

**CITY OF SOMERSWORTH,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

CITY OF SOMERSWORTH, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

TABLE OF CONTENTS

		<u>PAGES</u>
	INDEPENDENT AUDITOR'S REPORT	1 - 3
	MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4 - 12
BASIC FINANCIAL STATEMENTS		
	Government-wide Financial Statements	
A	Statement of Net Position	13
B	Statement of Activities	14
	Fund Financial Statements	
	<i>Governmental Funds</i>	
C-1	Balance Sheet	15
C-2	Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	16
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	17
C-4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	18
	<i>Budgetary Comparison Information</i>	
D	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	19
	<i>Proprietary Funds</i>	
E-1	Statement of Net Position	20
E-2	Statement of Revenues, Expenses, and Changes in Net Position	21
E-3	Statement of Cash Flows	22
	<i>Fiduciary Funds</i>	
F-1	Statement of Fiduciary Net Position.....	23
F-2	Statement of Changes in Fiduciary Net Position	24
	NOTES TO THE BASIC FINANCIAL STATEMENTS	25 - 54
REQUIRED SUPPLEMENTARY INFORMATION		
G	Schedule of the City's Proportionate Share of Net Pension Liability.....	55
H	Schedule of City Contributions – Pensions	56
	NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION -	
	PENSION LIABILITY	57
I	Schedule of the City's Proportionate Share of Net Other Postemployment Benefits Liability	58
J	Schedule of City Contributions – Other Postemployment Benefits.....	59
K	Schedule of Changes in the City's Total Other Postemployment Benefits Liability and Related Ratios	60
	NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION -	
	OTHER POSTEMPLOYMENT BENEFITS LIABILITY.....	61

CITY OF SOMERSWORTH, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

TABLE OF CONTENTS

	<u>PAGES</u>
COMBINING AND INDIVIDUAL FUND SCHEDULES	
Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	62
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	63 - 64
3 Schedule of Changes in Unassigned Fund Balance.....	65
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet	66
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	67
<i>Student Activity Funds</i>	
6 Combining Balance Sheet	68
7 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	69
INDEPENDENT AUDITOR'S REPORTS AND SINGLE AUDIT ACT SCHEDULES	
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.....	
	70
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	
	71 - 72
I Schedule of Findings and Questioned Costs.....	73
II Schedule of Expenditures of Federal Awards.....	74 - 75
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	76



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the City of Somersworth as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major governmental and proprietary fund, and aggregate remaining fund information of the City of Somersworth, as of June 30, 2022, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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 of Somersworth's ability to continue as a going concern for twelve months beyond the financial statement date including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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.

***City of Somersworth
Independent Auditor's Report***

In performing an audit in accordance with generally accepted 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 of Somersworth'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 of Somersworth'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.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2022 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the City's Proportionate Share of Net Pension Liability,
- Schedule of City Contributions – Pensions,
- Schedule of the City's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of City Contributions – Other Postemployment Benefits,
- Schedule of Changes in the City's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

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.

Supplementary Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Somersworth's basic financial statements. The accompanying combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***City of Somersworth
Independent Auditor's Report***

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023 on our consideration of the City of Somersworth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Somersworth's internal control over financial reporting and compliance.

March 29, 2023
Concord, New Hampshire



PLODZIK & SANDERSON
Professional Association

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Somersworth, we offer readers this narrative overview and analysis of the financial activities of the City of Somersworth for the fiscal year ended June 30, 2022. We encourage readers to consider the information here in conjunction with additional information that we have furnished in our letter of transmittal.

A. 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 other 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, deferred outflows of resources, liabilities, and deferred inflows of resources with the balance 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 government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, health and welfare, culture and recreation, and education. The business-type activities include water, sewer, and solid waste activities.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Proprietary Funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water, sewer, and solid waste operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and solid waste operations, only the water and sewer are major funds.

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

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which is required to be disclosed by the *Governmental Accounting Standards Board*.

B. FINANCIAL HIGHLIGHTS

As of the close of the current fiscal year, the total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,974,271, presented as “net position” shown on the Statement of Net Position for the Total Primary Government. The City’s Net Position increased by \$7,269,746 compared to the prior year.

- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$15,374,577, a change of \$4,173,088 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,700,474, a change of \$183,304 in comparison with the prior year. Due to City Council action, \$1,300,000 of the General Fund’s fund balance has been designated for future years’ expenditures.
- Total bonds payable and long-term debt at the close of the current fiscal year was \$41,696,569, a change of \$7,018,709 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

<u>GOVERNMENTAL ACTIVITIES</u>				
	2022	2021	Change	% Change
Current assets	\$ 31,955,140	\$ 27,564,084	\$ 4,391,056	15.93%
Noncurrent assets	59,456,164	55,567,384	3,888,780	7.00%
Total assets	<u>91,411,304</u>	<u>83,131,468</u>	<u>8,279,836</u>	<u>9.96%</u>
Deferred outflows of resources	<u>8,591,628</u>	<u>10,981,737</u>	<u>(2,390,109)</u>	<u>-21.76%</u>
Current liabilities	3,602,976	2,864,596	738,380	25.78%
Noncurrent liabilities	63,784,222	69,497,713	(5,713,491)	-8.22%
Total Liabilities	<u>67,387,198</u>	<u>72,362,309</u>	<u>(4,975,111)</u>	<u>-6.88%</u>
Deferred inflows of resources	<u>23,004,514</u>	<u>17,802,882</u>	<u>5,201,632</u>	<u>29.22%</u>
Net investment in capital assets	38,856,467	37,542,927	1,313,540	3.50%
Restricted net position	5,640,445	1,633,136	4,007,309	245.38%
Unrestricted net position	<u>(34,885,692)</u>	<u>(35,228,049)</u>	<u>342,357</u>	<u>0.97%</u>
Total net position	<u>\$ 9,611,220</u>	<u>\$ 3,948,014</u>	<u>\$ 5,663,206</u>	<u>-143.44%</u>

BUSINESS-TYPE ACTIVITIES

	2022	2021	Change	% Change
Current assets	\$ 13,845,863	\$ 14,296,899	\$ (451,036)	-3.15%
Noncurrent assets	30,102,204	27,820,844	2,281,360	8.20%
Total assets	43,948,067	42,117,743	1,830,324	4.35%
Deferred outflows of resources	55,565	313,839	(258,274)	-82.30%
Current liabilities	842,683	1,285,759	(443,076)	-34.46%
Noncurrent liabilities	21,478,716	21,210,214	268,502	1.27%
Total Liabilities	22,321,399	22,495,973	(174,574)	-0.78%
Deferred inflows of resources	319,182	179,098	140,084	78.22%
Net investment in capital assets	9,777,241	7,614,832	2,162,409	28.40%
Unrestricted net position	11,585,810	12,141,679	(555,869)	-4.58%
Total net position	\$ 21,363,051	\$ 19,756,511	\$ 1,606,540	8.13%

GOVERNMENTAL ACTIVITIES

	2022	2021	Change	% Change
Expenses:				
General government	\$ 1,440,543	\$ 3,084,969	\$ (1,644,426)	-53.30%
Public safety	7,481,107	6,433,860	1,047,247	16.28%
Highways and streets	3,414,111	3,567,690	(153,579)	-4.30%
Sanitation	76,212	229,077	(152,865)	-66.73%
Health and welfare	228,909	233,784	(4,875)	-2.09%
Culture and recreation	544,866	547,402	(2,536)	-0.46%
Conservation	-	61,351	(61,351)	-100.00%
Economic development	2,686	4,489	(1,803)	-40.16%
Education	28,878,656	27,308,768	1,569,888	5.75%
Food service	813,278	474,038	339,240	71.56%
Interest on long-term debt	711,063	602,042	109,021	18.11%
Total expenditures	43,591,431	42,547,470	1,043,961	2.45%
Program revenues:				
Charges for services	991,890	649,201	342,689	52.79%
Operating grants and contributions	14,872,012	14,765,608	106,404	0.72%
Capital grants and contributions	1,252,371	1,678,790	(426,419)	-25.40%
General revenues:				
Property taxes and other taxes	27,960,432	25,730,087	2,230,345	8.67%
Licenses and permits	2,502,543	2,530,167	(27,624)	-1.09%
Grants and contributions not related to a specific program	872,131	863,530	8,601	1.00%
Unrestricted investment earnings	77,584	186,824	(109,240)	-58.47%
Miscellaneous	798,125	338,329	459,796	135.90%
Unrealized loss on investments	(72,451)	-	(72,451)	100.00%
Total revenues	49,254,637	46,742,536	\$ 2,584,552	5.53%
Beginning net position	3,948,014	(247,052)		
Ending net position	9,611,220	3,948,014		
Change in net position	\$ 5,663,206	\$ 4,195,066		

	<u>BUSINESS-TYPE ACTIVITIES</u>			
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% Change</u>
Expenses:				
Water	\$ 2,077,155	\$ 2,387,602	\$ (310,447)	-13.00%
Sewer	2,706,776	2,386,332	320,444	13.43%
Solid waste	585,666	535,127	50,539	9.44%
Total expenditures	<u>5,369,597</u>	<u>5,309,061</u>	<u>60,536</u>	<u>1.14%</u>
Program revenues:				
Charges for services	6,954,793	7,013,741	(58,948)	-0.84%
Operating grants and contributions	-	20,000	(20,000)	-100.00%
Capital grants and contributions	21,344	25,613	(4,269)	-16.67%
Total revenues	<u>6,976,137</u>	<u>7,059,354</u>	<u>\$ (83,217)</u>	<u>-1.18%</u>
Beginning net position	19,756,511	18,006,218		
Ending net position	<u>21,363,051</u>	<u>19,756,511</u>		
Change in net position	<u>\$ 1,606,540</u>	<u>\$ 1,750,293</u>		

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$30,974,271, a change of \$7,269,746 from the prior year.

The largest portion of the City's net position, \$48,633,708 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. 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 accumulated depreciation, 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, \$5,640,445 represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$23,299,882) represents a deficit in unrestricted net position. This deficit is due to the reporting of GASB 68 and GASB 75 whereby the City must report our proportionate share of the net pension liability for the New Hampshire Retirement System.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$5,663,206. Key elements of this change are as follows:

	<u>Governmental Activities</u>
General fund operating results, as disclosed in Exhibit C-3	\$ 192,337
School grants operating results	(71,997)
City capital projects operating results	3,783,888
Non-major funds operating results	268,860
Other GAAP accruals, see Exhibit C-4 in the financial statements	<u>1,490,118</u>
Total	<u>\$ 5,663,206</u>

Business-Type Activities. Business-type activities for the year resulted in a change in net position of \$1,606,540. Key elements of this change are as follows:

	Business-type Activities
Water Fund	\$ 833,635
Sewer Fund	753,316
Solid Waste Fund	19,589
Total	<u>\$ 1,606,540</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$15,374,577, a change of \$4,173,088 in comparison with the prior year. Key elements of this change are as follows:

	Governmental Funds
General fund operating results, as disclosed below	\$ 192,337
School grants operating results	(71,997)
City capital projects operating results	3,783,888
Non-major funds operating results	268,860
	<u>\$ 4,173,088</u>

The general fund is the main operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,700,474 while total fund balance was \$9,039,766. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

The fund balance of the general fund increased by \$192,337 during the current fiscal year. Key factors in this change are as follows:

	General Fund
Revenues:	
Actual revenues and operating transfers in	\$ 43,131,869
Inception of notes	857,276
GASB Statement No. 54:	
To record revenue of the blended funds	73,656
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	(13,528)
	<u>44,049,273</u>
Expenditures:	
Actual expenditures and operating transfers out	42,905,565
Inception of notes	857,276
Encumbrances, beginning	992,257
Encumbrances, ending	(984,433)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	229,852
To eliminate transfers between the general fund and blended funds	(143,581)
	<u>43,856,936</u>
Total	<u>\$ 192,337</u>

For the purposes of the Governmental Accounting Standards Board statement 54, the activity of the capital reserve funds and the landfill trust fund are included with the General Fund. However, for budgetary purposes, the capital reserve funds and the landfill trust fund are not budgeted items.

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 at the end of the year are \$11,585,810, a change of (\$555,869) in comparison with the prior year.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The following is a summary of changes from the original budget adopted by the City Council. Additional details are available in EXHIBIT D, Budget and Actual, in the financial statements.

	<u>FY 2021-2022</u>
Original budget adopted by the City Council, Ordinance 13-21, March 15, 2021	\$ 50,392,379
Supplemental appropriation, Ordinance 1-22, July 12, 2021	1,300,000
Supplemental appropriation, Ordinance 3-22, October 11, 2021	600,000
Supplemental appropriation, Ordinance 5-22, December 13, 2021	50,000
Supplemental appropriation, Ordinance 6-22, January 24, 2022	27,160
Supplemental appropriation, Ordinance 10-22, May 2, 2022	222,863
Total Budget	<u>\$ 52,592,402</u>

The overall budget increased by \$1,426,833 from the prior fiscal year to current fiscal year; a 2.78% increase.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$86,585,398 (net of accumulated depreciation), a change of \$6,749,778 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$41,696,569, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

G. ECONOMIC FACTORS

During fiscal year 2022, the City of Somersworth closely followed the State of New Hampshire with rising home prices and low unemployment. The City continues to see strong commercial growth along the High Street and Route 108 corridors.

The City's downtown has been experiencing a resurgence with the redevelopment with a mix of commercial and residential property.

REQUESTS FOR INFORMATION

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

Office of Finance Director
City of Somersworth
One Government Way
Somersworth, New Hampshire 03878

BASIC FINANCIAL STATEMENTS

EXHIBIT A
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 19,662,648	\$ 11,919,671	\$ 31,582,319
Investments	9,928,513	-	9,928,513
Taxes receivable (net)	771,925	-	771,925
Accounts receivable (net)	227,254	1,320,911	1,548,165
Intergovernmental receivable	1,251,894	122,387	1,374,281
Prepaid items	22,816	10,440	33,256
Inventory	-	105,293	105,293
Remediation receivable	90,090	-	90,090
Noncurrent assets:			
Intergovernmental receivable	-	367,161	367,161
Remediation receivable	2,972,970	-	2,972,970
Capital assets:			
Land and construction in progress	9,158,073	2,859,069	12,017,142
Other capital assets, net of depreciation	47,325,121	27,243,135	74,568,256
Total assets	<u>91,411,304</u>	<u>43,948,067</u>	<u>135,359,371</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	7,970,607	32,172	8,002,779
Amounts related to other postemployment benefits	621,021	23,393	644,414
Total deferred outflows of resources	<u>8,591,628</u>	<u>55,565</u>	<u>8,647,193</u>
LIABILITIES			
Accounts payable	1,551,290	178,879	1,730,169
Accrued salaries and benefits payable	116,894	14,661	131,555
Retainage payable	471,305	287,939	759,244
Contracts payable	1,182,335	-	1,182,335
Accrued interest payable	273,596	361,204	634,800
Intergovernmental payable	7,556	-	7,556
Long-term liabilities:			
Due within one year	2,380,324	1,857,192	4,237,516
Due in more than one year	61,403,898	19,621,524	81,025,422
Total liabilities	<u>67,387,198</u>	<u>22,321,399</u>	<u>89,708,597</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	12,439,447	-	12,439,447
Unavailable revenue - student balances	18,972	-	18,972
Amounts related to pensions	8,155,875	218,878	8,374,753
Amounts related to other postemployment benefits	2,390,220	100,304	2,490,524
Total deferred inflows of resources	<u>23,004,514</u>	<u>319,182</u>	<u>23,323,696</u>
NET POSITION			
Net investment in capital assets	38,856,467	9,777,241	48,633,708
Restricted	5,640,445	-	5,640,445
Unrestricted	(34,885,692)	11,585,810	(23,299,882)
Total net position	<u>\$ 9,611,220</u>	<u>\$ 21,363,051</u>	<u>\$ 30,974,271</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT B
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended June 30, 2022

		Program Revenues			Net (Expense) Revenue and Change 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	\$ 1,440,543	\$ 350,633	\$ 364,288	\$ -	\$ (725,622)	\$ -	\$ (725,622)
Public safety	7,481,107	160,396	167,546	626,463	(6,526,702)	-	(6,526,702)
Highways and streets	3,414,111	141,456	222,171	-	(3,050,484)	-	(3,050,484)
Sanitation	76,212	6,302	-	-	(69,910)	-	(69,910)
Health	97,236	-	-	-	(97,236)	-	(97,236)
Welfare	131,673	8,223	-	-	(123,450)	-	(123,450)
Culture and recreation	544,866	162,826	9,586	-	(372,454)	-	(372,454)
Conservation	-	-	29,576	-	29,576	-	29,576
Education	28,878,656	145,538	12,920,682	625,908	(15,186,528)	-	(15,186,528)
Food service	813,278	16,516	1,158,163	-	361,401	-	361,401
Economic development	2,686	-	-	-	(2,686)	-	(2,686)
Interest on long-term debt	711,063	-	-	-	(711,063)	-	(711,063)
Total governmental activities	43,591,431	991,890	14,872,012	1,252,371	(26,475,158)	-	(26,475,158)
Business-type activities:							
Water	2,077,155	2,910,790	-	-	-	833,635	833,635
Sewer	2,706,776	3,438,748	-	21,344	-	753,316	753,316
Other	585,666	605,255	-	-	-	19,589	19,589
Total business-type activities	5,369,597	6,954,793	-	21,344	-	1,606,540	1,606,540
Total	\$ 48,961,028	\$ 7,946,683	\$ 14,872,012	\$ 1,273,715	(26,475,158)	1,606,540	(24,868,618)
General revenues:							
Taxes:							
Property					27,584,357	-	27,584,357
Other					376,075	-	376,075
Motor vehicle permit fees					2,132,069	-	2,132,069
Licenses and other fees					370,474	-	370,474
Grants and contributions not restricted to specific programs					872,131	-	872,131
Unrestricted investment earnings					77,584	-	77,584
Miscellaneous					798,125	-	798,125
Total general revenues					32,210,815	-	32,210,815
Special item:							
Unrealized loss on investments					(72,451)	-	(72,451)
Change in net position					5,663,206	1,606,540	7,269,746
Net position, beginning					3,948,014	19,756,511	23,704,525
Net position, ending					\$ 9,611,220	\$ 21,363,051	\$ 30,974,271

EXHIBIT C-1
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
June 30, 2022

	General	School Grants	City Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 13,032,342	\$ -	\$ 5,836,726	\$ 793,580	\$ 19,662,648
Investments	9,339,120	-	-	589,393	9,928,513
Taxes receivable (net)	771,925	-	-	-	771,925
Accounts receivable	56,037	-	-	171,217	227,254
Intergovernmental receivable	403,835	561,082	-	286,977	1,251,894
Interfund receivable	386,317	-	-	5,800	392,117
Prepaid items	22,816	-	-	-	22,816
Total assets	<u>\$ 24,012,392</u>	<u>\$ 561,082</u>	<u>\$ 5,836,726</u>	<u>\$ 1,846,967</u>	<u>\$ 32,257,167</u>
LIABILITIES					
Accounts payable	\$ 1,306,523	\$ 131,026	\$ 303	\$ 113,438	\$ 1,551,290
Accrued salaries and benefits payable	115,230	-	-	1,664	116,894
Retainage payable	129,569	-	341,736	-	471,305
Contracts payable	271,627	-	910,708	-	1,182,335
Intergovernmental payable	7,556	-	-	-	7,556
Interfund payable	-	392,117	-	-	392,117
Total liabilities	<u>1,830,505</u>	<u>523,143</u>	<u>1,252,747</u>	<u>115,102</u>	<u>3,721,497</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	13,142,121	-	-	-	13,142,121
Unavailable revenue - student balances	-	-	-	18,972	18,972
Total deferred inflows of resources	<u>13,142,121</u>	<u>-</u>	<u>-</u>	<u>18,972</u>	<u>13,161,093</u>
FUND BALANCES					
Nonspendable	22,816	-	-	173,511	196,327
Restricted	-	37,939	4,583,979	845,016	5,466,934
Committed	332,043	-	-	595,731	927,774
Assigned	984,433	-	-	98,635	1,083,068
Unassigned	7,700,474	-	-	-	7,700,474
Total fund balances	<u>9,039,766</u>	<u>37,939</u>	<u>4,583,979</u>	<u>1,712,893</u>	<u>15,374,577</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,012,392</u>	<u>\$ 561,082</u>	<u>\$ 5,836,726</u>	<u>\$ 1,846,967</u>	<u>\$ 32,257,167</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-2
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2022

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds (Exhibit C-1)		\$ 15,374,577
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 97,656,853	
Less accumulated depreciation	<u>(41,173,659)</u>	
		56,483,194
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 7,970,607	
Deferred inflows of resources related to pensions	(8,155,875)	
Deferred outflows of resources related to OPEB	621,021	
Deferred inflows of resources related to OPEB	<u>(2,390,220)</u>	
		(1,954,467)
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (392,117)	
Payables	<u>392,117</u>	
		-
Other long-term assets are not available to pay for current period expenditures, and therefore, are not reported in the governmental funds.		3,063,060
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - property taxes		702,674
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(273,596)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 18,325,366	
Unamortized bond premium	1,608,509	
Notes payable	1,437,730	
Compensated absences	1,578,957	
Pollution remediation liability	6,188,000	
Net pension liability	26,897,274	
Other postemployment benefits	<u>7,748,386</u>	
		<u>(63,784,222)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 9,611,220</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-3
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2022

	General	School Grants	City Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 27,906,784	\$ -	\$ -	\$ 53,648	\$ 27,960,432
Licenses and permits	2,436,312	-	-	66,231	2,502,543
Intergovernmental	11,192,695	4,256,260	42,058	1,492,240	16,983,253
Charges for services	713,981	-	-	277,909	991,890
Miscellaneous	733,562	52,760	-	89,120	875,442
Unrealized loss on investments	(31,200)	-	-	(41,251)	(72,451)
Total revenues	42,952,134	4,309,020	42,058	1,937,897	49,241,109
EXPENDITURES					
Current:					
General government	2,335,235	-	-	-	2,335,235
Public safety	7,608,445	-	-	99,114	7,707,559
Highways and streets	3,067,480	-	-	194,067	3,261,547
Sanitation	176,578	-	-	-	176,578
Health	105,866	-	-	-	105,866
Welfare	131,673	-	-	-	131,673
Culture and recreation	430,253	-	-	104,645	534,898
Conservation	-	-	-	704	704
Education	25,632,564	4,381,017	-	145,578	30,159,159
Food service	-	-	-	830,777	830,777
Economic development	2,686	-	-	-	2,686
Debt service:					
Principal	1,682,710	-	-	-	1,682,710
Interest	795,509	-	-	-	795,509
Other	294,336	-	-	-	294,336
Capital outlay	293,601	-	5,258,170	54,289	5,606,060
Total expenditures	42,556,936	4,381,017	5,258,170	1,429,174	53,625,297
Excess (deficiency) of revenues over (under) expenditures	395,198	(71,997)	(5,216,112)	508,723	(4,384,188)
OTHER FINANCING SOURCES (USES)					
Transfers in	239,863	-	1,300,000	-	1,539,863
Transfers out	(1,300,000)	-	-	(239,863)	(1,539,863)
Bond and premium proceeds	-	-	7,700,000	-	7,700,000
Note proceeds	857,276	-	-	-	857,276
Total other financing sources (uses)	(202,861)	-	9,000,000	(239,863)	8,557,276
Net change in fund balances	192,337	(71,997)	3,783,888	268,860	4,173,088
Fund balances, beginning	8,847,429	109,936	800,091	1,444,033	11,201,489
Fund balances, ending	\$ 9,039,766	\$ 37,939	\$ 4,583,979	\$ 1,712,893	\$ 15,374,577

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-4
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2022

Amounts reported for governmental activities in the Statement of Activities
are different because:

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 4,173,088
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 6,557,217	
Depreciation expense	<u>(2,540,898)</u>	4,016,319
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(37,449)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (1,539,863)	
Transfers out	<u>1,539,863</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred inflows of resources for property taxes		13,528
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Proceeds of debt	\$ (7,143,200)	
Note proceeds	(857,276)	
Bond premium on new issuance	(556,800)	
Repayment of bond principal	1,718,210	
Repayment of note payables	276,252	
Amortization of bond premium	<u>152,606</u>	(6,410,208)
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.		
Increase in accrued interest expense	\$ (103,660)	
Decrease in compensated absences payable	184,225	
Changes in pollution remediation receivable and payable balances	91,910	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	2,109,793	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>1,625,660</u>	3,907,928
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 5,663,206</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT D
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 27,954,412	\$ 27,954,412	\$ 27,920,312	\$ (34,100)
Licenses and permits	2,019,975	2,019,975	2,436,312	416,337
Intergovernmental	10,115,078	10,741,540	11,192,695	451,155
Charges for services	566,661	566,661	713,981	147,320
Miscellaneous	790,723	800,883	628,706	(172,177)
Total revenues	41,446,849	42,083,471	42,892,006	808,535
EXPENDITURES				
Current:				
Elected leadership	151,736	151,736	140,452	11,284
City management	516,828	516,828	482,569	34,259
Finance and administration	1,536,912	1,536,912	1,472,082	64,830
Development services	905,535	905,535	854,625	50,910
Fire and rescue	2,292,773	2,382,773	2,380,445	2,328
Police	4,510,389	4,460,389	4,303,203	157,186
Public works and utilities	3,236,264	3,236,264	3,047,785	188,479
School	28,280,522	28,280,522	27,466,614	813,908
Debt service:				
Principal	575,403	575,403	575,403	-
Interest	68,766	68,766	68,766	-
Other	294,336	294,336	294,336	-
Capital outlay	153,475	413,498	375,704	37,794
Total expenditures	42,522,939	42,822,962	41,461,984	1,360,978
Excess (deficiency) of revenues over (under) expenditures	(1,076,090)	(739,491)	1,430,022	2,169,513
OTHER FINANCING SOURCES (USES)				
Transfers in	-	239,863	239,863	-
Transfers out	(143,581)	(1,443,581)	(1,443,581)	-
Total other financing sources (uses)	(143,581)	(1,203,718)	(1,203,718)	-
Net change in fund balances	\$ (1,219,671)	\$ (1,943,209)	226,304	\$ 2,169,513
Increase in nonspendable fund balance			(3,744)	
Unassigned fund balance, beginning			8,246,997	
Unassigned fund balance, ending			\$ 8,469,557	

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-1
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Proprietary Funds
Statement of Net Position
June 30, 2022

June 30, 2022

	Business-type Activities			
	Enterprise Funds			Total
	Water	Sewer	Nonmajor	Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,916,930	\$ 6,745,830	\$ 256,911	\$ 11,919,671
Accounts receivable (net)	548,027	660,555	112,329	1,320,911
Intergovernmental receivable	-	122,387	-	122,387
Prepaid items	5,220	5,220	-	10,440
Inventory	104,071	-	1,222	105,293
Noncurrent assets:				
Intergovernmental receivable	-	367,161	-	367,161
Capital assets:				
Land and construction in progress	1,323,597	1,535,472	-	2,859,069
Other capital assets, net of depreciation	5,218,806	22,024,329	-	27,243,135
Total assets	12,116,651	31,460,954	370,462	43,948,067
DEFERRED OUTFLOWS OF RESOURCES				
Amounts related to pensions	16,060	16,112	-	32,172
Amounts related to other postemployment benefits	8,507	14,886	-	23,393
Total deferred outflows of resources	24,567	30,998	-	55,565
LIABILITIES				
Current liabilities:				
Accounts payable	69,300	67,376	42,203	178,879
Accrued salaries and benefits payable	7,770	6,891	-	14,661
Retainage payable	2,150	285,789	-	287,939
Accrued interest payable	70,396	290,808	-	361,204
Noncurrent liabilities:				
Due within one year	566,853	1,290,339	-	1,857,192
Due in more than one year	4,195,920	15,425,604	-	19,621,524
Total liabilities	4,912,389	17,366,807	42,203	22,321,399
DEFERRED INFLOWS OF RESOURCES				
Amounts related to pensions	109,262	109,616	-	218,878
Amounts related to other postemployment benefits	29,291	71,013	-	100,304
Total deferred inflows of resources	138,553	180,629	-	319,182
NET POSITION				
Net investment in capital assets	2,310,009	7,467,232	-	9,777,241
Unrestricted	4,780,267	6,477,284	328,259	11,585,810
Total net position	\$ 7,090,276	\$ 13,944,516	\$ 328,259	\$ 21,363,051

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-2
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2022

	Business-type Activities		
	Enterprise Funds		
	Water	Sewer	Nonmajor
Operating revenues:			
User charges	\$ 2,866,375	\$ 3,305,219	\$ 605,255
Other charges	44,415	133,529	-
Total operating revenues	<u>2,910,790</u>	<u>3,438,748</u>	<u>605,255</u>
Operating expenses:			
Salaries and wages	619,409	569,755	-
Operation and maintenance	845,842	1,048,336	585,666
Depreciation	516,821	814,978	-
Total operating expenses	<u>1,982,072</u>	<u>2,433,069</u>	<u>585,666</u>
Operating gain	<u>928,718</u>	<u>1,005,679</u>	<u>19,589</u>
Nonoperating revenue (expense):			
Capital contributions	-	21,344	-
Interest expense	(95,083)	(273,707)	-
Total nonoperating revenues (expense)	<u>(95,083)</u>	<u>(252,363)</u>	<u>-</u>
Change in net position	833,635	753,316	19,589
Net position, beginning	6,256,641	13,191,200	308,670
Net position, ending	<u>\$ 7,090,276</u>	<u>\$ 13,944,516</u>	<u>\$ 328,259</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-3
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

	Business-type Activities			
	Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Nonmajor	
CASH FLOWS FROM:				
OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 2,912,550	\$ 3,369,229	\$ 621,503	\$ 6,903,282
Payments to employees	(633,074)	(585,989)	-	(1,219,063)
Payments to suppliers	(933,484)	(1,518,128)	(599,158)	(3,050,770)
Net cash provided by operating activities	1,345,992	1,265,112	22,345	2,633,449
CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds received from State revolving loans	-	2,478,094	-	2,478,094
Principal paid on bonds and notes	(501,642)	(632,522)	-	(1,134,164)
Acquisition and construction of fixed assets	(981,860)	(3,120,848)	-	(4,102,708)
Interest paid	(168,530)	(273,707)	-	(442,237)
Capital contributions	-	21,344	-	21,344
Net cash used by capital and related financing activities	(1,652,032)	(1,527,639)	-	(3,179,671)
NON-CAPITAL FINANCING ACTIVITIES:				
State aid - wastewater infrastructure	-	122,387	-	122,387
Net change in cash and cash equivalents	(306,040)	(140,140)	22,345	(423,835)
Cash and cash equivalents, beginning	5,222,970	6,885,970	234,566	12,343,506
Cash and cash equivalents, ending	\$ 4,916,930	\$ 6,745,830	\$ 256,911	\$ 11,919,671

Reconciliation of Operating Gain to Net Cash Provided by Operating Activities

Operating gain	\$ 928,718	\$ 1,005,679	\$ 19,589	\$ 1,953,986
Adjustments to reconcile operating gain to net cash provided by operating activities:				
Depreciation expense	516,821	814,978	-	1,331,799
Changes in accounts receivable	1,760	(69,519)	16,248	(51,511)
Changes in prepaid items	(248)	(248)	-	(496)
Changes in inventory	(14,057)	-	(102)	(14,159)
Changes in deferred outflows of resources	142,332	115,942	-	258,274
Changes in accounts payable	21,833	(8,683)	(13,390)	(240)
Changes in accrued payroll	(8,442)	(6,997)	-	(15,439)
Changes in retainage payable	2,150	(263,163)	-	(261,013)
Changes in contracts payable	-	(367,838)	-	(367,838)
Changes in compensated absences payable	(5,223)	(9,237)	-	(14,460)
Changes in OPEB liability	(83,367)	77,148	-	(6,219)
Changes in net pension liability	(184,549)	(134,770)	-	(319,319)
Changes in deferred inflows of resources	28,264	111,820	-	140,084
Total adjustments	417,274	259,433	2,756	679,463
Net cash provided by operating activities	\$ 1,345,992	\$ 1,265,112	\$ 22,345	\$ 2,633,449

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT F-1
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022

	Private Purpose Trust	All Custodial Funds	Total
ASSETS			
Cash and cash equivalents	\$ 3,964	\$ 352,985	\$ 356,949
Investments	184,171	-	184,171
Total assets	188,135	352,985	541,120
LIABILITIES			
Accounts payable	600	6,672	7,272
NET POSITION			
Restricted	\$ 187,535	\$ 346,313	\$ 533,848

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT F-2
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2022

	Private Purpose Trust	All Custodial Funds	Total
ADDITIONS			
Contributions	\$ 837	\$ 356,997	\$ 357,834
Investment earnings	5,898	-	5,898
Change in fair market value	(26,373)	-	(26,373)
Taxes collected for other governments	-	2,814,651	2,814,651
Motor vehicle payments	-	689,477	689,477
Total additions	<u>(19,638)</u>	<u>3,861,125</u>	<u>3,841,487</u>
DEDUCTIONS			
Scholarships	9,000	-	9,000
Payments of taxes to other governments	-	2,814,651	2,814,651
Payments for escrow purposes	-	409,172	409,172
Motor vehicle payments to state	-	689,477	689,477
Total deductions	<u>9,000</u>	<u>3,913,300</u>	<u>3,922,300</u>
Change in fiduciary net position	(28,638)	(52,175)	(80,813)
Net position, beginning	216,173	398,488	614,661
Net position, ending	<u>\$ 187,535</u>	<u>\$ 346,313</u>	<u>\$ 533,848</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

	NOTE
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Basis of Accounting and Measurement Focus.....	1-B
Cash and Cash Equivalents.....	1-C
Statement of Cash Flows	1-D
Investments.....	1-E
Receivables.....	1-F
Inventory.....	1-G
Prepaid Items.....	1-H
Capital Assets	1-I
Interfund Activities.....	1-J
Property Taxes.....	1-K
Accounts Payable	1-L
Deferred Outflows/Inflows of Resources	1-M
Compensated Absences	1-N
Long-term Obligations	1-O
Defined Benefit Pension Plan	1-P
Postemployment Benefits Other Than Pensions (OPEB)	1-Q
Net Position/Fund Balances.....	1-R
Use of Estimates	1-S
Stewardship, Compliance, and Accountability	2
Budgetary Information.....	2-A
Budgetary Reconciliation to GAAP Basis	2-B
Accounting Change	2-C

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Investments	4
Taxes Receivable	5
Other Receivables.....	6
Capital Assets.....	7
Interfund Balances and Transfers	8
Deferred Outflows/Inflows of Resources	9
Short-term Debt.....	10
Long-term Liabilities	11
Defined Benefit Pension Plan	12
Postemployment Benefits Other Than Pensions (OPEB)	13
New Hampshire Retirement System (NHRS).....	13-A
City of Somersworth Retiree Health Benefit Program	13-B
State Aid to Water Pollution Projects.....	14
Commitments.....	15
Encumbrances	16
Governmental and Business-Type Activities and Fiduciary Funds Net Position	17
Governmental Fund Balances	18

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Risk Management.....	19
Tax Abatements.....	20
COVID-19	21
Contingent Liabilities.....	22
Subsequent Events.....	23

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Somersworth, New Hampshire (the City), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the City's accounting policies are described below.

1-A Reporting Entity

The City of Somersworth is a municipal corporation governed by an elected nine-member City Council and City Manager. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The City has no component units to include in its reporting entity.

1-B Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

Governmental Fund Financial Statements – Include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The City has presented all major funds that met those qualifications.

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 generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement based grants, which use a period of one year. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund – is the City’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the pollution remediation and expendable trust funds are consolidated in the general fund.

School Grants Fund – accounts for the resources received from various School District related federal, state, and local agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

City Capital Projects Fund – the City capital projects fund accounts for the activity pertaining to the various construction/renovation projects relating to the City.

Additionally, the City reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – are used to account for the financial resources and activities relating to specific construction projects.

Permanent Fund – is used to record activity of legal trusts for which the interest on the corpus provides funds for the City’s cemetery operations.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The City reports twelve nonmajor governmental funds.

Proprietary Fund Financial Statements – Include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are reported using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary funds:

Water Fund – accounts for the activities related to the operation of the water treatment plant, wells, and water system.

Sewer Fund – accounts for the activities related to the operation of the sewer treatment plant, pumping station, and sewer lines.

Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City’s fiduciary funds are private purpose trust and custodial funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

The City also reports the following fiduciary funds:

Private Purpose Trust Fund – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Custodial Fund – are custodial in nature and do not involve the measurement of operating results. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

1-C Cash and Cash Equivalents

The City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Statement of Cash Flows

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

1-E Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the City to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the City. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the City categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the City has the ability to access at the measurement date.

Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency.

Level 3 – Inputs are significant unobservable inputs, using assumptions in determining the fair value of investments and derivative instruments.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the City and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the City utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the City held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the City in accordance with the NHPDIP's Information Statement.

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the City at June 30. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-G Inventory

The inventories of the City are valued at cost using the first-in/first-out (FIFO) method. The inventories of the City's water and solid waste funds consist of expendable materials and supplies held for consumption. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1-I Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The City has established a threshold of \$10,000 or more and an estimate useful life in excess of one year for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

	<u>Years</u>
Capital Asset Classes:	
Infrastructure	5 - 75
Buildings and building improvements	5 - 75
Vehicles and equipment	2 - 50

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

1-J Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans) Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as “internal balances.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 24, 2021 and December 7, 2021, and due on July 1, 2021 and January 7, 2022. For any regular property taxes issued, the interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding.

Property tax receivables are recognized on the levy or lien date, which is the date the tax warrant is issued. Current year property tax receivables represent taxes levied but not remitted to the City at June 30, 2022 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivable have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

In connection with the setting of the tax rate, City officials, with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year-end. The property taxes collected by the City include taxes levied for Strafford County, which are remitted to this entity as required by law.

The City net assessed valuation as of April 1, 2021 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,093,948,395
For all other taxes	\$ 1,116,699,095

The tax rates and amounts assessed for the year ended June 30, 2022 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$8.62	\$ 9,625,162
School portion:		
State of New Hampshire	\$1.81	1,981,798
Local	\$14.58	16,279,937
County portion	\$2.52	2,814,651
Total	<u>\$27.53</u>	<u>\$ 30,701,548</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

1-L Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2022.

1-M Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then. The City has two items that qualify for reporting in this category. Deferred outflows related to pensions and deferred outflows related to OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. The City has three types of items which qualify for reporting in this category. Deferred inflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. In addition, unavailable revenues from grants arises when the related eligible expenditures will not be made until the subsequent period.

1-N Compensated Absences

General leave for the City includes vacation, sick, and retirement stipend pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by the City's personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable available resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

1-O Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Director Borrowings and Direct Placements*, the City utilizes the following classifications to categorize the financial transactions:

Direct Borrowings – financial transactions for a note or a loan where the City negotiates certain terms with a single lender and are not offered for public sale.

Direct Placements – financial transactions for the sale of bonds where the City engages with a single buyer or limited number of buyers without a public offering.

1-P Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues* – an amendment of GASB Statement No. 67, No. 68 and No. 73 requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-Q Postemployment Benefits Other Than Pensions (OPEB)

The City maintains two separate other postemployment benefit plans, as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the City's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

1-R Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The City typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (City Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Assigned – Amounts that are constrained by the City’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

In accordance with the City’s fund balance policy, the City will strive to maintain an unassigned fund balance in its general fund equal to 5% - 17% of the total appropriation of the community (which includes the City, School, and County). The City Council will review this information each year to determine the amount, if any, of unassigned fund balance to use to balance the budget and reduce the tax rate.

1-S Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include assessing the collectability of accounts receivable, recoverability of inventory, useful lives of capital assets, net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, and pollution remediation, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the City’s operations. At its annual meeting, the City adopts a budget for the current year for the general, sewer, and water funds, as well as the nonmajor cable communications and solid waste funds. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2022, \$1,219,671 of the beginning general fund unassigned fund balance was applied for this purpose and \$723,538 was voted from unassigned fund balance to supplement the Fire Station Building project as well as emergency repairs to a culvert.

2-B Budgetary Reconciliation to GAAP Basis

While the City reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for the major general fund.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 43,131,869
Adjustment:	
Basis differences:	
Inception of notes	857,276
GASB Statement No. 54:	
To record revenue of the blended funds	73,656
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	(13,528)
Per Exhibit C-3 (GAAP basis)	<u>\$ 44,049,273</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 42,905,565
Adjustment:	
Basis differences:	
Inception of notes	857,276
Encumbrances, beginning	992,257
Encumbrances, ending	(984,433)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	229,852
To eliminate transfers between the general fund and blended funds	(143,581)
Per Exhibit C-3 (GAAP basis)	<u>\$ 43,856,936</u>

2-C Accounting Change

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City has assessed all potential agreements that may be applicable for reporting under GASB Statement No. 87 and have determined that none of the agreements have met the requirements of the pronouncement. As a result of implementation of this Statement, prior year capital leases payable were reclassified as notes payable.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The City's deposits are entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held by the City's agent in the City's name. The FDIC currently insures the first \$250,000 of the City's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the City's deposits was \$31,939,268 and the bank balances totaled \$33,238,114. Petty cash totaled \$1,321.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 31,582,319
Cash per Statement of Fiduciary Net Position - Fiduciary Funds (Exhibit F-1)	356,949
Total cash and cash equivalents	<u>\$ 31,939,268</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

NOTE 4 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the City funds. The City holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the City's mission, the City determines that the disclosures related to these investments only need to be disaggregated by major type. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City has the following recurring fair value measurements and maturities as of June 30, 2022:

Investments Type	Valuation Measurement Method	Reported Balance	Exempt from Disclosure
Equity exchange traded funds	Level 1	\$ 140,006	\$ 140,006
Equity mutual funds	Level 1	61,004	61,004
Fixed income mutual funds	Level 2	653,825	653,825
Real estate investment trusts	Level 2	32,601	32,601
New Hampshire Public Deposit Investment Pool	Amortized Cost	9,225,248	9,225,248
Total		<u>\$ 10,112,684</u>	<u>\$ 10,112,684</u>

Interest Rate Risk – This 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's investment policy states that investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account larger routine expenditures (payroll and accounts payable) as well as anticipated revenue inflows. At no time shall any investment be made exceeding a maturity date in excess of one year. The Trustees of Trust Fund's investment policy states that for capital reserves, the portfolio's investment objectives are to maintain principal while generating income in excess of certificates of deposits, traditional savings accounts, and money market funds. For common trust funds, these funds have a long or perpetual-time horizon. The portfolio investment objective is to provide a total return (income plus capital appreciation) consistent with the purpose of that fund that exceeds the long-term rate of inflation. At June 30, 2022, all of the City's investment maturities were exempt from disclosure.

Credit Risk – The City's investment policy does not directly address this risk. The Trustees of Trust Fund's investment policy states that the capital reserves investments in corporate bonds shall be limited to those with a rating of investment grade. A mutual fund or exchange-traded fund with an investment objective consistent with holding investment grade bonds may be used. At June 30, 2022, all of the City's investments were exempt from credit risk disclosure.

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g., broker/dealer) to honor a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states that deposits shall be fully collateralized with the delivery of the U.S. government obligations, U.S. government agency obligations, or obligations of the State of New Hampshire in market value at least equal to 102% of the cash deposit in each case. Collateral shall be wired to the municipality's joint custody account at the Federal Reserve Bank of Boston or Federal Reserve Bank of New York no later than the day deposits and/or investments are wired or transferred. The Trustees of Trust Fund's investment policy does not directly address this risk.

Concentration of Credit Risk – The City's investment policy places no limit on the amount of it may investment in any one issuer. The Trustees of Trust Fund's investment policy states that unless specifically authorized, no single company will comprise more than 5% of the portfolio at the time of purchase. When a portfolio position has grown to 10% of the target balance, the position will be reduced to prevent it from growing further, unless the trustees have specifically authorized the continued holding of the position.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 9,928,513
Investments per Statement of Fiduciary Net Position - Fiduciary Funds (Exhibit F-1)	184,171
Total investments	<u>\$ 10,112,684</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2022. The amount has been reduced by an allowance for an estimated uncollectible amount of \$136,000. Taxes receivable by year are as follows:

Property:	
Unredeemed (under tax lien):	
Levy of 2021	\$ 437,029
Levy of 2020	278,546
Levy of 2019	166,167
Levies of 2018 and prior	26,183
Less: allowance for estimated uncollectible taxes	(136,000)
Net taxes receivable	<u>\$ 771,925</u>

NOTE 6 – OTHER RECEIVABLES

Receivables at June 30, 2022, consisted of accounts (billings for police details, water, sewer, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of June 30, 2022 for the City's individual major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	Governmental Funds				Governmental Activities
	General	School Grants	Nonmajor	Total	
Receivables:					
Accounts	\$ 56,037	\$ -	\$ 171,217	\$ 227,254	\$ 227,254
Intergovernmental	403,835	561,082	286,977	1,251,894	1,251,894
Remediation	-	-	-	-	3,063,060
Gross receivables	459,872	561,082	458,194	1,479,148	4,542,208
Less: allowance for uncollectibles	-	-	-	-	-
Net total receivables	<u>\$ 459,872</u>	<u>\$ 561,082</u>	<u>\$ 458,194</u>	<u>\$ 1,479,148</u>	<u>\$ 4,542,208</u>
	Proprietary Funds				
	Water	Sewer	Nonmajor	Total	
Receivables:					
Accounts	\$ 569,427	\$ 692,255	\$ 112,329	\$ 1,374,011	
Intergovernmental	-	489,548	-	489,548	
Gross receivables	569,427	1,181,803	112,329	1,863,559	
Less: allowance for uncollectibles	(21,400)	(31,700)	-	(53,100)	
Net total receivables	<u>\$ 548,027</u>	<u>\$ 1,150,103</u>	<u>\$ 112,329</u>	<u>\$ 1,810,459</u>	

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 is as follows:

	Balance, beginning	Additions	Adjustments/ Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 2,334,469	\$ -	\$ -	\$ 2,334,469
Easements	170,875	-	-	170,875
Software	183,188	-	-	183,188
Construction in progress	1,037,121	5,432,420	-	6,469,541
Total capital assets not being depreciated	3,725,653	5,432,420	-	9,158,073
Being depreciated:				
Buildings and building improvements	56,053,968	966,543	402,944	57,423,455
Infrastructure	23,222,728	-	(578,438)	22,644,290
Vehicles and equipment	8,444,329	158,254	(171,548)	8,431,035
Total capital assets being depreciated	87,721,025	1,124,797	(347,042)	88,498,780
Total all capital assets	91,446,678	6,557,217	(347,042)	97,656,853
Less accumulated depreciation:				
Buildings and building improvements	(25,561,738)	(876,854)	(598,050)	(27,036,642)
Infrastructure	(7,035,580)	(1,277,476)	737,810	(7,575,246)
Vehicles and equipment	(6,345,036)	(386,568)	169,833	(6,561,771)
Total accumulated depreciation	(38,942,354)	(2,540,898)	309,593	(41,173,659)
Net book value, capital assets being depreciated	48,778,671	(1,416,101)	(37,449)	47,325,121
Net book value, all governmental activities capital assets	\$ 52,504,324	\$ 4,016,319	\$ (37,449)	\$ 56,483,194
	Balance, beginning	Additions	Adjustments/ Deletions	Balance, ending
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 500,895	\$ -	\$ -	\$ 500,895
Software	103,044	-	-	103,044
Construction in progress	11,358,123	1,963,720	(11,066,713)	2,255,130
Total capital assets not being depreciated	11,962,062	1,963,720	(11,066,713)	2,859,069
Buildings and building improvements	26,936,820	13,205,700	-	40,142,520
Infrastructure	14,432,130	-	-	14,432,130
Vehicles and equipment	1,169,245	-	-	1,169,245
Total capital assets being depreciated	42,538,195	13,205,700	-	55,743,895
Total all capital assets	54,500,257	15,169,420	(11,066,713)	58,602,964
Less accumulated depreciation:				
Buildings and building improvements	(17,871,323)	(948,274)	-	(18,819,597)
Infrastructure	(8,248,965)	(326,934)	-	(8,575,899)
Vehicles and equipment	(1,048,673)	(56,591)	-	(1,105,264)
Total accumulated depreciation	(27,168,961)	(1,331,799)	-	(28,500,760)
Net book value, capital assets being depreciated	15,369,234	11,873,901	-	27,243,135
Net book value, all business-type activities capital assets	\$ 27,331,296	\$ 13,837,621	\$ (11,066,713)	\$ 30,102,204

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Depreciation expense was charged to functions of the City based on their usage of the related assets. The amounts allocated to each function are as follows:

Governmental activities:	
General government	\$ 115,611
Public safety	217,951
Highways and streets	1,074,296
Education	1,100,109
Culture and recreation	32,931
Total depreciation expense	<u>\$ 2,540,898</u>
Business-type activities:	
Water	\$ 516,821
Sewer	814,978
Total depreciation expense	<u>\$ 1,331,799</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of June 30, 2022 is as follows:

Receivable Fund	Payable Fund	Amount
General	School grants	\$ 386,317
Nonmajor	School grants	5,800
		<u>\$ 392,117</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended June 30, 2022 is as follows:

	Transfers In:		Total
	General Fund	City Capital Projects Fund	
Transfers out:			
General fund	\$ -	\$ 1,300,000	\$ 1,300,000
Nonmajor funds	239,863	-	239,863
Total	<u>\$ 239,863</u>	<u>\$ 1,300,000</u>	<u>\$ 1,539,863</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Governmental Activities	Business-type Activities	Total
Amounts related to pensions, see Note 12	\$ 7,970,607	\$ 32,172	\$ 8,002,779
Amounts related to OPEB, see Note 13	621,021	23,393	644,414
Total deferred outflows of resources	<u>\$ 8,591,628</u>	<u>\$ 55,565</u>	<u>\$ 8,647,193</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Deferred inflows of resources are as follows:

	Governmental Activities	Business-type Activities	Governmental Activities Total	General Fund	Nonmajor Governmental Funds	Governmental Funds Total
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ -	\$ -	\$ 702,674	\$ -	\$ 702,674
Property taxes collected in advance of the warrant due date	12,439,447	-	12,439,447	12,439,447	-	12,439,447
Student balances	18,972	-	18,972	-	18,972	18,972
Amounts related to pensions, see Note 12	8,155,875	218,878	8,374,753	-	-	-
Amounts related to OPEB, see Note 13	2,390,220	100,304	2,490,524	-	-	-
Total deferred inflows of resources	<u>\$ 23,004,514</u>	<u>\$ 319,182</u>	<u>\$ 23,323,696</u>	<u>\$ 13,142,121</u>	<u>\$ 18,972</u>	<u>\$ 13,161,093</u>

NOTE 10 – SHORT-TERM DEBT

Changes in the City's short-term capital borrowings during the year ended June 30, 2022 consisted of the following:

Governmental Activities	Original Authorization	Interest Rate	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Bond anticipation note - fire station	1,000,000	0.65%	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -
Bond anticipation note - fire station	3,000,000	0.29%	-	942,938	(942,938)	-
			<u>\$ 1,000,000</u>	<u>\$ 942,938</u>	<u>\$ (1,942,938)</u>	<u>\$ -</u>

The purpose of the short-time borrowings was to provide for interim financing and resources for fire station improvements. The amounts issued for capital improvements are accounted for in the city capital projects fund.

NOTE 11 – LONG-TERM LIABILITIES

Changes in the City's long-term liabilities consisted of the following for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year	Due in More Than One Year
Governmental activities:						
Bonds payable:						
Direct placements	\$ 12,900,376	\$ 7,143,200	\$ (1,718,210)	\$ 18,325,366	\$ 1,614,410	\$ 16,710,956
Premium	1,204,315	556,800	(152,606)	1,608,509	164,718	1,443,791
Total bonds payable	14,104,691	7,700,000	(1,870,816)	19,933,875	1,779,128	18,154,747
Notes payable	856,706	857,276	(276,252)	1,437,730	386,934	1,050,796
Compensated absences	1,763,182	-	(184,225)	1,578,957	32,262	1,546,695
Pollution remediation liability	6,370,000	-	(182,000)	6,188,000	182,000	6,006,000
Net pension liability	38,090,149	-	(11,192,875)	26,897,274	-	26,897,274
Net other postemployment benefits	8,312,985	-	(564,599)	7,748,386	-	7,748,386
Total long-term liabilities	<u>\$ 69,497,713</u>	<u>\$ 8,557,276</u>	<u>\$ (14,270,767)</u>	<u>\$ 63,784,222</u>	<u>\$ 2,380,324</u>	<u>\$ 61,403,898</u>
Business-type activities:						
Bonds payable:						
Direct placements	\$ 8,291,290	\$ -	\$ (1,106,708)	\$ 7,184,582	\$ 1,114,042	\$ 6,070,540
Direct borrowings	10,847,705	1,244,462	(27,456)	12,064,711	619,165	11,445,546
Premium	577,468	603,859	(105,656)	1,075,671	123,985	951,686
Total bonds and loans payable	19,716,463	1,848,321	(1,239,820)	20,324,964	1,857,192	18,467,772
Compensated absences	141,212	-	(14,461)	126,751	-	126,751
Net pension liability	1,050,795	-	(319,319)	731,476	-	731,476
Net other postemployment benefits	301,744	-	(6,219)	295,525	-	295,525
Total long-term liabilities	<u>\$ 21,210,214</u>	<u>\$ 1,848,321</u>	<u>\$ (1,579,819)</u>	<u>\$ 21,478,716</u>	<u>\$ 1,857,192</u>	<u>\$ 19,621,524</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Long-term bonds/notes are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2022
Governmental activities:					
General obligation bonds:					
Direct placements:					
School	\$ 18,953,500	2009	2030	3.73	\$ 5,662,750
Downtown Improvements and School HVAC	\$ 2,155,736	2014	2029	3.13	1,098,250
Downtown Improvements and School HVAC	\$ 900,000	2015	2030	5.10	480,000
High Street Improvements	\$ 859,500	2014	2025	5.10	256,500
School HVAC	\$ 105,000	2015	2025	5.10	30,000
School CTC	\$ 1,453,925	2016	2032	2.16	955,000
School	\$ 1,640,000	2019	2034	2.70	1,185,000
Middle School Elevator	\$ 550,500	2021	2036	1.31	515,000
Cemetery Road Bond	\$ 1,072,334	2021	2036	1.32	999,666
Fire Station	\$ 7,700,000	2022	2047	2.34	7,143,200
					<u>18,325,366</u>
Bond premium					<u>1,608,509</u>
Total					<u>\$ 19,933,875</u>

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2022
Notes payable:					
Vehicles (FY 17)	\$ 350,151	2018	2023	3.47	\$ 74,887
Vehicles (FY 20)	\$ 400,000	2019	2025	2.39	245,635
Peterbilt (FY 20)	\$ 410,821	2019	2024	3.84	173,668
Vehicles (FY 22)	\$ 130,000	2021	2026	2.49	105,263
Vehicles (FY 22)	\$ 160,000	2021	2027	2.69	141,000
Pierce Enforcer (FY 22)	\$ 697,276	2021	2029	1.64	697,277
Total					<u>\$ 1,437,730</u>

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2022
Business-type activities:					
General obligation bonds:					
Direct placements:					
Water Treatment Plant Upgrades	\$ 1,843,500	2008	2028	4.07	\$ 540,000
Water Treatment Plant	\$ 3,193,000	2016	2028	1.92	1,840,000
Downtown Improvements	\$ 1,958,264	2014	2029	3.13	811,750
High Street Improvements	\$ 95,500	2014	2025	5.10	28,500
Wastewater Refunding	\$ 7,810,000	2012	2026	2.56	1,965,000
Cemetery Road Bond	\$ 2,144,665	2021	2036	3.13	1,999,331
Direct borrowings:					
Wastewater Treatment Facility	\$ 926,468	2014	2030	2.95	246,712
Wastewater Treatment Facility Upgrades	\$ 12,440,000	2022	2042	2.00	11,818,000
					<u>19,249,293</u>
Bond premium					<u>1,075,671</u>
Total					<u>\$ 20,324,964</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

The annual requirements to amortize all general obligation bonds/notes outstanding as of June 30, 2022, including interest payments, are as follows:

Governmental activities:

Fiscal Year Ending June 30,	Bonds - Direct Placements		
	Principal	Interest	Total
2023	\$ 1,614,410	\$ 1,039,394	\$ 2,653,804
2024	1,592,786	1,034,969	2,627,755
2025	1,569,919	1,030,240	2,600,159
2026	1,451,705	1,026,003	2,477,708
2027	1,426,595	1,020,410	2,447,005
2028-2032	5,020,319	3,533,347	8,553,666
2033-2037	2,070,232	630,972	2,701,204
2038-2042	1,688,400	353,844	2,042,244
2043-2047	1,891,000	144,234	2,035,234
Totals	<u>\$ 18,325,366</u>	<u>\$ 9,813,413</u>	<u>\$ 28,138,779</u>

Governmental activities:

Fiscal Year Ending June 30,	Notes		
	Principal	Interest	Total
2023	\$ 386,934	\$ 32,978	\$ 419,912
2024	320,131	22,295	342,426
2025	236,580	13,978	250,558
2026	155,791	8,951	164,742
2027	130,908	5,860	136,768
2028-2029	207,386	5,116	212,502
Totals	<u>\$ 1,437,730</u>	<u>\$ 89,178</u>	<u>\$ 1,526,908</u>

Business-type activities:

Fiscal Year Ending June 30,	Bonds - Direct Placements		
	Principal	Interest	Total
2023	\$ 1,114,043	\$ 267,943	\$ 1,381,986
2024	1,119,708	225,354	1,345,062
2025	1,129,708	166,625	1,296,333
2026	1,135,209	122,356	1,257,565
2027	653,083	87,886	740,969
2028-2032	1,466,166	187,982	1,654,148
2033-2036	566,666	38,110	604,776
Totals	<u>\$ 7,184,583</u>	<u>\$ 1,096,256</u>	<u>\$ 8,280,839</u>

Fiscal Year Ending June 30,	Bonds - Direct Borrowings		
	Principal	Interest	Total
2023	\$ 619,165	\$ 243,643	\$ 862,808
2024	620,001	230,991	850,992
2025	620,860	218,313	839,173
2026	621,744	205,611	827,355
2027	622,655	192,883	815,538
2028-2032	3,051,286	773,818	3,825,104
2033-2037	2,954,500	472,720	3,427,220
2038-2042	2,954,500	177,270	3,131,770
Totals	<u>\$ 12,064,711</u>	<u>\$ 2,515,249</u>	<u>\$ 14,579,960</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

All debt is general obligation debt of the City, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

Pollution Remediation Obligation – On September 8, 1983, the Somersworth Sanitary Landfill was placed on the National Priority Listing (NPL) by the Environmental Protection Agency (EPA). The EPA concluded the City's landfill contained fourteen contaminants that had a principal threat to human health and the environment and were in violation of various Federal and State drinking water acts. From the proposed remedial action alternatives, included in the Feasibility Study prepared by the City and other potentially responsible parties in 1993, the EPA selected a remedy that provides treatment of contaminate overburden and bedrock ground water with flushing of contamination from the source area. The key element of this process is the construction of a permeable treatment wall composed of impermeable barrier sections and innovative, permeable, chemical treatment sections to provide in place, flow-through treatment of contaminated ground water at the landfill waste boundary. The ground water will be extracted from the bedrock downgradient of the landfill and be pumped to a monitoring well, which will further reduce the contamination in the bedrock ground water. To accelerate flushing of the landfill, the ground water extracted from the bedrock will be reapplied to the landfill. This process allows the ground water to clean itself in the shortest time feasible, approximately 55 years. The estimated total cost of this alternative, in 1993 dollars, was \$14,984,800.

The City reached an agreement with a potentially responsible party that all construction and subsequent monitoring costs would be split 50.5% and 49.5% between the City and the potentially responsible party, respectively. The total estimated pollution remediation liability and the estimated recoveries from the potentially responsible party are recognized in these financial statements.

On September 5, 2005, the physical construction and the remedy was completed, and minor punch list items remained. The EPA requires the City to perform certain maintenance and monitoring functions at the landfill through September 2056. As of June 30, 2022, the City estimates the pollution remediation obligation to be \$6,188,000 and estimated recoveries from the potentially responsible party of \$3,063,060. The estimated obligation was calculated using the expected cash flow technique measured at current value. In making the estimate, the City assumed an 80% likelihood current monitoring procedures would be adequate and 20% likelihood additional monitoring procedures would be required through 2056 and there would be no unforeseen repairs or changes in EPA's evaluation of the remediation process. This estimate has the potential to change due to factors such as price increases or decreases, changes in technology, or changes in applicable laws or regulations.

NOTE 12 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension 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 with in the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

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 benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (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.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

For Group II members not vested by 1/1/12 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 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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

Contributions: The System is financed by contributions from both the employees and the City. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I members are required to contribute 7% of earnable compensation and group II members (police and fire) are required to contribute 11.55% and 11.80% respectively. For fiscal year 2022, the City contributed 30.67% for police, 29.78% for fire, 19.48% for teachers, and 13.75% for other employees. The contribution requirement for the fiscal year 2022 was \$3,733,665, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2022 the City reported a liability of \$27,628,750 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating Cities and school districts, actuarially determined. At June 30, 2021, the City's proportion was 0.62% which was an increase of 0.01% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$1,886,198. At June 30, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 609,802	\$ 358,372
Changes in assumptions	2,885,667	-
Net difference between projected and actual investment earnings on pension plan investments	-	7,727,128
Differences between expected and actual experience	773,645	289,253
Contributions subsequent to the measurement date	3,733,665	-
Total	<u>\$ 8,002,779</u>	<u>\$ 8,374,753</u>

The \$3,733,665 reported as deferred outflows of resources related to pensions results from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2022	\$ (654,483)
2023	(497,323)
2024	(548,310)
2025	(2,405,523)
Thereafter	-
Totals	<u>\$ (4,105,639)</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2020, using the following actuarial assumptions which, accordingly apply to 2021 measurements:

Inflation:	2.0%
Salary increases:	5.6% average, including inflation
Wage inflation:	2.75% (2.25% for teachers)
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

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

Long-term Rates of Return – The long-term expected rate of return on pension plan investment 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 rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

Following is a table presenting target allocations and long-term rates of return for 2021:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2021
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	20.00%	
Core US Fixed Income	25.00%	3.60%
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	15.00%	
Real estate	10.00%	6.60%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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 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 investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.75% as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2021	\$ 39,512,274	\$ 27,628,750	\$ 17,715,952

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

Reconciliation to the government-wide financial statements:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
Governmental activities	\$ 7,970,607	\$ 26,897,274	\$ 8,155,875
Business-type activities	32,172	731,476	218,878
Total	<u>\$ 8,002,779</u>	<u>\$ 27,628,750</u>	<u>\$ 8,374,753</u>

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

13-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2020 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

Benefits Provided – Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2020 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2021, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2022, the City contributed 3.21% for police and fire, 1.54% for teachers, and 0.31% for other employees. The contribution requirement for the fiscal year 2022 was \$268,579, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – At June 30, 2022, the City reported a liability of \$2,434,834 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating Cities and school districts, actuarially determined. At June 30, 2021, the City's proportion was 0.61% which was an increase of 0.02% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized OPEB expense of \$186,762. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 582	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	30,415
Differences between expected and actual experience	-	508
Contributions subsequent to the measurement date	268,579	-
Total	<u>\$ 269,161</u>	<u>\$ 30,923</u>

The \$268,579 reported as deferred outflows of resources related to OPEB results from the City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2022	\$ (6,883)
2023	(6,390)
2024	(7,163)
2025	(9,905)
Thereafter	-
Totals	<u>\$ (30,341)</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2020 and a measurement date of June 30, 2021. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.0% per year
Wage inflation:	2.75% (2.25% for teachers)
Salary increases:	5.6 % average, including inflation
Investment rate of return:	6.75% net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Mortality rates were based on the Pub-2010 Health Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

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

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment 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 rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

Following is a table presenting target allocations and long-term rates of return for 2021:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2021
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total international equity	20.00%	
Core US Fixed Income	25.00%	3.60%
Private equity	10.00%	8.85%
Private debt	5.00%	7.25%
Total alternative investments	15.00%	
Real estate	10.00%	6.60%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2021 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the City's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the City's proportionate share of the OPEB liability calculated using the discount rate of 6.75% as well as what the City's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2021	\$ 2,646,857	\$ 2,434,834	\$ 2,250,362

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

13-B City of Somersworth Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The City provides postemployment healthcare benefits for certain eligible retirees. The City provides medical benefits to its eligible retirees.

Employees Covered by Benefit Terms – At July 1, 2021 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	40
Active employees	148
Total participants covered by OPEB plan	<u>188</u>

Total OPEB Liability – The City's total OPEB liability of \$5,609,077 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2021.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$5,609,077 in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	2.16%
Healthcare Cost Trend Rates:	
Current Year Trend	7.50%
Second Year Trend	7.35%
Decrement	0.15%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2042
Salary Increases:	1.50%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of July 1, 2021.

Mortality rates were based on the Pub-2010 Public Retirement Plans Teachers mortality table projected generationally with Scale MP-2021 for teachers, Pub-2010 Public Retirement Plans Safety mortality table projected generationally with Scale MP-2021 for firefighters and police officers and Pub-2010 Public Retirement Plans General mortality table projected generationally with Scale MP-2021 for other participants.

Changes in the Total OPEB Liability

	June 30,	
	2021	2022
OPEB liability beginning of year	\$ 5,216,200	\$ 6,022,847
Changes for the year:		
Service cost	136,496	188,585
Interest	181,543	132,769
Assumption changes and difference between actual and expected experience	-	(480,400)
Change in actuarial cost method	820,090	152,834
Benefit payments	(331,482)	(407,558)
OPEB liability end of year	<u>\$ 6,022,847</u>	<u>\$ 5,609,077</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Sensitivity of the City's OPEB Liability to Changes in the Discount Rate – The July 1, 2021 actuarial valuation was prepared using a discount rate of 2.16%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$4,998,392 or by 10.89%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$6,351,642 or by 13.24%.

	Discount Rate		
	1% Decrease	Baseline 2.16%	1% Increase
Total OPEB Liability	\$ 6,351,642	\$ 5,609,077	\$ 4,998,392

Sensitivity of the City's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2021 actuarial valuation was prepared using an initial trend rate of 7.50%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$6,081,710 or by 8.43%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$5,200,767 or by 7.28%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.50%	1% Increase
Total OPEB Liability	\$ 5,200,767	\$ 5,609,077	\$ 6,081,710

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the City recognized OPEB benefit of \$1,180,148. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 375,253	\$ 1,098,142
Differences between expected and actual experience	-	1,361,459
Total	\$ 375,253	\$ 2,459,601

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

Fiscal Year Ending June 30,	
2023	\$ (750,071)
2024	(1,023,437)
2025	(310,840)
Totals	\$ (2,084,348)

Reconciliation to the government-wide financial statements:

	Deferred Outflows of Resources	OPEB Liability	Deferred Inflows of Resources
Governmental activities	\$ 621,021	\$ 7,748,386	\$ 2,390,220
Business-type activities	23,393	295,525	100,304
Total	\$ 644,414	\$ 8,043,911	\$ 2,490,524

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

NOTE 14 – STATE AID TO WATER POLLUTION PROJECTS

Under New Hampshire RSA Chapter 486, the City receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from wastewater infrastructure improvements. At June 30, 2022 the City is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 122,387	\$ 17,075	\$ 139,462
2024	122,387	12,807	135,194
2025	122,387	8,538	130,925
2026	122,387	4,269	126,656
Total	<u>\$ 489,548</u>	<u>\$ 42,689</u>	<u>\$ 532,237</u>

NOTE 15 – COMMITMENTS

The City has active construction projects as of June 30, 2022. At year-end the City commitments with contractors for specific projects are as follows:

Capital Project Program	Spent to Date	Remaining Commitment
Fire Station	\$ 4,029,059	\$ 3,890,558
Cemetery Road Reconstruction	3,144,690	436,579
Total Construction Commitments	<u>\$ 7,173,749</u>	<u>\$ 4,327,137</u>

NOTE 16 - ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at June 30, 2022 are as follows:

General fund:	
Public safety	\$ 43,134
Highways and streets	589,739
Culture and recreation	265
Capital outlay	351,295
Total encumbrances	<u>\$ 984,433</u>

NOTE 17 – GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES AND FIDUCIARY FUNDS NET POSITION

Governmental and business-type activities and fiduciary fund net position reported on the Statements of Net Position at June 30, 2022 include the following:

	Government-wide Financial Statements			Fiduciary
	Governmental Activities	Business-type Activities	Total	Funds
Net investment in capital assets:				
Net book value, all capital assets	\$ 56,483,194	\$ 30,102,204	\$ 86,585,398	\$ -
Less:				
General obligation bonds/notes payable	(18,325,366)	(19,249,293)	(37,574,659)	-
Unamortized bond premiums	(1,608,509)	(1,075,670)	(2,684,179)	-
Notes payable	(1,437,730)	-	(1,437,730)	-
Amount of debt related to unspent proceeds	3,744,878	-	3,744,878	-
Total net investment in capital assets	<u>38,856,467</u>	<u>9,777,241</u>	<u>48,633,708</u>	-

(Continued)

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Governmental and business-type activities and fiduciary funds net position continued:

	Government-wide Financial Statements			Fiduciary Funds
	Governmental Activities	Business-type Activities	Total	
Restricted net position:				
Perpetual care - nonexpendable	173,511	-	173,511	-
Perpetual care - expendable	19,310	-	19,310	-
SB 38 highway block grant	22,011	-	22,011	-
Food service	454,940	-	454,940	-
Police forfeiture	13,427	-	13,427	-
School grants	37,939	-	37,939	-
School capital projects	20,717	-	20,717	-
City grants	314,611	-	314,611	-
City capital projects	4,583,979	-	4,583,979	-
Other	-	-	-	533,848
Total restricted net position	5,640,445	-	5,640,445	533,848
Unrestricted	(34,885,692)	11,585,810	(23,299,882)	-
Total net position	\$ 9,611,220	\$ 21,363,051	\$ 30,974,271	\$ 533,848

NOTE 18 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2022 include the following:

	General Fund	School Grants Fund	City Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:					
Prepaid items	\$ 22,816	\$ -	\$ -	\$ -	\$ 22,816
Permanent fund - principal balance	-	-	-	173,511	173,511
Total nonspendable fund balance	22,816	-	-	173,511	196,327
Restricted:					
School grants	-	37,939	-	-	37,939
City capital projects	-	-	4,583,979	-	4,583,979
SB 38 Highway block grant	-	-	-	22,011	22,011
City grants	-	-	-	314,611	314,611
Police forfeiture	-	-	-	13,427	13,427
Food service	-	-	-	454,940	454,940
School capital projects	-	-	-	20,717	20,717
Permanent - income balance	-	-	-	19,310	19,310
Total restricted fund balance	-	37,939	4,583,979	845,016	5,466,934
Committed:					
Expendable trust	332,043	-	-	-	332,043
Conservation	-	-	-	188,931	188,931
Cable communications	-	-	-	131,143	131,143
City other special revenue funds	-	-	-	36,990	36,990
School other special revenue funds	-	-	-	40,718	40,718
Transportation improvement trust	-	-	-	121,279	121,279
Other trusts	-	-	-	76,670	76,670
Total committed fund balance	332,043	-	-	595,731	927,774

(Continued)

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

Governmental fund balances continued:

	General Fund	School Grants Fund	City Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assigned:					
Encumbrances	984,433	-	-	-	984,433
Student activity funds	-	-	-	98,635	98,635
Total assigned fund balance	984,433	-	-	98,635	1,083,068
Unassigned	7,700,474	-	-	-	7,700,474
Total governmental fund balances	<u>\$ 9,039,766</u>	<u>\$ 37,939</u>	<u>\$ 4,583,979</u>	<u>\$ 1,712,893</u>	<u>\$ 15,374,577</u>

NOTE 19 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2022, the City was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2021 to June 30, 2022 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the City's property schedule on file with Primex³. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2021-22 the City paid \$291,122 and \$288,519 respectively, to Primex for property, liability and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 20 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City had no such tax abatement programs as of June 30, 2022.

NOTE 21 – COVID-19

As a result of the spread of COVID-19, Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

NOTE 22 – CONTINGENT LIABILITIES

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

NOTE 23 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through March 29, 2023, the date the June 30, 2022 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Schedule of the City's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2022
Unaudited

Fiscal year-end	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
City's proportion of the net pension liability	0.63%	0.64%	0.63%	0.64%	0.62%	0.63%	0.61%	0.61%	0.62%
City's proportionate share of the net pension liability	\$ 27,115,078	\$ 24,002,258	\$ 25,120,120	\$ 34,181,336	\$ 30,683,127	\$ 30,111,197	\$ 29,477,219	\$ 39,140,944	\$ 27,628,750
City's covered payroll (as of the measurement date)	\$ 15,319,843	\$ 15,764,272	\$ 16,218,949	\$ 16,568,181	\$ 16,535,231	\$ 16,767,460	\$ 16,802,057	\$ 17,178,692	\$ 17,969,590
City's proportionate share of the net pension liability as a percentage of its covered payroll	176.99%	152.26%	154.88%	206.31%	185.56%	179.58%	175.44%	227.85%	153.75%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%

EXHIBIT H
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Schedule of City Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2022
Unaudited

Fiscal year-end	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contribution	\$ 2,127,337	\$ 2,301,721	\$ 2,285,599	\$ 2,643,031	\$ 2,665,744	\$ 2,666,015	\$ 2,718,518	\$ 3,733,665
Contributions in relation to the contractually required contributions	2,127,337	2,301,721	2,285,599	2,643,031	2,665,744	2,666,015	2,718,518	3,733,665
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll (as of the fiscal year end)	\$ 16,218,949	\$ 16,568,181	\$ 16,535,231	\$ 16,767,460	\$ 16,802,057	\$ 17,178,692	\$ 17,969,590	\$ 19,340,258
Contributions as a percentage of covered payroll	13.12%	13.89%	13.82%	15.76%	15.87%	15.52%	15.13%	19.31%

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

***Schedule of the City's Proportionate Share of Net Pension Liability and
Schedule of City Contributions - Pensions***

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – There were no changes in assumptions for the current period.

Methods and Assumptions Used to Determine Contribution Rates – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at www.nhrs.org.

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the City's pension plan at June 30, 2022. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

EXHIBIT I
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Schedule of the City's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2022
Unaudited

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
City's proportion of the net OPEB liability	0.61%	0.60%	0.59%	0.59%	0.59%	0.61%
City's proportionate share of the net OPEB liability (asset)	\$ 2,968,420	\$ 2,733,417	\$ 2,722,472	\$ 2,576,768	\$ 2,591,842	\$ 2,434,834
City's covered payroll (as of the measurement date)	\$ 16,568,181	\$ 16,535,231	\$ 16,767,460	\$ 16,802,057	\$ 17,178,692	\$ 17,969,590
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	17.92%	16.53%	16.24%	15.34%	15.09%	13.55%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%	11.06%

EXHIBIT J
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Schedule of City Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2022
Unaudited

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Contractually required contribution	\$ 354,326	\$ 263,021	\$ 268,201	\$ 268,226	\$ 292,142	\$ 268,579
Contributions in relation to the contractually required contribution	354,326	263,021	268,201	268,226	292,142	268,579
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll (as of the fiscal year end)	\$ 16,535,231	\$ 16,767,460	\$ 16,802,057	\$ 17,178,692	\$ 17,969,590	\$ 19,340,258
Contributions as a percentage of covered payroll	2.14%	1.57%	1.60%	1.56%	1.63%	1.39%

EXHIBIT K
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Schedule of Changes in the City's Total Other Postemployment Benefits Liability and Related Ratios
Retiree Health Benefit Program
For the Fiscal Year Ended June 30, 2022
Unaudited

	June 30,				
	2018	2019	2020	2021	2022
OPEB liability, beginning of year	\$ 12,522,983	\$ 7,346,405	\$ 7,312,811	\$ 5,216,200	\$ 6,022,847
Changes for the year:					
Service cost	437,287	273,431	254,999	136,496	188,585
Interest	337,275	233,514	285,467	181,543	132,769
Assumption changes and difference between actual and expected experience	(2,975,310)	(221,807)	(2,531,414)	-	(480,400)
Change in actuarial cost method	(2,821,012)	-	277,120	820,090	152,834
Benefit payments	(154,818)	(318,732)	(382,783)	(331,482)	(407,558)
OPEB liability, end of year	<u>\$ 7,346,405</u>	<u>\$ 7,312,811</u>	<u>\$ 5,216,200</u>	<u>\$ 6,022,847</u>	<u>\$ 5,609,077</u>
Covered payroll	<u>\$ 16,069,210</u>	<u>\$ 16,796,116</u>	<u>\$ 17,929,114</u>	<u>\$ 17,312,549</u>	<u>\$ 18,840,822</u>
Total OPEB liability as a percentage of covered payroll	45.72%	43.54%	29.09%	34.79%	29.77%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

***Schedule of the City's Proportionate Share of Net Other Postemployment Benefits Liability and
Schedule of City Contributions – Other Postemployment Benefits***

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – There were no changes in assumptions for the current period.

Methods and Assumptions Used to Determine Contribution Rates – A full list of the methods and assumptions used to determine the contribution rates can be found in the most recent actuarial valuation report. This report can be located at www.nhrs.org.

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the City's other postemployment benefits at June 30, 2022. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Schedule of Changes in City's Total Other Postemployment Benefits Liability and Related Ratios

Changes in Benefit Terms – There were no changes in benefit terms for the current period.

Changes in Assumptions – There were no changes in assumptions for the current period.

As required by GASB Statement No. 75, Exhibit K represents the actuarial determined costs associated with the City's other postemployment benefits at June 30, 2022. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2022

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 27,597,398	\$ 27,597,885	\$ 487
Yield	-	317	317
Other	-	26,624	26,624
Payment in lieu of taxes	157,014	123,759	(33,255)
Interest and penalties on taxes	200,000	171,727	(28,273)
Total from taxes	27,954,412	27,920,312	(34,100)
Licenses, permits, and fees:			
Business licenses, permits, and fees	74,975	172,301	97,326
Motor vehicle permit fees	1,845,000	2,065,838	220,838
Building permits	100,000	198,173	98,173
Total from licenses, permits, and fees	2,019,975	2,436,312	416,337
Intergovernmental:			
State:			
Meals and rooms distribution	870,269	870,269	-
Highway block grant	223,054	222,171	(883)
Education related	8,919,893	9,184,601	264,708
Other	1,862	209,185	207,323
Federal:			
Other	726,462	706,469	(19,993)
Total from intergovernmental	10,741,540	11,192,695	451,155
Charges for services:			
Income from departments	566,661	713,981	147,320
Miscellaneous:			
Sale of municipal property	25,000	37,420	12,420
Interest on investments	45,000	63,903	18,903
Other	730,883	527,383	(203,500)
Total from miscellaneous	800,883	628,706	(172,177)
Other financing sources:			
Transfers in	239,863	239,863	-
Total revenues and other financing sources	42,323,334	\$ 43,131,869	\$ 808,535
Unassigned fund balance used to reduce tax rate	1,219,671		
Amounts voted from fund balance	723,538		
Total revenues, other financing sources, and use of fund balance	\$ 44,266,543		

See Independent Auditor's Report.

SCHEDULE 2
CITY OF SOMERSWORTH, NEW HAMPSHIRE

Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2022

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 545,234	\$ 507,861	\$ -	\$ 37,373
Election and registration	-	185,487	174,558	-	10,929
Financial administration	-	661,366	710,014	-	(48,648)
Revaluation of property	8,860	166,416	190,668	-	(15,392)
Planning and zoning	-	303,831	313,122	-	(9,291)
General government buildings	5,300	176,846	182,603	-	(457)
Cemeteries	7,620	8,770	6,326	-	10,064
Other	3,500	29,945	20,231	-	13,214
Total general government	25,280	2,077,895	2,105,383	-	(2,208)
Public safety:					
Police	1,925	4,460,389	4,303,203	43,134	115,977
Fire	6,897	2,382,773	2,346,133	-	43,537
Building inspection	-	218,468	215,348	-	3,120
Total public safety	8,822	7,061,630	6,864,684	43,134	162,634
Highways and streets:					
Administration	-	1,502,351	1,468,419	-	33,932
Highways and streets	665,301	1,294,725	1,321,777	585,194	53,055
Street lighting	-	106,700	81,469	-	25,231
Other	5,902	75,160	82,300	4,545	(5,783)
Total highways and streets	671,203	2,978,936	2,953,965	589,739	106,435
Sanitation:					
Solid waste collection	-	248,558	176,578	-	71,980
Health:					
Health agencies	-	109,780	105,866	-	3,914
Welfare:					
Administration and direct assistance	-	232,998	131,673	-	101,325
Culture and recreation:					
Parks and recreation	-	198,265	145,901	-	52,364
Library	1,028	290,645	275,058	265	16,350
Patriotic purposes	-	800	-	-	800
Other	-	12,750	9,294	-	3,456
Total culture and recreation	1,028	502,460	430,253	265	72,970
Economic development	-	8,125	2,686	-	5,439
Debt service:					
Principal of long-term debt	-	1,735,835	1,682,710	-	53,125
Interest on long-term debt	-	783,747	795,509	-	(11,762)
Other	-	294,336	294,336	-	-
Total debt service	-	2,813,918	2,772,555	-	41,363
Education	-	26,405,109	25,632,564	-	772,545
Capital outlay	285,924	383,553	293,601	351,295	24,581

(Continued)

See Independent Auditor's Report.

SCHEDULE 2 (Continued)
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2022

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Other financing uses:					
Transfers out	-	1,443,581	1,443,581	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 992,257	\$ 44,266,543	\$ 42,913,389	\$ 984,433	\$ 1,360,978

See Independent Auditor's Report.

SCHEDULE 3
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2022

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 8,246,997
Changes:		
Unassigned fund balance used to reduce 2021-2022 tax rate		(1,219,671)
Amounts voted from fund balance		(723,538)
2021-22 Budget summary:		
Revenue surplus (Schedule 1)	\$ 808,535	
Unexpended balance of appropriations (Schedule 2)	<u>1,360,978</u>	
2021-22 Budget surplus		2,169,513
Increase in nonspendable fund balance		<u>(3,744)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		8,469,557
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(702,674)
Consolidation of blended pollution remediation fund deficit fund balance		<u>(66,409)</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 7,700,474</u></u>

SCHEDULE 4
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue Funds				
	SB 38 Highway Block Grant	Conservation	City Grants	Cable Communications	City Other Special Revenue Funds
ASSETS					
Cash and cash equivalents	\$ 22,011	\$ -	\$ 249,804	\$ 101,931	\$ 26,800
Investments	-	188,931	-	-	23,617
Accounts receivable	-	-	141,062	29,655	-
Intergovernmental receivable	-	-	-	-	-
Interfund receivable	-	-	-	-	-
Total assets	<u>\$ 22,011</u>	<u>\$ 188,931</u>	<u>\$ 390,866</u>	<u>\$ 131,586</u>	<u>\$ 50,417</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 74,844	\$ 190	\$ -
Accrued salaries and benefits payable	-	-	1,411	253	-
Total liabilities	<u>-</u>	<u>-</u>	<u>76,255</u>	<u>443</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - student balances	-	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	22,011	-	314,611	-	13,427
Committed	-	188,931	-	131,143	36,990
Assigned	-	-	-	-	-
Total fund balances	<u>22,011</u>	<u>188,931</u>	<u>314,611</u>	<u>131,143</u>	<u>50,417</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,011</u>	<u>\$ 188,931</u>	<u>\$ 390,866</u>	<u>\$ 131,586</u>	<u>\$ 50,417</u>

Special Revenue Funds							
School Other Special Revenue Funds	Food Service	Transportation Improvement Trust	Other Trusts	Student Activity Funds	School Capital Projects	Permanent Fund	Total
\$ 42,845	\$ 223,212	\$ 1,947	\$ 1,615	\$ 98,635	\$ 20,717	\$ 4,063	\$ 793,580
-	-	113,032	75,055	-	-	188,758	589,393
-	-	500	-	-	-	-	171,217
-	286,977	-	-	-	-	-	286,977
-	-	5,800	-	-	-	-	5,800
<u>\$ 42,845</u>	<u>\$ 510,189</u>	<u>\$ 121,279</u>	<u>\$ 76,670</u>	<u>\$ 98,635</u>	<u>\$ 20,717</u>	<u>\$ 192,821</u>	<u>\$ 1,846,967</u>
\$ 2,127	\$ 36,277	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,438
-	-	-	-	-	-	-	1,664
<u>2,127</u>	<u>36,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,102</u>
-	18,972	-	-	-	-	-	18,972
-	-	-	-	-	-	173,511	173,511
-	454,940	-	-	-	20,717	19,310	845,016
40,718	-	121,279	76,670	-	-	-	595,731
-	-	-	-	98,635	-	-	98,635
<u>40,718</u>	<u>454,940</u>	<u>121,279</u>	<u>76,670</u>	<u>98,635</u>	<u>20,717</u>	<u>192,821</u>	<u>1,712,893</u>
<u>\$ 42,845</u>	<u>\$ 510,189</u>	<u>\$ 121,279</u>	<u>\$ 76,670</u>	<u>\$ 98,635</u>	<u>\$ 20,717</u>	<u>\$ 192,821</u>	<u>\$ 1,846,967</u>

See Independent Auditor's Report.

SCHEDULE 5
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2022

	Special Revenue Funds				
	SB 38 Highway Block Grant	Conservation	City Grants	Cable Communications	City Other Special Revenue Funds
REVENUES					
Taxes	\$ -	\$ 53,648	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	334,077	-	-
Charges for services	-	-	-	119,396	-
Miscellaneous	-	29,903	841	-	48,838
Unrealized loss on investments	-	-	-	-	-
Total revenues	-	83,551	334,918	119,396	48,838
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	99,114	-	-
Highways and streets	-	-	194,067	-	-
Culture and recreation	-	-	3,148	35,805	65,692
Conservation	-	704	-	-	-
Education	-	-	-	-	-
Food service	-	-	-	-	-
Capital outlay	-	-	14,559	4,230	-
Total expenditures	-	704	310,888	40,035	65,692
Excess (deficiency) of revenues over (under) expenditures	-	82,847	24,030	79,361	(16,854)
OTHER FINANCING USES					
Transfers out	-	-	-	(239,863)	-
Net change in fund balances	-	82,847	24,030	(160,502)	(16,854)
Fund balances, beginning	22,011	106,084	290,581	291,645	67,271
Fund balances, ending	\$ 22,011	\$ 188,931	\$ 314,611	\$ 131,143	\$ 50,417

Special Revenue Funds							
School Other Special Revenue Funds	Food Service	Transportation Improvement Trust	Other Trusts	Student Activity Funds	School Capital Projects	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,648
-	-	66,231	-	-	-	-	66,231
-	1,158,163	-	-	-	-	-	1,492,240
51,623	16,516	-	-	90,374	-	-	277,909
-	-	926	2,590	-	-	6,022	89,120
-	-	(5,166)	(10,245)	-	-	(25,840)	(41,251)
51,623	1,174,679	61,991	(7,655)	90,374	-	(19,818)	1,937,897
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	99,114
-	-	-	-	-	-	-	194,067
-	-	-	-	-	-	-	104,645
-	-	-	-	-	-	-	704
57,608	-	-	-	87,970	-	-	145,578
-	830,777	-	-	-	-	-	830,777
-	-	-	-	-	35,500	-	54,289
57,608	830,777	-	-	87,970	35,500	-	1,429,174
(5,985)	343,902	61,991	(7,655)	2,404	(35,500)	(19,818)	508,723
-	-	-	-	-	-	-	(239,863)
(5,985)	343,902	61,991	(7,655)	2,404	(35,500)	(19,818)	268,860
46,703	111,038	59,288	84,325	96,231	56,217	212,639	1,444,033
\$ 40,718	\$ 454,940	\$ 121,279	\$ 76,670	\$ 98,635	\$ 20,717	\$ 192,821	\$ 1,712,893

See Independent Auditor's Report.

SCHEDULE 6
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Student Activity Funds
Combining Balance Sheet
June 30, 2022

	Idlehurst Elementary	Maple Wood Elementary	Middle School	High School	Career Technical Center	Total
ASSETS						
Cash and cash equivalents	\$ 7,535	\$ 10,991	\$ 15,998	\$ 60,601	\$ 3,510	\$ 98,635
FUND BALANCES						
Assigned	\$ 7,535	\$ 10,991	\$ 15,998	\$ 60,601	\$ 3,510	\$ 98,635

See Independent Auditor's Report.

SCHEDULE 7
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Student Activity Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2022

	Idlehurst Elementary	Maple Wood Elementary	Middle School	High School	Career Technical Center	Total
REVENUES						
Charges for services	\$ 7,006	\$ 13,690	\$ 37,779	\$ 28,774	\$ 3,125	\$ 90,374
EXPENDITURES						
Education	6,965	15,368	38,169	24,086	3,382	87,970
Net change in fund balances	41	(1,678)	(390)	4,688	(257)	2,404
Fund balances, beginning	7,494	12,669	16,388	55,913	3,767	96,231
Fund balances, ending	<u>\$ 7,535</u>	<u>\$ 10,991</u>	<u>\$ 15,998</u>	<u>\$ 60,601</u>	<u>\$ 3,510</u>	<u>\$ 98,635</u>

***SINGLE AUDIT ACT SCHEDULES AND
INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

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

Independent Auditor's Report

To the Honorable Mayor, City Council, and City Manager
City of Somersworth
Somersworth, 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, business-type activities, each major governmental and proprietary fund, and the aggregate remaining fund information of the City of Somersworth, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Somersworth's basic financial statements, and have issued our report thereon dated March 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Somersworth'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 of Somersworth's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Somersworth'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.

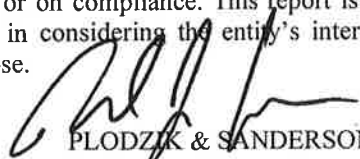
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Somersworth'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.

March 29, 2023
Concord, New Hampshire


PLODZIK & SANDERSON
Professional Association



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Somersworth's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Somersworth's major federal programs for the year ended June 30, 2022. The City of Somersworth's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Somersworth complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Somersworth and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Somersworth's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Somersworth's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Somersworth's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting

City of Somersworth

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Somersworth's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Somersworth's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Somersworth's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Somersworth's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

March 29, 2023
Concord, New Hampshire



PLODZIK & SANDERSON
Professional Association

SCHEDULE I
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified opinions

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.582	Child Nutrition Cluster
84.425D/84.425U	Education Stabilization Fund

Dollar threshold used to distinguish between type A and
type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the State of New Hampshire Department of Education				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	N/A	\$ -	\$ 228,709
National School Lunch Program	10.555	N/A	-	769,958
Fresh Fruits and Vegetable Program	10.582	N/A	-	56,216
<i>CLUSTER TOTAL</i>			-	1,054,883
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
New Hampshire Community Development Finance Authority				
Community Development Block Grants/State's Program	14.228	20-218-CDHS	-	87,371
U.S. DEPARTMENT OF JUSTICE				
Passed Through the State of New Hampshire Department of Justice				
Community Prosecution and Project Safe Neighborhoods	16.609	20PSN18A	-	4,097
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the State of New Hampshire Department of Transportation				
Highway Planning and Construction: Transportation Alternatives Program Grant	20.205	41363	-	14,849
Congestion Mitigation and Air Quality Improvement - High St/Route 108 Signal System	20.205	41741	-	6,104
<i>PROGRAM TOTAL</i>			-	20,953
U.S. DEPARTMENT OF TREASURY				
Passed Through the State of New Hampshire Governor's Office for Emergency Relief and Recovery				
COVID-19 - Coronavirus Relief Fund	21.019	N/A	-	42,058
U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed Through the State of New Hampshire State Library				
Library Hoopla Grant	45.310	N/A	-	2,307
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed Through the State of New Hampshire Department of Environmental Services				
Drinking Water State Revolving Fund	66.458	#CS330001-19	-	1,085,208
U.S. DEPARTMENT OF EDUCATION				
Passed Through the State of New Hampshire Department of Education				
Title I Grants to Local Educational Agencies:				
Title I	84.010	20210985	-	93,159
Title I	84.010	20220292	-	575,392
<i>PROGRAM TOTAL</i>			-	668,551

(Continued)

The accompanying notes are an integral part of this schedule.

SCHEDULE II (Continued)
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
SPECIAL EDUCATION CLUSTER				
Special Education - Grants to States:				
IDEA	84.027	92641	-	592
IDEA - Comp Ed	84.027A	20205078	-	7,607
IDEA	84.027	20211438	-	18,239
IDEA	84.027	20220331	-	387,198
ARP IDEA	84.027X	20220539	-	19,840
Special Education - Preschool Grants:				
Preschool	84.173	92641	-	(290)
Preschool	84.173	20211438	-	2,739
Preschool	84.173	20220331	-	8,957
<i>CLUSTER TOTAL</i>			-	444,882
Career and Technical Education - Basic Grants to States:				
Perkins V Program Improvement	84.048	20210749	-	8,510
Perkins Reserve Innovation	84.048	20211560	-	7,365
Perkins V Program Improvement	84.048	20220085	-	56,783
<i>PROGRAM TOTAL</i>			-	72,658
English Language Acquisition State Grants:				
Title III	84.365	20190272	-	6
Title III	84.365	20200272	-	4,775
Title III	84.365	20211258	-	11,009
Title III	84.365	20220729	-	655
<i>PROGRAM TOTAL</i>			-	16,445
Supporting Effective Instruction State Grants:				
Title IIA	84.367	20200196	-	13,972
Title IIA	84.367	20211105	-	88,995
Title IIA	84.367	20220592	-	35,852
<i>PROGRAM TOTAL</i>			-	138,819
Twenty-First Century Community Learning Centers	84.287C	20220122	-	201,570
Student Support and Academic Enrichment Program:				
Title IVA	84.424	20190720	-	18,325
Title IVA	84.424	20200720	-	9,317
Title IVA	84.424	20211751	-	8,558
<i>PROGRAM TOTAL</i>			-	36,200
COVID-19 - Education Stabilization Fund:				
ESSER I	84.425D	20200805	-	23,761
ESSER II	84.425D	20211534	-	2,266,591
ESSER III	84.425U	20220469	-	348,069
<i>PROGRAM TOTAL</i>			-	2,638,421
DIRECT FUNDING				
U.S. DEPARTMENT OF TREASURY				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	648,438
U.S. DEPARTMENT OF JUSTICE				
Public Safety Partnership and Community Policing Grants	16.710	N/A	-	35,971
Edward Byrne Memorial Justice Assistance Grant Program	16.378	N/A	-	438
Total Expenditures of Federal Awards			\$ -	\$ 7,199,270

The accompanying notes are an integral part of this schedule.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Somersworth under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Somersworth, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Somersworth.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The City of Somersworth has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Food Donations

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities on the date received. For the fiscal year ended June 30, 2022, the value of the food donations received was \$38,806.