

**CITY OF SOMERSWORTH,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the City of Somersworth as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of the City of Somersworth, as of June 30, 2020, and the respective changes in financial position, 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.

Change in Accounting Principle

As discussed in Note 2-D to the financial statements, in fiscal year 2020 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

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

Other Matters

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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021 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 24, 2021



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, 2020. 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 \$17,759,166, presented as "net position" shown on the Statement of Net Position for the Total Primary Government. The City's Net Position increased by \$5,196,384 compared to the prior year.

- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$8,096,482, a change of \$(333,302) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,233,204, a change of \$854,624 in comparison with the prior year. Due to City Council action, \$800,000 of the General Fund 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 \$24,101,934, a change of (\$1,587,266) 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. All amounts are presented in thousands of dollars.

	<u>GOVERNMENTAL ACTIVITIES</u>			
	2020	2019 (as restated)	Change	% Change
Current assets	\$ 23,107,924	\$ 22,669,175	\$ 438,749	1.94%
Noncurrent assets	53,988,307	51,799,716	2,188,591	4.23%
Total assets	77,096,231	74,468,891	2,627,340	3.53%
Deferred outflows of resources	3,694,641	5,748,837	(2,054,196)	-35.73%
Current liabilities	2,235,123	2,320,852	(85,729)	-3.69%
Noncurrent liabilities	59,188,049	63,526,694	(4,338,645)	-6.83%
Total Liabilities	61,423,172	65,847,546	(4,424,374)	-6.72%
Deferred inflows of resources	19,614,752	17,778,433	1,836,319	10.33%
Net investment in capital assets	36,088,819	32,946,893	3,141,926	9.54%
Restricted net position	741,674	953,456	(211,782)	-22.21%
Unrestricted net position	(37,077,545)	(37,308,600)	231,055	-0.62%
Total net position	\$ (247,052)	\$ (3,408,251)	\$ 3,161,199	-92.75%

	<u>BUSINESS-TYPE ACTIVITIES</u>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Current assets	\$ 9,958,462	\$ 7,060,391	\$2,898,071	41.05%
Noncurrent assets	20,065,394	19,856,557	208,837	1.05%
Total assets	<u>30,023,856</u>	<u>26,916,948</u>	<u>3,106,908</u>	<u>11.54%</u>
Deferred outflows of resources	<u>132,350</u>	<u>157,619</u>	<u>(25,269)</u>	<u>-16.03%</u>
Current liabilities	1,431,999	450,402	981,597	217.94%
Noncurrent liabilities	10,466,696	10,279,638	187,058	1.82%
Total Liabilities	<u>11,898,695</u>	<u>10,730,040</u>	<u>1,168,655</u>	<u>10.89%</u>
Deferred inflows of resources	<u>251,293</u>	<u>373,494</u>	<u>(122,201)</u>	<u>-32.72%</u>
Net investment in capital assets	10,184,488	10,256,521	(72,033)	-0.70%
Unrestricted net position	7,821,730	5,714,512	2,107,218	36.87%
Total net position	<u>\$ 18,006,218</u>	<u>\$ 15,971,033</u>	<u>\$2,035,185</u>	<u>12.74%</u>

	<u>GOVERNMENTAL ACTIVITIES</u>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Expenses:				
General government	\$2,757,334	\$1,902,985	\$ 854,349	44.90%
Public safety	6,416,307	6,227,334	188,973	3.03%
Highways and streets	3,033,965	2,664,449	369,516	13.87%
Sanitation	236,886	253,806	(16,920)	-6.67%
Health and welfare	244,891	290,900	(46,009)	-15.82%
Culture and recreation	486,507	483,636	2,871	0.59%
Conservation	1,489	837	652	77.90%
Economic development	17,187	13,287	3,900	29.35%
Education	27,207,104	25,819,033	1,388,071	5.38%
Food service	720,106	738,444	(18,338)	-2.48%
Interest on short-term debt	577,103	560,139	16,964	3.03%
Pollution remediation impact	62,602	410,958	(348,356)	-84.77%
Total expenditures	<u>41,761,481</u>	<u>39,365,808</u>	<u>2,395,673</u>	<u>6.09%</u>
Program revenues:				
Charges for services	865,783	903,198	(37,415)	-4.14%
Operating grants and contributions	13,445,368	10,731,124	2,714,244	25.29%
Capital grants and contributions	2,043,147	750,639	1,292,508	172.19%
General revenues:				
Property taxes and other taxes	24,585,042	26,076,562	(1,491,520)	-5.72%
Licenses and permits	2,329,877	2,303,697	26,180	1.14%
Grants and contributions not related to a specific program	904,222	603,047	301,175	49.94%
Unrestricted investment earnings	305,281	353,041	(47,760)	-13.53%
Miscellaneous	443,960	527,050	(83,090)	-15.77%
Total revenues	<u>44,922,680</u>	<u>42,248,358</u>	<u>\$2,674,322</u>	<u>6.33%</u>
Beginning net position, as restated	(3,408,251)	(6,290,801)		
Ending net position	<u>(247,052)</u>	<u>(3,408,251)</u>		
Change in net position	<u>\$3,161,199</u>	<u>\$2,882,550</u>		

	<u>BUSINESS-TYPE ACTIVITIES</u>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>% Change</u>
Expenses:				
Water	\$ 1,813,592	\$ 2,325,872	\$ (512,280)	-22.03%
Sewer	2,271,436	2,492,399	(220,963)	-8.87%
Solid waste	474,984	435,648	39,336	9.03%
Total expenditures	<u>4,560,012</u>	<u>5,253,919</u>	<u>(693,907)</u>	<u>-13.21%</u>
Program revenues:				
Charges for services	6,565,315	5,775,771	789,544	13.67%
Capital grants and contributions	29,882	34,151	(4,269)	-12.50%
General revenues:				
Miscellaneous	<u>-</u>	<u>58,311</u>	<u>(58,311)</u>	<u>-100.00%</u>
Total revenues	<u>6,595,197</u>	<u>5,868,233</u>	<u>\$ 726,964</u>	<u>12.39%</u>
Beginning net position, as restated	15,971,033	15,356,719		
Ending net position	<u>18,006,218</u>	<u>15,971,033</u>		
Change in net position	<u>\$ 2,035,185</u>	<u>\$ 614,314</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 \$17,759,166, a change of \$5,196,384 from the prior year.

The largest portion of the City's net position, \$46,273,307 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, \$741,674 represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$29,255,815) 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.

The City of Somersworth implemented GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation, the City of Somersworth restated the fiscal 2020 beginning net position of the governmental activities. The following are the details of the restatement:

	Gov-Wide Statements	School Grants Fund	School Cap Projects	Other Gov Funds	Fiduciary Funds
To restate for the cumulative changes related to implementation of GASB Statement No. 84	\$ 108,859	\$ -	\$ -	\$ 108,859	\$ 786,896
To recognize funds as a major funds, previously reported as other governmental	-	126,188	1,194,028	(1,320,216)	-
Net position/fund balance, as previously reported	(3,517,110)	-	-	2,928,768	190,439
Net position/fund balance, as restated	<u>\$(3,408,251)</u>	<u>\$ 126,188</u>	<u>\$ 1,194,028</u>	<u>\$ 1,717,411</u>	<u>\$ 977,335</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$3,161,199. Key elements of this change are as follows:

	Governmental Activities
General fund operating results, as disclosed in Exhibit C-3	\$ 1,108,574
School grants operating results	(3,211)
School capital projects operating results	(1,266,654)
Non-major funds operating results	(172,011)
Other GAAP acccruals, see Exhibit C-4 in the financial statements	3,494,501
Total	<u>\$ 3,161,199</u>

Business-Type Activities. Business-type activities for the year resulted in a change in net position of \$2,035,185. Key elements of this change are as follows:

	Business-type Activities
Water Fund	\$ 891,602
Sewer Fund	1,071,336
Solid Waste Fund	72,247
Total	<u>\$ 2,035,185</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 \$8,096,482, a change of \$(333,302) in comparison with the prior year. Key elements of this change are as follows:

	Governmental Funds
General fund operating results, as disclosed below	\$ 1,108,574
School grants operating results	(3,211)
School capital projects operating results	(1,266,654)
Non-major funds operating results	(172,011)
	<u>\$ (333,302)</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 \$5,233,204 while total fund balance was \$6,500,731. 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 \$1,108,574 during the current fiscal year. Key factors in this change are as follows:

	General Fund
Revenues:	
Actual revenues and operating transfers in	\$ 40,561,238
Inception of capital leases	400,000
GASB Statement No. 54:	
To record revenue of the blended funds	99,458
Change in deferred tax revenue relating to 60-day revenue recognition	
recognized as revenue on the GAAP basis, but not on the budgetary basis	(11,314)
	<u>41,049,382</u>
Expenditures:	
Actual expenditures less than appropriated amounts	39,521,838
Inception of capital leases	400,000
Encumbrances, beginning	636,812
Encumbrances, ending	(693,280)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	191,396
To eliminate transfers between the general fund and blended funds	(115,958)
Total	<u>39,940,808</u>
	<u>\$ 1,108,574</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 \$7,821,730, a change of \$2,107,218 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 of the financial statements.

	<u>FY 2019-2020</u>
Original budget adopted by the City Council, Ordinance 17-19, April 1, 2019	\$ 39,717,950
Supplemental appropriation, Ordinance 11-20, November 18, 2019	669,865
Supplemental appropriation, Ordinance 16-20, March 16, 2020	380,000
Supplemental appropriation, Ordinance 18-20, March 24, 2020	589,250
Supplemental appropriation, Ordinance 20-20, June 1, 2020	<u>20,000</u>
Total Budget	<u>\$ 41,377,065</u>

The overall budget decreased by (\$148,285) from the prior fiscal year to current fiscal year; a 0.357% decrease.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$70,375,241 (net of accumulated depreciation), a change of \$2,463,106 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 \$24,101,934, 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

Fiscal year 2020 followed up the prior fiscal year with a strong housing market in Somersworth, even in light of the beginning of a pandemic crisis. The housing market is still strong with a number of large-scale developments. Commercial development is thriving along Route 108, referred to as the “Medical Mile”, and within the City’s business district. Some business, mainly in the service industry, were hurt by the slowdown due to the pandemic. City resources stayed consistent with prior years for FY20, however City officials will monitor this as any negative impacts may not be fully recognized until future periods.

The City is moving forward with a number of important infrastructure improvements projects. A multi-year upgrade to the Wastewater Treatment Facility is expected to be substantially complete in the fall of 2021. This will improve capacity for the entire system. The City Council has authorized funding for a complete streets project on Cemetery Road which is planned to start in the spring of 2021 and be substantially complete by the end of the year. The City Council has also authorized funding for a new Fire/Rescue Building, also expected to start in the spring of 2021. This project is expected to be completed in 18 months from the start date.

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, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 13,015,694	\$ 8,171,633	\$ 21,187,327
Investments	6,831,027	-	6,831,027
Taxes receivables (net)	926,252	-	926,252
Account receivables (net)	362,297	1,008,775	1,371,072
Intergovernmental receivable	1,346,287	1,182,952	2,529,239
Internal balances	518,271	(518,271)	-
Inventory	-	88,547	88,547
Prepaid items	20,481	24,826	45,307
Remediation receivable	87,615	-	87,615
Noncurrent assets:			
Intergovernmental receivable	-	611,935	611,935
Remediation receivable	3,066,525	-	3,066,525
Capital assets:			
Land and construction in progress	3,611,540	2,823,058	6,434,598
Other capital assets, net of depreciation	47,310,242	16,630,401	63,940,643
Total assets	<u>77,096,231</u>	<u>30,023,856</u>	<u>107,120,087</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	3,303,944	117,953	3,421,897
Amounts related to other postemployment benefits	390,697	14,397	405,094
Total deferred outflows of resources	<u>3,694,641</u>	<u>132,350</u>	<u>3,826,991</u>
LIABILITIES			
Accounts payable	1,029,316	191,350	1,220,666
Accrued salaries and benefits	337,546	23,049	360,595
Retainage payable	119,504	107,286	226,790
Contracts payable	-	1,035,421	1,035,421
Accrued interest payable	77,581	74,893	152,474
Intergovernmental payable	7,700	-	7,700
Bond anticipation note payable	650,000	-	650,000
Other payable	13,476	-	13,476
Long-term liabilities:			
Due within one year	2,200,228	1,040,323	3,240,551
Due in more than one year	56,987,821	9,426,373	66,414,194
Total liabilities	<u>61,423,172</u>	<u>11,898,695</u>	<u>73,321,867</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	12,128,024	-	12,128,024
Unavailable revenue - student balances	21,341	-	21,341
Amounts related to pensions	1,923,463	53,120	1,976,583
Amounts related to other postemployment benefits	5,541,924	198,173	5,740,097
Total deferred inflows of resources	<u>19,614,752</u>	<u>251,293</u>	<u>19,866,045</u>
NET POSITION			
Net investment in capital assets	36,088,819	10,184,488	46,273,307
Restricted	741,674	-	741,674
Unrestricted	<u>(37,077,545)</u>	<u>7,821,730</u>	<u>(29,255,815)</u>
Total net position	<u>\$ (247,052)</u>	<u>\$ 18,006,218</u>	<u>\$ 17,759,166</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, 2020

		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	\$ 2,757,334	\$ 101,266	\$ -	\$ -	\$ (2,656,068)	\$ -	\$ (2,656,068)
Public safety	6,416,307	125,841	213,039	-	(6,077,427)	-	(6,077,427)
Highways and streets	3,033,965	150,611	261,757	-	(2,621,597)	-	(2,621,597)
Sanitation	299,488	4,017	217,124	-	(78,347)	-	(78,347)
Health	98,562	-	-	-	(98,562)	-	(98,562)
Welfare	146,329	3,780	-	-	(142,549)	-	(142,549)
Culture and recreation	486,507	140,078	-	-	(346,429)	-	(346,429)
Conservation	1,489	-	-	-	(1,489)	-	(1,489)
Education	27,207,104	120,138	12,226,390	2,043,147	(12,817,429)	-	(12,817,429)
Food service	720,106	220,052	527,058	-	27,004	-	27,004
Economic development	17,187	-	-	-	(17,187)	-	(17,187)
Interest on long-term debt	577,103	-	-	-	(577,103)	-	(577,103)
Total governmental activities	41,761,481	865,783	13,445,368	2,043,147	(25,407,183)	-	(25,407,183)
Business-type activities:							
Water	1,813,592	2,705,194	-	-	-	891,602	891,602
Sewer	2,271,436	3,312,890	-	29,882	-	1,071,336	1,071,336
Other	474,984	547,231	-	-	-	72,247	72,247
Total business-type activities	4,560,012	6,565,315	-	29,882	-	2,035,185	2,035,185
Total	\$ 46,321,493	\$ 7,431,098	\$ 13,445,368	\$ 2,073,029	(25,407,183)	2,035,185	(23,371,998)
General revenues:							
Taxes:							
Property					24,199,852	-	24,199,852
Other					385,190	-	385,190
Motor vehicle permit fees					2,073,323	-	2,073,323
Licenses and other fees					256,554	-	256,554
Grants and contributions not restricted to specific programs					904,222	-	904,222
Unrestricted investment earnings					305,281	-	305,281
Miscellaneous					443,960	-	443,960
Total general revenues					28,568,382	-	28,568,382
Change in net position					3,161,199	2,035,185	5,196,384
Net position, beginning, as restated (see Note 20)					(3,408,251)	15,971,033	12,562,782
Net position, ending					\$ (247,052)	\$ 18,006,218	\$ 17,759,166

EXHIBIT C-1
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
June 30, 2020

	General	School Grants	School Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 12,389,686	\$ -	\$ -	\$ 626,008	\$ 13,015,694
Investments	5,977,547	-	22,893	830,587	6,831,027
Taxes receivable (net)	926,252	-	-	-	926,252
Accounts receivable	69,006	-	-	293,291	362,297
Intergovernmental receivable	28,519	597,768	720,000	-	1,346,287
Interfund receivable	935,601	-	-	6,755	942,356
Prepaid items	258,924	-	-	-	258,924
Total assets	<u>\$ 20,585,535</u>	<u>\$ 597,768</u>	<u>\$ 742,893</u>	<u>\$ 1,756,641</u>	<u>\$ 23,682,837</u>
LIABILITIES					
Accounts payable	\$ 646,331	\$ 251,639	\$ 60,961	\$ 70,385	\$ 1,029,316
Accrued salaries and benefits	315,724	-	-	21,822	337,546
Retainage payable	111,431	-	3,073	5,000	119,504
Intergovernmental payable	7,700	-	-	-	7,700
Interfund payable	6,755	223,152	101,485	92,693	424,085
Bond anticipation notes payable	-	-	650,000	-	650,000
Other payable	13,476	-	-	-	13,476
Total liabilities	<u>1,101,417</u>	<u>474,791</u>	<u>815,519</u>	<u>189,900</u>	<u>2,581,627</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - Property taxes	12,983,387	-	-	-	12,983,387
Unavailable revenue - Student balances	-	-	-	21,341	21,341
Total deferred inflows of resources	<u>12,983,387</u>	<u>-</u>	<u>-</u>	<u>21,341</u>	<u>13,004,728</u>
FUND BALANCES (DEFICIT)					
Nonspendable	258,924	-	-	180,306	439,230
Restricted	29,610	122,977	-	408,781	561,368
Committed	285,713	-	-	846,948	1,132,661
Assigned	693,280	-	-	109,365	802,645
Unassigned (deficit)	5,233,204	-	(72,626)	-	5,160,578
Total fund balances (deficit)	<u>6,500,731</u>	<u>122,977</u>	<u>(72,626)</u>	<u>1,545,400</u>	<u>8,096,482</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,585,535</u>	<u>\$ 597,768</u>	<u>\$ 742,893</u>	<u>\$ 1,756,641</u>	<u>\$ 23,682,837</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, 2020

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 8,096,482
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 87,430,046	
Less accumulated depreciation	<u>(36,508,264)</u>	
		50,921,782
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	\$ 3,303,944	
Deferred inflows of resources related to pensions	(1,923,463)	
Deferred outflows of resources related to OPEB	390,697	
Deferred inflows of resources related to OPEB	<u>(5,541,924)</u>	
		(3,770,746)
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (424,085)	
Payables	<u>424,085</u>	
		-
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as deferred inflows of resources in the governmental funds.		3,154,140
Repayment of long-term liabilities and related interest not due until subsequent year is recorded in the governmental funds as prepaid items, but reduce the liability on the government-wide financial statements.		(238,443)
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		855,363
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(77,581)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 12,827,072	
Unamortized bond premium	1,053,950	
Capital leases	951,941	
Compensated absences	1,782,966	
Pollution remediation liability	6,372,000	
Net pension liability	28,669,370	
Other postemployment benefits	<u>7,530,750</u>	
		(59,188,049)
Net position of governmental activities (Exhibit A)		<u>\$ (247,052)</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, 2020

	General	School Grants	School Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 24,573,728	\$ -	\$ -	\$ -	\$ 24,573,728
Licenses and permits	2,259,200	-	-	70,677	2,329,877
Intergovernmental	12,629,267	1,869,208	821,688	982,029	16,302,192
Charges for services	444,487	-	-	471,558	916,045
Miscellaneous	657,311	89,089	8,927	34,197	789,524
Total revenues	40,563,993	1,958,297	830,615	1,558,461	44,911,366
EXPENDITURES					
Current:					
General government	2,128,573	-	-	-	2,128,573
Public safety	6,284,939	-	-	153,813	6,438,752
Highways and streets	3,204,637	-	-	482,221	3,686,858
Sanitation	248,196	-	-	-	248,196
Health	107,780	-	-	-	107,780
Welfare	146,329	-	-	-	146,329
Culture and recreation	412,562	-	-	66,062	478,624
Conservation	-	-	-	1,489	1,489
Education	24,206,241	1,961,508	-	128,685	26,296,434
Food service	-	-	-	743,375	743,375
Economic development	17,187	-	-	-	17,187
Debt service:					
Principal	1,832,256	-	-	-	1,832,256
Interest	722,683	-	-	-	722,683
Other	357,025	-	-	-	357,025
Capital outlay	272,400	-	2,097,269	69,438	2,439,107
Total expenditures	39,940,808	1,961,508	2,097,269	1,645,083	45,644,668
Excess (deficiency) of revenues over (under) expenditures	623,185	(3,211)	(1,266,654)	(86,622)	(733,302)
OTHER FINANCING SOURCES (USES)					
Transfers in	85,389	-	-	-	85,389
Transfers out	-	-	-	(85,389)	(85,389)
Capital lease	400,000	-	-	-	400,000
Total other financing sources (uses)	485,389	-	-	(85,389)	400,000
Net change in fund balances	1,108,574	(3,211)	(1,266,654)	(172,011)	(333,302)
Fund balances, beginning, as restated (see Note 20)	5,392,157	126,188	1,194,028	1,717,411	8,429,784
Fund balances (deficit), ending	\$ 6,500,731	\$ 122,977	\$ (72,626)	\$ 1,545,400	\$ 8,096,482

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, 2020

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

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (333,302)
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	\$ 4,449,777	
Depreciation expense	<u>(2,317,895)</u>	
		2,131,882
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (85,389)	
Transfers out	<u>85,389</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		11,314
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.		
Inception of capital lease	\$ (400,000)	
Repayment of bond principal	1,996,123	
Repayment of capital leases	266,484	
Amortization of bond premium	<u>153,943</u>	
		2,016,550
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.		
Decrease in accrued interest expense	\$ 105,890	
Increase in prepaid bonds and leases	(187,579)	
Increase in compensated absences payable	(180,039)	
Changes in pollution remediation receivable and payable balances	(62,602)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(1,634,211)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>1,293,296</u>	
		(665,245)
Changes in net position of governmental activities (Exhibit B)		<u>\$ 3,161,199</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, 2020

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Taxes	\$ 24,448,145	\$ 24,448,145	\$ 24,585,042	\$ 136,897
Licenses and permits	1,800,625	1,800,625	2,259,200	458,575
Intergovernmental	11,509,458	12,452,539	12,629,267	176,728
Charges for services	555,972	555,972	444,487	(111,485)
Miscellaneous	353,750	405,750	557,853	152,103
Total revenues	38,667,950	39,663,031	40,475,849	812,818
EXPENDITURES				
Current:				
Elected leadership	148,736	148,736	142,303	6,433
City management	488,981	488,981	474,383	14,598
Finance and administration	1,405,405	1,405,405	1,284,792	120,613
Development services	911,676	911,676	834,989	76,687
Fire and rescue	2,159,580	2,159,580	2,089,451	70,129
Police	4,022,377	4,022,377	3,884,596	137,781
Public works and utilities	3,063,257	3,063,257	2,984,344	78,913
School	26,103,113	26,772,978	26,053,251	719,727
Debt service:				
Principal	591,775	591,775	591,775	-
Interest	116,154	116,154	116,154	-
Other	357,025	357,025	357,025	-
Capital outlay	233,913	1,223,163	592,817	630,346
Total expenditures	39,601,992	41,261,107	39,405,880	1,855,227
Excess (deficiency) of revenues over (under) expenditures	(934,042)	(1,598,076)	1,069,969	2,668,045
OTHER FINANCING SOURCES (USES)				
Transfers in	-	74,784	85,389	10,605
Transfers out	(115,958)	(115,958)	(115,958)	-
Total other financing sources (uses)	(115,958)	(41,174)	(30,569)	10,605
Net change in fund balances	\$ (1,050,000)	\$ (1,639,250)	1,039,400	\$ 2,678,650
Increase in nonspendable fund balance			(173,463)	
Unassigned fund balance, beginning			5,222,630	
Unassigned fund balance, ending			\$ 6,088,567	

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, 2020

	Business-type Activities			
	Enterprise Funds			Total
	Water	Sewer	Nonmajor	Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,382,665	\$ 4,619,446	\$ 169,522	\$ 8,171,633
Accounts receivable (net)	464,637	421,350	122,788	1,008,775
Intergovernmental receivable	-	1,182,952	-	1,182,952
Prepaid items	20,091	4,735	-	24,826
Inventory	87,833	-	714	88,547
Noncurrent assets:				
Intergovernmental receivable	-	611,935	-	611,935
Capital assets:				
Land and construction in progress	196,032	2,627,026	-	2,823,058
Other capital assets, net of depreciation	6,286,411	10,343,990	-	16,630,401
Total assets	10,437,669	19,811,434	293,024	30,542,127
DEFERRED OUTFLOWS OF RESOURCES				
Amounts related to pensions	59,982	57,971	-	117,953
Amounts related to other postemployment benefits	7,951	6,446	-	14,397
Total deferred outflows of resources	67,933	64,417	-	132,350
LIABILITIES				
Current liabilities:				
Accounts payable	77,251	70,756	43,343	191,350
Accrued salaries and benefits	11,689	11,360	-	23,049
Retainage payable	-	107,286	-	107,286
Contract payable	-	1,035,421	-	1,035,421
Accrued interest payable	62,694	12,199	-	74,893
Internal balances	-	518,271	-	518,271
Noncurrent liabilities:				
Due within one year	460,886	579,437	-	1,040,323
Due in more than one year	4,156,936	5,269,437	-	9,426,373
Total liabilities	4,769,456	7,604,167	43,343	12,416,966
DEFERRED INFLOWS OF RESOURCES				
Amounts related to pensions	27,013	26,107	-	53,120
Amounts related to other postemployment benefits	120,304	77,869	-	198,173
Total deferred inflows of resources	147,317	103,976	-	251,293
NET POSITION				
Net investment in capital assets	2,489,631	7,694,857	-	10,184,488
Unrestricted	3,099,198	4,472,851	249,681	7,821,730
Total net position	\$ 5,588,829	\$ 12,167,708	\$ 249,681	\$ 18,006,218

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

EXHIBIT E-2
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

	Business-type Activities			
	Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Nonmajor	
Operating revenues:				
User charges	\$ 2,627,371	\$ 3,297,282	\$ 547,231	\$ 6,471,884
Other charges	77,823	15,608	-	93,431
Total operating revenues	<u>2,705,194</u>	<u>3,312,890</u>	<u>547,231</u>	<u>6,565,315</u>
Operating expenses:				
Salaries and wages	620,942	609,257	-	1,230,199
Operation and maintenance	530,445	840,520	474,984	1,845,949
Depreciation and amortization	557,658	707,989	-	1,265,647
Total operating expenses	<u>1,709,045</u>	<u>2,157,766</u>	<u>474,984</u>	<u>4,341,795</u>
Operating gain	<u>996,149</u>	<u>1,155,124</u>	<u>72,247</u>	<u>2,223,520</u>
Nonoperating revenue (expense):				
Capital contributions	-	29,882	-	29,882
Interest expense	(104,547)	(113,670)	-	(218,217)
Total nonoperating revenues (expense)	<u>(104,547)</u>	<u>(83,788)</u>	<u>-</u>	<u>(188,335)</u>
Change in net position	891,602	1,071,336	72,247	2,035,185
Net position, beginning	<u>4,697,227</u>	<u>11,096,372</u>	<u>177,434</u>	<u>15,971,033</u>
Net position, ending	<u>\$ 5,588,829</u>	<u>\$ 12,167,708</u>	<u>\$ 249,681</u>	<u>\$ 18,006,218</u>

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

EXHIBIT E-3
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

	Business-type Activities			
	Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Nonmajor	
CASH FLOWS FROM:				
OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 2,628,806	\$ 3,363,173	\$ 453,078	\$ 6,445,057
Payments to employees	(614,962)	(600,947)	-	(1,215,909)
Payments to suppliers	(789,480)	(474,841)	(456,236)	(1,720,557)
Net cash provided by (used for) operating activities	1,224,364	2,287,385	(3,158)	3,508,591
CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds received from State revolving loans	-	410,341	-	410,341
Principal paid on bonds	(408,975)	(568,304)	-	(977,279)
Acquisition and construction of fixed assets	(100,792)	(460,658)	-	(561,450)
Interest paid	(158,393)	(132,200)	-	(290,593)
Capital contributions	-	29,882	-	29,882
Net cash used for capital and related financing activities	(668,160)	(720,939)	-	(1,389,099)
NON-CAPITAL FINANCING ACTIVITIES:				
State aid - wastewater infrastructure	-	122,387	-	122,387
Net increase (decrease) in cash and cash equivalents	556,204	1,688,833	(3,158)	2,241,879
Cash and cash equivalents, beginning	2,826,461	2,930,613	172,680	5,929,754
Cash and cash equivalents, ending	\$ 3,382,665	\$ 4,619,446	\$ 169,522	\$ 8,171,633

Reconciliation of Operating Gain (Loss) to Net Cash Provided (Used) by Operating Activities

Operating gain	<u>\$ 996,149</u>	<u>\$ 1,155,124</u>	<u>\$ 72,247</u>	<u>\$ 2,223,520</u>
Adjustments to reconcile operating gain to net cash provided (used) by operating activities:				
Depreciation expense	557,658	707,989	-	1,265,647
Changes in accounts receivable	(76,388)	50,283	(94,153)	(120,258)
Changes in prepaid items	(15,582)	(226)	-	(15,808)
Changes in inventory	16,351	-	5,817	22,168
Changes in deferred outflows of resources	14,640	10,629	-	25,269
Changes in accounts payable	12,063	(158,365)	12,931	(133,371)
Changes in accrued payroll	2,954	3,367	-	6,321
Changes in retainage payable	(14,663)	95,922	-	81,259
Changes in internal balances	-	518,271	-	518,271
Changes in compensated absences payable	3,026	4,943	-	7,969
Changes in OPEB liability	(180,777)	(84,492)	-	(265,269)
Changes in net pension liability	(4,503)	19,577	-	15,074
Changes in deferred inflows of resources	(86,564)	(35,637)	-	(122,201)
Total adjustments	<u>228,215</u>	<u>1,132,261</u>	<u>(75,405)</u>	<u>1,285,071</u>
Net cash provided by (used for) operating activities	<u>\$ 1,224,364</u>	<u>\$ 2,287,385</u>	<u>\$ (3,158)</u>	<u>\$ 3,508,591</u>

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, 2020

	Private Purpose Trust	All Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 548	570,884
Investments	187,177	-
Total assets	<u>187,725</u>	<u>570,884</u>
LIABILITIES		
Accounts payable	<u>-</u>	<u>5,321</u>
NET POSITION		
Restricted	<u>\$ 187,725</u>	<u>\$ 565,563</u>

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, 2020

	Private Purpose Trust	All Custodial Funds
ADDITIONS		
Contributions	\$ -	\$ 201,644
Investment earnings	10,758	214
Change in fair market value	(13,472)	-
Total additions	<u>(2,714)</u>	<u>201,858</u>
DEDUCTIONS		
Payments for escrow purposes	<u>-</u>	<u>423,191</u>
Change in fiduciary net position	(2,714)	(221,333)
Net position, beginning, as restated (see Note 20)	190,439	786,896
Net position, ending	<u><u>\$ 187,725</u></u>	<u><u>\$ 565,563</u></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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

In fiscal year 2019-2020 the City implemented GASB Statement No. 84, *Fiduciary Activities*, which changed the way fiduciary activities are recorded. See Note 2-D for further information on this pronouncement.

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

CITY OF SOMERSWORTH, NEW HAMPSHIRE
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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.

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, education, 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.

School Capital Projects Fund – the school capital project fund accounts for the activity pertaining to the various construction/renovation projects relating to the School District.

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:

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

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

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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.

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. Directly held marketable equity securities would be examples of Level 1 investments.

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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, certain directly held fixed income securities are categorized in Level 2.

Level 3 – Inputs are significant unobservable inputs.

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. 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 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 in both government-wide and fund financial statements, and expenses/expenditures as the items are used. Under the full accrual basis of accounting used for the government-wide financial statements, prepayments of debt are recognized as they occurred (see Note 7).

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.

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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:

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

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.” 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 30, 2019 and November 1, 2019, and due on July 1, 2019 and December 2, 2019. Effective April 1, 2019 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, 2020 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 these entities as required by law.

The City net assessed valuation as of April 1, 2019 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,049,359,654
For all other taxes	\$ 1,067,431,454

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The tax rates and amounts assessed for the year ended June 30, 2020 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$8.48	\$ 9,044,898
School portion:		
State of New Hampshire	\$1.87	1,966,887
Local	\$14.42	15,397,557
County portion	\$2.51	2,676,395
Total	\$27.28	\$ 29,085,737

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, 2020.

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.

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.

1-N 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 and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the bond premium or discount.

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.

1-O 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 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-P 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

CITY OF SOMERSWORTH, NEW HAMPSHIRE
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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-Q 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 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-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. 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
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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 and Manager through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

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 in order to determine the amount, if any, of unassigned fund balance to use to balance the budget and to 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 and the useful lives of capital assets, 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, 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 2020, none of the beginning general fund unassigned fund balance was applied for this purpose and \$1,639,250 was voted to fund current year appropriations.

2-B Budgetary Reconciliation to GAAP Basis

The City employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis presents the actual results to provide a comparison with the budget.

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A major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 40,561,238
Adjustment:	
Basis difference:	
Inception of capital leases	400,000
GASB Statement No. 54:	
To record revenue of the blended funds	99,458
Change in deferred tax revenue relating to 60-day revenue recognition	
recognized as revenue on the GAAP basis, but not on the budgetary basis	(11,314)
Per Exhibit C-3 (GAAP basis)	<u>\$ 41,049,382</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 39,521,838
Adjustment:	
Basis differences:	
Inception of capital leases	400,000
Encumbrances, beginning	636,812
Encumbrances, ending	(693,280)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	191,396
To eliminate transfers between the general fund and blended funds	(115,958)
Per Exhibit C-3 (GAAP basis)	<u>\$ 39,940,808</u>

2-C Deficit Fund Balances

The school capital projects fund had a deficit fund balance at June 30, 2020. This deficit will be financed through future revenues of bond proceeds that will be issued in subsequent years.

2-D Accounting Change

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust of equivalent arrangement that meet specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or other condition is required to be taken or met by the beneficiary to release the assets. Beginning net position for the governmental activities, nonmajor governmental funds, and fiduciary funds was restated to retroactively report the change in accounting principle, see Note 20.

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DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At June 30, 2020, the reported amount of the City's deposits was \$21,758,759 and the bank balance was \$21,582,464. Of the bank balance \$21,564,366 was covered by federal depository insurance or by collateral held by the pledging bank's trust department in the City's name, \$2,370 was uninsured and uncollateralized, and \$14,630 was held in cash equivalents not subject to custodial credit risk..

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 21,187,327
Cash per Statement of Net Position - Fiduciary Fund (Exhibit F-1)	571,432
Total cash and cash equivalents	<u>\$ 21,758,759</u>

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, 2020:

Investments Type	Valuation Measurement Method	Reported Balance	Exempt from Disclosure
Certificates of deposit	Level 1	\$ 2,009,534	\$ 2,009,534
Equity exchange traded funds	Level 1	136,534	136,534
Equity mutual funds	Level 1	90,490	90,490
Fixed income mutual funds	Level 2	787,815	787,815
New Hampshire Public Deposit Investment Pool	Amortized Cost	3,960,631	3,960,631
Real estate/tangible assets	Level 1	33,200	33,200
Total		<u>\$ 7,018,204</u>	<u>\$ 7,018,204</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 investments 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 objectives 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, 2020, 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 3, 2020, 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 US government obligations, US government agency obligations, or obligations of the State of New Hampshire in market value at

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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 it may invest 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. More than 5% of the City's investments are in a certificate of deposit held by Century Bank. This investment is 29% of the City's total investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 6,831,027
Investments per Statement of Net Position - Fiduciary Funds (Exhibit F-1)	187,177
Total investments	<u>\$ 7,018,204</u>

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2020. The amount has been reduced by an allowance for an estimated uncollectible amount of \$164,000. Taxes receivable by year are as follows:

Property:	
Levy of 2019	\$ 4,152
Unredeemed (under tax lien):	
Levy of 2019	483,677
Levy of 2018	383,356
Levy of 2017	167,573
Levies of 2016 and prior	51,494
Less: allowance for estimated uncollectible taxes	(164,000)
Net taxes receivable	<u>\$ 926,252</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 6 – OTHER RECEIVABLES

Receivables at June 30, 2020, 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, 2020 for the City's individual major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	Governmental Funds				
	General Fund	School Grants	School Capital Projects	Nonmajor Funds	Total
Receivables:					
Accounts	\$ 69,006	\$ -	\$ -	\$ 293,291	\$ 362,297
Intergovernmental	28,519	597,768	720,000	-	1,346,287
Gross receivables	97,525	597,768	720,000	293,291	1,708,584
Less: allowance for uncollectibles	-	-	-	-	-
Net total receivables	<u>\$ 97,525</u>	<u>\$ 597,768</u>	<u>\$ 720,000</u>	<u>\$ 293,291</u>	<u>\$ 1,708,584</u>

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Receivables continued:

	Proprietary Funds			
	Water Fund	Sewer Fund	Nonmajor Funds	Total
Receivables:				
Accounts	\$ 484,737	\$ 443,450	\$ 122,788	\$ 1,050,975
Intergovernmental	-	1,794,887	-	1,794,887
Gross receivables	484,737	2,238,337	122,788	2,845,862
Less: allowance for uncollectibles	(20,100)	(22,100)	-	(42,200)
Net total receivables	<u>\$ 464,637</u>	<u>\$ 2,216,237</u>	<u>\$ 122,788</u>	<u>\$ 2,803,662</u>

NOTE 7 – PREPAID ITEMS

Prepaid items at June 30, 2020 consisted of the following:

	Governmental Activities (Exhibit A)	Proprietary Funds (Exhibit A)	Governmental Funds (Exhibit C-1)
Software licenses	\$ 16,835	\$ 9,470	\$ 16,835
Bond principal and interest	-	-	238,443
Other	3,646	15,356	3,646
Total	<u>\$ 20,481</u>	<u>\$ 24,826</u>	<u>\$ 258,924</u>

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 2,272,916	\$ -	\$ -	\$ 2,272,916
Easements	170,875	-	-	170,875
Software	183,188	-	-	183,188
Construction in progress	709,726	736,946	(462,111)	984,561
Total capital assets not being depreciated	<u>3,336,705</u>	<u>736,946</u>	<u>(462,111)</u>	<u>3,611,540</u>
Being depreciated:				
Infrastructure	52,568,608	2,589,599	-	55,158,207
Buildings and building improvements	19,577,016	1,204,970	-	20,781,986
Vehicles and equipment	7,991,756	380,373	(493,816)	7,878,313
Total capital assets being depreciated	<u>80,137,380</u>	<u>4,174,942</u>	<u>(493,816)</u>	<u>83,818,506</u>
Total all capital assets	<u>83,474,085</u>	<u>4,911,888</u>	<u>(955,927)</u>	<u>87,430,046</u>
Less accumulated depreciation:				
Infrastructure	(23,562,581)	(1,149,633)	-	(24,712,214)
Buildings and building improvements	(5,037,196)	(811,672)	-	(5,848,868)
Vehicles and equipment	(6,084,408)	(356,590)	493,816	(5,947,182)
Total accumulated depreciation	<u>(34,684,185)</u>	<u>(2,317,895)</u>	<u>493,816</u>	<u>(36,508,264)</u>
Net book value, capital assets being depreciated	<u>45,453,195</u>	<u>1,857,047</u>	<u>-</u>	<u>47,310,242</u>
Net book value, all governmental activities capital assets	<u>\$ 48,789,900</u>	<u>\$ 2,593,993</u>	<u>\$ (462,111)</u>	<u>\$ 50,921,782</u>

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Capital assets continued:

	Balance, beginning	Additions	Deletions	Balance, ending
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 500,895	\$ -	\$ -	\$ 500,895
Software	103,044	-	-	103,044
Construction in progress	818,770	1,400,349	-	2,219,119
Total capital assets not being depreciated	1,422,709	1,400,349	-	2,823,058
Being depreciated:				
Infrastructure	14,284,020	148,110	-	14,432,130
Buildings and building improvements	26,936,820	-	-	26,936,820
Vehicles and equipment	1,120,833	48,412	-	1,169,245
Total capital assets being depreciated	42,341,673	196,522	-	42,538,195
Total all capital assets	43,764,382	1,596,871	-	45,361,253
Less accumulated depreciation:				
Infrastructure	(7,544,420)	(353,751)	-	(7,898,171)
Buildings and building improvements	(16,194,302)	(838,510)	-	(17,032,812)
Vehicles and equipment	(903,425)	(73,386)	-	(976,811)
Total accumulated depreciation	(24,642,147)	(1,265,647)	-	(25,907,794)
Net book value, capital assets being depreciated	17,699,526	(1,069,125)	-	16,630,401
Net book value, all business-type activities capital assets	\$ 19,122,235	\$ 331,224	\$ -	\$ 19,453,459

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	\$ 112,058
Public safety	201,811
Highways and streets	1,007,365
Education	975,802
Culture and recreation	20,859
Total depreciation expense	<u>\$ 2,317,895</u>
Business-type activities:	
Water	\$ 557,658
Sewer	707,989
Total depreciation expense	<u>\$ 1,265,647</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General	School grants	\$ 223,152
	School capital projects	101,485
	Sewer	518,271
	Nonmajor	92,693
Nonmajor	General	6,755
		<u>\$ 942,356</u>

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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, 2020 is as follows:

	<u>Transfers In:</u>
	General
	<u>Fund</u>
Transfers out:	
Nonmajor funds	<u>\$ 85,389</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 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	<u>Governmental</u>	<u>Business-type</u>
	Activities	Activities
Amounts related to pensions, see Note 14	\$ 3,303,944	\$ 117,953
Amounts related to OPEB, see Note 15	390,697	14,397
Total deferred outflows of resources	<u>\$ 3,694,641</u>	<u>\$ 132,350</u>

Deferred inflows of resources are as follows:

	<u>Governmental</u>	<u>Business-type</u>	<u>General</u>	<u>Nonmajor</u>
	Activities	Activities	Fund	Governmental
				Funds
Deferred property taxes not collected within				
60 days of fiscal year-end	\$ -	\$ -	\$ 855,363	\$ -
Property taxes collected in advance of the warrant due date	12,128,024	-	12,128,024	-
Student balances	21,341	-	-	21,341
Amounts related to pensions, see Note 14	1,923,463	53,120	-	-
Amounts related to OPEB, see Note 15	5,541,924	198,173	-	-
Total deferred inflows of resources	<u>\$ 19,614,752</u>	<u>\$ 251,293</u>	<u>\$ 12,983,387</u>	<u>\$ 21,341</u>

NOTE 11 – CAPITAL LEASES

The City has entered into capital lease agreements under which the related equipment will become the property of the City when all the terms of the lease agreements are met.

	<u>Standard</u>	<u>Present Value</u>
	Interest	of Remaining
	Rate	Payments as of
		<u>June 30, 2020</u>
Capital lease obligations:		
Vehicles	3.47%	\$ 217,212
Vehicles	3.84%	334,729
Vehicles	2.39%	400,000
Total capital lease obligations		<u>\$ 951,941</u>

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The annual requirements to amortize the capital leases payable as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2021	\$ 255,170
2022	255,170
2023	255,170
2024	177,684
2025	85,816
Total requirements	1,029,010
Less: interest	77,069
Present value of remaining payments	<u>\$ 951,941</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 12 – SHORT-TERM DEBT

Changes in the City's short-term capital borrowings during the year ended June 30, 2020 consisted of the following:

Governmental Activities	Original Issue	Interest Rate	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Bond anticipation note - school	\$ 650,000	1.33%	\$ -	\$ 650,000	\$ -	\$ 650,000

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

NOTE 13 – LONG-TERM LIABILITIES

Changes in the City's long-term liabilities consisted of the following for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 14,823,195	\$ -	\$ (1,996,123)	\$ 12,827,072	\$ 1,549,530
Premium	1,207,893	-	(153,943)	1,053,950	143,168
Total bonds payable	16,031,088	-	(2,150,066)	13,881,022	1,692,698
Capital leases	818,425	400,000	(266,484)	951,941	225,235
Compensated absences	1,602,927	180,039	-	1,782,966	105,295
Pollution remediation liability	6,248,036	123,964	-	6,372,000	177,000
Net pension liability	29,318,422	-	(649,052)	28,669,370	-
Net other postemployment benefits	9,507,796	-	(1,977,046)	7,530,750	-
Total long-term liabilities	<u>\$ 63,526,694</u>	<u>\$ 704,003</u>	<u>\$ (5,042,648)</u>	<u>\$ 59,188,049</u>	<u>\$ 2,200,228</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 8,381,113	\$ -	\$ (977,279)	\$ 7,403,834	\$ 983,044
Premium	310,422	-	(64,343)	246,079	57,279
Total bonds payable	8,691,535	-	(1,041,622)	7,649,913	1,040,323
State of New Hampshire revolving loan	148,152	1,470,906	-	1,619,058	-
Compensated absences	119,689	7,968	-	127,657	-
Net pension liability	792,775	15,074	-	807,849	-
Net other postemployment benefits	527,487	-	(265,268)	262,219	-
Total long-term liabilities	<u>\$ 10,279,638</u>	<u>\$ 1,493,948</u>	<u>\$ (1,306,890)</u>	<u>\$ 10,466,696</u>	<u>\$ 1,040,323</u>

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Long-term bonds are comprised of the following:

Governmental activities:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2020
General obligation bonds:					
New City Hall	\$ 1,875,000	2001	2021	5.06	70,000
Police Station	\$ 3,426,127	2007	2022	4.43	450,000
School	\$ 18,953,500	2009	2030	3.73	7,275,072
Downtown Improvements and School HVAC	\$ 2,155,736	2014	2029	3.13	1,414,500
Downtown Improvements and School HVAC	\$ 900,000	2015	2030	5.10	600,000
High Steet Improvements	\$ 859,500	2014	2025	5.10	427,500
School HVAC	\$ 105,000	2015	2025	5.10	10,000
School CTC	\$ 1,453,925	2016	2032	2.16	1,155,000
School	\$ 1,640,000	2019	2034	2.70	1,385,000
					<u>12,787,072</u>
Bond premium					<u>1,053,950</u>
Total					<u><u>\$ 13,841,022</u></u>

Business-type activities:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2020
General obligation bonds payable:					
Water Treatment Plant Upgrades	\$ 1,843,500	2008	2028	4.07	\$ 720,000
Water Treatment Plant	\$ 3,193,000	2016	2028	1.92	2,330,000
Downtown Improvements	\$ 1,958,264	2014	2029	3.13	1,045,500
High Street Improvements	\$ 95,500	2014	2025	5.10	47,500
Wastewater Refunding	\$ 7,810,000	2012	2026	2.56	2,960,000
Wastewater Treatment Facility	\$ 926,468	2014	2030	2.95	300,834
Total					<u><u>\$ 7,403,834</u></u>

The annual requirements to amortize all *governmental activities* general obligation bonds outstanding as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,549,530	\$ 646,575	\$ 2,196,105
2022	1,610,043	725,760	2,335,803
2023	1,338,476	727,773	2,066,249
2024	1,305,020	740,820	2,045,840
2025	1,273,252	750,767	2,024,019
2026-2030	5,175,751	4,347,866	9,523,617
2031-2034	575,000	39,549	614,549
Totals	<u><u>\$ 12,827,072</u></u>	<u><u>\$ 7,979,110</u></u>	<u><u>\$ 20,806,182</u></u>

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The annual requirements to amortize all *business-type activities* general obligation bonds outstanding as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 983,044	\$ 263,899	\$ 1,246,943
2022	988,831	227,949	1,216,780
2023	999,641	191,726	1,191,367
2024	1,005,476	155,580	1,161,056
2025	1,016,335	103,301	1,119,636
2026-2030	2,410,507	361,292	2,771,799
Totals	<u>\$ 7,403,834</u>	<u>\$ 1,303,747</u>	<u>\$ 8,707,581</u>

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.

State of New Hampshire Revolving Loan – The City has drawn \$1,619,058 of \$12,440,000 in funds under the State of New Hampshire Water Pollution Control Revolving Loan Fund Program for the wastewater treatment facility upgrade project. Payments on the State of New Hampshire revolving loan balance are not scheduled to commence until the first anniversary of the scheduled completion date of the project or the date of substantial completion, whichever is earliest. Interest is accrued at 1% during the construction period and is to be paid upon completion of the project within the following year. As authorized by the Water Pollution Control Revolving Loan Fund Program, the City shall be provided federal assistance, whereby a portion of the principal sum will be forgiven. The principal forgiveness will be applied at the time of the initial loan repayment.

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 contaminated 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 fifty-five 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 of 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, 2020, the City estimates the pollution remediation obligation to be \$6,372,000 and estimated recoveries from the potentially responsible party of \$3,154,140. The estimated obligation was calculated using the expected cash flow technique measured at current value. In making this 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.

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Bonds Authorized and Unissued – Bonds authorized and unissued as of June 30, 2020 were as follows:

Ordinance	Purpose	Unissued Amount
36-18	WWTF Upgrade	\$ 11,881,507
29-20	Middle School Elevator	650,000
48-20	Cemetery Rd. and Coomplete St.	3,800,000
50-20	Fire Station	7,700,000
		<u>\$ 24,031,507</u>

NOTE 14 – 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 within 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 – 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. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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 2020, the City contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2020 was \$2,718,963, which was paid in full.

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Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2020 the City reported a liability of \$29,477,219 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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 towns and school districts, actuarially determined. At June 30, 2019, the City's proportion was .61262124% which was an decrease of .013271482% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$3,452,808. At June 30, 2020 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	\$ 407,365	\$ 1,101,952
Changes in assumptions	1,057,631	-
Net difference between projected and actual investment earnings on pension plan investments	-	240,787
Differences between expected and actual experience	162,984	633,844
Contributions subsequent to the measurement date	1,793,917	-
Total	<u>\$ 3,421,897</u>	<u>\$ 1,976,583</u>

The \$1,793,917 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, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2021	\$ 691,776
2022	(823,081)
2023	(185,988)
2024	(31,310)
2025	-
Thereafter	-
Totals	<u>\$ (348,603)</u>

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, using the following actuarial assumptions which, accordingly, apply to 2019 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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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 2019:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2019
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 7.25%. 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.

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 7.25% 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 39,471,210	\$ 29,477,219	\$ 21,217,263

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.

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Reconciliation to the government-wide financial statements:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
Governmental activities	\$ 3,303,944	\$ 28,669,370	\$ 1,923,463
Business-type activities	117,953	807,849	53,120
Total	<u>\$ 3,421,897</u>	<u>\$ 29,477,219</u>	<u>\$ 1,976,583</u>

NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

15-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 2018 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 2018 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.

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 2019, 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 2020, the City contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$274,706, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2020, the City reported a liability of \$2,576,768 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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 towns and school districts, actuarially determined. At June 30, 2019, the City’s proportion was .58775155% which was an decrease of .00687494% from its proportion measured as of June 30, 2018.

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For the year ended June 30, 2020, the City recognized OPEB expense of \$137,473. At June 30, 2020, 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	\$ -	\$ 3,346
Changes in assumptions	-	2,896
Differences between expected and actual experience	-	4,483
Contributions subsequent to the measurement date	220,347	-
Total	<u>\$ 220,347</u>	<u>\$ 10,725</u>

The \$220,347 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, 2021. 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,	
2021	\$ (9,750)
2022	(1,921)
2023	199
2024	747
2025	-
Thereafter	-
Totals	<u>\$ (10,725)</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2019. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.5 % per year
Wage inflation:	3.25 % per year
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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.

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Following is a table presenting target allocations and long-term rates of return for 2019:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2019
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.25%. 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 7.25% 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 2,794,897	\$ 2,576,768	\$ 2,387,228

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.

15-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.

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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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	42
Active employees	151
Total participants covered by OPEB plan	<u>193</u>

Total OPEB Liability – The City's total OPEB liability of \$5,216,200 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$5,216,200 in the July 1, 2019 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:	3.50%
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	2040
Salary Increases:	3.00%

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, 2019.

Mortality rates were based on the Pub-2010 Public Retirement Plans Teachers mortality table projected generationally with Scale MP-2019 for teachers, Pub-2010 Public Retirement Plans Safety mortality table projected generationally with Scale MP-2019 for firefighters and police officers and Pub-2010 Public Retirement Plans General mortality table projected generationally with Scale MP-2019 for other participants.

Changes in the Total OPEB Liability

	June 30,	
	2019	2020
OPEB liability beginning of year	\$ 7,346,405	\$ 7,312,811
Changes for the year:		
Service cost	273,431	254,999
Interest	233,514	285,467
Assumption changes and difference between actual and expected experience	(221,807)	(2,531,414)
Change in actuarial cost method	-	277,120
Benefit payments	(318,732)	(382,783)
OPEB liability end of year	<u>\$ 7,312,811</u>	<u>\$ 5,216,200</u>

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Sensitivity of the City's OPEB Liability to Changes in the Discount Rate – The July 1, 2019 actuarial valuation was prepared using a discount rate of 3.50%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$4,737,871 or by (9.17%). If the discount rate were 1% lower than what was used the OPEB liability would increase to \$5,786,163 or by 10.93%.

	Discount Rate		
	1% Decrease	Baseline 3.50%	1% Increase
Total OPEB Liability	\$ 5,786,163	\$ 5,216,200	\$ 4,737,871

Sensitivity of the City's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2019 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 \$5,613,010 or by 7.61%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$4,869,255 or by 6.65%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.50%	1% Increase
Total OPEB Liability	\$ 4,869,255	\$ 5,216,200	\$ 5,613,010

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the City recognized OPEB benefit of \$1,199,149. At June 30, 2020, 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	\$ 184,747	\$ 2,110,661
Differences between expected and actual experience	-	3,618,711
Total	\$ 184,747	\$ 5,729,372

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,	
2021	\$ (1,739,614)
2022	(1,665,677)
2023	(914,247)
2024	(914,247)
2025	(310,840)
Thereafter	-
Totals	\$ (5,544,625)

Reconciliation to the government-wide financial statements:

	Deferred Outflows of Resources	OPEB Liability	Deferred Inflows of Resources
Governmental activities	\$ 390,697	\$ 7,530,750	\$ 5,541,924
Business-type activities	14,397	262,219	198,173
Total	\$ 405,094	\$ 7,792,969	\$ 5,740,097

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NOTE 16 – COMMITMENTS/ENCUMBRANCES

The City has active construction projects as of June 30, 2020. At year-end, the City commitments with contractors for specific projects are as follows:

	Spent to Date	Remaining Commitment
<u>Capital Project Program</u>		
Middle school Elevator	\$ 61,457	\$ 467,774
WWTF Upgrade	1,072,861	9,815,739
Total Construction Commitments	<u>\$ 1,134,318</u>	<u>\$ 10,283,513</u>
<u>Governmental Activities</u>		
School Capital Projects		<u>\$ 467,774</u>
<u>Business-type Activities</u>		
Sewer		<u>\$ 9,815,739</u>

Encumbrances outstanding at June 30, 2020 are as follows:

General fund:	
General government	\$ 9,000
Public safety	58,603
Highways and streets	215,709
Culture and Recreation	14,181
Capital outlay	395,787
Total encumbrances	<u>\$ 693,280</u>

NOTE 17 – 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, 2020 the City is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 122,387	\$ 25,613	\$ 148,000
2022	122,387	21,344	143,731
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>\$ 734,322</u>	<u>\$ 89,646</u>	<u>\$ 823,968</u>

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NOTE 18 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2020 include the following:

	Government-wide Financial Statements			Fiduciary Funds
	Governmental Activities	Business-type Activities	Total	
Net investment in capital assets:				
Net book value, all capital assets	\$ 50,921,782	\$ 19,453,459	\$ 70,375,241	\$ -
Less:				
General obligation bonds/notes payable	(12,827,072)	(9,022,892)	(21,849,964)	-
Unamortized bond premiums	(1,053,950)	(246,079)	(1,300,029)	-
Capital leases payable	(951,941)	-	(951,941)	-
Total net investment in capital assets	<u>36,088,819</u>	<u>10,184,488</u>	<u>46,273,307</u>	<u>-</u>
Restricted net position:				
Perpetual care - nonexpendable	180,306	-	180,306	-
Perpetual care - expendable	27,332	-	27,332	-
SB 38 highway block grant	42,994	-	42,994	-
Pollution remediation	29,610	-	29,610	-
Food service	68,309	-	68,309	-
Police forfeiture	97,147	-	97,147	-
School grants	122,977	-	122,977	-
City grants	172,999	-	172,999	-
Other	-	-	-	753,288
Total restricted net position	<u>741,674</u>	<u>-</u>	<u>741,674</u>	<u>753,288</u>
Unrestricted	<u>(37,077,545)</u>	<u>7,821,730</u>	<u>(29,255,815)</u>	<u>-</u>
Total net position	<u>\$ (247,052)</u>	<u>\$ 18,006,218</u>	<u>\$ 17,759,166</u>	<u>\$ 753,288</u>

NOTE 19 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2020 include the following:

	General Fund	School Grants	School Capital Projects	Nonmajor Funds	Total Governmental Funds
Nonspendable:					
Prepaid items	\$ 258,924	\$ -	\$ -	\$ -	\$ 258,924
Permanent fund - principal balance	-	-	-	180,306	180,306
Total nonspendable fund balance	<u>258,924</u>	<u>-</u>	<u>-</u>	<u>180,306</u>	<u>439,230</u>
Restricted:					
Pollution remediation	29,610	-	-	-	29,610
School grants	-	122,977	-	-	122,977
SB 38 Highway block grant	-	-	-	42,994	42,994
City grants	-	-	-	172,999	172,999
Police forfeiture	-	-	-	97,147	97,147
Food service	-	-	-	68,309	68,309
Permanent - income balance	-	-	-	27,332	27,332
Total restricted fund balance	<u>29,610</u>	<u>122,977</u>	<u>-</u>	<u>408,781</u>	<u>561,368</u>

(continued)

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

Governmental fund balances continued:

	General Fund	School Grants	School Capital Projects	Nonmajor Funds	Total Governmental Funds
Committed:					
Expendable trust	285,713	-	-	-	285,713
Conservation	-	-	-	146,945	146,945
Cable communications	-	-	-	216,055	216,055
City other special revenue funds	-	-	-	43,506	43,506
School other special revenue funds	-	-	-	52,093	52,093
Transportation improvement trust	-	-	-	318,673	318,673
Other trusts	-	-	-	69,676	69,676
Total committed fund balance	285,713	-	-	846,948	1,132,661
Assigned:					
Encumbrances	693,280	-	-	-	693,280
Student activity funds	-	-	-	109,365	109,365
Total assigned fund balance	693,280	-	-	109,365	802,645
Unassigned (deficit)	5,233,204	-	(72,626)	-	5,160,578
Total governmental fund balances (deficit)	\$ 6,500,731	\$ 122,977	\$ (72,626)	\$ 1,545,400	\$ 8,096,482

NOTE 20 – PRIOR PERIOD ADJUSTMENT

Net position/fund balance at July 1, 2019 was restated to give retroactive effect to the following prior period adjustment:

	Government-wide Statements	School Grants Fund	School Capital Projects	Other Governmental Funds	Fiduciary Funds
To restate for the cumulative changes related to implementation of GASB Statement No. 84	\$ 108,859	\$ -	\$ -	\$ 108,859	\$ 786,896
To recognize fund as a major fund, previously reported as other governmental	-	126,188	1,194,028	(1,320,216)	-
Net position/fund balance, as previously reported	(3,517,110)	-	-	2,928,768	190,439
Net position/fund balance, as restated	\$ (3,408,251)	\$ 126,188	\$ 1,194,028	\$ 1,717,411	\$ 977,335

NOTE 21 – 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 2020, 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, 2019 to June 30, 2020 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. 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 2019-20 the City paid \$273,128 and \$238,261 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.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

NOTE 22 – CONTINGENT LIABILITIES

There are various legal claims and suits pending against the City which arose in the normal course of the government's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the City.

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.

NOTE 23 – COVID-19

On March 11, 2020, the World Health Organization declared, the outbreak of a coronavirus (COVID-19), a pandemic. In response to the pandemic, the State of New Hampshire's Governor, issued an order declaring a state of emergency on March 13, 2020. As a result, economic uncertainties have arisen which could have financial impact could occur though such impact is unknown at this time.

NOTE 24 – 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 24, 2021, the date the June 30, 2020 financial statements were available to be issued, and the 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, 2020

	June 30,						
	2014	2015	2016	2017	2018	2019	2020
City's proportion of the net pension liability	0.63002872%	0.63944877%	0.63410194%	0.64279686%	0.62389532%	0.62533606%	0.61262124%
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
City's covered payroll	\$ 15,319,843	\$ 15,764,272	\$ 16,218,949	\$ 16,568,181	\$ 16,535,231	\$ 16,767,460	\$ 16,802,057
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%
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%

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, 2020

	June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 2,127,337	\$ 2,301,721	\$ 2,285,599	\$ 2,643,031	\$ 2,665,744	\$ 2,666,015
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
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 16,218,949	\$ 16,568,181	\$ 16,535,231	\$ 16,767,460	\$ 16,802,057	\$ 17,178,692
Contributions as a percentage of covered payroll	13.12%	13.89%	13.82%	15.76%	15.87%	15.52%

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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

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, 2020. 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.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2019:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

Other Information:

Notes	Contribution rates for Fiscal Year 2019 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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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, 2020

	June 30,			
	2017	2018	2019	2020
City's proportion of the net OPEB liability	0.61317648%	0.59781594%	0.59462649%	0.58775155%
City's proportionate share of the net OPEB liability (asset)	\$ 2,968,420	\$ 2,733,417	\$ 2,722,472	\$ 2,576,768
City's covered payroll	\$ 16,568,181	\$ 16,535,231	\$ 16,767,460	\$ 16,802,057
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%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%

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

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, 2020

	June 30,			
	2017	2018	2019	2020
Contractually required contribution	\$ 354,326	\$ 263,021	\$ 268,201	\$ 268,226
Contributions in relation to the contractually required contribution	354,326	263,021	268,201	268,226
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 16,535,231	\$ 16,767,460	\$ 16,802,057	\$ 17,178,692
Contributions as a percentage of covered payroll	2.14%	1.57%	1.60%	1.56%

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

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, 2020

	June 30,		
	2018	2019	2020
OPEB liability, beginning of year	\$ 12,522,983	\$ 7,346,405	\$ 7,312,811
Changes for the year:			
Service cost	437,287	273,431	254,999
Interest	337,275	233,514	285,467
Assumption changes and difference between actual and expected experience	(2,975,310)	(221,807)	(2,531,414)
Change in actuarial cost method	(2,821,012)	-	277,120
Benefit payments	(154,818)	(318,732)	(382,783)
OPEB liability, end of year	\$ 7,346,405	\$ 7,312,811	\$ 5,216,200
Covered payroll	\$ 16,069,210	\$ 16,796,116	\$ 17,929,114
Total OPEB liability as a percentage of covered payroll	45.72%	43.54%	29.09%

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, 2020

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

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, 2020. 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.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

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

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, 2020. 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, 2020

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 24,098,932	\$ 24,199,852	\$ 100,920
Payment in lieu of taxes	149,213	190,490	41,277
Interest and penalties on taxes	200,000	194,700	(5,300)
Total from taxes	<u>24,448,145</u>	<u>24,585,042</u>	<u>136,897</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	75,625	145,141	69,516
Motor vehicle permit fees	1,675,000	2,002,646	327,646
Building permits	50,000	111,413	61,413
Total from licenses, permits, and fees	<u>1,800,625</u>	<u>2,259,200</u>	<u>458,575</u>
Intergovernmental:			
State:			
Meals and rooms distribution	600,979	600,979	-
Highway block grant	236,975	236,949	(26)
Education related	11,214,862	11,396,635	181,773
Other	1,507	1,507	-
Federal:			
Other	398,216	393,197	(5,019)
Total from intergovernmental	<u>12,452,539</u>	<u>12,629,267</u>	<u>176,728</u>
Charges for services:			
Income from departments	<u>555,972</u>	<u>444,487</u>	<u>(111,485)</u>
Miscellaneous:			
Sale of municipal property	25,000	85,490	60,490
Interest on investments	185,000	270,049	85,049
Other	195,750	202,314	6,564
Total from miscellaneous	<u>405,750</u>	<u>557,853</u>	<u>152,103</u>
Other financing sources:			
Transfers in	<u>74,784</u>	<u>85,389</u>	<u>10,605</u>
Total revenues and other financing sources	39,737,815	<u>\$ 40,561,238</u>	<u>\$ 823,423</u>
Amounts voted from fund balance	1,639,250		
Total revenues, other financing sources, and use of fund balance	<u>\$ 41,377,065</u>		

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, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 517,387	\$ 499,495	\$ -	\$ 17,892
Election and registration	-	163,325	160,301	-	3,024
Financial administration	-	594,772	610,767	-	(15,995)
Revaluation of property	31,103	162,246	162,667	9,000	21,682
Planning and zoning	-	303,374	308,655	-	(5,281)
General government buildings	-	168,737	149,246	-	19,491
Cemeteries	-	8,770	2,959	-	5,811
Other	3,855	665,250	43,087	-	626,018
Total general government	34,958	2,583,861	1,937,177	9,000	672,642
Public safety:					
Police	56,203	4,022,377	3,888,046	52,753	137,781
Fire	-	2,159,580	2,083,601	5,850	70,129
Building inspection	-	204,138	199,917	-	4,221
Total public safety	56,203	6,386,095	6,171,564	58,603	212,131
Highways and streets:					
Administration	-	1,426,026	1,354,917	1,650	69,459
Highways and streets	395,149	1,291,010	1,414,174	212,159	59,826
Street lighting	-	107,700	105,254	-	2,446
Other	-	44,500	43,667	1,900	(1,067)
Total highways and streets	395,149	2,869,236	2,918,012	215,709	130,664
Sanitation:					
Solid waste collection	1,530	185,251	248,196	-	(61,415)
Health:					
Health agencies	-	107,780	107,780	-	-
Welfare:					
Administration and direct assistance	-	227,895	146,329	-	81,566
Culture and recreation:					
Parks and recreation	483	225,252	174,951	13,704	37,080
Library	1,844	257,167	228,200	477	30,334
Patriotic purposes	-	800	800	-	-
Other	-	11,750	8,611	-	3,139
Total culture and recreation	2,327	494,969	412,562	14,181	70,553
Economic development	28,188	10,175	17,187	-	21,176
Debt service:					
Principal of long-term debt	-	1,843,755	1,832,256	-	11,499
Interest on long-term debt	-	716,837	722,683	-	(5,846)
Other	-	357,025	357,025	-	-
Total debt service	-	2,917,617	2,911,964	-	5,653
Education	-	24,920,315	24,206,241	-	714,074
Capital outlay	118,457	557,913	272,400	395,787	8,183
Other financing uses:					
Transfers out	-	115,958	115,958	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 636,812	\$ 41,377,065	\$ 39,465,370	\$ 693,280	\$ 1,855,227

SCHEDULE 3
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2020

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 5,222,630
Changes:		
Amounts voted from fund balance		(1,639,250)
2019-20 Budget summary:		
Revenue surplus (Schedule 1)	\$ 823,423	
Unexpended balance of appropriations (Schedule 2)	<u>1,855,227</u>	
2019-20 Budget surplus		2,678,650
Increase in nonspendable fund balance		<u>(173,463)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		6,088,567
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		<u>(855,363)</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 5,233,204</u></u>

SCHEDULE 4
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue Funds				
	SB 38 Highway Block Grant	Conservation	City Grants	Cable Communications	City Other Special Revenue Funds
ASSETS					
Cash and cash equivalents	\$ 42,994	\$ -	\$ 164,991	\$ 187,652	\$ 43,506
Investments	-	146,945	-	-	102,147
Accounts receivable	-	-	72,050	29,107	-
Interfund receivable	-	-	-	-	-
Total assets	<u>\$ 42,994</u>	<u>\$ 146,945</u>	<u>\$ 237,041</u>	<u>\$ 216,759</u>	<u>\$ 145,653</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 42,924	\$ -	\$ 5,000
Accrued salaries and benefits	-	-	21,118	704	-
Retainage payable	-	-	-	-	-
Interfund payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>64,042</u>	<u>704</u>	<u>5,000</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - student balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	42,994	-	172,999	-	97,147
Committed	-	146,945	-	216,055	43,506
Assigned	-	-	-	-	-
Total fund balances	<u>42,994</u>	<u>146,945</u>	<u>172,999</u>	<u>216,055</u>	<u>140,653</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 42,994</u>	<u>\$ 146,945</u>	<u>\$ 237,041</u>	<u>\$ 216,759</u>	<u>\$ 145,653</u>

Special Revenue Funds							
School Other Special Revenue Funds	Food Service	Transportation Improvement Trust	Other Trusts	Student Activity Funds	City Capital Projects	Permanent Fund	Total
\$ 52,093	\$ 12,670	\$ 6,928	\$ 203	\$ 109,365	\$ 5,000	\$ 606	\$ 626,008
-	-	304,990	69,473	-	-	207,032	830,587
-	192,134	-	-	-	-	-	293,291
-	-	6,755	-	-	-	-	6,755
<u>\$ 52,093</u>	<u>\$ 204,804</u>	<u>\$ 318,673</u>	<u>\$ 69,676</u>	<u>\$ 109,365</u>	<u>\$ 5,000</u>	<u>\$ 207,638</u>	<u>\$ 1,756,641</u>
\$ -	\$ 22,461	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,385
-	-	-	-	-	-	-	21,822
-	-	-	-	-	5,000	-	5,000
-	92,693	-	-	-	-	-	92,693
-	115,154	-	-	-	5,000	-	189,900
-	21,341	-	-	-	-	-	21,341
-	-	-	-	-	-	180,306	180,306
-	68,309	-	-	-	-	27,332	408,781
52,093	-	318,673	69,676	-	-	-	846,948
-	-	-	-	109,365	-	-	109,365
<u>52,093</u>	<u>68,309</u>	<u>318,673</u>	<u>69,676</u>	<u>109,365</u>	<u>-</u>	<u>207,638</u>	<u>1,545,400</u>
<u>\$ 52,093</u>	<u>\$ 204,804</u>	<u>\$ 318,673</u>	<u>\$ 69,676</u>	<u>\$ 109,365</u>	<u>\$ 5,000</u>	<u>\$ 207,638</u>	<u>\$ 1,756,641</u>

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, 2020

	Special Revenue Funds				
	SB 38 Highway Block Grant	Conservation	City Grants	Cable Communications	City Other Special Revenue Funds
REVENUES					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	454,971	-	-
Charges for services	-	-	-	118,206	-
Miscellaneous	-	2,289	-	-	20,884
Total revenues	-	2,289	454,971	118,206	20,884
EXPENDITURES					
Current:					
Public safety	-	-	153,813	-	-
Highways and streets	152,020	-	330,201	-	-
Culture and recreation	-	-	-	46,766	19,296
Conservation	-	1,489	-	-	-
Education	-	-	-	-	-
Food service	-	-	-	-	-
Capital outlay	-	-	-	69,438	-
Total expenditures	152,020	1,489	484,014	116,204	19,296
Excess (deficiency) of revenues over (under) expenditures	(152,020)	800	(29,043)	2,002	1,588
OTHER FINANCING USES					
Transfers out	-	-	-	(74,784)	-
Net change in fund balances	(152,020)	800	(29,043)	(72,782)	1,588
Fund balances, beginning, as restated (see Note 20)	195,014	146,145	202,042	288,837	139,065
Fund balances, ending	\$ 42,994	\$ 146,945	\$ 172,999	\$ 216,055	\$ 140,653

Special Revenue Funds							
School Other Special Revenue Funds	Food Service	Transportation Improvement Trust	Other Trusts	Student Activity Funds	City Capital Projects	Permanent Fund	Total
\$ -	\$ -	\$ 70,677	\$ -	\$ -	\$ -	\$ -	\$ 70,677
-	527,058	-	-	-	-	-	982,029
50,262	220,052	-	-	83,038	-	-	471,558
-	-	9,839	298	-	-	887	34,197
50,262	747,110	80,516	298	83,038	-	887	1,558,461
-	-	-	-	-	-	-	153,813
-	-	-	-	-	-	-	482,221
-	-	-	-	-	-	-	66,062
-	-	-	-	-	-	-	1,489
46,153	-	-	-	82,532	-	-	128,685
-	743,375	-	-	-	-	-	743,375
-	-	-	-	-	-	-	69,438
46,153	743,375	-	-	82,532	-	-	1,645,083
4,109	3,735	80,516	298	506	-	887	(86,622)
-	-	-	-	-	(10,605)	-	(85,389)
4,109	3,735	80,516	298	506	(10,605)	887	(172,011)
47,984	64,574	238,157	69,378	108,859	10,605	206,751	1,717,411
\$ 52,093	\$ 68,309	\$ 318,673	\$ 69,676	\$ 109,365	\$ -	\$ 207,638	\$ 1,545,400

SCHEDULE 6
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Student Activity Funds
Combining Balance Sheet
June 30, 2020

	Idlehurst Elementary	Maple Wood Elementary	Middle School	High School	Career Technical Center	Total
ASSETS						
Cash and cash equivalents	\$ 9,677	\$ 13,300	\$ 26,195	\$ 56,407	\$ 3,786	\$ 109,365
FUND BALANCES						
Assigned	\$ 9,677	\$ 13,300	\$ 26,195	\$ 56,407	\$ 3,786	\$ 109,365

SCHEDULE 7
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Student Activity Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2020

	Idlehurst Elementary	Maple Wood Elementary	Middle School	High School	Career Technical Center	Total
REVENUES						
Charges for services	\$ 6,322	\$ 18,322	\$ 40,026	\$ 17,316	\$ 1,052	\$ 83,038
EXPENDITURES						
Education	6,810	17,323	37,562	19,218	1,619	82,532
Net change in fund balances	(488)	999	2,464	(1,902)	(567)	506
Fund balances, beginning, as restated (see Note 20)	10,165	12,301	23,731	58,309	4,353	108,859
Fund balances, ending	\$ 9,677	\$ 13,300	\$ 26,195	\$ 56,407	\$ 3,786	\$ 109,365

***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

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

To the Members of the City Council
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 the 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 fund, and the aggregate remaining fund information of the City of Somersworth, as of and for the year ended June 30, 2020, 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 24, 2021.

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 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 may exist that have not been identified.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Somersworth's financial statements are free of 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 24, 2021



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Professional Association



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

To the Members of the City Council
City of Somersworth
Somersworth, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the City of Somersworth's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City of Somersworth's major federal program for the year ended June 30, 2020. The City of Somersworth's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Somersworth's major federal program based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Somersworth's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Somersworth's compliance.

Opinion on Each Major Federal Program

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 its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the City of Somersworth is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Somersworth's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Somersworth's 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

City of Somersworth

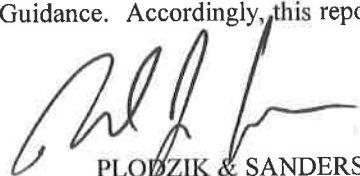
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance

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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 24, 2021



PLODZIK & SANDERSON
Professional Association

SCHEDULE I
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

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

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>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>66.458</u>	<u>Capitalization Grants for Clean Water State Revolving Funds</u>

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 Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the State of New Hampshire Department of Education				
CHILD NUTRITION CLUSTER				
School Breakfast Program (<i>note 4</i>)	10.553	N/A	\$ -	\$ 60,330
National School Lunch Program	10.555	N/A	-	229,937
Summer Food Service Program for Children	10.559	N/A	-	192,921
<i>CLUSTER TOTAL</i>			-	483,188
Fresh Fruit and Vegetable Program	10.582	N/A	-	33,119
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through New Hampshire Community Development Finance Authority				
Community Development Block Grants/State's Program	14.228	20-218-CDHS	-	218
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the State of New Hampshire Department of Transportation				
Highway Planning and Construction:				
TAP Grant	20.205	41363	-	31,001
CMAQ - High St/Route 108 Signal System	20.205	41741	-	27,988
<i>PROGRAM TOTAL</i>			-	58,989
Passed Through the State of New Hampshire Department of Safety				
HIGHWAY SAFETY CLUSTER				
State and Community Highway Safety	20.600	#19-170	-	364
National Priority Safety Programs	20.616	#19-170	-	756
<i>CLUSTER TOTAL</i>			-	1,120
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:				
First Responder Stipend	21.019	N/A	-	108,543
Municipal Aid	21.019	N/A	-	28,520
<i>PROGRAM TOTAL</i>			-	137,063
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed Through the State of New Hampshire Department of Environmental Services				
Capitalization Grants for Clean Water State Revolving Funds (<i>note 5</i>) :				
WWTF Upgrades	66.458	#CS330001-17	-	133,319
WWTF Upgrades	66.458	#CS330001-18	-	943,793
<i>PROGRAM TOTAL</i>			-	1,077,112

(*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 Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Passed Through the State of New Hampshire Department of Education				
Title I Grants to Local Educational Agencies:				
Title I FY 2019	84.010	20190216	-	60,974
Title I FY 2020	84.010	20200216	-	633,133
<i>PROGRAM TOTAL</i>			-	694,107
SPECIAL EDUCATION CLUSTER				
Special Education - Grants to States:				
IDEA FY 2019	84.027	92641	-	97,062
IDEA - Remote Learning	84.027	95652	-	7,999
IDEA FY 2020	84.027	202574	-	399,394
Special Education - Preschool Grants:				
Preschool FY 2020	84.173	202574	-	8,861
iSocial Resource Grant II	84.173	202683	-	2,656
<i>CLUSTER TOTAL</i>			-	515,972
Career and Technical Education - Basic Grants to States	84.048	20203137	-	87,319
Twenty-First Century Community Learning Centers	84.287	20200036	-	145,004
Special Education - State Personnel Development	84.323	202567	-	1,111
English Language Acquisition State Grants:				
Title III FY 2018	84.365	20180808	87	3,028
Title III FY 2019	84.365	20190272	3,124	10,559
Title III FY 2020	84.365	20200272	1,520	2,871
Title III-PD	84.365	20200721	-	2,525
<i>PROGRAM TOTAL</i>			4,731	18,983
Supporting Effective Instruction State Grants:				
Title IIA	84.367	20190196	-	9,362
Title IIA - Math	84.367	20190641	-	12,675
Title IIA - Reallocation	84.367	20190665	-	12,200
Title IIA FY 2020	84.367	20200196	-	58,035
<i>PROGRAM TOTAL</i>			-	92,272
School Improvement Grants	84.377	70407	-	4,896
Student Support and Academic Enrichment Program	84.424	20190720	-	21,860
COVID-19 - Education Stabilization Fund	84.425D	20200805	-	214,007
DEPARTMENT OF HOMELAND SECURITY				
Passed Through the State of New Hampshire Department of Safety				
Pre-Disaster Mitigation	97.047	N/A	-	14,213
Homeland Security Grant Program	97.067	EMS-2018-SS-00055	-	4,887

(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 Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DIRECT FUNDING				
U.S. DEPARTMENT OF AGRICULTURE				
Farm to School Grant Program	10.575	N/A	-	6,816
U.S. DEPARTMENT OF JUSTICE				
Bulletproof Vest Partnership Program	16.607	N/A	-	359
Community Prosecution and Project Safe Neighborhoods	16.609	N/A	-	658
Public Safety Partnership and Community Policing Grants	16.710	N/A	-	19,640
Edward Byrne Memorial Justice Assistance Grant Program:				
Justice Assistance Grant	16.738	N/A	-	3,880
Nat'l Integr Ballistic Info NW	16.738	N/A	-	1,703
PROGRAM TOTAL			-	5,583
Alcohol, Tobacco, Firearms and Explosives - Overtime Patrols	16.UNKNOWN	N/A	-	771
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	-	195,271
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Drug-Free Communities Support Program Grants	93.276	N/A	-	59,972
<i>Total Expenditures of Federal Awards</i>			\$ 4,731	\$ 3,894,310

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, 2020

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the City of Somersworth under programs of the federal government for the year ended June 30, 2020. 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 Donation

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, 2020 the value of food donations received was \$35,405.

Note 5. Loans Outstanding

The City of Somersworth had the following loan balance outstanding at June 30, 2020. The loans made during the year are included in the federal expenditures presented in the Schedule.

<i>CFDA Number</i>	<i>Program Name</i>	<i>Outstanding Balances at June 30, 2020</i>
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$1,200,572