

CITY OF ROCHESTER, NEW HAMPSHIRE
FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023



City of
ROCHESTER
New Hampshire

CITY OF ROCHESTER, NEW HAMPSHIRE

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CITY OF ROCHESTER, NEW HAMPSHIRE

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of 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, 2023, 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, New Hampshire, as of June 30, 2023, 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' 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

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

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

Auditors' 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 auditors' 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 18, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Marcum LLP

Andover, MA
March 18, 2024

CITY OF ROCHESTER, NEW HAMPSHIRE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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 for the fiscal year ended June 30, 2023.

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, highway 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.

CITY OF ROCHESTER, NEW HAMPSHIRE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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 the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Reconciliations are provided 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 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.

CITY OF ROCHESTER, NEW HAMPSHIRE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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 \$61,121,448, a change of \$13,831,410 and net position in business-type activities was \$63,251,749, a change of \$(470,963).
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$50,132,044, a change of \$17,816,949 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$31,834,635 a change of \$3,824,509 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 year.

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 97,019,901	\$ 63,398,856	\$ 8,552,817	\$ 7,016,981	\$ 105,572,718	\$ 70,415,837
Capital assets	156,260,798	156,643,269	138,130,788	128,622,004	294,391,586	285,265,273
Total Assets	253,280,699	220,042,125	146,683,605	135,638,985	399,964,304	355,681,110
Deferred Outflows of Resources	20,777,667	19,992,354	655,437	634,771	21,433,104	20,627,125
Liabilities						
Current liabilities	17,037,414	20,045,705	33,371,725	33,715,051	50,409,139	53,760,756
Noncurrent liabilities	163,499,240	137,069,237	49,891,611	37,793,824	213,390,851	174,863,061
Total Liabilities	180,536,654	157,114,942	83,263,336	71,508,875	263,799,990	228,623,817
Deferred Inflows of Resources	32,400,264	35,629,499	823,957	1,042,169	33,224,221	36,671,668
Net Position						
Net investment in capital assets	98,278,330	107,179,856	65,988,727	72,434,464	164,267,057	179,614,320
Restricted	6,800,587	4,373,617	--	--	6,800,587	4,373,617
Unrestricted	(43,957,469)	(64,263,435)	(2,736,978)	(8,711,752)	(46,694,447)	(72,975,187)
Total Net Position	\$ 61,121,448	\$ 47,290,038	\$ 63,251,749	\$ 63,722,712	\$ 124,373,197	\$ 111,012,750

CITY OF ROCHESTER, NEW HAMPSHIRE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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 \$124,373,197 a change of \$13,360,447 in comparison to the prior year.

The largest portion of net position, \$164,267,057 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, \$6,800,587 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 \$(46,694,447), primarily resulting from unfunded pension and OPEB liabilities.

CITY OF ROCHESTER, NEW HAMPSHIRE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Changes for services	\$ 9,562,901	\$ 9,268,166	\$ 11,790,932	\$ 10,626,780	\$ 21,353,833	\$ 19,894,946
Operating grants and contributions	44,295,768	40,046,360	100,000	--	44,395,768	40,046,360
Capital grants and contributions	2,820,583	825,360	1,562,751	1,743,336	4,383,334	2,568,696
General revenues						
Property taxes	61,013,237	58,841,664	--	--	61,013,237	58,841,664
Licenses and permits	6,931,777	6,732,559	--	--	6,931,777	6,732,559
Penalties, interest, and other taxes	915,466	1,296,185	--	--	915,466	1,296,185
Grants and contributions not restricted to specific programs	4,050,022	5,917,112	--	--	4,050,022	5,917,112
Investment income (loss)	1,709,185	(623,629)	--	200	1,709,185	(623,429)
Miscellaneous	524,317	1,385,337	--	--	524,317	1,385,337
	<u>131,823,256</u>	<u>123,689,114</u>	<u>13,453,683</u>	<u>12,370,316</u>	<u>145,276,939</u>	<u>136,059,430</u>
Expenses						
General government	12,631,780	10,924,635	--	--	12,631,780	10,924,635
Public safety	16,340,445	15,037,746	--	--	16,340,445	15,037,746
Highway and streets	7,028,365	7,135,862	--	--	7,028,365	7,135,862
Education	74,532,404	69,657,749	--	--	74,532,404	69,657,749
Health and welfare	498,695	363,757	--	--	498,695	363,757
Culture and recreation	2,873,589	2,769,134	--	--	2,873,589	2,769,134
Community development	1,286,571	955,563	--	--	1,286,571	955,563
Community services	1,288,802	1,282,304	--	--	1,288,802	1,282,304
Interest	1,561,195	2,151,045	--	--	1,561,195	2,151,045
Water	--	--	5,553,948	4,221,247	5,553,948	4,221,247
Sewer	--	--	8,320,698	6,942,791	8,320,698	6,942,791
Total Expenses	<u>118,041,846</u>	<u>110,277,795</u>	<u>13,874,646</u>	<u>11,164,038</u>	<u>131,916,492</u>	<u>121,441,833</u>
Change in Net position Before Transfers	13,781,410	13,411,319	(420,963)	1,206,278	13,360,447	14,617,597
Transfer in (out)	50,000	(704,150)	(50,000)	704,150	--	--
Change in Net Position	13,831,410	12,707,169	(470,963)	1,910,428	13,360,447	14,617,597
Net Position -						
Beginning of Year	47,290,038	34,582,869	63,722,712	61,812,284	111,012,750	96,395,153
Net Position - End of Year	<u>\$ 61,121,448</u>	<u>\$ 47,290,038</u>	<u>\$ 63,251,749</u>	<u>\$ 63,722,712</u>	<u>\$ 124,373,197</u>	<u>\$ 111,012,750</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$13,831,410 primarily from strong operating results, and a decrease in the pension and OPEB expense.

CITY OF ROCHESTER, NEW HAMPSHIRE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$(470,963). Key elements of this change related to an increase in repairs and maintenance costs as well as nonoperating expenses.

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. Unassigned fund balance may serve as a useful measure of the City'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 \$31,834,635, while total fund balance was \$41,575,413. The unassigned fund balance changed by \$3,824,509 primarily from positive budgetary results of \$12,612,152 less the supplemental use of fund balance for capital improvements of \$1,468,949 and \$5,814,100 used for the fiscal year 2024 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.

General Fund	June 30, 2023	June 30, 2022	Change
Unassigned fund balance	\$ 31,834,635	\$ 28,010,126	\$ 3,824,509
Total fund balance	\$ 41,575,413	\$ 34,690,732	\$ 6,884,681

The total fund balance of the General Fund changed by \$6,884,681 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (4,225,250)
Revenue greater than budget	3,079,381
Expenditures less than budget	9,560,792
Non-budgeted General Fund activity	(1,382,928)
Other	<u>(147,314)</u>
	<u>\$ 6,884,681</u>

CITY OF ROCHESTER, NEW HAMPSHIRE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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

	June 30, 2023	June 30, 2022	Change
Capital reserves	<u>\$ 2,789,382</u>	<u>\$ 2,794,613</u>	<u>\$ (5,231)</u>

Nonmajor Governmental Funds

The fund balance of nonmajor governmental funds changed by \$10,932,268 primarily from new issuances of bonds for various capital projects.

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 \$5,974,774, as the City follows a practice of using unrestricted cash/net position to finance capital improvements and issuing bonds at the 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 \$256, exclusive of transfers out.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year end amounted to \$294,391,586 (net of accumulated depreciation), a change of \$9,126,313 from the prior year. This investment in capital assets includes land and land improvements, buildings and improvements, vehicles, equipment, infrastructure, and easements.

CITY OF ROCHESTER, NEW HAMPSHIRE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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

Governmental Activities

New addition to construction in progress:

Strafford Square construction	\$	1,173,568
Woodman Myrtle reconstruction		1,974,416
Pavement rehabilitation		1,000,000
Community center roof replacement		354,970

Business-type Activities

New addition's to construction in progress:

Colonial Pines sewer construction	\$	1,852,771
RTE 202A water main extension		3,415,906

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 \$96,119,201, net of unamortized bond premiums \$7,088,284, all of which was backed by the full faith and credit of the city.

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 City'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, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and short-term investments	\$ 69,741,735	\$ --	\$ 69,741,735
Investments	12,160,027	--	12,160,027
Receivables			
Property taxes	766,156	--	766,156
User fees	1,459,932	3,190,282	4,650,214
Betterments	--	625,375	625,375
Intergovernmental	4,460,833	2,738,749	7,199,582
Internal balances	6,240,605	(6,240,605)	--
Other current assets	632,751	421,749	1,054,500
Total Current Assets	<u>95,462,039</u>	<u>735,550</u>	<u>96,197,589</u>
Noncurrent Assets			
Receivables			
Property taxes	1,557,862	--	1,557,862
Intergovernmental	--	1,576,662	1,576,662
Capital assets			
Land, easements, and construction in progress	24,806,427	19,531,612	44,338,039
Other assets, net of accumulated depreciation	131,454,371	118,599,176	250,053,547
Total Noncurrent Assets	<u>157,818,660</u>	<u>139,707,450</u>	<u>297,526,110</u>
Total Assets	<u>253,280,699</u>	<u>140,443,000</u>	<u>393,723,699</u>
Deferred Outflows of Resources			
Related to pension	20,068,300	640,420	20,708,720
Related to OPEB	581,185	15,017	596,202
Related to loss on refunding	128,182	--	128,182
Total Deferred Outflows of Resources	<u>20,777,667</u>	<u>655,437</u>	<u>21,433,104</u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	3,114,290	1,683,083	4,797,373
Accrued liabilities	6,831,693	1,488,465	8,320,158
Unearned revenue	4,991,956	--	4,991,956
Notes payable	--	23,959,572	23,959,572
Performance deposits	2,099,475	--	2,099,475
Current portion of long-term liabilities			
Bonds payable	6,078,056	3,579,653	9,657,709
Loans payable	18,757	783,811	802,568
Compensated absences liability	285,928	--	285,928
Total Current Liabilities	<u>23,420,155</u>	<u>31,494,584</u>	<u>54,914,739</u>
Noncurrent Liabilities			
Bonds payable, net of current portion	49,776,625	36,684,867	86,461,492
Loans payable, net of current portion	168,817	5,488,776	5,657,593
Compensated absences liability, net of current portion	2,805,198	187,981	2,993,179
Net pension liability	90,333,169	2,770,012	93,103,181
Net OPEB liability	14,032,690	396,511	14,429,201
Total Noncurrent Liabilities	<u>157,116,499</u>	<u>45,528,147</u>	<u>202,644,646</u>
Total Liabilities	<u>180,536,654</u>	<u>77,022,731</u>	<u>257,559,385</u>
Deferred Inflows of Resources			
Related to pension	2,176,343	39,227	2,215,570
Related to OPEB	4,766,799	122,341	4,889,140
Taxes paid in advance	25,457,122	--	25,457,122
Other	--	662,389	662,389
Total Deferred Inflows of Resources	<u>32,400,264</u>	<u>823,957</u>	<u>33,224,221</u>
Net Position			
Net investment in capital assets	98,278,330	65,988,727	164,267,057
Restricted for			
Grants and other statutory restrictions	3,637,642	--	3,637,642
Permanent funds	3,162,945	--	3,162,945
Unrestricted	(43,957,469)	(2,736,978)	(46,694,447)
Total Net Position	<u>\$ 61,121,448</u>	<u>\$ 63,251,749</u>	<u>\$ 124,373,197</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, 2023

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 12,631,780	\$ 3,607,004	\$ 649,672	\$ --	\$ (8,375,104)	\$ --	\$ (8,375,104)
Public safety	16,340,445	256,725	177,806	27,000	(15,878,914)	--	(15,878,914)
Highway and streets	7,028,365	59,611	--	2,793,583	(4,175,171)	--	(4,175,171)
Education	74,532,404	4,429,978	41,664,241	--	(28,438,185)	--	(28,438,185)
Health and welfare	498,695	--	160,234	--	(338,461)	--	(338,461)
Culture and recreation	2,873,589	548,869	--	--	(2,324,720)	--	(2,324,720)
Community development	1,286,571	--	285,079	--	(1,001,492)	--	(1,001,492)
Community services	1,288,802	660,714	1,358,736	--	730,648	--	730,648
Interest on long-term debt	1,561,195	--	--	--	(1,561,195)	--	(1,561,195)
Total Governmental Activities	<u>118,041,846</u>	<u>9,562,901</u>	<u>44,295,768</u>	<u>2,820,583</u>	<u>(61,362,594)</u>	<u>--</u>	<u>(61,362,594)</u>
Business-Type Activities							
Water operations	5,553,948	5,550,919	--	867,351	--	864,322	864,322
Sewer operations	8,320,698	6,240,013	100,000	695,400	--	(1,285,285)	(1,285,285)
Total Business-Type Activities	<u>13,874,646</u>	<u>11,790,932</u>	<u>100,000</u>	<u>1,562,751</u>	<u>--</u>	<u>(420,963)</u>	<u>(420,963)</u>
	<u>\$ 131,916,492</u>	<u>\$ 21,353,833</u>	<u>\$ 44,395,768</u>	<u>\$ 4,383,334</u>	<u>(61,362,594)</u>	<u>(420,963)</u>	<u>(61,783,557)</u>
General Revenues and Transfers							
Property taxes					61,013,237	--	61,013,237
Licenses and permits					6,931,777	--	6,931,777
Penalties, interest, and other taxes					915,466	--	915,466
Grants and contributions not restricted to specific programs					4,050,022	--	4,050,022
Investment income					1,709,185	--	1,709,185
Miscellaneous					524,317	--	524,317
Transfers, net					<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total General Revenues and Transfers					<u>75,194,004</u>	<u>(50,000)</u>	<u>75,144,004</u>
Change in Net Position					13,831,410	(470,963)	13,360,447
Net Position							
Beginning of Year					<u>47,290,038</u>	<u>63,722,712</u>	<u>111,012,750</u>
End of Year					<u>\$ 61,121,448</u>	<u>\$ 63,251,749</u>	<u>\$ 124,373,197</u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and short-term investments	\$ 68,356,405	\$ 1,385,330	\$ 69,741,735
Investments	10,125,388	2,034,639	12,160,027
Receivables			
Property taxes	2,324,018	--	2,324,018
User fees	1,459,932	--	1,459,932
Intergovernmental and other	--	4,460,833	4,460,833
Due from other funds	--	12,070,846	12,070,846
Other assets	591,702	41,049	632,751
Total Assets	<u>\$ 82,857,445</u>	<u>\$ 19,992,697</u>	<u>\$ 102,850,142</u>
Liabilities			
Accounts payable	\$ 1,306,904	\$ 1,807,386	\$ 3,114,290
Accrued liabilities	6,273,132	558,561	6,831,693
Unearned revenue	--	4,991,956	4,991,956
Due to other funds	2,099,959	3,730,282	5,830,241
Performance deposits	2,099,475	--	2,099,475
Total Liabilities	<u>11,779,470</u>	<u>11,088,185</u>	<u>22,867,655</u>
Deferred Inflows of Resources			
Unavailable revenues	4,045,440	347,881	4,393,321
Taxes collected in advance	25,457,122	--	25,457,122
Total Deferred Inflows of Resources	<u>29,502,562</u>	<u>347,881</u>	<u>29,850,443</u>
Fund Balances			
Nonspendable	591,702	3,203,994	3,795,696
Restricted	525,594	6,429,345	6,954,939
Committed	2,789,382	--	2,789,382
Assigned	5,834,100	--	5,834,100
Unassigned	31,834,635	(1,076,708)	30,757,927
Total Fund Balances	<u>41,575,413</u>	<u>8,556,631</u>	<u>50,132,044</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 82,857,445</u>	<u>\$ 19,992,697</u>	<u>\$ 102,850,142</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, 2023

<i>Total Governmental Fund Balances</i>	\$ 50,132,044
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	156,260,798
Deferred outflows of resources related to pension to be recognized in pension expense in future periods.	20,068,300
Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.	581,185
Deferred loss on debt refunding to be recognized in interest expense in future periods.	128,182
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	4,393,321
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds.	
Bonds and loans payable	(56,042,255)
Net pension liability	(90,333,169)
Net OPEB liability	(14,032,690)
Compensated absences liability	(3,091,126)
Deferred inflows of resources related to pension to be recognized in pension expense in future periods.	(2,176,343)
Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.	<u>(4,766,799)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$ 61,121,448</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, 2023

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 58,211,692	\$ 2,103,924	\$ 60,315,616
Penalties, interest, and other taxes	915,466	--	915,466
Charges for services	7,733,699	1,829,202	9,562,901
Intergovernmental	35,638,019	15,175,371	50,813,390
Licenses and permits	6,931,777	--	6,931,777
Investment income	1,289,682	419,503	1,709,185
Miscellaneous	525,541	8,775	534,316
Total Revenues	<u>111,245,876</u>	<u>19,536,775</u>	<u>130,782,651</u>
Expenditures			
Current			
General government	7,411,436	341,793	7,753,229
Public safety	16,259,603	95,438	16,355,041
Highway and streets	3,209,784	1,334	3,211,118
Education	61,550,600	11,194,852	72,745,452
Health and welfare	462,925	35,770	498,695
Culture and recreation	2,173,892	377,788	2,551,680
Community development	200,000	1,082,082	1,282,082
Community services	1,368	1,287,434	1,288,802
Debt service			
Principal	4,860,131	1,069,529	5,929,660
Interest	1,696,509	266,099	1,962,608
Capital outlay	--	11,805,579	11,805,579
Total Expenditures	<u>97,826,248</u>	<u>27,557,698</u>	<u>125,383,946</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>13,419,628</u>	<u>(8,020,923)</u>	<u>5,398,705</u>
Other Financing Sources (Uses)			
Issuance of bonds	--	11,166,380	11,166,380
Bond premiums	--	1,201,864	1,201,864
Transfers in	160,000	6,584,947	6,744,947
Transfers out	(6,694,947)	--	(6,694,947)
Total Other Financing Sources (Uses)	<u>(6,534,947)</u>	<u>18,953,191</u>	<u>12,418,244</u>
Change in Fund Balance	6,884,681	10,932,268	17,816,949
Fund Equity, at Beginning of Year, as Reclassified	<u>34,690,732</u>	<u>(2,375,637)</u>	<u>32,315,095</u>
Fund Equity, at End of Year	<u>\$ 41,575,413</u>	<u>\$ 8,556,631</u>	<u>\$ 50,132,044</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, 2023

Net Changes in Fund balances - Total Governmental Funds \$ 17,816,949

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 7,427,408

Depreciation (7,809,879)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds.

Neither transaction, however, has any effect on net position:

Issuance of general obligation bonds (11,166,380)

Premiums received on issuance of general obligation bonds (1,201,864)

Repayments of general obligation bonds and loans 5,669,299

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 609,165

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 governmental funds:

Change in net pension liability and related deferred outflows and inflows 657,533

Change in net OPEB liability and related deferred outflows and inflows 1,210,291

Change in accrued compensated absences liability (231,848)

Bond premium amortization 244,669

Change in accrued interest on bonds payable 606,067

Change in Net Position of Governmental Activities \$ 13,831,410

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

CITY OF ROCHESTER, NEW HAMPSHIRE

PROPRIETARY FUNDS STATEMENT OF NET POSITION

JUNE 30, 2023

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	
	Fund	Fund	Total
Assets			
Current Assets			
User fees receivable	\$ 1,554,850	\$ 1,635,432	\$ 3,190,282
Betterments receivable	279,854	345,521	625,375
Intergovernmental receivables	2,100,442	638,307	2,738,749
Other current assets	<u>331,864</u>	<u>89,885</u>	<u>421,749</u>
Total Current Assets	<u>4,267,010</u>	<u>2,709,145</u>	<u>6,976,155</u>
Noncurrent Assets			
Intergovernmental receivables	--	1,576,662	1,576,662
Capital assets			
Land and construction in progress	3,944,655	15,586,957	19,531,612
Other assets, net of accumulated depreciation	<u>47,327,913</u>	<u>71,271,263</u>	<u>118,599,176</u>
Total Noncurrent Assets	<u>51,272,568</u>	<u>88,434,882</u>	<u>139,707,450</u>
Total Assets	<u>55,539,578</u>	<u>91,144,027</u>	<u>146,683,605</u>
Deferred Outflows of Resources			
Related to pension	334,641	305,779	640,420
Related to OPEB	<u>8,399</u>	<u>6,618</u>	<u>15,017</u>
Total Deferred Outflows of Resources	<u>343,040</u>	<u>312,397</u>	<u>655,437</u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

PROPRIETARY FUNDS STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2023

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Liabilities			
Current Liabilities			
Accounts payable	625,480	1,057,603	1,683,083
Accrued liabilities	744,963	743,502	1,488,465
Due to other funds	3,911,793	2,328,812	6,240,605
Notes payable	6,873,866	17,085,706	23,959,572
Other current liabilities	--	--	--
Current portion of long-term liabilities			
Bonds payable	1,514,636	2,065,017	3,579,653
Loans payable	416,547	367,264	783,811
Total Current Liabilities	<u>14,087,285</u>	<u>23,647,904</u>	<u>37,735,189</u>
Noncurrent Liabilities			
Bonds payable, net of current portion	13,816,660	22,868,207	36,684,867
Loans payable, net of current portion	3,466,912	2,021,864	5,488,776
Compensated absences liability, net of current portion	76,127	111,854	187,981
Net pension liability	1,447,424	1,322,588	2,770,012
Net OPEB liability	215,038	181,473	396,511
Total Noncurrent Liabilities	<u>19,022,161</u>	<u>26,505,986</u>	<u>45,528,147</u>
Total Liabilities	<u>33,109,446</u>	<u>50,153,890</u>	<u>83,263,336</u>
Deferred Inflows of Resources			
Related to pension	20,498	18,729	39,227
Related to OPEB	68,596	53,745	122,341
Other	276,628	385,761	662,389
Total Deferred Inflows of Resources	<u>365,722</u>	<u>458,235</u>	<u>823,957</u>
Net Position			
Net investment in capital assets	24,599,182	41,389,545	65,988,727
Unrestricted	(2,191,732)	(545,246)	(2,736,978)
Total Net Position	<u>\$ 22,407,450</u>	<u>\$ 40,844,299</u>	<u>\$ 63,251,749</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 NET POSITION

FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues			
Charges for services	\$ 5,550,919	\$ 5,914,042	\$ 11,464,961
Other	--	325,971	325,971
Total Operating Revenues	<u>5,550,919</u>	<u>6,240,013</u>	<u>11,790,932</u>
Operating Expenses			
Personnel costs	1,737,999	1,648,644	3,386,643
Non-personnel costs	1,248,118	2,409,115	3,657,233
Depreciation	<u>2,027,772</u>	<u>2,491,223</u>	<u>4,518,995</u>
Total Operating Expenses	<u>5,013,889</u>	<u>6,548,982</u>	<u>11,562,871</u>
Operating Income (Loss)	<u>537,030</u>	<u>(308,969)</u>	<u>228,061</u>
Nonoperating Revenues (Expenses)			
Interest expense	(540,059)	(995,556)	(1,535,615)
Nonoperating grants	--	100,000	100,000
Other expenses	<u>--</u>	<u>(776,160)</u>	<u>(776,160)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(540,059)</u>	<u>(1,671,716)</u>	<u>(2,211,775)</u>
Income Before Transfers and Capital Contributions	<u>(3,029)</u>	<u>(1,980,685)</u>	<u>(1,983,714)</u>
Capital contributions	867,351	695,400	1,562,751
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(50,000)</u>
Change in Net Position	<u>839,322</u>	<u>(1,310,285)</u>	<u>(470,963)</u>
Net Position, Beginning of Year	<u>21,568,128</u>	<u>42,154,584</u>	<u>63,722,712</u>
Net Position, End of Year	<u>\$ 22,407,450</u>	<u>\$ 40,844,299</u>	<u>\$ 63,251,749</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, 2023

	Business-Type Activities		
	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 5,032,862	\$ 5,898,254	\$ 10,931,116
Payments to employees	(1,660,046)	(1,613,569)	(3,273,615)
Payments to suppliers	(959,429)	(2,409,117)	(3,368,546)
Net Cash Provided by Operating Activities	<u>2,413,387</u>	<u>1,875,568</u>	<u>4,288,955</u>
Cash Flows From Noncapital Financing Activities			
Transfers out	(25,000)	(25,000)	(50,000)
Nonoperating intergovernmental grants	--	100,000	100,000
Interfund borrowing	(5,128,667)	(7,164,104)	(12,292,771)
Other non-operating income (expense)	--	(1,690,892)	(1,690,892)
Net Cash (Used for) Noncapital Financing Activities	<u>(5,153,667)</u>	<u>(8,779,996)</u>	<u>(13,933,663)</u>
Cash Flows From Capital and Related Financing Activities			
Proceeds of bonds and loans	4,175,170	9,400,300	13,575,470
Proceeds of bond premiums	420,672	1,026,700	1,447,372
Proceeds of notes	3,527,335	2,968,175	6,495,510
Acquisition and construction of capital assets	(6,478,944)	(8,166,982)	(14,645,926)
Principal payments on bonds and loans	(1,687,558)	(1,711,428)	(3,398,986)
Principal payments on notes	--	(691,538)	(691,538)
Interest expense	(554,430)	(1,082,527)	(1,636,957)
Interfund borrowing	2,623,179	4,893,368	7,516,547
Capital contributions	532,752	358,360	891,112
Other nonoperating income (expense)	182,104	(90,000)	92,104
Net Cash Provided by Capital and Related Financing Activities	<u>2,740,280</u>	<u>6,904,428</u>	<u>9,644,708</u>
Net Change in Cash and Short-Term Investments	--	--	--
Cash and Short-Term Investments, Beginning of Year	--	--	--
Cash and Short-Term Investments, End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income	\$ 537,030	\$ (308,969)	\$ 228,061
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	2,027,772	2,491,223	4,518,995
Changes in assets, liabilities, and deferred outflows/inflows			
User fees receivable	(248,011)	(223,902)	(471,913)
Betterments receivable	(270,046)	(117,858)	(387,904)
Other assets	(1,710)	(2,672)	(4,382)
Deferred outflows - related to pension and OPEB	(12,723)	(7,943)	(20,666)
Accounts payable	21,240	(49,055)	(27,815)
Compensated absences liability	16,695	17,194	33,889
Net pension and OPEB liabilities	365,743	273,146	638,889
Deferred inflows - related to pension and OPEB	(290,052)	(297,809)	(587,861)
Deferred inflows - other	267,449	102,213	369,662
Net Cash Provided by Operating Activities	<u>\$ 2,413,387</u>	<u>\$ 1,875,568</u>	<u>\$ 4,288,955</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, 2023

	Private Purpose Trust Funds	Custodial Funds
Assets		
Cash and short-term investments	\$ 327,305	\$ 416,203
Investments	<u>1,733,455</u>	<u>--</u>
Total Assets	<u>2,060,760</u>	<u>416,203</u>
Net Position		
Restricted for other purposes	<u>2,060,760</u>	<u>416,203</u>
Total Net Position	<u><u>\$ 2,060,760</u></u>	<u><u>\$ 416,203</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, 2023

	Private Purpose Trust Funds	Custodial Funds
Additions		
Taxes collected for County	\$ --	\$ 7,077,793
Taxes collected for State of New Hampshire	--	1,918,770
Fees collected for students	--	379,224
Increase in fair value of investments	46,492	--
Total Additions	46,492	9,375,787
Deductions		
Payment of taxes to County	--	7,077,793
Payment of taxes to State of New Hampshire	--	1,918,770
Payments on behalf of students	--	349,911
Other	52,803	--
Total Deductions	52,803	9,346,474
Change in Net Position	(6,311)	29,313
Net Position Restricted for Other Purposes		
Beginning of year	2,067,071	386,890
End of year	\$ 2,060,760	\$ 416,203

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

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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 Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the more significant policies:

REPORTING ENTITY

The City is a municipal corporation governed by a City Council. As required GAAP, these financial statements present the City's and applicable component units for which the City is considered to be financially accountable. In fiscal year 2023, it was determined that no entities met the component unit requirements of GASB 14 (as amended).

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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The City reports the following major governmental funds:

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

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Fund Financial Statements (Continued)

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary 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.
- 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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 be short-term investments.

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 using 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 at the fund perspective), and internal balances at the government-wide perspective.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and the proprietary fund 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:

Assets	Years
Land improvements	10 - 20
Buildings and 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 and proprietary 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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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:

- *Nonspendable* represents amounts that cannot be spent because they are either not in spendable form or 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 capital projects 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.
- *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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND EQUITY

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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

NOTE 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, 2023. It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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 No. 79.

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 deposits to, "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, 2023, \$2,241,909 of the City's bank balance of \$83,387,167 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.

INVESTMENTS

The following is a summary of the City's investments as of June 30, 2023:

Corporate bonds	\$ 543,999
Corporate equities	10,083,862
Fixed income mutual funds	900,231
U.S. Treasury notes	<u>2,365,390</u>
	<u>\$ 13,893,482</u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, 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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk (Continued)

As of June 30, 2023, 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. Investments in the U.S. Treasury and agencies have an implied AAA rating.

As of June 30, 2023, the credit quality ratings, as rated by S+P Global, of the City's debt securities were as follows:

Investment Type	Amount	Rating as of Year End				
		AAA	AA	A	BBB	Unrated
Corporate bonds	\$ 543,999	\$ 24,007	\$ 67,147	\$ 358,712	\$ 94,133	\$ --
Fixed income mutual funds	900,231	--	--	--	--	900,231
	<u>\$ 1,444,230</u>	<u>\$ 24,007</u>	<u>\$ 67,147</u>	<u>\$ 358,712</u>	<u>\$ 94,133</u>	<u>\$ 900,231</u>

Concentration of Credit Risk

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.

As of June 30, 2023, the City did not have investments in any one issuer that exceeded 5% of total investments.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations was as follows at June 30, 2023:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 543,999	\$ -	\$ 523,948	\$ 20,051
U.S. Treasury notes	<u>2,365,390</u>	<u>692,637</u>	<u>1,513,208</u>	<u>159,545</u>
	<u>\$ 2,909,389</u>	<u>\$ 692,637</u>	<u>\$ 2,037,156</u>	<u>\$ 179,596</u>

Foreign Currency Risk

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.

At June 30, 2023, the City did not have any investments subject to 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 an asset or a liability 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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value(Continued)

- 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 had the following fair value measurements as of June 30, 2023:

Investment Type	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
Corporate bonds	\$ 543,999	\$ --	\$ 543,999
Corporate equities	10,083,862	10,083,862	--
Fixed income mutual funds	900,231	900,231	--
U.S. Treasury notes	2,365,390	2,365,390	--
	<u>\$ 13,893,482</u>	<u>\$ 13,349,483</u>	<u>\$ 543,999</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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Fair Value (Continued)

Matrix pricing is used to value securities based on the security's relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

NOTE 4 - PROPERTY TAXES RECEIVABLE

The City bills property taxes 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 liened 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, 2023 consisted of the following:

	Gross Amount	Current Portion	Long-Term Portion
Tax liens	\$ 1,557,862	\$ --	\$ 1,557,862
Property taxes	<u>766,156</u>	<u>766,156</u>	<u>--</u>
	<u>\$ 2,324,018</u>	<u>\$ 766,156</u>	<u>\$ 1,557,862</u>

TAXES COLLECTED FOR OTHERS

The City collects property taxes for the State of New Hampshire 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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 - USER FEES RECEIVABLE

Receivables for user charges at June 30, 2023 consisted of the following:

Governmental activities	\$ 1,459,932
Water	1,554,850
Sewer	<u>1,635,432</u>
	<u>\$ 4,650,214</u>

NOTE 6 - INTERGOVERNMENTAL RECEIVABLES

This balance represents reimbursements requested from federal and state agencies for expenses incurred in fiscal year 2023.

NOTE 7 - INTERFUND 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 a summary of the June 30, 2023 balances in interfund receivable and payable accounts:

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$ --	\$ 2,099,959
Nonmajor Governmental Funds		
ARPA American Rescue Plan	4,930,257	--
Capital projects	2,576,389	--
Granite Ridge TIF	2,732,404	--
CRRSA - ESSER II	--	1,035,686
ARPA ESSER III	--	1,109,598
All other funds	<u>1,831,796</u>	<u>1,584,998</u>
	<u>12,070,846</u>	<u>3,730,282</u>
Enterprise Funds		
Water	--	3,911,793
Sewer	--	<u>2,328,812</u>
	--	<u>6,240,605</u>
	<u>\$ 12,070,846</u>	<u>\$ 12,070,846</u>

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 7 - INTERFUND ACCOUNTS (CONTINUED)

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 a summary of interfund transfers for fiscal year 2023:

	Transfers In	Transfers Out
Governmental Funds		
General Fund	160,000	6,694,947
Nonmajor Governmental Funds	<u>6,584,947</u>	<u>--</u>
Enterprise Funds		
Water Fund	--	25,000
Sewer Fund	<u>--</u>	<u>25,000</u>
	<u>--</u>	<u>50,000</u>
	<u>\$ 6,744,947</u>	<u>\$ 6,744,947</u>

Transfers out of the General Fund represent the City's practice of financing capital projects with General Fund revenues 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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 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	120,860,176	1,299,760	--	122,159,936
Vehicles and equipment	36,508,893	1,831,808	--	38,340,701
Infrastructure	176,267,305	1,709,009	--	177,976,314
Total Capital Assets, Being Depreciated	<u>341,565,628</u>	<u>4,840,577</u>	<u>--</u>	<u>346,406,205</u>
Less accumulated depreciation for				
Land improvements	(5,688,815)	(371,251)	--	(6,060,066)
Buildings and improvements	(40,196,678)	(2,278,836)	--	(42,475,514)
Vehicles and equipment	(24,820,464)	(2,004,042)	--	(26,824,506)
Infrastructure	(136,435,998)	(3,155,750)	--	(139,591,748)
Total Accumulated Depreciation	<u>(207,141,955)</u>	<u>(7,809,879)</u>	<u>--</u>	<u>(214,951,834)</u>
Total Capital Assets, Being Depreciated, Net	<u>134,423,673</u>	<u>(2,969,302)</u>	<u>--</u>	<u>131,454,371</u>
Capital assets, not being depreciated				
Land	10,593,577	--	--	10,593,577
Easement	1,422,250	--	--	1,422,250
Construction in progress	10,203,769	5,991,850	(3,405,019)	12,790,600
Total Capital Assets, Not Being Depreciated	<u>22,219,596</u>	<u>5,991,850</u>	<u>(3,405,019)</u>	<u>24,806,427</u>
Governmental Activities Capital Assets, Net	<u>\$ 156,643,269</u>	<u>\$ 3,022,548</u>	<u>\$ (3,405,019)</u>	<u>\$ 156,260,798</u>
Business-Type Activities				
Capital assets, being depreciated				
Land improvements	\$ 4,097,310	\$ --	\$ --	\$ 4,097,310
Buildings and improvements	79,471,859	1,382,617	--	80,854,476
Vehicles and equipment	8,902,771	1,116,743	--	10,019,514
Infrastructure	77,816,335	13,067,786	--	90,884,121
Total Capital Assets, Being Depreciated	<u>170,288,275</u>	<u>15,567,146</u>	<u>--</u>	<u>185,855,421</u>
Less accumulated depreciation for				
Land improvements	(758,408)	(153,392)	--	(911,800)
Buildings and improvements	(29,517,409)	(2,256,529)	--	(31,773,938)
Vehicles and equipment	(7,399,941)	(272,616)	--	(7,672,557)
Infrastructure	(25,061,492)	(1,836,458)	--	(26,897,950)
Total Accumulated Depreciation	<u>(62,737,250)</u>	<u>(4,518,995)</u>	<u>--</u>	<u>(67,256,245)</u>
Total Capital Assets, Being Depreciated, Net	<u>107,551,025</u>	<u>11,048,151</u>	<u>--</u>	<u>118,599,176</u>
Capital assets, not being depreciated				
Land	3,627,217	--	--	3,627,217
Easement	7,500	--	--	7,500
Construction in progress	17,436,262	14,019,965	(15,559,332)	15,896,895
Total Capital Assets, Not Being Depreciated	<u>21,070,979</u>	<u>14,019,965</u>	<u>(15,559,332)</u>	<u>19,531,612</u>
Business-Type Activities Capital Assets, Net	<u>\$ 128,622,004</u>	<u>\$ 25,068,116</u>	<u>\$ (15,559,332)</u>	<u>\$ 138,130,788</u>

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
General government	\$ 692,497
Public safety	702,728
Highway and streets	3,871,887
Education	2,352,796
Culture and recreation	165,727
Economic development	4,489
Community services	<u>19,755</u>
Total Governmental Activities	<u>\$ 7,809,879</u>
Business-Type Activities	
Water	\$ 2,027,772
Sewer	<u>2,491,223</u>
Total Business-Type Activities	<u>\$ 4,518,995</u>

NOTE 9 - DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources represent the consumption of net assets by the City that apply to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes. Other deferred outflows of resources consist of losses related to debt refunding as of June 30, 2023.

NOTE 10 - ACCRUED LIABILITIES

Accrued liabilities represent fiscal year 2023 expenditures including accrued payroll paid in fiscal year 2024.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 11 - UNEARNED REVENUE

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

NOTE 12 - NOTES PAYABLE

The City had notes payable outstanding at June 30, 2023. 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 draw-downs. Upon completion of the project, the original financial assistance agreement is amended to reflect actual project expenditures. A supplemental agreement is then executed between the State and the City containing the final project cost and the repayment schedule.

	Interest Rate	Date of Issuance	Date of Maturity	Balance at 6/30/2022	New Issues	Maturities	Balance at 6/30/2023
NHBFA-REDC-LDI	4.75%	7/31/20	*	\$ 2,931,286	\$ --	\$ (2,931,286)	\$ --
Route 202A Water Main Extension	0.00%	4/16/19	*	3,346,531	3,527,335	--	6,873,866
Colonial Pines Sewer Extension Phase 2 Project	2.70%	12/2/19	*	1,272,250	1,229,275	(145,883)	2,355,642
Sewer System Master Plan	2.00%	11/10/21	*	75,000	--	--	75,000
Woodman Area Improvements Project	2.00%	11/2/20	*	132,077	392,171	--	524,248
Route 11 Pump Station Upgrade Project	2.00%	12/18/20	*	178,431	975,988	--	1,154,419
Colonial Press Sewer Extension	0.00%	12/1/18	*	2,783,863	370,741	--	3,154,604
Biosolids Dewatering	0.00%	11/1/19	*	10,367,448	--	(545,655)	9,821,793
				<u>\$ 21,086,886</u>	<u>\$ 6,495,510</u>	<u>\$ (3,622,824)</u>	<u>\$ 23,959,572</u>

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

NOTE 13 - LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND LOANS

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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13 - LONG-TERM DEBT (CONTINUED)

GENERAL OBLIGATION BONDS AND LOANS (CONTINUED)

General obligation bonds and direct borrowings outstanding were as follows at June 30, 2023:

	Original	Serial	Interest	Amount
	Issue	Maturities	Rate(s) %	Outstanding
Governmental Activities		Through		as of
				6/30/23
General Obligation Bonds				
Public Offerings				
2008 Series A NHMBB - 20 year	\$ 692,995	08/15/28	4.00-5.25%	\$ 205,000
2012 Series A Bond Issue - 10 year	7,636,243	03/15/22	1.00-3.25%	3,623,200
2012 Series B Bond Issue - 20 year - Repurposed EDA	117,244	03/15/32	2.00-3.25%	66,360
2013 Series A Refunding 2004 bonds	3,896,698	07/15/24	2.00-3.00%	688,791
2015 Series A Bond Issue - 10 year	27,112,080	03/01/35	2.00-5.00%	13,588,251
2016 Refunding - Series 2008 - 10 year	5,167,929	02/15/28	1.94%	2,453,973
2017 Series A Bond Issue - 5 year	10,950,655	06/30/27	2.50-5.00%	6,698,919
2018 Series A Bond Issue - 20 year	4,845,302	08/15/38	4.06%	3,109,775
2020 Series A Bond Issue - 20 year	9,236,000	04/01/40	2.500-5.00%	7,368,000
2022 Series A NHMBB - 20 year	3,146,500	02/15/42	2.20-5.10%	2,826,900
2023 Series A NHMBB - 20 year	1,890,680	02/15/43	3.39%	1,890,680
2022 Series c NHMBB - 20 year	9,275,700	08/15/42	3.36%	9,275,700
Total Public Offerings				<u>51,795,549</u>
Total General Obligation Bonds				<u>51,795,549</u>
Loans - Direct Borrowings				
2014 State Revolving Loan - Washington St Phase 4	1,675,282	06/01/33	3.39%	<u>187,574</u>
Total Loans - Direct Borrowings				<u>187,574</u>
Total Governmental Activities				<u><u>\$ 51,983,123</u></u>

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13 - LONG-TERM DEBT (CONTINUED)

GENERAL OBLIGATION BONDS AND LOANS (CONTINUED)

Business-Type Activities	Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/23
General Obligation Bonds				
Public Offerings				
2012 Series A Bond Issue - 20 year	\$ 1,137,732	03/15/32	2.00-3.25%	\$ 580,440
2013 Series A Bond Issue - Refunding 2004 bonds	8,618,302	08/01/20	2.00-4.00%	201,209
2015 Series A Bond Issue - 20 year	6,973,758	03/01/35	2.00-3.25%	3,004,757
2016 Refunding Series 2008 - 10 year	2,982,072	02/15/28	1.94%	1,416,027
2017 Series A Bond Issue - 5 year	11,609,346	06/30/37	3.00-5.00%	7,129,440
2018 Series A Bond Issue - 20 year	3,194,698	06/30/39	3.37-5.00%	2,330,225
2020 Series A - 20 year	11,019,000	04/01/40	2.50-5.00%	8,637,000
2022 Series A NHMBB - 20 year	387,500	02/15/42	2.20-5.10%	360,800
2023 Series A NHMBB - 20 year	1,390,270	02/15/43	3.39%	1,390,270
2022 Series c NHMBB - 20 year	12,185,200	08/15/42	3.36%	12,185,200
Total Public Offerings				<u>37,235,368</u>
Total General Obligation Bonds				<u>37,235,368</u>
Loans - Direct Borrowings				
2005 State Revolving Loan - Chestnut Hill - Clean Water	879,686	08/01/25	3.49%	131,953
2007 State Revolving Loan - Ground Water Supply - Drinking Water	483,988	09/01/26	3.35%	94,892
2007 State Revolving Loan - Homemakers - Clean Water	341,373	07/01/27	2.14%	107,451
2009 State Revolving Loan - East Rochester I & I - Clean Water	1,852,387	12/01/27	3.69%	463,097
2009 State Revolving Loan - South Main/Solar Bee Pilot - Clean Water	1,335,120	08/01/28	3.49%	400,536
2010 State Revolving Loan - South Main Street - Drinking Water	627,000	02/01/29	2.95%	186,771
2010 State Revolving Loan - Washington Street - Drinking Water	1,997,523	12/01/30	2.86%	971,966
2013 State Revolving Loan - Cocheco Well - Drinking Water	3,381,909	09/01/31	3.10%	923,155
2013 State Revolving Loan - Headworks - Clean Water	1,398,348	02/01/32	2.72%	629,257
2013 State Revolving Loan - Washington St Pump Station - Clean Water	646,346	07/01/31	3.10%	290,856
2014 State Revolving Loan - Washington & Pine St - Drinking Water	388,147	12/01/32	2.72%	113,607
2014 State Revolving Loan - Washington St Phase 4 - Clean Water	1,675,282	06/01/33	3.39%	238,246
2016 State Revolving Loan - New Rte 125 Pump Station	473,212	06/01/35	2.55%	212,975
2016 State Revolving Loan - Drinking Water SRF - 20 Yr	2,248,454	12/01/35	1.96%	1,206,017
2018 State Revolving Loan - WTP Low Lift Pump Station	452,712	12/01/35	1.96%	301,808
Total Loans - Direct Borrowings				<u>6,272,587</u>
Total Business-Type Activities				<u>\$ 43,507,955</u>

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13 - LONG-TERM DEBT (CONTINUED)

FUTURE DEBT SERVICE

The annual payments to retire all general obligation bonds and loans outstanding as of June 30, 2023 were as follows:

Governmental	Bonds - Public Offerings		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 5,776,864	\$ 1,288,177	\$ 18,757	\$ 5,727
2025	5,685,091	1,105,161	18,757	5,090
2026	4,649,767	954,587	18,757	4,453
2027	4,471,999	818,476	18,757	3,817
2028	3,856,464	621,774	18,757	3,181
2029	3,389,523	536,887	18,757	2,545
2030	3,126,278	430,677	18,757	1,909
2031	2,929,340	351,748	18,757	1,272
2032	2,952,548	274,599	18,757	637
2033	2,303,168	210,230	18,761	--
2034-2038	9,015,116	392,741	--	--
2039-2043	3,639,391	17,280	--	--
	<u>\$ 51,795,549</u>	<u>\$ 7,002,337</u>	<u>\$ 187,574</u>	<u>\$ 28,631</u>

Business-Type	Bonds - Public Offerings		Loans - Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 3,378,365	\$ 479,631	\$ 783,811	\$ 175,290
2025	3,312,768	424,782	790,679	152,652
2026	2,657,918	372,808	796,859	129,805
2027	2,646,383	331,646	753,118	106,780
2028	2,595,945	290,593	741,653	70,137
2029	2,174,555	256,716	624,512	64,237
2030	2,126,454	224,575	493,276	47,402
2031	1,952,291	193,993	485,486	33,313
2032	1,958,532	169,642	367,376	19,970
2033	1,876,923	131,035	149,906	10,007
2034-2038	8,218,181	531,197	285,911	12,597
2039-2043	4,337,053	35,950	--	--
	<u>\$ 37,235,368</u>	<u>\$ 3,442,568</u>	<u>\$ 6,272,587</u>	<u>\$ 822,189</u>

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13 - LONG-TERM DEBT (CONTINUED)

CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2023, 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	\$ 45,967,468	\$ 11,166,380	\$ (5,338,299)	\$ 51,795,549	\$ (5,776,864)	\$ 46,018,685
Direct placements	331,000	--	(331,000)	--	--	--
Unamortized premium	<u>3,101,937</u>	<u>1,201,864</u>	<u>(244,669)</u>	<u>4,059,132</u>	<u>(301,192)</u>	<u>3,757,940</u>
	49,400,405	12,368,244	(5,913,968)	55,854,681	(6,078,056)	49,776,625
Loans payable (direct borrowings)	338,027	--	(150,453)	187,574	(18,757)	168,817
Compensated absences liability	2,859,278	231,848	--	3,091,126	(285,928)	2,805,198
Net pension liability	69,704,884	20,628,285	--	90,333,169	--	90,333,169
Net OPEB liability	<u>15,041,662</u>	<u>--</u>	<u>(1,008,972)</u>	<u>14,032,690</u>	<u>--</u>	<u>14,032,690</u>
Total	<u>\$ 137,344,256</u>	<u>\$ 33,228,377</u>	<u>\$ (7,073,393)</u>	<u>\$ 163,499,240</u>	<u>\$ (6,382,741)</u>	<u>\$ 157,116,499</u>
Business-Type Activities						
Bonds payable						
Public offerings	\$ 26,216,222	\$ 13,575,470	\$ (2,556,324)	\$ 37,235,368	\$ (3,378,365)	\$ 33,857,003
Direct placements	65,000	--	(65,000)	--	--	--
Unamortized premium	<u>1,716,121</u>	<u>1,447,372</u>	<u>(134,341)</u>	<u>3,029,152</u>	<u>(201,288)</u>	<u>2,827,864</u>
	27,997,343	15,022,842	(2,755,665)	40,264,520	(3,579,653)	36,684,867
Loans payable (direct borrowings)	7,114,755	--	(842,168)	6,272,587	(783,812)	5,488,775
Compensated absences liability	154,092	33,889	--	187,981	--	187,981
Net pension liability	2,160,923	609,089	--	2,770,012	--	2,770,012
Net OPEB liability	<u>366,711</u>	<u>29,800</u>	<u>--</u>	<u>396,511</u>	<u>--</u>	<u>396,511</u>
Total	<u>\$ 37,793,824</u>	<u>\$ 15,695,620</u>	<u>\$ (3,597,833)</u>	<u>\$ 49,891,611</u>	<u>\$ (4,363,465)</u>	<u>\$ 45,528,146</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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 14 - DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources represent the acquisition of net assets by the City that applies 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 are more fully described in the corresponding pension and OPEB notes. Unavailable revenues are reported in the governmental funds Balance Sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year. 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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 15 - GOVERNMENTAL FUNDS - FUND BALANCES

The City's fund balances at June 30, 2023 were comprised of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Prepaid expenditures	\$ 591,702	\$ --	\$ 591,702
Inventory	--	41,049	41,049
Permanent funds	--	3,162,945	3,162,945
	<u>591,702</u>	<u>3,203,994</u>	<u>3,795,696</u>
Total Nonspendable			
Restricted			
Other grants	6,485	--	6,485
Conservation commission fund	519,109	--	519,109
Special revenue funds			
Granite Ridge TIF	--	2,732,404	2,732,404
Safran Lease TIF	--	395,907	395,907
School lunch fund	--	304,063	304,063
CDBG Grant	--	503,082	503,082
Arena fund	--	355,726	355,726
Other	--	509,331	509,331
Capital projects	--	1,628,832	1,628,832
	<u>525,594</u>	<u>6,429,345</u>	<u>6,954,939</u>
Total Restricted			
Committed			
Capital reserve funds	2,789,382	--	2,789,382
	<u>2,789,382</u>	<u>--</u>	<u>2,789,382</u>
Total Committed			
Assigned			
Computer lease program	20,000	--	20,000
Use of fund balance - FY24 budget	5,814,100	--	5,814,100
	<u>5,834,100</u>	<u>--</u>	<u>5,834,100</u>
Total Assigned			
Unassigned			
General Fund	31,834,635	--	31,834,635
Deficits	--	(1,076,708)	(1,076,708)
	<u>31,834,635</u>	<u>(1,076,708)</u>	<u>30,757,927</u>
Total Unassigned			
Total Fund Balance	<u>\$ 41,575,413</u>	<u>\$ 8,556,631</u>	<u>\$ 50,132,044</u>

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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, 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 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	\$ 31,834,635
Use of fund balance for fiscal year 2024	5,814,100
Non-spendable for prepaid expenditures	591,702
Other	<u>20,000</u>
Statutory Balance	<u>\$ 38,260,437</u>

NOTE 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 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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - NEW HAMPSHIRE RETIREMENT SYSTEM (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

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>	<u>Minimum Service</u>	<u>Minimum Age</u>	<u>Benefit 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. Contribution rates are 7% for employees and teachers, 11.55% for police, and 11.80% for fire. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 13.25% to 30.67% of covered compensation. The City's contributions to NHRS for the year ended June 30, 2023 were 9,579,325.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - NEW HAMPSHIRE RETIREMENT SYSTEM (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2023, the City reported a liability of \$93,103,181, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022. The proportion of the net pension liability was based on a projection of the 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 1.62310056%.

For the year ended June 30, 2023, the City recognized pension expense of \$8,896,008.

In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pension were spotted from the following sources at June 30, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,747,381	\$ 357,407
Changes of assumptions	4,952,346	--
Difference between projected and actual earnings on pension plan investments	3,528,491	--
Changes in proportion and differences between contributions and proportionate share of contributions	901,177	1,858,163
Contributions subsequent to the measurement date	9,579,325	--
	<u>\$ 20,708,720</u>	<u>\$ 2,215,570</u>

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - NEW HAMPSHIRE RETIREMENT SYSTEM (CONTINUED)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

The amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year 2024. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ended June 30	Amount
2024	\$ 3,124,298
2025	2,932,089
2026	(2,015,579)
2027	<u>4,873,017</u>
	<u>\$ 8,913,825</u>

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.00% previously 2.50%
Wage inflation	2.75% per year (2.25% for Teachers)
Salary increases	5.40% 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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - NEW HAMPSHIRE RETIREMENT SYSTEM (CONTINUED)

ACTUARIAL ASSUMPTIONS (CONTINUED)

The actuarial assumptions used in the June 30, 2021 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 ALLOCATIONS

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.

Asset Class	Target Allocation Percentage	Weighted Average Average Long- Term Expected Real Rate of Return
Bond US Equity	30.00 %	7.60%
Global EX-US Equity	20.00	7.90%
Total domestic equities	50.00	
Real Estate Equity	10.00	6.60%
Private Equity	10.00	8.85%
Total International Equities	20.00	
Private Debt	5.00	7.25%
Total private debt	5.00	
Core US Fixed Income	25.00	3.60%
Total fixed income	25.00	
Inflation	-	2.25%
	100.00 %	

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 17 - NEW HAMPSHIRE RETIREMENT SYSTEM (CONTINUED)

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

1% Decrease	Current Discount Rate	1% Increase
5.75%	6.75%	7.75%
\$ 124,920,997	\$ 93,103,181	\$ 66,649,614

PENSION PLAN FIDUCIARY NET POSITION

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

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 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 GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This 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, 2023. 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's Finance Department.

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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS (GASB 75) (CONTINUED)

CITY OPEB PLAN (CONTINUED)

Plan Membership

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	44
Active employees	639
	<hr/>
	683

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, 2023 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	4.13%, previously 4.09%
Healthcare cost trend rates	7.00% for 2023, decreasing 0.5% per year to an ultimate rate of 4.50% for 2030 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, 2023.

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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS (GASB 75) (CONTINUED)

CITY OPEB PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13%. 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 \$8,218,067 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2023.

Changes in the Total OPEB Liability

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

Balance, Beginning of Year	\$ 8,991,396
Changes for the year:	
Service cost	469,499
Interest	377,607
Differences between expected and actual experience	(1,335,215)
Changes in assumptions	176,309
Benefit payments	<u>(461,529)</u>
Net Change	<u>(773,329)</u>
Balance, End of Year	<u>\$ 8,218,067</u>

The differences between expected and actual experience resulted in a large decrease in the liability. This was mainly due to the large amount of turnover for the school and changes in dates of hire for continuing actives provided by the school.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS (GASB 75) (CONTINUED)

CITY OPEB PLAN (CONTINUED)

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 (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
\$ 8,843,041	\$ 8,218,067	\$ 7,637,547

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 (6.00%)	Current Healthcare Cost Trend Rates (7.00%)	1% Increase (8.00%)
\$ 7,415,807	\$ 8,218,067	\$ 9,146,664

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

For the year ended June 30, 2023, the City recognized an OPEB expense of \$(145,136). At June 30, 2023, 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	\$ --	\$ 4,383,352
Change in assumptions	579,227	505,788
	\$ 579,227	\$ 4,889,140

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS (GASB 75) (CONTINUED)

CITY OPEB PLAN (CONTINUED)

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

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

June 30	Amount
2024	\$ (992,242)
2025	(992,237)
2026	(803,074)
2027	(532,468)
2028	(361,847)
Thereafter	(628,045)
	<u>\$ (4,309,913)</u>

NEW HAMPSHIRE RETIREMENT SYSTEM MEDICAL SUBSIDY PLAN

Plan Description

In addition to the OPEB plan discussed above, the City participates in the New Hampshire Retirement System's (NHRS) Medical Subsidy Plan. The NHRS administers a cost-sharing, multiple-employer other post-employment benefit 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>.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS (GASB 75) (CONTINUED)

NEW HAMPSHIRE RETIREMENT SYSTEM MEDICAL SUBSIDY PLAN (CONTINUED)

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 NHRS 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 NHRS Medical Subsidy Plan.

Actuarial Assumptions and Other Inputs

Actuarial assumptions are the same in the New Hampshire 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, 2022 were \$2,324,840 and \$3,886,294, respectively.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS (GASB 75) (CONTINUED)

NEW HAMPSHIRE RETIREMENT SYSTEM MEDICAL SUBSIDY PLAN (CONTINUED)

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

For the year ended June 30, 2023, the City and School recognized an OPEB expense related to the NHRS Medical Subsidy of \$209,271 and \$177,088, respectively. At June 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
Net difference between projected and actual OPEB investments	\$ 16,975	\$ --

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as an increase (decrease) in OPEB expense as follows:

Year Ended June 30	Amount
2024	\$ 2,822
2025	733
2026	(6,678)
2027	20,098
	<u>\$ 16,975</u>

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 (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
\$ 6,743,243	\$ 6,211,134	\$ 5,747,707

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 18 - OTHER POST-EMPLOYMENT BENEFITS (GASB 75) (CONTINUED)

NEW HAMPSHIRE RETIREMENT SYSTEM MEDICAL SUBSIDY PLAN (CONTINUED)

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, 2023:

	Total/Net OPEB Liability	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources	Total OPEB Expense
City OPEB Plan	\$ 8,218,067	\$ 579,227	\$ 4,889,140	\$ (145,136)
Proportionate share of NHRS Medical Subsidy	<u>6,211,134</u>	<u>16,975</u>	<u>--</u>	<u>386,359</u>
	<u>\$ 14,429,201</u>	<u>\$ 596,202</u>	<u>\$ 4,889,140</u>	<u>\$ 241,223</u>

NOTE 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.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 20 – BEGINNING FUND BALANCE RECLASSIFICATION

The beginning (July 1, 2022) fund balance of the City has been reclassified as follows:

Fund Basis Financial Statements:

	<u>Governmental Funds</u>	
	Capital Projects Fund	Nonmajor Funds
As previously reported	\$ (6,920,737)	\$ 4,545,100
Implementation of GASB Statement 84	<u>6,920,737</u>	<u>(6,920,737)</u>
As reclassified	<u><u>\$ --</u></u>	<u><u>\$ (2,375,637)</u></u>

NOTE 21 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 18, 2024, which is the date of the financial statements were available to be issued.

DEBT

Subsequent to June 30, 2023, the City has incurred the following additional debt:

	Amount	Interest Rate	Issue Date	Maturity Date
2024 Series A NHMBB	\$ 6,871,547	3.27%	1/10/2024	2/15/2044

CITY OF ROCHESTER, NEW HAMPSHIRE

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND

OTHER FINANCING SOURCES (USES) - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2023

(UNAUDITED)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property taxes	\$ 59,907,431	\$ 59,370,182	\$ 58,125,754	\$ (1,244,428)
Penalties, interest, and other taxes	882,573	882,828	915,466	32,638
Charges for services	7,211,227	7,211,227	7,733,699	522,472
Intergovernmental	33,492,057	34,566,006	35,638,019	1,072,013
Licenses and permits	5,620,310	5,620,310	6,931,777	1,311,467
Investment income	50,000	50,000	1,229,673	1,179,673
Miscellaneous	309,745	309,995	515,541	205,546
Total Revenues	<u>107,473,343</u>	<u>108,010,548</u>	<u>111,089,929</u>	<u>3,079,381</u>
Expenditures				
General government	7,641,642	7,577,492	7,336,196	241,296
Public safety	17,063,757	17,063,757	16,259,603	804,154
Highway and streets	3,523,272	3,545,272	3,209,784	335,488
Education	69,403,394	69,403,400	61,550,600	7,852,800
Health and welfare	532,684	562,684	462,925	99,759
Culture and recreation	2,298,796	2,311,196	2,173,892	137,304
Community services	1,900	1,900	1,368	532
Debt service	6,646,099	6,646,099	6,556,640	89,459
Total Expenditures	<u>107,111,544</u>	<u>107,111,800</u>	<u>97,551,008</u>	<u>9,560,792</u>
Excess of Revenues Over Expenditures	<u>361,799</u>	<u>898,748</u>	<u>13,538,921</u>	<u>12,640,173</u>
Other Financing Sources (Uses)				
Use of fund balance	3,293,250	4,225,250	4,225,250	--
Transfers in	50,000	50,000	160,000	110,000
Transfers out	(3,705,049)	(5,173,998)	(5,312,019)	(138,021)
Total Other Financing Sources (Uses)	<u>(361,799)</u>	<u>(898,748)</u>	<u>(926,769)</u>	<u>(28,021)</u>
Overall Budgetary Excess	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 12,612,152</u>	<u>\$ 12,612,152</u>

See independent auditors' report and notes to required supplementary information.

CITY OF ROCHESTER, NEW HAMPSHIRE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR GENERAL FUND BUDGET

FOR THE YEAR ENDED JUNE 30, 2023

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 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.

	Revenues	Expenditures	Other Financing Sources (Uses)
GAAP basis	\$ 111,245,876	\$ 97,826,248	\$ (6,534,947)
Recognize use of fund balance as funding source	--	--	4,225,250
Remove effect of grant activity in the General Fund	--	--	1,382,928
Other	<u>(155,947)</u>	<u>(275,240)</u>	<u>--</u>
Budgetary Basis	<u>\$ 111,089,929</u>	<u>\$ 97,551,008</u>	<u>\$ (926,769)</u>

See independent auditors' report and notes to required supplementary information.

CITY OF ROCHESTER, NEW HAMPSHIRE

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)

New Hampshire Retirement System						
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2023	June 30, 2022	1.62310056%	\$ 93,103,181	\$ 49,168,484	189.36%	65.12%
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%

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

See notes to the 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						
Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll	
June 30, 2023	\$ 9,397,997	\$ 9,579,325	\$ (181,328)	\$ 50,697,651	18.54%	
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%	

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

See notes to the 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 OF THE NET OPEB LIABILITY AND CONTRIBUTIONS (UNAUDITED)

Schedule of Proportionate Share

New Hampshire Retirement System Medical Subsidy						
Fiscal Year	Measurement Date	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Net OPEB Liability
June 30, 2023	June 30, 2022	1.64364571%	\$ 6,211,134	\$ 49,168,484	12.63%	10.64%
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%	6,211,134	44,996,128	13.80%	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						
Fiscal Year	Measurement Date	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
June 30, 2023	June 30, 2022	\$ 692,123	\$ 692,123	\$ --	\$ 50,697,651	1.37%
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%

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

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

See independent auditors' report

CITY OF ROCHESTER, NEW HAMPSHIRE

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY (UNAUDITED)

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 469,499	\$ 650,926	\$ 566,969	\$ 645,002	\$ 728,467	\$ 910,490
Interest	377,607	288,157	357,415	425,262	444,800	383,537
Changes of benefit terms	--	--	--	--	--	(699,644)
Differences between expected and actual experience	(1,335,215)	(1,400,249)	(576,927)	(1,349,244)	(1,904,445)	(1,587,781)
Changes of assumptions	176,309	(533,665)	646,213	(15,796)	(260,388)	74,498
Benefit payments, including refunds of member contributions	(461,529)	(407,450)	(427,863)	(437,888)	(423,910)	(476,432)
Net Change in Total OPEB Liability	(773,329)	(1,402,281)	565,807	(732,664)	(1,415,476)	(1,395,332)
Total OPEB Liability - Beginning	8,991,396	10,393,677	9,827,870	10,560,534	11,976,010	13,371,342
Total OPEB Liability - Ending	<u>\$ 8,218,067</u>	<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	\$ 35,630,348	\$ 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	23%	21%	29%	28%	24%	28%

Does not include New Hampshire Retirement System Medical Subsidy.

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

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

See independent auditors' report

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Andover, MA
March 18, 2024