



City of
ROCHESTER
New Hampshire

CITY OF ROCHESTER, NEW HAMPSHIRE

Financial Statements
and Required Supplementary Information
For the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements 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, 2022, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.



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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 sufficient evidence 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 10, 2023 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 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 10, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Rochester, New Hampshire (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, 2022.

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 and 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, and community services. 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. The City's 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 City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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 \$47,290,038, a change of \$12,707,169 and net position in business-type activities was \$64,626,291, a change of \$2,814,007.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$32,315,095, a change of \$4,528,621 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$26,510,126 a change of \$774,084 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 63,398,856	\$ 65,003,265	\$ (3,999,847)	\$ 1,781,036	\$ 59,399,009	\$ 66,784,301
Capital assets	<u>156,643,269</u>	<u>154,550,717</u>	<u>128,622,004</u>	<u>118,827,690</u>	<u>285,265,273</u>	<u>273,378,407</u>
Total assets	220,042,125	219,553,982	124,622,157	120,608,726	344,664,282	340,162,708
Deferred outflows of resources	19,992,354	30,200,675	634,771	864,524	20,627,125	31,065,199
Current liabilities	20,045,705	14,592,118	22,698,222	17,004,504	42,743,927	31,596,622
Noncurrent liabilities	<u>137,069,237</u>	<u>174,771,551</u>	<u>37,793,824</u>	<u>41,911,072</u>	<u>174,863,061</u>	<u>216,682,623</u>
Total liabilities	157,114,942	189,363,669	60,492,046	58,915,576	217,606,988	248,279,245
Deferred inflows of resources	35,629,499	25,808,119	1,042,169	745,390	36,671,668	26,553,509
Net investment in capital assets	107,179,856	102,946,366	72,434,464	67,446,810	179,614,320	170,393,176
Restricted	4,373,617	2,511,799	-	-	4,373,617	2,511,799
Unrestricted	<u>(64,263,435)</u>	<u>(70,875,296)</u>	<u>(8,711,752)</u>	<u>(5,634,526)</u>	<u>(72,975,187)</u>	<u>(76,509,822)</u>
Total net position	\$ <u>47,290,038</u>	\$ <u>34,582,869</u>	\$ <u>63,722,712</u>	\$ <u>61,812,284</u>	\$ <u>111,012,750</u>	\$ <u>96,395,153</u>

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. At the close of the most recent fiscal year, total net position was \$111,916,329 a change of \$15,521,176 in comparison to the prior year.

The largest portion of net position, \$179,614,320 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, \$4,921,484 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 \$(72,619,475), primarily resulting from unfunded pension and OPEB liabilities.

<u>CHANGE IN NET POSITION</u>						
	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues:						
Charges for services	\$ 9,268,166	\$ 8,111,075	\$ 10,626,780	\$ 10,650,198	\$ 19,894,946	\$ 18,761,273
Operating grants and contributions	40,046,360	42,504,689	-	-	40,046,360	42,504,689
Capital grants and contributions	825,360	-	1,743,336	257,278	2,568,696	257,278
General revenues:						
Property taxes	58,841,664	57,358,598	-	-	58,841,664	57,358,598
Licenses and permits	6,732,559	6,872,641	-	-	6,732,559	6,872,641
Penalties, interest, and other taxes	1,296,185	950,034	-	-	1,296,185	950,034
Grants and contributions not restricted to specific programs	5,917,112	3,103,262	-	-	5,917,112	3,103,262
Investment income (loss)	(623,629)	644,307	200	10,000	(623,429)	654,307
Miscellaneous	1,385,337	735,448	-	-	1,385,337	735,448
Total revenues	123,689,114	120,280,054	12,370,316	10,917,476	136,059,430	131,197,530
Expenses:						
General government	10,924,635	8,447,263	-	-	10,924,635	8,447,263
Public safety	15,037,746	16,647,773	-	-	15,037,746	16,647,773
Highway and streets	7,135,862	7,443,223	-	-	7,135,862	7,443,223
Education	69,657,749	76,914,114	-	-	69,657,749	76,914,114
Health and welfare	363,757	356,729	-	-	363,757	356,729
Culture and recreation	2,769,134	2,574,488	-	-	2,769,134	2,574,488
Community development	955,563	2,534,224	-	-	955,563	2,534,224
Community services	1,282,304	1,341,266	-	-	1,282,304	1,341,266
Interest	2,151,045	2,306,879	-	-	2,151,045	2,306,879
Water	-	-	4,221,247	4,845,327	4,221,247	4,845,327
Sewer	-	-	6,942,791	5,638,521	6,942,791	5,638,521
Total expenses	110,277,795	118,565,959	11,164,038	10,483,848	121,441,833	129,049,807
Change in net position before transfers	13,411,319	1,714,095	1,206,278	433,628	14,617,597	2,147,723
Transfers in (out)	(704,150)	36,682	704,150	(36,682)	-	-
Change in net position	12,707,169	1,750,777	1,910,428	396,946	14,617,597	2,147,723
Net position - beginning of year	34,582,869	32,832,092	61,812,284	61,415,338	96,395,153	94,247,430
Net position - end of year	\$ 47,290,038	\$ 34,582,869	\$ 63,722,712	\$ 61,812,284	\$ 111,012,750	\$ 96,395,153

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$12,707,169 primarily from strong operating results, and a decrease in the net pension liability/expense.

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$2,320,508. Key elements of this change result from a decrease in the net pension liability/expense and capital contributions.

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 \$26,510,126, while total fund balance was \$34,690,732. The unassigned fund balance changed by \$774,084 primarily from positive budgetary results of \$10,208,279 less the supplemental use of fund balance for capital improvements of \$6,794,641 and \$3,293,250 used for the fiscal year 2023 budget. 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>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
Unassigned fund balance	\$ 26,510,126	\$ 25,736,042	\$ 774,084
Total fund balance	\$ 34,690,732	\$ 30,458,948	\$ 4,231,784

The total fund balance of the general fund changed by \$4,231,784 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (9,580,641)
Overall Budgetary Excess	10,208,279
Change in capital reserves	3,430,057
Other	<u>174,089</u>
Total	<u>\$ 4,231,784</u>

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
Capital reserves	\$ <u>4,294,613</u>	\$ <u>864,556</u>	\$ <u>3,430,057</u>
Total	\$ <u>4,294,613</u>	\$ <u>864,556</u>	\$ <u>3,430,057</u>

Capital Project Funds

Capital project funds account 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 \$(6,920,737) resulting from the City's practice of self-financing project that will be permanently bonded upon completion.

Non-Major Governmental Funds

The fund balance of non-major governmental funds changed by \$3,101,241 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 \$2,667,146 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 appropriations of \$8,222,659 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 \$285,265,273 (net of accumulated depreciation), a change of \$11,886,866 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	\$	1,275,393
New DPW Facility	\$	1,563,987
Pavement Rehabilitation	\$	725,074
LED Lighting	\$	284,384

Business-type Activities

New addition to Construction in Progress:

Water Main Extension	\$	2,793,972
New DPW Facility	\$	2,342,383
Colonial Pines Sewer Construction	\$	1,557,377
Biosolids Dewatering	\$	976,956
NPDES	\$	324,252

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$72,304,671, net of unamortized bond premiums \$4,818,058, 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 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, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 40,289,239	\$ -	\$ 40,289,239
Investments	1,656,284	-	1,656,284
Receivables, net of allowance for uncollectibles:			
Property taxes	36,106	-	36,106
User fees	7,358,737	3,060,789	10,419,526
Intergovernmental	501,044	2,410,058	2,911,102
Internal balances	11,016,829	(11,016,829)	-
Other assets	<u>125,928</u>	<u>417,368</u>	<u>543,296</u>
Total Current Assets	60,984,167	(5,128,614)	55,855,553
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	2,414,689	-	2,414,689
Intergovernmental	-	1,128,767	1,128,767
Capital assets:			
Land and construction in progress	22,219,595	21,063,163	43,282,758
Other assets, net of accumulated depreciation	<u>134,423,674</u>	<u>107,558,841</u>	<u>241,982,515</u>
Total Noncurrent Assets	<u>159,057,958</u>	<u>129,750,771</u>	<u>288,808,729</u>
Total Assets	220,042,125	124,622,157	344,664,282
Deferred Outflows of Resources			
Related to pension	19,296,723	624,936	19,921,659
Related to OPEB	503,053	9,835	512,888
Other	<u>192,578</u>	<u>-</u>	<u>192,578</u>
Total Deferred Outflows of Resources	19,992,354	634,771	20,627,125

(continued)

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

June 30, 2022

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Liabilities			
Current:			
Accounts payable	2,923,117	1,658,210	4,581,327
Accrued liabilities	5,766,519	2,879,239	8,645,758
Unearned revenue	5,417,687	-	5,417,687
Notes payable	2,931,314	18,155,600	21,086,914
Other liabilities	3,007,068	5,173	3,012,241
Current portion of long-term liabilities:			
Bonds payable	5,786,632	2,755,665	8,542,297
Loans payable	150,453	776,662	927,115
Compensated absences	<u>285,928</u>	<u>-</u>	<u>285,928</u>
Total Current Liabilities	26,268,718	26,230,549	52,499,267
Noncurrent:			
Bonds payable, net of current portion	43,338,754	25,241,678	68,580,432
Loans payable, net of current portion	187,574	6,338,093	6,525,667
Net pension liability	69,704,884	2,160,923	71,865,807
Net OPEB liability	15,041,662	366,711	15,408,373
Compensated absences	<u>2,573,350</u>	<u>154,092</u>	<u>2,727,442</u>
Total Noncurrent Liabilities	<u>130,846,224</u>	<u>34,261,497</u>	<u>165,107,721</u>
Total Liabilities	157,114,942	60,492,046	217,606,988
Deferred Inflows of Resources			
Related to pension	22,690,584	657,852	23,348,436
Related to OPEB	4,647,507	91,577	4,739,084
Taxes paid in advance	8,291,408	-	8,291,408
Other	<u>-</u>	<u>292,740</u>	<u>292,740</u>
Total Deferred Inflows of Resources	35,629,499	1,042,169	36,671,668
Net Position			
Net investment in capital assets	107,179,856	72,434,464	179,614,320
Restricted for:			
Grants and other statutory restrictions	2,906,668	-	2,906,668
Permanent funds	1,466,949	-	1,466,949
Unrestricted	<u>(64,263,435)</u>	<u>(8,711,752)</u>	<u>(72,975,187)</u>
Total Net Position	<u>\$ 47,290,038</u>	<u>\$ 63,722,712</u>	<u>\$ 111,012,750</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, 2022

		Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	<u>Expenses</u>				
Governmental Activities					
General government	\$ 10,924,635	\$ 3,747,412	\$ 588,850	\$ -	\$ (6,588,373)
Public safety	15,037,746	145,432	120,459	-	(14,771,855)
Highway and streets	7,135,862	49,010	-	825,360	(6,261,492)
Education	69,657,749	4,214,382	38,676,277	-	(26,767,090)
Health and welfare	363,757	-	-	-	(363,757)
Culture and recreation	2,769,134	463,650	4,420	-	(2,301,064)
Community development	955,563	-	149,359	-	(806,204)
Community services	1,282,304	648,280	506,995	-	(127,029)
Interest on long-term debt	<u>2,151,045</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,151,045)</u>
Total Governmental Activities	110,277,795	9,268,166	40,046,360	825,360	(60,137,909)
Business-Type Activities					
Water operations	4,221,247	4,846,411	-	1,599,681	2,224,845
Sewer operations	<u>6,942,791</u>	<u>5,780,369</u>	<u>-</u>	<u>143,655</u>	<u>(1,018,767)</u>
Total Business-Type Activities	<u>11,164,038</u>	<u>10,626,780</u>	<u>-</u>	<u>1,743,336</u>	<u>1,206,078</u>
Total	<u>\$ 121,441,833</u>	<u>\$ 19,894,946</u>	<u>\$ 40,046,360</u>	<u>\$ 2,568,696</u>	<u>(58,931,831)</u>

(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, 2022

(continued)

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
Changes in net (expenses) revenues from previous page	\$ (60,137,909)	\$ 1,206,078	\$ (58,931,831)
General Revenues and Transfers			
Property taxes	58,841,664	-	58,841,664
Licenses and permits	6,732,559	-	6,732,559
Penalties, interest, and other taxes	1,296,185	-	1,296,185
Grants and contributions not restricted to specific programs	5,917,112	-	5,917,112
Investment income (loss)	(623,629)	200	(623,429)
Miscellaneous	1,385,337	-	1,385,337
Transfers, net	<u>(704,150)</u>	<u>704,150</u>	<u>-</u>
Total general revenues and transfers	<u>72,845,078</u>	<u>704,350</u>	<u>73,549,428</u>
Change in Net Position	12,707,169	1,910,428	14,617,597
Net Position			
Beginning of year, as restated	<u>34,582,869</u>	<u>61,812,284</u>	<u>96,395,153</u>
End of year	\$ <u><u>47,290,038</u></u>	\$ <u><u>63,722,712</u></u>	\$ <u><u>111,012,750</u></u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

Governmental Funds
Balance Sheet
June 30, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and short-term investments	\$ 40,066,783	\$ -	\$ 222,457	\$ 40,289,240
Investments	197,988	-	1,458,296	1,656,284
Receivables:				
Property taxes	2,450,795	-	-	2,450,795
User fees	1,375,454	-	5,983,283	7,358,737
Intergovernmental and other	5,633	495,411	-	501,044
Due from other funds	10,388,978	-	8,914,281	19,303,259
Other assets	<u>84,879</u>	<u>-</u>	<u>41,049</u>	<u>125,928</u>
Total Assets	\$ <u>54,570,510</u>	\$ <u>495,411</u>	\$ <u>16,619,366</u>	\$ <u>71,685,287</u>
Liabilities				
Accounts payable	\$ 935,216	\$ 1,011,379	\$ 976,521	\$ 2,923,116
Accrued liabilities	4,633,200	466,601	60,651	5,160,452
Unearned revenue	-	-	5,417,687	5,417,687
Due to other funds	-	5,933,270	2,353,160	8,286,430
Notes payable	-	-	2,931,314	2,931,314
Other liabilities	<u>3,007,068</u>	<u>-</u>	<u>-</u>	<u>3,007,068</u>
Total Liabilities	8,575,484	7,411,250	11,739,333	27,726,067
Deferred Inflows of Resources				
Unavailable revenues	3,347,819	4,898	334,933	3,687,650
Taxes paid in advance	<u>7,956,475</u>	<u>-</u>	<u>-</u>	<u>7,956,475</u>
Total Deferred Inflows of Resources	11,304,294	4,898	334,933	11,644,125
Fund Balances				
Nonspendable	50,159	-	1,479,325	1,529,484
Restricted	2,022,584	5,301,951	2,906,644	10,231,179
Committed	2,794,613	-	119,953	2,914,566
Assigned	3,313,250	-	799,378	4,112,628
Unassigned	<u>26,510,126</u>	<u>(12,222,688)</u>	<u>(760,200)</u>	<u>13,527,238</u>
Total Fund Balances	<u>34,690,732</u>	<u>(6,920,737)</u>	<u>4,545,100</u>	<u>32,315,095</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>54,570,510</u>	\$ <u>495,411</u>	\$ <u>16,619,366</u>	\$ <u>71,685,287</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, 2022

Total governmental fund balances	\$ 32,315,095
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	156,643,269
Deferred outflows of resources related to pensions to be recognized in pension expense in future periods.	19,296,723
Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	503,053
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,352,715
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(606,091)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and loans payable	(49,275,839)
Net pension liability	(69,704,884)
Net OPEB liability	(15,041,662)
Compensated absences	(2,859,278)
Deferred inflows of resources related to pensions to be recognized in pension expense in future periods.	(22,690,584)
Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	(4,647,507)
Other reconciling items.	<u>5,028</u>
Net position of governmental activities	<u><u>\$ 47,290,038</u></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, 2022

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 56,836,185	\$ -	\$ 1,854,169	\$ 58,690,354
Penalties, interest, and other taxes	1,296,185	-	-	1,296,185
Charges for services	8,285,470	-	982,696	9,268,166
Intergovernmental	34,269,732	825,360	11,693,741	46,788,833
Licenses and permits	6,732,559	-	-	6,732,559
Investment income (loss)	25,973	-	(649,602)	(623,629)
Miscellaneous	<u>1,304,226</u>	<u>-</u>	<u>81,111</u>	<u>1,385,337</u>
Total Revenues	108,750,330	825,360	13,962,115	123,537,805
Expenditures				
Current:				
General government	7,406,088	-	808,446	8,214,534
Public safety	15,185,625	-	108,240	15,293,865
Highway and streets	3,192,928	-	423	3,193,351
Education	62,328,175	-	7,176,948	69,505,123
Health and welfare	363,757	-	-	363,757
Culture and recreation	2,140,952	-	451,916	2,592,868
Community development	-	-	950,665	950,665
Community services	18,502	-	1,263,802	1,282,304
Debt service				
Principal	4,757,402	-	939,163	5,696,565
Interest	1,498,816	-	258,747	1,757,563
Capital outlay	<u>-</u>	<u>13,110,355</u>	<u>-</u>	<u>13,110,355</u>
Total Expenditures	<u>96,892,245</u>	<u>13,110,355</u>	<u>11,958,350</u>	<u>121,960,950</u>
Excess (deficiency) of revenues over expenditures	11,858,085	(12,284,995)	2,003,765	1,576,855
Other Financing Sources (Uses)				
Issuance of bonds	-	2,302,000	844,500	3,146,500
Bond premiums	-	353,916	155,500	509,416
Transfers in	50,000	6,824,675	97,476	6,972,151
Transfers out	<u>(7,676,301)</u>	<u>-</u>	<u>-</u>	<u>(7,676,301)</u>
Total Other Financing Sources (Uses)	<u>(7,626,301)</u>	<u>9,480,591</u>	<u>1,097,476</u>	<u>2,951,766</u>
Change in fund balance	4,231,784	(2,804,404)	3,101,241	4,528,621
Fund Equity, at Beginning of Year	<u>30,458,948</u>	<u>(4,116,333)</u>	<u>1,443,859</u>	<u>27,786,474</u>
Fund Equity, at End of Year	\$ <u><u>34,690,732</u></u>	\$ <u><u>(6,920,737)</u></u>	\$ <u><u>4,545,100</u></u>	\$ <u><u>32,315,095</u></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, 2022

Net changes in fund balances - total governmental funds	\$	4,528,621
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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		10,594,847
Depreciation		(8,502,296)

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:

Issuance of general obligation bonds		(3,146,500)
Premiums received on issuance of general obligation bonds		(509,416)
Repayments of general obligation bonds and loans		5,596,799

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.		313,010
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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 net pension liability and related deferred outflows and inflows		4,386,280
Change in net OPEB liability and related deferred outflows and inflows		(417,367)
Change in accrued employee benefits		(60,891)
Change in accrued interest on bonds payable		<u>(75,918)</u>

Change in net position of governmental activities	\$	<u>12,707,169</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF ROCHESTER, NEW HAMPSHIRE

Proprietary Funds
Statement of Net Position
June 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Assets			
Current:			
User fees receivables	\$ 1,316,647	\$ 1,744,142	\$ 3,060,789
Intergovernmental receivables	1,765,843	644,215	2,410,058
Other assets	<u>330,154</u>	<u>87,214</u>	<u>417,368</u>
Total Current Assets	3,412,644	2,475,571	5,888,215
Noncurrent:			
Intergovernmental receivables	-	1,128,767	1,128,767
Capital assets:			
Land and construction in progress	6,544,045	14,519,118	21,063,163
Other assets, net of accumulated depreciation	<u>40,277,353</u>	<u>67,281,488</u>	<u>107,558,841</u>
Total Noncurrent Assets	<u>46,821,398</u>	<u>82,929,373</u>	<u>129,750,771</u>
Total Assets	50,234,042	85,404,944	135,638,986
Deferred Outflows of Resources			
Related to pensions	326,550	298,386	624,936
Related to OPEB	<u>3,767</u>	<u>6,068</u>	<u>9,835</u>
Total Deferred Outflows of Resources	330,317	304,454	634,771
Liabilities			
Current:			
Accounts payable	648,288	1,009,922	1,658,210
Accrued liabilities	511,296	2,367,943	2,879,239
Due to other funds	6,417,281	4,599,548	11,016,829
Notes payable	3,346,531	14,809,069	18,155,600
Other current liabilities	-	5,173	5,173
Current portion of long-term liabilities:			
Bonds payable	1,323,878	1,431,787	2,755,665
Loans payable	<u>410,050</u>	<u>366,612</u>	<u>776,662</u>
Total Current Liabilities	12,657,324	24,590,054	37,247,378
Noncurrent:			
Bonds payable, net of current portion	10,735,454	14,506,224	25,241,678
Loans payable, net of current portion	3,858,964	2,479,129	6,338,093
Net pension liability	1,129,155	1,031,768	2,160,923
Net OPEB liability	167,564	199,147	366,711
Compensated absences	<u>59,432</u>	<u>94,660</u>	<u>154,092</u>
Total Noncurrent Liabilities	<u>15,950,569</u>	<u>18,310,928</u>	<u>34,261,497</u>
Total Liabilities	28,607,893	42,900,982	71,508,875
Deferred Inflows of Resources			
Related to pensions	343,750	314,102	657,852
Related to OPEB	35,396	56,181	91,577
Other	<u>9,192</u>	<u>283,548</u>	<u>292,740</u>
Total Deferred Inflows of Resources	388,338	653,831	1,042,169
Net Position			
Net investment in capital assets	26,297,578	46,136,886	72,434,464
Unrestricted	<u>(4,729,450)</u>	<u>(3,982,302)</u>	<u>(8,711,752)</u>
Total Net Position	<u>\$ 21,568,128</u>	<u>\$ 42,154,584</u>	<u>\$ 63,722,712</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, 2022

	Business-Type Activities Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 4,846,411	\$ 5,464,279	\$ 10,310,690
Other	<u>-</u>	<u>316,090</u>	<u>316,090</u>
Total Operating Revenues	4,846,411	5,780,369	10,626,780
Operating Expenses			
Personnel costs	1,104,884	1,666,435	2,771,319
Non-personnel costs	1,113,088	2,298,468	3,411,556
Depreciation	<u>1,441,888</u>	<u>1,959,296</u>	<u>3,401,184</u>
Total Operating Expenses	<u>3,659,860</u>	<u>5,924,199</u>	<u>9,584,059</u>
Operating Income	1,186,551	(143,830)	1,042,721
Nonoperating Revenues (Expenses)			
Investment income	200	-	200
Interest expense	<u>(561,387)</u>	<u>(1,018,592)</u>	<u>(1,579,979)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(561,187)</u>	<u>(1,018,592)</u>	<u>(1,579,779)</u>
Income Before Transfers and Capital Contributions	<u>625,364</u>	<u>(1,162,422)</u>	<u>(537,058)</u>
Capital contributions	1,599,681	143,655	1,743,336
Transfers in	<u>129,150</u>	<u>575,000</u>	<u>704,150</u>
Change in Net Position	2,354,195	(443,767)	1,910,428
Net Position, Beginning of Year	<u>19,213,933</u>	<u>42,598,351</u>	<u>61,812,284</u>
Net Position, End of Year	\$ <u><u>21,568,128</u></u>	\$ <u><u>42,154,584</u></u>	\$ <u><u>63,722,712</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, 2022

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 4,840,492	\$ 5,818,152	\$ 10,658,644
Payments to employees	(1,196,896)	(2,210,828)	(3,407,724)
Payments to suppliers	<u>(1,149,219)</u>	<u>(2,298,109)</u>	<u>(3,447,328)</u>
Net Cash Provided By Operating Activities	2,494,377	1,309,215	3,803,592
Cash Flows From Noncapital Financing Activities			
Transfers in	<u>129,150</u>	<u>575,000</u>	<u>704,150</u>
Net Cash Provided By Noncapital Financing Activities	129,150	4,894,094	5,023,244
Cash Flows From Capital and Related Financing Activities			
Proceeds of bonds and loans	243,900	143,600	387,500
Proceeds of notes	1,580,688	1,657,758	3,238,446
Acquisition and construction of capital assets	(5,780,714)	(5,143,878)	(10,924,592)
Principal payments on bonds and loans	(1,745,987)	(1,898,504)	(3,644,491)
Principal payments on notes	-	(691,538)	(691,538)
Interest expense	(588,280)	(206,012)	(794,292)
Interfund borrowing	3,590,723	-	3,590,723
Capital contributions	-	(190,543)	(190,543)
Other non-operating income	<u>75,943</u>	<u>125,808</u>	<u>201,751</u>
Net Cash (Used For) Capital and Related Financing Activities	(2,623,727)	(6,203,309)	(8,827,036)
Cash Flows From Investing Activities			
Investment income	<u>200</u>	<u>-</u>	<u>200</u>
Net Cash Provided By Investing Activities	<u>200</u>	<u>-</u>	<u>200</u>
Net Change in Cash and Short-Term Investments	-	-	-
Cash and Short-Term Investments, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Short-Term Investments, End of Year	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 1,186,551	\$ (143,830)	\$ 1,042,721
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,441,888	1,959,296	3,401,184
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees receivable	2,788	38,142	40,930
Other assets	5,292	(66,047)	(60,755)
Deferred outflows - related to pension	73,583	107,999	181,582
Deferred outflows - related to OPEB	27,874	20,297	48,171
Accounts payable	(38,772)	(161,238)	(200,010)
Compensated absences	(13,963)	(10,624)	(24,587)
Net pension liability	(314,048)	(433,985)	(748,033)
Net OPEB liability	(129,816)	(44,572)	(174,388)
Deferred inflows - related to pension	294,958	264,548	559,506
Deferred inflows - related to OPEB	(35,892)	4,398	(31,494)
Deferred inflows - other	<u>(6,065)</u>	<u>(225,169)</u>	<u>(231,234)</u>
Net Cash Provided By Operating Activities	\$ <u>2,494,378</u>	\$ <u>1,309,215</u>	\$ <u>3,803,592</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, 2022

	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Assets		
Cash and short-term investments	\$ 222,783	\$ 386,890
Investments	<u>1,844,288</u>	<u>-</u>
Total Assets	2,067,071	386,890
Net Position		
Restricted for other purposes	<u>2,067,071</u>	<u>386,890</u>
Total Net Position	\$ <u><u>2,067,071</u></u>	\$ <u><u>386,890</u></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, 2022

	Private Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
Additions		
Taxes collected for County	\$ -	\$ 6,752,536
Taxes collected for State of New Hampshire	-	1,878,727
Fees collected for students	-	342,277
Increase in fair value of investments	<u>291,187</u>	<u>-</u>
Total additions	291,187	8,973,540
Deductions		
Payment of taxes to County	-	6,752,536
Payment of taxes to State of New Hampshire	-	1,878,727
Payments on behalf of students	-	288,308
Other	<u>44,303</u>	<u>-</u>
Total deductions	<u>44,303</u>	<u>8,919,571</u>
Net increase	246,884	53,969
Net position restricted for other purposes		
Beginning of year	<u>1,820,187</u>	<u>332,921</u>
End of year	\$ <u><u>2,067,071</u></u>	\$ <u><u>386,890</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 2022, 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of 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:

- *Private-purpose trust funds* are used to account for trust arrangements, other than those properly reported in the 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 City in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include taxes and fees collected on behalf of other governments and student activities.

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 net asset value (NAV). The NAV per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured at NAV 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 five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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 current assets/deferred outflows and current liabilities/deferred inflows. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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

Net Position

Net position represents the difference between assets/ deferred outflows and liabilities/ deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use, either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. 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 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, 2022.

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 New Hampshire Banks or banks outside the State of New Hampshire 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 their high liquidity and are 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, except 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, 2022, \$1,275,806 of the City's bank balance of \$46,093,004 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, 2022:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 714,124
Corporate equities	1,669,604
Fixed income mutual funds	878,419
U.S. Treasury notes	<u>238,425</u>
Total investments	<u>\$ 3,500,572</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, 2022, 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 in 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, 2022, 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>AAA</u>	<u>AA</u>	<u>A</u>	<u>B</u>	<u>Unrated</u>
Corporate bonds	\$ 714,124	\$ 46,576	\$ 89,734	\$ 338,868	\$ 183,633	\$ 55,314
Fixed income mutual funds	<u>878,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>878,419</u>
Total	<u>\$ 1,592,543</u>	<u>\$ 46,576</u>	<u>\$ 89,734</u>	<u>\$ 338,868</u>	<u>\$ 183,633</u>	<u>\$ 933,733</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 in 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 are accessible at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

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

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

<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	\$ 714,124	\$ -	\$ 714,124
Corporate equities	1,669,604	1,669,604	-
Fixed income mutual funds	878,419	878,419	-
U.S. Treasury notes	238,426	238,426	-
Total	\$ <u>3,500,573</u>	\$ <u>2,786,449</u>	\$ <u>714,124</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 lienied 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 at June 30, 2022 consist of the following:

	Gross Amount (fund basis)	Current Portion	Long-Term Portion
Tax liens	\$ 2,414,689	\$ -	\$ 2,414,689
Property Taxes	<u>36,106</u>	<u>36,106</u>	<u>-</u>
Total property taxes	\$ <u>2,450,795</u>	\$ <u>36,106</u>	\$ <u>2,414,689</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 Fees Receivables

Receivables for user charges and betterments for business type activities at June 30, 2022 consist of the following:

	Gross Amount
Water	\$ 1,316,647
Sewer	<u>1,744,142</u>
Total	\$ <u>3,060,789</u>

6. Intergovernmental Receivables

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

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, 2022 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 10,388,978	\$ -
Capital Projects Fund	-	5,933,270
Nonmajor Governmental Funds:		
2022 grants	25,765	1,833,305
Granite State Business Park TIF	355,200	-
Granite State Business Park TIF - II	2,214,940	-
American Rescue Plan Act (ARPA)	5,417,687	-
Arena	355,726	234,625
Safran TIF	355,858	-
All other funds	<u>189,105</u>	<u>285,230</u>
Subtotal Nonmajor Governmental Funds	8,914,281	2,353,160
Enterprise Funds:		
Water	-	6,417,281
Sewer	<u>-</u>	<u>4,599,548</u>
Subtotal Enterprise Funds	<u>-</u>	<u>11,016,829</u>
Total	\$ <u>19,303,259</u>	\$ <u>19,303,259</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	\$ 50,000	\$ 7,676,301
Capital Projects Fund	6,824,675	-
Nonmajor Governmental Funds	97,476	-
<u>Business-Type Funds</u>		
Water Fund	129,150	-
Sewer Fund	<u>575,000</u>	<u>-</u>
Subtotal business-type funds	<u>704,150</u>	<u>-</u>
Total	\$ <u>7,676,301</u>	\$ <u>7,676,301</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, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Land improvements	\$ 7,929,254	\$ -	\$ -	\$ 7,929,254
Buildings and improvements	108,849,715	12,010,461	-	120,860,176
Vehicles and equipment	34,318,130	2,190,763	-	36,508,893
Infrastructure	<u>172,530,949</u>	<u>3,736,356</u>	<u>-</u>	<u>176,267,305</u>
Total capital assets, being depreciated	323,628,048	17,937,580	-	341,565,628
Less accumulated depreciation for:				
Land improvements	(5,376,207)	(312,608)	-	(5,688,815)
Buildings and improvements	(37,692,903)	(2,503,775)	-	(40,196,678)
Vehicles and equipment	(22,631,579)	(2,188,885)	-	(24,820,464)
Infrastructure	<u>(132,938,971)</u>	<u>(3,497,027)</u>	<u>-</u>	<u>(136,435,998)</u>
Total accumulated depreciation	<u>(198,639,660)</u>	<u>(8,502,295)</u>	<u>-</u>	<u>(207,141,955)</u>
Total capital assets, being depreciated, net	124,988,388	9,435,285	-	134,423,673
Capital assets, not being depreciated:				
Land	10,518,725	74,852	-	10,593,577
Easement	1,422,250	-	-	1,422,250
Construction in progress	<u>17,621,354</u>	<u>12,302,456</u>	<u>(19,720,041)</u>	<u>10,203,769</u>
Total capital assets, not being depreciated	<u>29,562,329</u>	<u>12,377,308</u>	<u>(19,720,041)</u>	<u>22,219,596</u>
Governmental activities capital assets, net	<u>\$ 154,550,717</u>	<u>\$ 21,812,593</u>	<u>\$ (19,720,041)</u>	<u>\$ 156,643,269</u>
Business-Type Activities				
Capital assets, being depreciated:				
Land improvements	\$ 2,692,157	\$ 1,405,153	\$ -	\$ 4,097,310
Buildings and improvements	66,424,783	13,047,076	-	79,471,859
Vehicles and equipment	8,683,325	219,446	-	8,902,771
Infrastructure	<u>75,727,542</u>	<u>2,088,793</u>	<u>-</u>	<u>77,816,335</u>
Total capital assets, being depreciated	153,527,807	16,760,468	-	170,288,275
Less accumulated depreciation for:				
Land improvements	(610,370)	(148,038)	-	(758,408)
Buildings and improvements	(27,761,328)	(1,756,081)	-	(29,517,409)
Vehicles and equipment	(7,074,532)	(325,409)	-	(7,399,941)
Infrastructure	<u>(23,603,566)</u>	<u>(1,457,926)</u>	<u>-</u>	<u>(25,061,492)</u>
Total accumulated depreciation	<u>(59,049,796)</u>	<u>(3,687,454)</u>	<u>-</u>	<u>(62,737,250)</u>
Total capital assets, being depreciated, net	94,478,011	13,073,014	-	107,551,025
Capital assets, not being depreciated:				
Land	3,627,217	-	-	3,627,217
Easement	7,500	-	-	7,500
Construction in progress	<u>20,714,962</u>	<u>11,193,006</u>	<u>(14,471,706)</u>	<u>17,436,262</u>
Total capital assets, not being depreciated	<u>24,349,679</u>	<u>11,193,006</u>	<u>(14,471,706)</u>	<u>21,070,979</u>
Business-type activities capital assets, net	<u>\$ 118,827,690</u>	<u>\$ 24,266,020</u>	<u>\$ (14,471,706)</u>	<u>\$ 128,622,004</u>

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

Governmental Activities	
General government	\$ 695,843
Public safety	750,232
Highway and streets	4,292,226
Education	2,559,786
Culture and recreation	177,761
Community services	<u>21,549</u>
Total governmental activities	\$ <u>8,502,295</u>
Business-Type Activities	
Water	\$ 1,567,293
Sewer	<u>2,120,161</u>
Total business-type activities	\$ <u>3,687,454</u>

9. Deferred Outflows of Resources

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

Other deferred outflows of resources consist of losses of debt refunding as of June 30, 2022.

10. Accrued Liabilities

Accrued liabilities represent fiscal year 2022 expenditures paid in fiscal year 2023.

11. Notes Payable

The City had notes payable during the year ended June 30, 2022 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 assistance 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, 2022:

	Interest Rate	Date of Issuance	Date of Maturity	Balance at 6/30/2021	New Issues	Maturities	Balance at 6/30/2022
NHBFA-REDC-LDI	4.75%	7/31/20	*	-	3,000,000	(68,714)	2,931,286
Route 202A Water Main Extension	0.00%	4/16/19	*	3,346,561	-	-	3,346,561
Colonial Pines Sewer Extension Phase 2 Project	2.70%	12/2/19	*	1,272,248	-	-	1,272,248
Sewer System Master Plan	2.00%	11/10/21	*	75,000	-	-	75,000
Woodman Area Improvements Project	2.00%	11/2/20	*	132,077	-	-	132,077
Route 11 Pump Station Upgrade Project	2.00%	12/18/20	*	178,431	-	-	178,431
Colonial Press Sewer Extension	0.00%	12/1/18	*	2,929,746	-	(145,883)	2,783,863
Biosolids Dewatering	0.00%	11/1/19	*	10,913,104	-	(545,656)	10,367,448
Total notes payable				\$ 18,847,167	\$ 3,000,000	\$ (760,253)	\$ 21,086,914

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

12. Unearned Revenue

Unearned revenue represents grant funds received by the Government from the American Rescue Plan Act (ARPA).

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>				Amount Outstanding as of 6/30/22
	Original Issue	Serial Maturities Through	Interest Rate(s) %	
<u>General Obligation Bonds</u>				
Public offerings:				
2008 Series A NHMBB - 20 year	\$ 692,995	08/15/28	4.00-5.25%	\$ 240,000
2012 Series A Bond Issue - 10 year	7,636,243	03/15/22	1.00-3.25%	3,973,303
2012 Series B Bond Issue - 20 year - Repurposed EDA	117,244	03/15/32	2.00-3.25%	72,339
2013 Series A Refunding 2004 bonds	3,896,698	07/15/24	2.00-3.00%	1,044,795
2015 Series A Bond Issue - 10 year	27,112,080	03/01/35	2.00-5.00%	15,375,846
2016 Refunding - Series 2008 - 10 year	5,167,929	02/15/28	1.94%	2,980,278
2017 Series A Bond Issue - 5 year	10,950,655	06/30/27	2.50-5.00%	7,325,742
2018 Series A Bond Issue - 20 year	4,845,302	08/15/38	4.06%	3,543,646
2020 Series A Bond Issue - 20 year	9,236,000	04/01/40	2.500-5.00%	7,990,000
2022 Series A NHMBB - 20 year	\$ 3,146,500	02/15/42	2.20-5.10%	\$ 3,146,500
Total public offerings				45,692,449
Direct placements				
2002 Bond Issue	7,111,000	08/15/22	4.25-4.70%	331,000
Total direct placements				331,000
Total general obligation bonds				46,023,449
Loans - Direct Borrowings				
2014 State Revolving Loan - Washington St Phase 4	1,675,282	06/01/33	3.39%	206,331
Copiers & Printers - School	620,220	08/01/22	3.09%	131,696
Total loans - direct borrowings				338,027
Total governmental activities				\$ 46,361,476

Business-Type Activities

	Original	Serial	Interest	Amount
	Issue	Maturities	Rate(s) %	Outstanding
<u>General Obligation Bonds</u>		<u>Through</u>		as of
				<u>6/30/22</u>
Public offerings:				
2012 Series A Bond Issue - 20 year	\$ 1,137,732	03/15/32	2.00-3.25%	\$ 639,357
2013 Series A Bond Issue - Refunding 2004 bonds	8,618,302	08/01/20	2.00-4.00%	305,205
2015 Series A Bond Issue - 20 year	6,973,758	03/01/35	2.00-3.25%	3,530,477
2016 Refunding Series 2008 - 10 year	2,982,072	02/15/28	1.94%	1,719,722
2017 Series A Bond Issue - 5 year	11,609,346	06/30/37	3.00-5.00%	7,667,618
2018 Series A Bond Issue - 20 year	3,194,698	06/30/39	3.37-5.00%	2,546,343
2020 Series A - 20 year	11,019,000	04/01/40	2.50-5.00%	9,420,000
2022 Series A NHMBB - 20 year	\$ 387,500	02/15/42	2.20-5.10%	\$ 387,500
Total public offerings				26,216,222
Direct placements				
2002 Series Bond Issue	1,475,000	08/15/22	4.25-4.70%	65,000
Total direct placements				65,000
Total general obligation bonds				\$ 26,281,222
Loans - Direct Borrowings				
2005 State Revolving Loan - Chestnut Hill - Clean Water	\$ 879,686	08/01/25	3.49%	\$ 175,937
2007 State Revolving Loan - Ground Water Supply - Drinking Water	483,988	09/01/26	3.35%	121,366
2007 State Revolving Loan - Homemakers - Clean Water	341,373	07/01/27	2.14%	126,897
2009 State Revolving Loan - East Rochester I & I - Clean Water	1,852,387	12/01/27	3.69%	555,716
2009 State Revolving Loan - South Main/Solar Bee Pilot - Clean Water	1,335,120	08/01/28	3.49%	467,292
2010 State Revolving Loan - South Main Street - Drinking Water	627,000	02/01/29	2.95%	220,545
2010 State Revolving Loan - Washington Street - Drinking Water	1,997,523	12/01/30	2.86%	1,107,626
2013 State Revolving Loan - Cocheco Well - Drinking Water	3,381,909	09/01/31	3.10%	1,010,916
2013 State Revolving Loan - Headworks - Clean Water	1,398,348	02/01/32	2.72%	699,174
2013 State Revolving Loan - Washington St Pump Station - Clean Water	646,346	07/01/31	3.10%	323,173
2014 State Revolving Loan - Washington & Pine St - Drinking Water	388,147	12/01/32	2.72%	123,380
2014 State Revolving Loan - Washington St Phase 4 - Clean Water	1,675,282	06/01/33	3.39%	262,071
2016 State Revolving Loan - New Rte 125 Pump Station	473,212	06/01/35	2.55%	230,723
2016 State Revolving Loan - Drinking Water SRF - 20 Yr	2,248,454	12/01/35	1.96%	1,337,830
2018 State Revolving Loan - WTP Low Lift Pump Station	452,712	12/01/35	1.96%	352,109
Total loans - direct borrowings				\$ 7,114,755

Future Debt Service

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

<u>Governmental</u>	<u>Bonds - Public Offerings</u>		<u>Bonds - Direct Placements</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 5,210,963	\$ 1,481,009	\$ 331,000	\$ 4,231	\$ 150,453	\$ 10,872
2024	5,183,135	1,288,177	-	-	18,757	5,727
2025	5,108,471	1,105,161	-	-	18,757	5,090
2026	4,073,157	954,587	-	-	18,757	4,453
2027	3,895,399	818,476	-	-	18,757	3,817
2028	3,279,864	621,774	-	-	18,757	3,181
2029	2,813,023	536,887	-	-	18,757	2,545
2030	2,549,788	430,677	-	-	18,757	1,909
2031	2,352,850	351,748	-	-	18,757	1,272
2032	2,376,058	274,599	-	-	18,757	637
2033-2037	7,574,606	580,187	-	-	18,761	-
2038-2042	<u>1,275,135</u>	<u>39,264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>45,692,449</u>	\$ <u>8,482,546</u>	\$ <u>331,000</u>	\$ <u>4,231</u>	\$ <u>338,027</u>	\$ <u>39,503</u>

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, 2022.

<u>Business-Type</u>	<u>Bonds - Public Offerings</u>		<u>Bonds - Direct Placements</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,556,324	\$ 4,201,219	\$ 65,000	\$ 1,528	\$ 776,661	\$ 197,714
2024	2,564,915	479,631	-	-	783,810	175,290
2025	2,499,368	424,782	-	-	790,680	152,652
2026	1,844,588	372,808	-	-	796,859	129,805
2027	1,832,143	331,646	-	-	753,118	106,780
2028	1,781,685	290,593	-	-	741,653	70,137
2029	1,523,425	256,716	-	-	624,512	64,237
2030	1,480,514	224,575	-	-	493,276	47,402
2031	1,306,451	193,993	-	-	485,486	33,313
2032	1,313,142	169,642	-	-	367,376	19,970
2033-2037	5,761,082	704,459	-	-	501,324	22,604
2038-2042	<u>1,752,585</u>	<u>74,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>26,216,222</u>	\$ <u>7,724,112</u>	\$ <u>65,000</u>	\$ <u>1,528</u>	\$ <u>7,114,755</u>	\$ <u>1,019,903</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2022, 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	\$ 47,594,556	\$ 3,146,500	\$ (5,048,607)	\$ 45,692,449	\$ (5,210,963)	\$ 40,481,486
Direct placements	681,000	-	(350,000)	331,000	(331,000)	-
Unamortized premium	<u>2,792,576</u>	<u>509,416</u>	<u>(200,055)</u>	<u>3,101,937</u>	<u>(244,669)</u>	<u>2,857,268</u>
Subtotal	51,068,132	3,655,916	(5,598,662)	49,125,386	(5,786,632)	43,338,754
Loans payable (direct borrowings)	536,219	-	(198,192)	338,027	(150,453)	187,574
Net pension liability	103,329,198	-	(33,624,314)	69,704,884	-	69,704,884
Net OPEB liability	17,039,615	-	(1,997,953)	15,041,662	-	15,041,662
Compensated absences	<u>2,798,387</u>	<u>60,891</u>	<u>-</u>	<u>2,859,278</u>	<u>(285,928)</u>	<u>2,573,350</u>
Total	\$ <u>174,771,551</u>	\$ <u>3,716,807</u>	\$ <u>(41,419,121)</u>	\$ <u>137,069,237</u>	\$ <u>(6,223,013)</u>	\$ <u>130,846,224</u>
Business-Type Activities						
Bonds payable						
Public offerings	\$ 28,425,444	\$ 387,500	\$ (2,596,722)	\$ 26,216,222	\$ (2,556,324)	\$ 23,659,898
Direct placements	135,000	-	(70,000)	65,000	(65,000)	-
Unamortized premium	<u>1,862,221</u>	<u>-</u>	<u>(146,100)</u>	<u>1,716,121</u>	<u>(134,341)</u>	<u>1,581,780</u>
Subtotal	30,422,665	387,500	(2,812,822)	27,997,343	(2,755,665)	25,241,678
Loans payable (direct borrowings)	7,859,673	-	(744,918)	7,114,755	(776,662)	6,338,093
Net pension liability	2,908,956	-	(748,033)	2,160,923	-	2,160,923
Net OPEB liability	541,099	-	(174,388)	366,711	-	366,711
Compensated absences	<u>178,679</u>	<u>-</u>	<u>(24,587)</u>	<u>154,092</u>	<u>-</u>	<u>154,092</u>
Total	\$ <u>41,911,072</u>	\$ <u>387,500</u>	\$ <u>(4,504,748)</u>	\$ <u>37,793,824</u>	\$ <u>(3,532,327)</u>	\$ <u>34,261,497</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 represent the acquisition of net assets by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. 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, 2022:

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, various special revenue funds, and the various capital project 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 capital reserve funds and the Arena fund.

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, 2022:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid expenditures	\$ 50,159	\$ -	\$ -	\$ 50,159
Inventory	-	-	12,376	12,376
Permanent funds	<u>-</u>	<u>-</u>	<u>1,466,949</u>	<u>1,466,949</u>
Total Nonspendable	50,159	-	1,479,325	1,529,484
Restricted				
Other grants	6,485	-	-	6,485
Economic development fund	1,382,928	-	-	1,382,928
Conservation commission fund	633,171	-	-	633,171
Special revenue funds:				
Granite Ridge TIF	-	-	2,214,940	2,214,940
Safran Lease TIF	-	-	355,858	355,858
Other	-	-	335,846	335,846
Capital projects:				
Vehicle and Equipment Replacement	-	532,750	-	532,750
Paving Rehabilitation Program	-	1,506,069	-	1,506,069
Other	<u>-</u>	<u>3,263,132</u>	<u>-</u>	<u>3,263,132</u>
Total Restricted	2,022,584	5,301,951	2,906,644	10,231,179
Committed				
Capital reserve funds	2,794,613	-	-	2,794,613
Arena fund	<u>-</u>	<u>-</u>	<u>119,953</u>	<u>119,953</u>
Total Committed	2,794,613	-	119,953	2,914,566
Assigned				
Computer lease program	20,000	-	-	20,000
Use of fund balance - FY23 budget	3,293,250	-	-	3,293,250
Encumbrances:				
CRRSA-ESSER II	-	-	705,513	705,513
Other grants	<u>-</u>	<u>-</u>	<u>93,865</u>	<u>93,865</u>
Total Assigned	3,313,250	-	799,378	4,112,628
Unassigned				
General fund	26,510,126	-	-	26,510,126
Deficits	<u>-</u>	<u>(12,222,688)</u>	<u>(760,200)</u>	<u>(12,982,888)</u>
Total Unassigned	<u>26,510,126</u>	<u>(12,222,688)</u>	<u>(760,200)</u>	<u>13,527,238</u>
Total Fund Balance	\$ <u>34,690,732</u>	\$ <u>(6,920,737)</u>	\$ <u>4,545,100</u>	\$ <u>32,315,095</u>

16. General Fund Unassigned Fund Balance

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.

GAAP basis balance	\$ 26,510,126
Use of fund balance for fiscal year 2023	3,293,250
Other	<u>20,119</u>
Statutory Balance	<u>\$ 29,823,495</u>

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

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

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, using the contribution rates of 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 13.25% to 30.67% of covered compensation. The City's and School's contributions to NHRS for the year ended June 30, 2022 were \$2,728,477 and \$4,721,353, 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, 2022, the City and School reported a liability of \$26,320,628 and \$45,545,180, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The City's 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 .59388781%. At the most recent measurement date the School's proportion was 1.02766269%.

For the year ended June 30, 2022, the City and School recognized pension expense of \$1,693,564 and \$3,308,127, 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	\$ 2,012,347	\$ 752,385
Changes of assumptions	7,505,978	-
Difference between projected and actual earnings on pension plan investments	-	20,099,219
Changes in proportion and differences between contributions and proportionate share of contributions	1,004,573	2,496,832
Contributions subsequent to the measurement date	<u>9,398,761</u>	<u>-</u>
Total	<u>\$ 19,921,659</u>	<u>\$ 23,348,436</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 2023. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized as a decrease in pension expense as follows:

Year ended June 30:

2023	\$ (2,191,101)
2024	(1,769,228)
2025	(1,961,066)
2026	<u>(6,904,143)</u>
Total	<u>\$ (12,825,538)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	2.75% per year (2.25% for Teachers)
Salary increases	5.60% average, including inflation
Investment rate of return	6.75%, net of plan investment expense, including inflation

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

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 %	6.46%
Small/mid cap equities	<u>7.50</u>	1.14%
Total domestic equities	30.00	
Int'l equities (unhedged)	14.00	5.53%
Emerging int'l equities	<u>6.00</u>	2.37%
Total international equities	20.00	
Core bonds	<u>25.00</u>	3.60%
Total fixed income	25.00	
Private equity	10.00	8.85%
Private debt	5.00	7.25%
Real estate	<u>10.00</u>	6.60%
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 (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
\$ 102,776,329	\$ 71,865,807	\$ 46,081,389

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, 2022. 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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	65
Active employees	<u>634</u>
Total	<u>699</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, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	2.75%, average, including inflation
Discount rate	4.09%, previously 2.66%
Healthcare cost trend rates	7.50% for 2023, decreasing 0.5% per year to an ultimate rate of 4.50% for 2029 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, 2022.

Mortality rates were based on the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using scale MP-2021. Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using scale MP-2021.

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

Total OPEB Liability

The City's total OPEB liability of \$8,991,396 was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2021.

Changes in the Total OPEB Liability

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

Balance, beginning of year	\$	10,393,677
Changes for the year:		
Service cost		650,926
Interest		288,157
Differences between expected and actual experience		(1,400,249)
Changes in assumptions		(533,665)
Benefit payments		<u>(407,450)</u>
Net Change		<u>(1,402,281)</u>
Balance, end of year	\$	<u><u>8,991,396</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.66% in 2021 to 4.09% in 2022. 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:

1% Decrease <u>(3.09%)</u>	Current Discount Rate <u>(4.09%)</u>	1% Increase <u>(5.09%)</u>
\$ 9,686,721	\$ 8,991,396	\$ 8,348,741

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:

1% Decrease <u>(6.50%)</u>	Healthcare Cost Trend Rates <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
\$ 8,023,995	\$ 8,991,396	\$ 10,122,145

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

For the year ended June 30, 2022, the City recognized an OPEB expense of \$75,608. At June 30, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,048,826
Change in assumptions	<u>512,597</u>	<u>607,020</u>
Total	\$ <u>512,597</u>	\$ <u>4,655,846</u>

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

Year ended June 30:

2023	\$ (863,475)
2024	(863,475)
2025	(863,470)
2026	(674,307)
2027	(403,701)
Thereafter	<u>(474,821)</u>
Total	\$ <u>(4,143,249)</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 0.31% of gross payroll for Group I employees, 1.54% of gross payroll for Group I teachers, 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, 2021 were \$2,370,644 and \$4,046,333, respectively.

For the year ended June 30, 2022, the City and School recognized an OPEB expense related to the NHRS Medical Subsidy of \$132,582 and \$32,529, respectively. At June 30, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,339
Net difference between projected and actual OPEB investments	-	80,160
Changes in proportion	<u>291</u>	<u>1,739</u>
Total	\$ <u>291</u>	\$ <u>83,238</u>

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

Year ended June 30:

2023	\$ (21,122)
2024	(16,842)
2025	(18,878)
2026	<u>(26,105)</u>
Total	\$ <u>(82,947)</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:

1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
\$ 6,975,759	\$ 6,416,977	\$ 6,316,843

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, 2022:

	Total/Net OPEB <u>Liability</u>	Total Deferred Outflows of <u>Resources</u>	Total Deferred Inflows of <u>Resources</u>	Total OPEB <u>Expense</u>
City OPEB Plan	\$ 8,991,396	\$ 512,597	\$ 4,655,846	\$ 75,608
Proportionate share of NHRS Medical Subsidy Plan	<u>6,416,977</u>	<u>291</u>	<u>83,238</u>	<u>165,111</u>
Total	<u>\$ 15,408,373</u>	<u>\$ 512,888</u>	<u>\$ 4,739,084</u>	<u>\$ 240,719</u>

19. Commitments and Contingencies

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.

20. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 96, *Subscription-Based IT Arrangements (SBITAs)*, effective for the City beginning with its fiscal year ending June 30, 2023. This statement establishes new reporting and disclosure requirements, including the recording of various subscription-based leases in the financial statements. Management is currently evaluating the impact of implementing the following GASB pronouncement.

CITY OF ROCHESTER, NEW HAMPSHIRE

Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures and Other Sources (Uses) -
Budget and Actual
For the Year Ended June 30, 2022
(unaudited)

	<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	\$ 57,582,647	\$ 56,336,499	\$ 56,836,185	\$ 499,686
Penalties, interest, and other taxes	870,128	997,820	1,296,185	298,365
Charges for services	5,855,588	6,355,588	8,285,470	1,929,882
Intergovernmental	32,082,449	34,128,923	34,269,732	140,809
Licenses and permits	5,360,228	5,360,228	6,732,559	1,372,331
Investment income	200,000	200,000	48,225	(151,775)
Miscellaneous	<u>302,933</u>	<u>302,933</u>	<u>1,304,226</u>	<u>1,001,293</u>
Total Revenues	102,253,973	103,681,991	108,772,582	5,090,591
Expenditures				
General government	7,207,107	7,154,248	7,406,084	(251,836)
Public safety	16,268,002	16,268,002	15,185,625	1,082,377
Highway and streets	3,366,556	3,419,015	3,192,928	226,087
Education	66,383,484	67,719,288	63,624,460	4,094,828
Health and welfare	507,588	506,427	363,757	142,670
Culture and recreation	2,265,646	2,266,807	2,140,952	125,855
Community services	2,900	2,900	1,152	1,748
Debt service	<u>6,259,506</u>	<u>6,259,506</u>	<u>6,256,218</u>	<u>3,288</u>
Total Expenditures	<u>102,260,789</u>	<u>103,596,193</u>	<u>98,171,176</u>	<u>5,425,017</u>
Excess (deficiency) of revenues over expenditures	(6,816)	85,798	10,601,406	10,515,608
Other Financing Sources (Uses)				
Use of fund balance	2,786,000	9,580,641	9,580,641	-
Transfers in	894,000	894,000	894,000	-
Transfers out	<u>(3,673,184)</u>	<u>(10,560,439)</u>	<u>(10,867,768)</u>	<u>(307,329)</u>
Total Other Financing Sources (Uses)	<u>6,816</u>	<u>(85,798)</u>	<u>(393,127)</u>	<u>(307,329)</u>
Overall Budgetary Excess (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>10,208,279</u>	\$ <u>10,208,279</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>	Other Financing <u>Sources (Uses)</u>
GAAP basis	\$ 108,750,330	\$ 96,892,245	\$ (7,626,301)
Recognize use of fund balance as funding source	-	-	9,580,641
Remove effect of combining capital reserve and general fund	-	1,296,309	(2,347,467)
Other	<u>22,252</u>	<u>(17,378)</u>	<u>-</u>
Budgetary basis	\$ <u><u>108,772,582</u></u>	\$ <u><u>98,171,176</u></u>	\$ <u><u>(393,127)</u></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, 2022	June 30, 2021	1.62155050%	\$ 71,865,807	\$ 47,736,392	150.55%	72.22%
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, 2022	\$ 7,449,830	\$ 7,449,830	\$ -	\$ 49,221,020	15.14%
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, 2022	June 30, 2021	1.60241418%	\$6,416,977	\$ 47,736,392	13.44%	11.06%
June 30, 2021	June 30, 2020	1.64196629%	\$7,187,036	\$ 46,346,012	15.51%	7.74%
June 30, 2020	June 30, 2019	1.58716319%	\$6,416,977	\$ 44,996,128	14.26%	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, 2022	June 30, 2021	\$ 770,042	\$ 770,042	\$ -	\$ 49,221,020	1.56%
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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 650,926	\$ 566,969	\$ 645,002	\$ 728,467	\$ 910,490
Interest	288,157	357,415	425,262	444,800	383,537
Changes of benefit terms	-	-	-	-	(699,644)
Differences between expected and actual experience	(1,400,249)	(576,927)	(1,349,244)	(1,904,445)	(1,587,781)
Changes of assumptions	(533,665)	646,213	(15,796)	(260,388)	74,498
Benefit payments, including refunds of member contributions	<u>(407,450)</u>	<u>(427,863)</u>	<u>(437,888)</u>	<u>(423,910)</u>	<u>(476,432)</u>
Net change in total OPEB liability	(1,402,281)	565,807	(732,664)	(1,415,476)	(1,395,332)
Total OPEB liability - beginning	<u>10,393,677</u>	<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>\$ 8,991,396</u>	<u>\$ 10,393,677</u>	<u>\$ 9,827,870</u>	<u>\$ 10,560,534</u>	<u>\$ 11,976,010</u>
Covered employee payroll	\$ 42,042,154	\$ 35,849,736	\$ 34,721,294	\$ 44,809,485	\$ 42,256,611
Total OPEB liability as a percentage of covered employee payroll	21%	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.