated by type. The four membership types 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. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. 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 contributions 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 0.29% of gross payroll for Group I employees, 1.81% of gross payroll for Group I teachers, and 3.66% and 3.66% 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 are the same in the Retirement System footnote.

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

The City's and School's proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2020 were \$2,556,452 and \$4,630,584, respectively.

For the year ended June 30, 2021, the City and School recognized an OPEB expense related to the NHRS Medical Subsidy of \$126,499 and \$742,737, respectively. At June 30, 2021, 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>
Differences between expected and actual experience	\$ -	\$ (20,825)
Change in assumptions	26,891	-
Net difference between projected and actual OPEB investments	46,210	-
Changes in proportion	44,406	(14,501)
Contributions subsequent to the measurement date	<u>770,402</u>	<u>-</u>
Total	\$ <u>887,909</u>	\$ <u>(35,326)</u>

The amount reported as deferred outflows of resources for City and School respectively, 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 net OPEB liability in the year ending June 30, 2021.

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

<u>Fiscal Year Ended:</u>	
2022	\$ 57,328
2023	7,960
2024	9,490
2025	<u>7,403</u>
Total	\$ <u>82,181</u>

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

The following presents the net OPEB liability, as well as what the total OPEB liability would be if it were 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>
\$ 7,804,371	\$ 7,187,036	\$ 6,651,067

Healthcare Cost Trend Rate

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

Consolidation of Total/Net OPEB Liabilities and Related Deferred Outflows and (Inflows)

The following consolidates the City's total OPEB liability and related deferred outflows/inflows, and the City's proportionate share of the NHRS Medical Subsidy net OPEB liability and related deferred outflows/inflows at June 30, 2021:

	<u>Total/Net 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	\$ 10,393,677	\$ 1,028,714	\$ (3,675,496)	\$ 302,648
Proportionate share of NHRS Medical Subsidy Plan	<u>7,187,036</u>	<u>887,909</u>	<u>(35,326)</u>	<u>869,236</u>
Total	\$ <u>17,580,713</u>	\$ <u>1,916,623</u>	\$ <u>(3,710,822)</u>	\$ <u>1,171,884</u>

19. Subsequent Events

The City owns and operates a publicly-owned wastewater treatment facility (WWTF), which treats wastewater and discharges it to the Cocheco River pursuant to a National Pollutant Discharge Elimination System (NPDES) permit issued by the United States Environmental protection Agency (EPA); the most recent permit was issued to the City in July 1997. In accordance with federal law, that permit expires in five years; but as long as the City makes a timely application for a new permit, the City remains subject to the terms of that permit until a new permit is issued.

Although a new individual NPDES permit has not yet been issued to the City of Rochester, on January 7, 2020, the EPA published a new draft General Permit for total nitrogen for 13 eligible WWTFs that discharge into the Great Bay watershed, of which the City of Rochester's WWTF is one. The draft permit contains new limits for total nitrogen that can be discharged.

In November of 2020 the EPA substantially changed its approach to nitrogen permits and issued a Final General Permit for nitrogen on a regional basis. The Final General permit becomes effective on February 1, 2021; however, it gives the City and (11) other communities regulated under the permit to "Opt-In" to choose coverage under the permit by April 2, 2021.

The City intends to negotiate and execute an Administrative Order on Consent with EPA by April 2, 2021. Results of this negotiation will be significant in determining the ultimate scope, operational and financial impacts of the NPDES permit to the City. The potential for significant financial and operational impact to the City remains but may be mitigated or lessened substantially depending upon the outcome of these negotiations.

Management has evaluated subsequent events through March 31, 2022, which is the date the financial statements were available to be issued.

20. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the City, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations remains uncertain.

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the City is involved. The City's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants

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

21. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the City beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management is currently evaluating the impact of implementing the following GASB pronouncement.

22. Restatement of Net Position/Fund Balance

The beginning (July 1, 2020) net position/fund balance of the city has been restated as follows:

Government-Wide Financial Statements:

	<u>Governmental</u>	<u>Business-Type</u>
As previously reported	\$ 31,243,762	\$ 61,415,338
Implementation of GASB Statement 84	<u>1,588,330</u>	<u>-</u>
As restated	<u>\$ 32,832,092</u>	<u>\$ 61,415,338</u>

Fund Basis Financial Statements:

	<u>Governmental Funds</u>			<u>Fiduciary Funds</u>	
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>NonMajor Funds</u>	<u>Private Purpose</u>	<u>Total</u>
As previously reported	\$ 23,400,046	\$ 4,161,594	\$ 780,888	\$ 3,300,928	\$ 31,643,456
Reclassify Rochester Economic Development	225,000		(225,000)		-
Implementation of GASB Statement 84	<u>-</u>	<u>(337,159)</u>	<u>1,925,489</u>	<u>(1,588,330)</u>	<u>-</u>
As restated	<u>\$ 23,625,046</u>	<u>\$ 3,824,435</u>	<u>\$ 2,481,377</u>	<u>\$ 1,712,598</u>	<u>\$ 31,643,456</u>

23. Change in Accounting Principle

During fiscal year 2021 the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. This required moving certain items previously recorded through a general fund liability account to the newly established custodial fund that reports additions and deductions for these activities.

CITY OF ROCHESTER, NEW HAMPSHIRE

Required Supplemental Information
General Fund
Schedule of Revenues and Other Sources, and Expenditures and Other Uses –
Budget and Actual
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 55,023,917	\$ 55,023,917	\$ 55,099,382	\$ 75,465
Penalties, interest, and other taxes	837,899	865,952	950,034	84,082
Charges for services	5,478,110	5,861,773	7,086,956	1,225,183
Intergovernmental	37,342,620	37,018,282	37,796,755	778,473
Licenses and permits	4,371,576	4,371,576	6,872,641	2,501,065
Investment income	250,000	250,000	142,060	(107,940)
Miscellaneous	<u>262,262</u>	<u>263,262</u>	<u>664,575</u>	<u>401,313</u>
Total Revenues	103,566,384	103,654,762	108,612,403	4,957,641
Expenditures				
General government	7,059,758	6,837,870	6,171,045	666,825
Public safety	14,793,810	15,004,032	14,225,879	778,153
Highway and streets	3,161,256	3,167,277	2,925,263	242,014
Education	64,479,509	64,485,923	60,810,592	3,675,331
Health and welfare	465,441	479,007	362,191	116,816
Culture and recreation	2,225,331	2,227,735	1,983,088	244,647
Debt service	<u>6,837,142</u>	<u>6,830,728</u>	<u>6,827,599</u>	<u>3,129</u>
Total Expenditures	<u>99,022,247</u>	<u>99,032,572</u>	<u>93,305,657</u>	<u>5,726,915</u>
Excess (deficiency) of revenues over expenditures	4,544,137	4,622,190	15,306,746	10,684,556
Other Financing Sources (Uses)				
Use of fund balance:				
To fund capital improvement projects	1,000,000	3,177,674	3,177,674	-
Transfers in:				
From capital reserve funds	1,205,863	1,205,863	1,206,355	(492)
Transfers out:				
To capital project fund	<u>(6,750,000)</u>	<u>(9,005,727)</u>	<u>(9,485,373)</u>	<u>(479,646)</u>
Total Other Financing Sources(Uses)	<u>(4,544,137)</u>	<u>(4,622,190)</u>	<u>(5,101,344)</u>	<u>(480,138)</u>
Overall Budgetary Excess (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>10,205,402</u>	\$ <u>10,204,418</u>

See Independent Auditors' Report.

**Notes to the Required Supplementary Information
for General Fund Budget**

Budgetary Basis

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers (GAAP basis)	\$ 108,606,255	\$ 93,695,888	\$ (8,076,465)
Recognize use of fund balance as funding source	-	-	3,177,674
To eliminate non-budgeted funds reported in the general fund	<u>6,148</u>	<u>(390,231)</u>	<u>(202,553)</u>
Budgetary basis	<u>\$ 108,612,403</u>	<u>\$ 93,305,657</u>	<u>\$ (5,101,344)</u>

See Independent Auditors' Report.

CITY OF ROCHESTER, 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 Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2021	June 30, 2020	1.66097007%	\$ 106,238,154	\$ 46,346,012	229.23%	58.72%
June 30, 2020	June 30, 2019	1.63891551%	\$ 78,858,955	\$ 44,996,128	175.26%	65.59%
June 30, 2019	June 30, 2018	1.66624032%	\$ 80,232,845	\$ 44,196,673	181.54%	64.73%
June 30, 2018	June 30, 2017	1.66577884%	\$ 81,922,884	\$ 44,449,577	184.31%	62.66%
June 30, 2017	June 30, 2016	1.64702675%	\$ 87,582,232	\$ 42,596,488	205.61%	58.30%
June 30, 2016	June 30, 2015	1.62067092%	\$ 64,203,318	\$ 41,436,575	154.94%	65.47%
June 30, 2015	June 30, 2014	1.64659938%	\$ 61,806,520	\$ 41,524,704	148.84%	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 Auditors' Report.

CITY OF ROCHESTER, NEW HAMPSHIRE

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	\$ 7,378,727	\$ 7,378,727	\$ -	\$ 47,787,398	15.44%
June 30, 2020	\$ 7,448,054	\$ 7,448,054	\$ -	\$ 46,395,532	16.05%
June 30, 2019	\$ 7,136,810	\$ 7,136,810	\$ -	\$ 44,996,128	15.86%
June 30, 2018	\$ 7,041,107	\$ 7,041,107	\$ -	\$ 44,196,673	15.93%
June 30, 2017	\$ 6,102,796	\$ 6,102,796	\$ -	\$ 44,449,577	13.73%
June 30, 2016	\$ 5,577,595	\$ 5,577,595	\$ -	\$ 42,596,488	13.09%
June 30, 2015	\$ 5,416,120	\$ 5,416,120	\$ -	\$ 41,436,575	13.07%

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 Auditors' Report.

CITY OF ROCHESTER, NEW HAMPSHIRE

Required Supplementary Information
Schedules of Proportionate Share and Contributions of the Net OPEB Liability

(Unaudited)

Schedule of Proportionate Share

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
June 30, 2021	June 30, 2020	1.64196659%	\$7,187,036	\$ 46,346,012	15.51%	7.74%
June 30, 2020	June 30, 2019	1.58716319%	\$7,187,036	\$ 44,996,128	15.97%	7.53%
June 30, 2019	June 30, 2018	1.62732660%	\$7,450,646	\$ 44,196,673	16.86%	7.53%
June 30, 2018	June 30, 2017	1.77367901%	\$8,109,863	\$ 44,449,577	18.25%	7.91%
June 30, 2017	June 30, 2016	1.74038496%	\$8,425,295	\$ 42,596,488	19.78%	5.21%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
June 30, 2021	June 30, 2020	\$ 762,155	\$ 762,155	\$ -	\$ 47,787,398	1.59%
June 30, 2020	June 30, 2019	\$ 777,704	\$ 777,704	\$ -	\$ 46,395,532	1.68%
June 30, 2019	June 30, 2018	\$ 725,304	\$ 725,304	\$ -	\$ 44,996,128	1.61%
June 30, 2018	June 30, 2017	\$ 720,077	\$ 720,077	\$ -	\$ 44,196,673	1.63%
June 30, 2017	June 30, 2016	\$ 1,051,047	\$ 1,051,047	\$ -	\$ 44,449,577	2.36%

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 Auditors' Report.

CITY OF ROCHESTER, NEW HAMPSHIRE

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in the Total OPEB Liability
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 566,969	\$ 645,002	\$ 728,467	\$ 910,490
Interest	357,415	425,262	444,800	383,537
Changes of benefit terms	-	-	-	(699,644)
Differences between expected and actual experience	(576,927)	(1,349,244)	(1,904,445)	(1,587,781)
Changes of assumptions	646,213	(15,796)	(260,388)	74,498
Benefit payments, including refunds of member contributions	<u>(427,863)</u>	<u>(437,888)</u>	<u>(423,910)</u>	<u>(476,432)</u>
Net change in total OPEB liability	565,807	(732,664)	(1,415,476)	(1,395,332)
Total OPEB liability - beginning	<u>9,827,870</u>	<u>10,560,534</u>	<u>11,976,010</u>	<u>13,371,342</u>
Total OPEB liability - ending	\$ <u>10,393,677</u>	\$ <u>9,827,870</u>	\$ <u>10,560,534</u>	\$ <u>11,976,010</u>
Covered employee payroll	\$ 35,849,736	\$ 34,721,294	\$ 44,809,485	\$ 42,256,611
Total OPEB liability as a percentage of covered employee payroll	29%	28%	24%	28%

Does not include New Hampshire Retirement System Medical Subsidy.

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 Auditors' Report.