

**CITY OF SOMERSWORTH,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

CITY OF SOMERSWORTH, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 12
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
A Statement of Net Position	13
B Statement of Activities	14
Fund Financial Statements	
<i>Governmental Funds</i>	
C-1 Balance Sheet	15
C-2 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	16
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	17
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	18
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	19
<i>Proprietary Funds</i>	
E-1 Statement of Net Position	20
E-2 Statement of Revenues, Expenses, and Changes in Net Position	21
E-3 Statement of Cash Flows	22
<i>Fiduciary Funds</i>	
F-1 Statement of Fiduciary Net Position	23
F-2 Statement of Changes in Fiduciary Net Position	24
NOTES TO THE BASIC FINANCIAL STATEMENTS	25 - 55
REQUIRED SUPPLEMENTARY INFORMATION	
G Schedule of the City's Proportionate Share of Net Pension Liability	56
H Schedule of City Contributions – Pensions	57
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION -	
PENSION LIABILITY	58
I Schedule of the City's Proportionate Share of Net Other Postemployment Benefits Liability	59
J Schedule of City Contributions – Other Postemployment Benefits.....	60
K Schedule of Changes in the City's Total Other Postemployment Benefits Liability and Related Ratios.....	61
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION -	
OTHER POSTEMPLOYMENT BENEFITS LIABILITY	62

CITY OF SOMERSWORTH, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

TABLE OF CONTENTS

	<u>PAGES</u>
COMBINING AND INDIVIDUAL FUND SCHEDULES	
Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	63
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	64 - 65
3 Schedule of Changes in Unassigned Fund Balance.....	66
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet	67
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	68
<i>Student Activity Funds</i>	
6 Combining Balance Sheet	69
7 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	70
INDEPENDENT AUDITOR'S REPORTS AND SINGLE AUDIT ACT SCHEDULES	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	
	71 - 72
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	
	73 - 74
I Schedule of Findings and Questioned Costs.....	75
II Schedule of Expenditures of Federal Awards.....	76 - 78
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	79



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and the aggregate remaining fund information of the City of Somersworth, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Somersworth's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major governmental and proprietary fund, and the aggregate remaining fund information of the City of Somersworth, as of June 30, 2023, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparison for the major general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in the year ending June 30, 2023, the City adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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 Net Other Postemployment Benefits Liability,
- Schedule of City Contributions – Other Postemployment Benefits,
- Schedule of Changes in the City's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

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

Supplementary Information

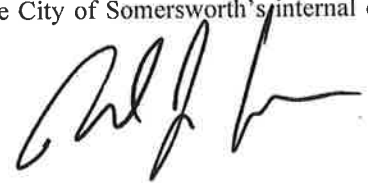
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Somersworth's basic financial statements. The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of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

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

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 April 1, 2024 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Somersworth's internal control over financial reporting and compliance.



PLODZIK & SANDERSON
Professional Association

April 1, 2024
Concord, New Hampshire

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, 2023. 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 four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to financial statements, and (4) the required supplementary information. 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 \$37,382,157, presented as "net

position" shown on the Statement of Net Position for the Total Primary Government. The City's Net Position increased by \$5,854,172 compared to the prior year's Net Position of \$31,527,987 as restated due to GASB Statement No. 87.

- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$14,149,309, a change of (\$1,778,982) in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,574,005, a change of \$1,873,531 in comparison with the prior year. Due to City Council action, \$1,600,000 of the General Fund's fund balance has been designated for future years' expenditures.
- Total bonds payable and long-term debt at the close of the current fiscal year was \$37,773,313, a change of (\$3,923,256) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

<u>GOVERNMENTAL ACTIVITIES</u>				
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Current assets	\$ 29,436,699	\$ 31,955,140	\$ (2,518,441)	-7.88%
Noncurrent assets	64,910,694	60,009,880	4,900,814	8.17%
Total assets	<u>94,347,393</u>	<u>91,965,020</u>	<u>2,382,373</u>	<u>2.59%</u>
Deferred outflows of resources	<u>9,199,805</u>	<u>8,591,628</u>	<u>608,177</u>	<u>7.08%</u>
Current liabilities	3,555,587	3,602,976	(47,389)	-1.32%
Noncurrent liabilities	69,937,373	63,784,222	6,153,151	9.65%
Total Liabilities	<u>73,492,960</u>	<u>67,387,198</u>	<u>6,105,762</u>	<u>9.06%</u>
Deferred inflows of resources	<u>14,961,099</u>	<u>23,004,514</u>	<u>(8,043,415)</u>	<u>-34.96%</u>
Net investment in capital assets	41,193,374	38,856,467	2,336,907	6.01%
Restricted net position	2,361,098	5,640,445	(3,279,347)	-58.14%
Unrestricted net position	(28,461,333)	(34,331,978)	5,870,645	-17.10%
Total net position	<u>\$ 15,093,139</u>	<u>\$ 10,164,934</u>	<u>\$ 4,928,205</u>	<u>48.48%</u>

<u>BUSINESS-TYPE ACTIVITIES</u>				
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Current assets	\$ 13,041,672	\$ 13,845,863	\$ (804,191)	-5.81%
Noncurrent assets	29,506,696	30,102,204	(595,508)	-1.98%
Total assets	<u>42,548,368</u>	<u>43,948,067</u>	<u>(1,399,699)</u>	<u>-3.18%</u>
Deferred outflows of resources	<u>261,633</u>	<u>55,565</u>	<u>206,068</u>	<u>370.86%</u>
Current liabilities	543,597	842,683	(299,086)	-35.49%
Noncurrent liabilities	19,892,540	21,478,716	(1,586,176)	-7.38%
Total Liabilities	<u>20,436,137</u>	<u>22,321,399</u>	<u>(1,885,262)</u>	<u>-8.45%</u>
Deferred inflows of resources	<u>84,846</u>	<u>319,182</u>	<u>(234,336)</u>	<u>-73.42%</u>
Net investment in capital assets	10,792,002	9,777,241	1,014,761	10.38%
Unrestricted net position	11,497,016	11,585,810	(88,794)	-0.77%
Total net position	<u>\$ 22,289,018</u>	<u>\$ 21,363,051</u>	<u>\$ 925,967</u>	<u>4.33%</u>

GOVERNMENTAL ACTIVITIES

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Expenses:				
General government	\$2,656,119	\$1,440,543	\$1,215,576	84.38%
Public safety	6,600,552	7,481,107	(880,555)	-11.77%
Highways and streets	3,694,476	3,414,111	280,365	8.21%
Sanitation	163,673	76,212	87,461	114.76%
Health and welfare	319,700	228,909	90,791	39.66%
Culture and recreation	556,027	544,866	11,161	2.05%
Conservation	1,492	-	1,492	100.00%
Economic development	846	2,686	(1,840)	-68.50%
Education	31,130,532	28,878,656	2,251,876	7.80%
Food service	930,632	813,278	117,354	14.43%
Interest on long-term debt	888,408	711,063	177,345	24.94%
Total expenditures	<u>46,942,457</u>	<u>43,591,431</u>	<u>3,351,026</u>	<u>7.69%</u>
Program revenues:				
Charges for services	1,224,996	991,890	233,106	23.50%
Operating grants and contributions	14,485,403	14,872,012	(386,609)	-2.60%
Capital grants and contributions	1,567,065	1,252,371	314,694	25.13%
General revenues:				
Property taxes and other taxes	29,042,183	27,960,432	1,081,751	3.87%
Licenses and permits	2,495,500	2,502,543	(7,043)	-0.28%
Grants and contributions not related to a specific program	1,048,123	872,131	175,992	20.18%
Unrestricted investment earnings	907,785	77,584	830,201	1070.07%
Miscellaneous	1,099,607	798,125	301,482	37.77%
Unrealized loss on investments	-	(72,451)	72,451	100.00%
Total revenues	<u>51,870,662</u>	<u>49,254,637</u>	<u>\$2,543,574</u>	<u>5.16%</u>
Beginning net position, as restated	10,164,934	4,501,728		
Ending net position	<u>15,093,139</u>	<u>10,164,934</u>		
Change in net position	<u>\$4,928,205</u>	<u>\$5,663,206</u>		

BUSINESS-TYPE ACTIVITIES

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
Expenses:				
Water	\$2,371,629	\$2,077,155	\$294,474	14.18%
Sewer	2,502,778	2,706,776	(203,998)	-7.54%
Solid waste	619,518	585,666	33,852	5.78%
Total expenditures	<u>5,493,925</u>	<u>5,369,597</u>	<u>124,328</u>	<u>2.32%</u>
Program revenues:				
Charges for services	6,379,929	6,954,793	(574,864)	-8.27%
Operating grants and contributions	22,888	-	22,888	-100.00%
Capital grants and contributions	17,075	21,344	(4,269)	-20.00%
Total revenues	<u>6,419,892</u>	<u>6,976,137</u>	<u>\$ (556,245)</u>	<u>-7.97%</u>
Beginning net position	21,363,051	19,756,511		
Ending net position	<u>22,289,018</u>	<u>21,363,051</u>		
Change in net position	<u>\$925,967</u>	<u>\$1,606,540</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 \$37,382,157, a change of \$5,854,172 from the prior year.

The largest portion of the City's net position, \$51,985,376 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, \$2,361,098 represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$16,964,317) 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. 87, *Leases*. As a result of the implementation, the City of Somersworth restated the fiscal 2022 beginning net position of the governmental activities and fund balance of the general fund. The following are the details of the restatement:

	Government-Wide Statements	General Fund	School Grants Fund
To restate for initial measurement of lessor lease receivables applicable to GASB #87	\$ 553,716	\$ 553,716	\$ -
Miscellaneous rounding difference	(2)	-	(2)
Fund balance/net position, as previously reported	9,611,220	9,039,766	37,939
Fund balance/net position, as restated	<u>\$ 10,164,934</u>	<u>\$9,593,482</u>	<u>\$ 37,937</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$4,928,205. Key elements of this change are as follows:

	Governmental Activities
General fund operating results, as disclosed in Exhibit C-3	\$ 1,477,068
School grants operating results	(6,708)
City capital projects operating results	(3,794,723)
Non-major funds operating results	545,381
Other GAAP acccruals, see Exhibit C-4 in the financial statements	6,707,187
Total	<u>\$ 4,928,205</u>

Business-Type Activities. Business-type activities for the year resulted in a change in net position of \$925,967. Key elements of this change are as follows:

	Business-type Activities
Water Fund	\$ 366,786
Sewer Fund	563,729
Solid Waste Fund	(4,548)
Total	<u>\$ 925,967</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 \$14,149,309, a change of (\$1,778,982) in comparison with the prior year. Key elements of this change are as follows:

	Governmental Funds
General fund operating results, as disclosed below	\$ 1,477,068
School grants operating results	(6,708)
City capital projects operating results	(3,794,723)
Non-major funds operating results	545,381
	<u>\$ (1,778,982)</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 \$9,574,005 while total fund balance was \$11,070,550. 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 \$1,477,068 during the current fiscal year. Key factors in this change are as follows:

	<u>General Fund</u>
Revenues:	
Actual revenues and operating transfers in	\$ 44,937,864
Inception of note	100,000
GASB Statement No. 54:	
To record revenue of the blended funds	127,762
To eliminate transfers between the general fund and blended funds	(70,265)
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	128,427
Change in miscellaneous revenue relating to difference between reduction in lease receivable and deferred inflows of resources related to leases	(2,574)
	<u>45,221,214</u>
Expenditures:	
Actual expenditures and operating transfers out	43,763,782
Inception of note	100,000
Encumbrances, beginning	984,433
Encumbrances, ending	(1,223,903)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	180,598
To eliminate transfers between the general fund and blended funds	(60,764)
Total	<u>43,744,146</u>
	<u>\$ 1,477,068</u>

For the purposes of the Governmental Accounting Standards Board Statement No. 54, the activity of the capital reserve funds and the landfill trust fund are included with the General Fund. However, for budgetary purposes, the capital reserve funds and the landfill trust fund are not budgeted items.

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

Unrestricted net position of the enterprise funds at the end of the year are \$11,497,016, a change of (\$88,794) in comparison with the prior year.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

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

	<u>FY 2022-2023</u>
Original budget adopted by the City Council, Ordinance 9-22, March 21, 2022	\$ 53,739,343
Supplemental appropriation, Ordinance 9-23, December 12, 2022	40,000
Supplemental appropriation, Ordinance 14-23, February 6, 2023	47,410
Supplemental appropriation, Ordinance 16-23, February 21, 2023	40,000
Supplemental appropriation, Ordinance 17-23, March 6, 2023	185,482
Supplemental appropriation, Ordinance 22-23, May 15, 2023	168,000
Total Budget	<u>\$ 54,220,235</u>

The overall budget increased by \$1,627,833 from the prior fiscal year to current fiscal year; a 3.10% increase.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$89,760,839 (net of accumulated depreciation), a change of \$33,821,757 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 \$33,821,757, all of which was backed by the full faith and credit of the government.

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

G. ECONOMIC FACTORS

During fiscal year 2023, continued to see strong employment numbers, increasing real estate prices, and rising interest rates experienced throughout the State. The City continues to see strong commercial growth along the High Street and Route 108 corridors. There also continues to be strong mix of commercial and residential growth throughout the City, including the downtown core.

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, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,982,204	\$ 11,696,739	\$ 24,678,943
Investments	13,214,158	-	13,214,158
Taxes receivable (net)	838,918	-	838,918
Accounts receivable (net)	183,952	1,100,906	1,284,858
Lease receivables	87,316	-	87,316
Intergovernmental receivable	1,980,563	126,024	2,106,587
Prepaid items	59,498	12,412	71,910
Inventory	-	105,591	105,591
Remediation receivable	90,090	-	90,090
Noncurrent assets:			
Intergovernmental receivable	-	244,774	244,774
Remediation receivable	2,882,880	-	2,882,880
Lease receivables	1,528,897	-	1,528,897
Capital assets:			
Land and construction in progress	12,359,233	665,881	13,025,114
Other capital assets, net of depreciation	48,139,684	28,596,041	76,735,725
Total assets	<u>94,347,393</u>	<u>42,548,368</u>	<u>136,895,761</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	8,881,130	250,938	9,132,068
Amounts related to other postemployment benefits	318,675	10,695	329,370
Total deferred outflows of resources	<u>9,199,805</u>	<u>261,633</u>	<u>9,461,438</u>
LIABILITIES			
Accounts payable	1,868,023	249,756	2,117,779
Accrued salaries and benefits payable	147,236	18,366	165,602
Retainage payable	383,538	2,150	385,688
Contracts payable	902,199	-	902,199
Accrued interest payable	243,158	273,325	516,483
Intergovernmental payable	11,433	-	11,433
Long-term liabilities:			
Due within one year	2,312,757	1,851,469	4,164,226
Due in more than one year	67,624,616	18,041,071	85,665,687
Total liabilities	<u>73,492,960</u>	<u>20,436,137</u>	<u>93,929,097</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	11,754,400	-	11,754,400
Unavailable revenue - student balances	20,050	-	20,050
Amounts related to leases	1,065,071	-	1,065,071
Amounts related to pensions	278,069	5,973	284,042
Amounts related to other postemployment benefits	1,843,509	78,873	1,922,382
Total deferred inflows of resources	<u>14,961,099</u>	<u>84,846</u>	<u>15,045,945</u>
NET POSITION			
Net investment in capital assets	41,193,374	10,792,002	51,985,376
Restricted	2,361,098	-	2,361,098
Unrestricted	(28,461,333)	11,497,016	(16,964,317)
Total net position	<u>\$ 15,093,139</u>	<u>\$ 22,289,018</u>	<u>\$ 37,382,157</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, 2023

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 2,656,119	\$ 216,910	\$ 233,241	\$ -	\$ (2,205,968)	\$ -	\$ (2,205,968)
Public safety	6,600,552	125,471	854,946	353,482	(5,266,653)	-	(5,266,653)
Highways and streets	3,694,476	159,530	235,040	727,238	(2,572,668)	-	(2,572,668)
Sanitation	163,673	4,792	131,280	-	(27,601)	-	(27,601)
Health	174,781	-	-	-	(174,781)	-	(174,781)
Welfare	144,919	8,396	-	-	(136,523)	-	(136,523)
Culture and recreation	556,027	173,407	9,809	-	(372,811)	-	(372,811)
Conservation	1,492	-	-	-	(1,492)	-	(1,492)
Education	31,130,532	188,278	12,439,508	486,345	(18,016,401)	-	(18,016,401)
Food service	930,632	348,212	581,579	-	(841)	-	(841)
Economic development	846	-	-	-	(846)	-	(846)
Interest on long-term debt	888,408	-	-	-	(888,408)	-	(888,408)
Total governmental activities	46,942,457	1,224,996	14,485,403	1,567,065	(29,664,993)	-	(29,664,993)
Business-type activities:							
Water	2,371,629	2,738,415	-	-	-	366,786	366,786
Sewer	2,502,778	3,026,544	22,888	17,075	-	563,729	563,729
Other	619,518	614,970	-	-	-	(4,548)	(4,548)
Total business-type activities	5,493,925	6,379,929	-	17,075	-	925,967	925,967
Total	\$ 52,436,382	\$ 7,604,925	\$ 14,485,403	\$ 1,584,140	(29,664,993)	925,967	(28,739,026)
General revenues:							
Taxes:							
Property					28,661,192	-	28,661,192
Other					380,991	-	380,991
Motor vehicle permit fees					2,092,407	-	2,092,407
Licenses and other fees					403,093	-	403,093
Grants and contributions not restricted to specific programs					1,048,123	-	1,048,123
Unrestricted investment earnings					907,785	-	907,785
Miscellaneous					1,099,607	-	1,099,607
Total general revenues					34,593,198	-	34,593,198
Change in net position					4,928,205	925,967	5,854,172
Net position, beginning, as restated (see Note 19)					10,164,934	21,363,051	31,527,985
Net position, ending					\$ 15,093,139	\$ 22,289,018	\$ 37,382,157

EXHIBIT C-1
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
June 30, 2023

	General	School Grants	City Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 10,232,707	\$ -	\$ 1,338,923	\$ 1,410,574	\$ 12,982,204
Investments	12,636,839	-	-	577,319	13,214,158
Taxes receivable (net)	778,918	-	-	60,000	838,918
Accounts receivable	154,345	-	-	29,607	183,952
Lease receivables	1,616,213	-	-	-	1,616,213
Intergovernmental receivable	-	1,054,184	-	926,379	1,980,563
Interfund receivable	562,207	-	-	6,120	568,327
Prepaid items	59,498	-	-	-	59,498
Total assets	<u>\$ 26,040,727</u>	<u>\$ 1,054,184</u>	<u>\$ 1,338,923</u>	<u>\$ 3,009,999</u>	<u>\$ 31,443,833</u>
LIABILITIES					
Accounts payable	\$ 1,235,607	\$ 471,946	\$ -	\$ 160,470	\$ 1,868,023
Accrued salaries and benefits payable	147,179	-	-	57	147,236
Retainage payable	159,288	-	224,250	-	383,538
Contracts payable	22,952	-	325,417	553,830	902,199
Intergovernmental payable	11,433	-	-	-	11,433
Interfund payable	-	551,009	-	17,318	568,327
Total liabilities	<u>1,576,459</u>	<u>1,022,955</u>	<u>549,667</u>	<u>731,675</u>	<u>3,880,756</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	12,328,647	-	-	-	12,328,647
Unavailable revenue - student balances	-	-	-	20,050	20,050
Amounts related to leases	1,065,071	-	-	-	1,065,071
Total deferred inflows of resources	<u>13,393,718</u>	<u>-</u>	<u>-</u>	<u>20,050</u>	<u>13,413,768</u>
FUND BALANCES					
Nonspendable	59,498	-	-	172,807	232,305
Restricted	-	31,229	789,256	1,367,806	2,188,291
Committed	213,144	-	-	626,350	839,494
Assigned	1,223,903	-	-	91,311	1,315,214
Unassigned	9,574,005	-	-	-	9,574,005
Total fund balances	<u>11,070,550</u>	<u>31,229</u>	<u>789,256</u>	<u>2,258,274</u>	<u>14,149,309</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,040,727</u>	<u>\$ 1,054,184</u>	<u>\$ 1,338,923</u>	<u>\$ 3,009,999</u>	<u>\$ 31,443,833</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, 2023

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 14,149,309
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 104,271,224	
Less accumulated depreciation	<u>(43,772,307)</u>	
		60,498,917
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	\$ 8,881,130	
Deferred inflows of resources related to pensions	(278,069)	
Deferred outflows of resources related to OPEB	318,675	
Deferred inflows of resources related to OPEB	<u>(1,843,509)</u>	
		7,078,227
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (568,327)	
Payables	<u>568,327</u>	
		-
Other long-term assets are not available to pay for current period expenditures, and therefore, are not reported in the governmental funds.		2,972,970
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		574,247
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(243,158)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 16,710,956	
Unamortized bond premium	1,443,791	
Notes payable	1,150,796	
Compensated absences	1,654,666	
Pollution remediation liability	6,006,000	
Net pension liability	35,949,988	
Other postemployment benefits	<u>7,021,176</u>	
		(69,937,373)
Net position of governmental activities (Exhibit A)		<u>\$ 15,093,139</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, 2023

	General	School Grants	City Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 29,110,610	\$ -	\$ -	\$ 60,000	\$ 29,170,610
Licenses and permits	2,428,824	-	-	66,676	2,495,500
Intergovernmental	11,192,194	3,646,522	7,942	2,501,191	17,347,849
Charges for services	600,276	-	-	624,720	1,224,996
Miscellaneous	1,684,373	-	4,350	71,411	1,760,134
Total revenues	45,016,277	3,646,522	12,292	3,323,998	51,999,089
EXPENDITURES					
Current:					
General government	2,392,909	-	-	12,609	2,405,518
Public safety	7,044,204	-	-	351,561	7,395,765
Highways and streets	2,987,683	-	-	1,097,337	4,085,020
Sanitation	257,319	-	-	-	257,319
Health	176,995	-	-	-	176,995
Welfare	147,918	-	-	-	147,918
Culture and recreation	459,748	-	-	71,139	530,887
Conservation	-	-	-	1,553	1,553
Education	26,715,890	3,653,230	-	175,118	30,544,238
Food service	-	-	-	949,153	949,153
Economic development	846	-	-	-	846
Debt service:					
Principal	1,593,693	-	-	20,717	1,614,410
Interest	1,039,394	-	-	-	1,039,394
Other	431,104	-	-	-	431,104
Capital outlay	422,683	-	3,807,015	68,253	4,297,951
Total expenditures	43,670,386	3,653,230	3,807,015	2,747,440	53,878,071
Excess (deficiency) of revenues over (under) expenditures	1,345,891	(6,708)	(3,794,723)	576,558	(1,878,982)
OTHER FINANCING SOURCES (USES)					
Transfers in	104,937	-	-	73,760	178,697
Transfers out	(73,760)	-	-	(104,937)	(178,697)
Note proceeds	100,000	-	-	-	100,000
Total other financing sources (uses)	131,177	-	-	(31,177)	100,000
Net change in fund balances	1,477,068	(6,708)	(3,794,723)	545,381	(1,778,982)
Fund balances, beginning, as restated (see Note 19)	9,593,482	37,937	4,583,979	1,712,893	15,928,291
Fund balances, ending	\$ 11,070,550	\$ 31,229	\$ 789,256	\$ 2,258,274	\$ 14,149,309

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, 2023

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

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (1,778,982)
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 6,664,423	
Depreciation expense	<u>(2,648,700)</u>	
		4,015,723
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (178,697)	
Transfers out	<u>178,697</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		(128,427)
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.		
Note proceeds	\$ (100,000)	
Repayment of bond principal	1,614,410	
Repayment of note payables	386,934	
Amortization of bond premium	<u>164,718</u>	
		2,066,062
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	\$ 30,438	
Increase in compensated absences payable	(75,709)	
Changes in pollution remediation receivable and payable balances	91,910	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(264,385)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>971,575</u>	
		<u>753,829</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 4,928,205</u></u>

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

EXHIBIT D
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 28,900,031	\$ 28,900,031	\$ 28,982,183	\$ 82,152
Licenses and permits	2,095,000	2,095,000	2,428,824	333,824
Intergovernmental	10,484,120	10,877,602	11,192,194	314,592
Charges for services	583,285	583,285	600,276	16,991
Miscellaneous	763,766	763,766	1,559,185	795,419
Total revenues	42,826,202	43,219,684	44,762,662	1,542,978
EXPENDITURES				
Current:				
Elected leadership	218,720	218,720	214,576	4,144
City management	532,787	532,787	532,690	97
Finance and administration	1,628,474	1,628,474	1,549,432	79,042
Development services	942,564	942,564	845,196	97,368
Fire and rescue	2,385,058	2,585,058	2,489,278	95,780
Police	4,644,286	4,444,286	4,239,887	204,399
Public works and utilities	3,375,239	3,415,239	3,355,212	60,027
School	28,859,586	28,859,586	28,534,754	324,832
Debt service:				
Principal	509,458	509,458	509,458	-
Interest	304,766	304,766	304,766	-
Other	431,104	431,104	431,104	-
Capital outlay	242,459	683,351	622,905	60,446
Total expenditures	44,074,501	44,555,393	43,629,258	926,135
Excess (deficiency) of revenues over (under) expenditures	(1,248,299)	(1,335,709)	1,133,404	2,469,113
OTHER FINANCING SOURCES (USES)				
Transfers in	87,000	174,410	175,202	792
Transfers out	(138,701)	(138,701)	(134,524)	4,177
Total other financing sources (uses)	(51,701)	35,709	40,678	4,969
Net change in fund balances	\$ (1,300,000)	\$ (1,300,000)	1,174,082	\$ 2,474,082
Increase in nonspendable fund balance			(36,682)	
Unassigned fund balance, beginning			8,469,557	
Unassigned fund balance, ending			\$ 9,606,957	

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, 2023

	Business-type Activities			
	Enterprise Funds			Total
	Water	Sewer	Nonmajor	Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,129,367	\$ 6,332,954	\$ 234,418	\$ 11,696,739
Accounts receivable (net)	450,144	517,735	133,027	1,100,906
Intergovernmental receivable	-	126,024	-	126,024
Prepaid items	6,206	6,206	-	12,412
Inventory	100,809	-	4,782	105,591
Noncurrent assets:				
Intergovernmental receivable	-	244,774	-	244,774
Capital assets:				
Land and construction in progress	257,974	407,907	-	665,881
Other capital assets, net of depreciation	6,078,357	22,517,684	-	28,596,041
Total assets	<u>12,022,857</u>	<u>30,153,284</u>	<u>372,227</u>	<u>42,548,368</u>
DEFERRED OUTFLOWS OF RESOURCES				
Amounts related to pensions	134,902	116,036	-	250,938
Amounts related to other postemployment benefits	6,006	4,689	-	10,695
Total deferred outflows of resources	<u>140,908</u>	<u>120,725</u>	<u>-</u>	<u>261,633</u>
LIABILITIES				
Current liabilities:				
Accounts payable	118,923	82,317	48,516	249,756
Accrued salaries and benefits payable	10,046	8,320	-	18,366
Retainage payable	2,150	-	-	2,150
Accrued interest payable	61,371	211,954	-	273,325
Noncurrent liabilities:				
Due within one year	569,371	1,282,098	-	1,851,469
Due in more than one year	3,889,541	14,151,530	-	18,041,071
Total liabilities	<u>4,651,402</u>	<u>15,736,219</u>	<u>48,516</u>	<u>20,436,137</u>
DEFERRED INFLOWS OF RESOURCES				
Amounts related to pensions	3,211	2,762	-	5,973
Amounts related to other postemployment benefits	52,090	26,783	-	78,873
Total deferred inflows of resources	<u>55,301</u>	<u>29,545</u>	<u>-</u>	<u>84,846</u>
NET POSITION				
Net investment in capital assets	2,668,641	8,123,361	-	10,792,002
Unrestricted	4,788,421	6,384,884	323,711	11,497,016
Total net position	<u>\$ 7,457,062</u>	<u>\$ 14,508,245</u>	<u>\$ 323,711</u>	<u>\$ 22,289,018</u>

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

EXHIBIT E-2
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2023

	Business-type Activities			
	Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Nonmajor	
Operating revenues:				
User charges	\$ 2,674,242	\$ 3,026,544	\$ 614,970	\$ 6,315,756
Other charges	64,173	-	-	64,173
Total operating revenues	<u>2,738,415</u>	<u>3,026,544</u>	<u>614,970</u>	<u>6,379,929</u>
Operating expenses:				
Salaries and wages	718,255	569,375	-	1,287,630
Operation and maintenance	1,026,250	784,628	619,518	2,430,396
Depreciation	546,939	890,810	-	1,437,749
Total operating expenses	<u>2,291,444</u>	<u>2,244,813</u>	<u>619,518</u>	<u>5,155,775</u>
Operating gain (loss)	<u>446,971</u>	<u>781,731</u>	<u>(4,548)</u>	<u>1,224,154</u>
Nonoperating revenue (expense):				
Intergovernmental revenues	-	22,888	-	22,888
Capital contributions	-	17,075	-	17,075
Interest expense	(80,185)	(257,965)	-	(338,150)
Total nonoperating revenues (expense)	<u>(80,185)</u>	<u>(218,002)</u>	<u>-</u>	<u>(298,187)</u>
Change in net position	366,786	563,729	(4,548)	925,967
Net position, beginning	7,090,276	13,944,516	328,259	21,363,051
Net position, ending	<u>\$ 7,457,062</u>	<u>\$ 14,508,245</u>	<u>\$ 323,711</u>	<u>\$ 22,289,018</u>

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

EXHIBIT E-3
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

	Business-type Activities			Total
	Enterprise Funds			Enterprise
	Water	Sewer	Nonmajor	Funds
CASH FLOWS FROM:				
OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 2,836,298	\$ 3,169,364	\$ 594,272	\$ 6,599,934
Payments to employees	(716,623)	(580,098)	-	(1,296,721)
Payments to suppliers	(910,308)	(1,277,096)	(616,765)	(2,804,169)
Net cash provided (used) by operating activities	<u>1,209,367</u>	<u>1,312,170</u>	<u>(22,493)</u>	<u>2,499,044</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on bonds and notes	(510,308)	(1,222,900)	-	(1,733,208)
Acquisition and construction of fixed assets	(340,866)	(256,599)	-	(597,465)
Interest paid	(145,756)	(407,897)	-	(553,653)
Capital contributions	-	17,075	-	17,075
Net cash used by capital and related financing activities	<u>(996,930)</u>	<u>(1,870,321)</u>	<u>-</u>	<u>(2,867,251)</u>
NON-CAPITAL FINANCING ACTIVITIES:				
Grant - water asset management	-	22,888	-	22,888
State aid - wastewater infrastructure	-	122,387	-	122,387
Net cash provided by non-capital financing activities	<u>-</u>	<u>145,275</u>	<u>-</u>	<u>145,275</u>
Net change in cash and cash equivalents	212,437	(412,876)	(22,493)	(222,932)
Cash and cash equivalents, beginning	4,916,930	6,745,830	256,911	11,919,671
Cash and cash equivalents, ending	<u>\$ 5,129,367</u>	<u>\$ 6,332,954</u>	<u>\$ 234,418</u>	<u>\$ 11,696,739</u>
Reconciliation of Operating Gain (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating gain (loss)	\$ 446,971	\$ 781,731	\$ (4,548)	\$ 1,224,154
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:				
Depreciation expense	546,939	890,810	-	1,437,749
Changes in accounts receivable	97,883	142,820	(20,698)	220,005
Changes in prepaid items	(986)	(986)	-	(1,972)
Changes in inventory	3,262	-	(3,560)	(298)
Changes in deferred outflows of resources	(116,341)	(89,727)	-	(206,068)
Changes in accounts payable	49,623	14,941	6,313	70,877
Changes in accrued payroll	2,276	1,429	-	3,705
Changes in retainage payable	-	(285,789)	-	(285,789)
Changes in compensated absences payable	(644)	(12,152)	-	(12,796)
Changes in OPEB liability	70,503	(93,701)	-	(23,198)
Changes in net pension liability	193,133	113,878	-	307,011
Changes in deferred inflows of resources	(83,252)	(151,084)	-	(234,336)
Total adjustments	<u>762,396</u>	<u>530,439</u>	<u>(17,945)</u>	<u>1,274,890</u>
Net cash provided (used) by operating activities	<u>\$ 1,209,367</u>	<u>\$ 1,312,170</u>	<u>\$ (22,493)</u>	<u>\$ 2,499,044</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, 2023

	Private Purpose Trust	Custodial Funds			
		Escrows	Taxes	Town Clerk Fees State Portion	Total
ASSETS					
Cash and cash equivalents	\$ 3,107	\$ 945,315	\$ -	\$ -	\$ 948,422
Investments	189,538	-	-	-	189,538
Total assets	192,645	945,315	-	-	1,137,960
LIABILITIES					
Accounts payable	-	378	-	-	378
NET POSITION					
Restricted	\$ 192,645	\$ 944,937	\$ -	\$ -	\$ 1,137,582

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, 2023

	Private Purpose Trust	Custodial Funds			Total
		Escrows	Taxes	Town Clerk Fees State Portion	
ADDITIONS					
Contributions	\$ -	\$ 708,564	\$ -	\$ -	\$ 708,564
Investment earnings	5,710	-	-	-	5,710
Taxes collected for other governments	-	-	22,140,201	-	22,140,201
Motor vehicle payments	-	-	-	689,194	689,194
Total additions	5,710	708,564	22,140,201	689,194	23,543,669
DEDUCTIONS					
Scholarships	600	-	-	-	600
Payments of taxes to other governments	-	-	22,140,201	-	22,140,201
Payments for escrow purposes	-	109,940	-	-	109,940
Motor vehicle payments to state	-	-	-	689,194	689,194
Total deductions	600	109,940	22,140,201	689,194	22,939,935
Change in fiduciary net position	5,110	598,624	-	-	603,734
Net position, beginning	187,535	346,313	-	-	533,848
Net position, ending	\$ 192,645	\$ 944,937	\$ -	\$ -	\$ 1,137,582

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

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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

DETAILED NOTES ON ALL FUNDS

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

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Governmental Fund Balances	18
Prior Period Adjustments.....	19
Risk Management.....	20
Tax Abatements.....	21
Contingent Liabilities.....	22
Subsequent Events.....	23

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A Reporting Entity

The City of Somersworth is a municipal corporation governed by an elected nine-member City Council and City Manager. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB Statement No. 14 (as amended). The City has no component units to include in its reporting entity.

1-B Basis of Accounting and Measurement Focus

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses, and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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

The City reports the following major governmental funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

The City also reports one nonmajor proprietary fund, the solid waste fund.

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 and do not involve measurement of results of operations. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

The City 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 – Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure the fair value in that particular market.

Level 2 – The categorization of an asset/liability as Level 1 requires that it is traded in an active market. If an instrument is not traded in an active market, it may fall to Level 2. Level 2 inputs are inputs that are observable, either directly or indirectly, but do not qualify as Level 1.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Level 3 – Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

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

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

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

1-F Receivables

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

1-G Inventory

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

1-H Prepaid Items

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

1-I Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of five years for machinery, vehicles, and equipment and \$50,000 for all other assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position. Capital assets of the proprietary fund are capitalized in the fund and the cost basis for the proprietary fund capital assets is the same as that used for general capital assets.

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

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Capital assets of the City are depreciated (except for land and construction on progress which are not depreciated) using the straight-line method over the following estimated useful lives:

Capital Asset Classes:	<u>Years</u>
Infrastructure	15 - 75
Buildings and building improvements	15 - 50
Vehicles and equipment	5 - 20

1-J Interfund Activities

Interfund activities are reported as follows:

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

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

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 26, 2022, and December 6, 2022, and due on July 1, 2022, and January 9, 2023. 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, 2023, 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 taxes at year-end. The property taxes collected by the City include taxes levied for Strafford County, which are remitted to this entity as required by law.

The City net assessed valuation as of April 1, 2022, utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,113,670,748
For all other taxes	\$ 1,134,772,148

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

The tax rates and amounts assessed for the year ended June 30, 2023 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$8.55	\$ 9,707,062
School portion:		
State of New Hampshire	\$1.35	1,500,784
Local	\$15.65	17,757,894
County portion	\$2.54	2,881,523
Total	<u>\$28.09</u>	<u>\$ 31,847,263</u>

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, 2023.

1-M Deferred Outflows/Inflows of Resources

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

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. The City has four types of items which qualify for reporting in this category. Deferred inflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. Property taxes not collected within 60-days of the fiscal year end, subsequent period tax commitments and taxes collected in advance are all reported as deferred inflows of resources. In addition, unavailable revenues from student balances arises when the related eligible expenditures will not be made until the subsequent period.

1-N Compensated Absences

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

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

1-O Leases

Lessor – The City is a lessor for noncancellable leases of land and space on City property for cellular infrastructure. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

1-P 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 Statements of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method.

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

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

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

1-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 Postemployment Benefits Other Than Pensions (OPEB)

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

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

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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-S 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.

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

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

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

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

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

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (City Council). 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.

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

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

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

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

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

1-T 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, the useful lives and impairment of capital assets, net pension liability, other postemployment benefit liability, deferred outflows and inflows of resources related to both pension and other postemployment benefits, and pollution remediation, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2023, \$1,300,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 44,937,864
Adjustments:	
Basis differences:	
Inception of note	100,000
GASB Statement No. 54:	
To record revenue of the blended funds	127,762
To eliminate transfers between the general fund and blended funds	(70,265)
Change in deferred tax revenue relating to 60-day revenue recognition	
recognized as revenue on the GAAP basis, but not on the budgetary basis	128,427
Change in miscellaneous revenue relating to difference between reduction	
in lease receivable and deferred inflows of resources related to leases	(2,574)
Per Exhibit C-3 (GAAP basis)	\$ 45,221,214
	(Continued)

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 43,763,782
Adjustments:	
Basis differences:	
Inception of note	100,000
Encumbrances, beginning	984,433
Encumbrances, ending	(1,223,903)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	180,598
To eliminate transfers between the general fund and blended funds	(60,764)
Per Exhibit C-3 (GAAP basis)	<u>\$ 43,744,146</u>

2-C Accounting Change

Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, was implemented during fiscal year 2023. The objective of this Statement is to better meet information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirement for subscription-based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription assets (an intangible asset), and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards of SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. The City has assessed all potential agreements that may be applicable for reporting under GASB Statement No. 96 and have determined that none of the agreements have met the requirements of the pronouncement.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The City's deposits are entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held by the City's agent in the City's name. The FDIC currently insures the first \$250,000 of the City's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the City's deposits was \$25,627,365 and the bank balances totaled \$27,030,420. Petty cash totaled \$1,303.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 24,678,943
Cash per Statement of Fiduciary Net Position - Fiduciary Funds (Exhibit F-1)	948,422
Total cash and cash equivalents	<u>\$ 25,627,365</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.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

The City has the following recurring fair value measurements as of June 30, 2023:

Investments Type	Valuation Measurement Method	Reported Balance	Exempt from Disclosure
Equity exchange traded funds	Level 1	\$ 143,935	\$ 143,935
Equity mutual funds	Level 1	43,215	43,215
Fixed income mutual funds	Level 2	522,765	522,765
Real estate investment trusts	Level 2	31,059	31,059
New Hampshire Public Deposit Investment Pool	Amortized Cost	12,662,722	12,662,722
Total		<u>\$ 13,403,696</u>	<u>\$ 13,403,696</u>

Interest Rate Risk - This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy states that investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account larger routine expenditures (payroll and accounts payable) as well as anticipated revenue inflows. At no time shall any investment be made exceeding a maturity date in excess of one year. The Trustees of Trust Fund's investment policy states that for capital reserves, the portfolio's investment objectives are to maintain principal while generating income in excess of certificates of deposits, traditional savings accounts, and money market funds. For common trust funds, these funds have a long or perpetual-time horizon. The portfolio investment objective is to provide a total return (income plus capital appreciation) consistent with the purpose of that fund that exceeds the long-term rate of inflation. At June 30, 2023, all of the City's investment maturities were exempt from disclosure.

Credit Risk - The City's investment policy does not directly address this risk. The Trustees of Trust Fund's investment policy states that the capital reserves investments in corporate bonds shall be limited to those with a rating of investment grade. A mutual fund or exchange-traded fund with an investment objective consistent with holding investment grade bonds may be used. At June 30, 2023, all of the City's investments were exempt from credit risk disclosure.

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

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

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 13,214,158
Investments per Statement of Fiduciary Net Position - Fiduciary Funds (Exhibit F-1)	189,538
Total investments	<u>\$ 13,403,696</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2023. The amount has been reduced by an allowance for an estimated uncollectible amount of \$122,000. Taxes receivable by year are as follows:

Property:	
Unredeemed (under tax lien):	
Levy of 2022	\$ 451,388
Levy of 2021	237,592
Levy of 2020	163,045
Levies of 2019 and prior	47,958
Yield	935
Land use change	60,000
Less: allowance for estimated uncollectible taxes	(122,000)
Net taxes receivable	<u>\$ 838,918</u>

NOTE 6 – OTHER RECEIVABLES

Receivables at June 30, 2023, consisted of accounts (billings for police details, water, sewer, ambulance, and other user charges), leases, intergovernmental amounts arising from grants, and pollution remediation. 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, 2023 for the City's individual major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	Governmental Funds				Governmental Activities
	General	School Grants	Nonmajor	Total	
Receivables:					
Accounts	\$ 154,345	\$ -	\$ 29,607	\$ 183,952	\$ 183,952
Lease	1,616,213	-	-	1,616,213	1,616,213
Intergovernmental	-	1,054,184	926,379	1,980,563	1,980,563
Remediation	-	-	-	-	2,972,970
Total receivables	<u>\$ 1,770,558</u>	<u>\$ 1,054,184</u>	<u>\$ 955,986</u>	<u>\$ 3,780,728</u>	<u>\$ 6,753,698</u>
	Proprietary Funds				
	Water	Sewer	Nonmajor	Total	
Receivables:					
Accounts	\$ 471,544	\$ 549,435	\$ 133,027	\$ 1,154,006	
Intergovernmental	-	370,798	-	370,798	
Gross receivables	471,544	920,233	133,027	1,524,804	
Less: allowance for uncollectibles	(21,400)	(31,700)	-	(53,100)	
Net total receivables	<u>\$ 450,144</u>	<u>\$ 888,533</u>	<u>\$ 133,027</u>	<u>\$ 1,471,704</u>	

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

NOTE 7 – LEASE RECEIVABLES

The City had the following lease receivables as of June 30, 2023:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Receivable at June 30, 2023
Lease receivables:					
Wentworth-Douglas Hospital - land	\$ 787,638	2001	2041	2.2%	\$ 561,442
Four-Up, Inc - land	\$ 680,273	2008	2040	2.2%	450,504
AT&T - cellular infrastructure	\$ 543,873	2008	2033	2.2%	291,567
T-Mobile - cellular infrastructure	\$ 552,262	2004	2034	2.2%	312,700
					<u>\$ 1,616,213</u>

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is as follows:

	Balance, beginning	Additions	Adjustments/ Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 2,334,469	\$ -	\$ -	\$ 2,334,469
Easements	170,875	-	-	170,875
Software	183,188	-	-	183,188
Construction in progress	6,469,541	4,611,861	(1,410,701)	9,670,701
Total capital assets not being depreciated	<u>9,158,073</u>	<u>4,611,861</u>	<u>(1,410,701)</u>	<u>12,359,233</u>
Being depreciated:				
Buildings and building improvements	57,423,455	-	-	57,423,455
Infrastructure	22,644,290	2,583,921	-	25,228,211
Vehicles and equipment	8,431,035	879,342	(50,052)	9,260,325
Total capital assets being depreciated	<u>88,498,780</u>	<u>3,463,263</u>	<u>(50,052)</u>	<u>91,911,991</u>
Total all capital assets	<u>97,656,853</u>	<u>8,075,124</u>	<u>(1,460,753)</u>	<u>104,271,224</u>
Less accumulated depreciation:				
Buildings and building improvements	(27,036,642)	(1,269,779)	-	(28,306,421)
Infrastructure	(7,575,246)	(978,414)	-	(8,553,660)
Vehicles and equipment	(6,561,771)	(400,507)	50,052	(6,912,226)
Total accumulated depreciation	<u>(41,173,659)</u>	<u>(2,648,700)</u>	<u>50,052</u>	<u>(43,772,307)</u>
Net book value, capital assets being depreciated	<u>47,325,121</u>	<u>814,563</u>	<u>-</u>	<u>48,139,684</u>
Net book value, all governmental activities capital assets	<u>\$ 56,483,194</u>	<u>\$ 5,426,424</u>	<u>\$ (1,410,701)</u>	<u>\$ 60,498,917</u>
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 500,895	\$ -	\$ -	\$ 500,895
Software	103,044	-	-	103,044
Construction in progress	2,255,130	61,942	(2,255,130)	61,942
Total capital assets not being depreciated	<u>2,859,069</u>	<u>61,942</u>	<u>(2,255,130)</u>	<u>665,881</u>
Being depreciated:				
Buildings and building improvements	40,142,520	150,631	-	40,293,151
Infrastructure	14,432,130	2,585,100	-	17,017,230
Vehicles and equipment	1,169,245	54,923	-	1,224,168
Total capital assets being depreciated	<u>55,743,895</u>	<u>2,790,654</u>	<u>-</u>	<u>58,534,549</u>
Total all capital assets	<u>58,602,964</u>	<u>2,852,596</u>	<u>(2,255,130)</u>	<u>59,200,430</u>

(Continued)

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Capital assets continued:

	Balance, beginning	Additions	Adjustments/ Deletions	Balance, ending
Less accumulated depreciation:				
Buildings and building improvements	(18,819,597)	(1,014,021)	-	(19,833,618)
Infrastructure	(8,575,899)	(386,428)	-	(8,962,327)
Vehicles and equipment	(1,105,264)	(37,299)	-	(1,142,563)
Total accumulated depreciation	(28,500,760)	(1,437,748)	-	(29,938,508)
Net book value, capital assets being depreciated	27,243,135	1,352,906	-	28,596,041
Net book value, all business-type activities capital assets	<u>\$ 30,102,204</u>	<u>\$ 1,414,848</u>	<u>\$ (2,255,130)</u>	<u>\$ 29,261,922</u>

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	\$ 109,024
Public safety	241,497
Highways and streets	1,165,490
Education	1,100,109
Culture and recreation	32,580
Total depreciation expense	<u>\$ 2,648,700</u>

Business-type activities:

Water	\$ 546,938
Sewer	890,810
Total depreciation expense	<u>\$ 1,437,748</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of June 30, 2023 is as follows:

Receivable Fund	Payable Fund	Amount
General	School grants	\$ 551,009
General	Nonmajor	11,198
Nonmajor	Nonmajor	6,120
		<u>\$ 568,327</u>

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

Interfund Transfers - The composition of interfund transfers for the year ended June 30, 2023 is as follows:

Transfers In:		
General Fund	City Grants Fund	Total
Transfers out:		
General fund	\$ -	\$ 73,760
Nonmajor funds	104,937	-
Total	<u>\$ 104,937</u>	<u>\$ 178,697</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.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Governmental Activities	Business-type Activities	Total
Amounts related to pensions, see Note 12	\$ 8,881,130	\$ 250,938	\$ 9,132,068
Amounts related to OPEB, see Note 13	318,675	10,695	329,370
Total deferred outflows of resources	<u>\$ 9,199,805</u>	<u>\$ 261,633</u>	<u>\$ 9,461,438</u>

Deferred inflows of resources are as follows:

	Government-wide			Governmental Funds		
	Governmental Activities	Business-type Activities	Total	General	Nonmajor	Total
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ -	\$ -	\$ 574,247	\$ -	\$ 574,247
Property taxes collected in advance of the warrant due date	11,754,400	-	11,754,400	11,754,400	-	11,754,400
Student balances	20,050	-	20,050	-	20,050	20,050
Amounts related to leases, see Note 7	1,065,071	-	1,065,071	1,065,071	-	1,065,071
Amounts related to pensions, see Note 12	278,069	5,973	284,042	-	-	-
Amounts related to OPEB, see Note 13	1,843,509	78,873	1,922,382	-	-	-
Total deferred inflows of resources	<u>\$ 14,961,099</u>	<u>\$ 84,846</u>	<u>\$ 15,045,945</u>	<u>\$ 13,393,718</u>	<u>\$ 20,050</u>	<u>\$ 13,413,768</u>

NOTE 11 – LONG-TERM LIABILITIES

Changes in the City's long-term liabilities consisted of the following for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year	Due in More Than One Year
Governmental activities:						
Bonds payable:						
Direct placements	\$ 18,325,366	\$ -	\$ (1,614,410)	\$ 16,710,956	\$ 1,592,786	\$ 15,118,170
Premium	1,608,509	-	(164,718)	1,443,791	155,094	1,288,697
Total bonds payable	19,933,875	-	(1,779,128)	18,154,747	1,747,880	16,406,867
Notes payable - direct borrowings	1,437,730	100,000	(386,934)	1,150,796	352,207	798,589
Compensated absences	1,578,957	75,709	-	1,654,666	30,670	1,623,996
Pollution remediation liability	6,188,000	-	(182,000)	6,006,000	182,000	5,824,000
Net pension liability	26,897,274	9,052,714	-	35,949,988	-	35,949,988
Net other postemployment benefits	7,748,386	-	(727,210)	7,021,176	-	7,021,176
Total long-term liabilities	<u>\$ 63,784,222</u>	<u>\$ 9,228,423</u>	<u>\$ (3,075,272)</u>	<u>\$ 69,937,373</u>	<u>\$ 2,312,757</u>	<u>\$ 67,624,616</u>
Business-type activities:						
Bonds payable:						
Direct placements	\$ 7,184,582	\$ -	\$ (1,114,042)	\$ 6,070,540	\$ 1,119,709	\$ 4,950,831
Direct borrowings	12,064,711	-	(619,166)	11,445,545	620,001	10,825,544
Premium	1,075,671	-	(123,986)	951,685	111,759	839,926
Total bonds and loans payable	20,324,964	-	(1,857,194)	18,467,770	1,851,469	16,616,301
Compensated absences	126,751	-	(12,795)	113,956	-	113,956
Net pension liability	731,476	307,011	-	1,038,487	-	1,038,487
Net other postemployment benefits	295,525	-	(23,198)	272,327	-	272,327
Total long-term liabilities	<u>\$ 21,478,716</u>	<u>\$ 307,011</u>	<u>\$ (1,893,187)</u>	<u>\$ 19,892,540</u>	<u>\$ 1,851,469</u>	<u>\$ 18,041,071</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2023
Governmental activities:					
General obligation bonds:					
Direct placements:					
School	\$ 18,953,500	2009	2030	3.73	\$ 4,837,898
Downtown Improvements and School HVAC	\$ 2,155,736	2014	2029	3.13	940,125
Downtown Improvements and School HVAC	\$ 900,000	2015	2030	5.10	420,000
High Street Improvements	\$ 859,500	2014	2025	5.10	171,000
School HVAC	\$ 105,000	2015	2025	5.10	20,000
School CTC	\$ 1,453,925	2016	2032	2.16	855,000
School	\$ 1,640,000	2019	2034	2.70	1,085,000
Middle School Elevator	\$ 550,500	2021	2036	1.31	475,000
Cemetery Road Bond	\$ 1,072,334	2021	2036	1.32	928,333
Fire Station	\$ 7,700,000	2022	2047	2.34	6,978,600
					<u>16,710,956</u>
Bond premium					<u>1,443,791</u>
Total					<u>\$ 18,154,747</u>

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2023
Notes payable - direct borrowings:					
Vehicles (FY 20)	\$ 400,000	2019	2025	2.39	\$ 165,680
Peterbilt (FY 20)	\$ 410,821	2019	2024	3.84	88,470
Vehicles (FY 22)	\$ 130,000	2021	2026	2.49	79,910
Vehicles (FY 22)	\$ 160,000	2021	2027	2.69	114,276
Pierce Enforcer (FY 22)	\$ 697,276	2021	2029	1.64	602,460
Vehicles (FY 23)	\$ 100,000	2023	2026	3.83	100,000
Total					<u>\$ 1,150,796</u>

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2023
Business-type activities:					
General obligation bonds:					
Direct placements:					
Water Treatment Plant Upgrades	\$ 1,843,500	2008	2028	4.07	\$ 450,000
Water Treatment Plant	\$ 3,193,000	2016	2028	1.92	1,580,000
Downtown Improvements	\$ 1,958,264	2014	2029	3.13	694,875
High Street Improvements	\$ 95,500	2014	2025	5.10	19,000
Wastewater Refunding	\$ 7,810,000	2012	2026	2.56	1,470,000
Cemetery Road Bond	\$ 2,144,665	2021	2036	3.13	1,856,665
Direct borrowings:					
Wastewater Treatment Facility	\$ 926,468	2014	2030	2.95	218,445
Wastewater Treatment Facility Upgrades	\$ 12,440,000	2022	2042	2.00	11,227,100
					<u>17,516,085</u>
Bond premium					<u>951,685</u>
Total					<u>\$ 18,467,770</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

The annual requirements to amortize all general obligation bonds/notes outstanding as of June 30, 2023, including interest payments, are as follows:

Governmental activities:

Fiscal Year Ending June 30,	Bonds - Direct Placements		
	Principal	Interest	Total
2024	\$ 1,592,786	\$ 1,034,969	\$ 2,627,755
2025	1,569,918	1,030,240	2,600,158
2026	1,451,704	1,026,003	2,477,707
2027	1,426,595	1,019,767	2,446,362
2028	1,373,278	1,031,684	2,404,962
2029-2033	4,119,308	2,644,054	6,763,362
2034-2038	1,917,867	561,968	2,479,835
2039-2043	1,729,500	311,019	2,040,519
2044-2047	1,530,000	97,836	1,627,836
Totals	<u>\$ 16,710,956</u>	<u>\$ 8,757,540</u>	<u>\$ 25,468,496</u>

Fiscal Year Ending June 30,	Notes - Direct Borrowings		
	Principal	Interest	Total
2024	\$ 352,207	\$ 26,165	\$ 378,372
2025	269,897	16,607	286,504
2026	190,397	10,290	200,687
2027	130,908	5,860	136,768
2028	102,850	3,401	106,251
2029	104,537	1,714	106,251
Totals	<u>\$ 1,150,796</u>	<u>\$ 64,037</u>	<u>\$ 1,214,833</u>

Business-type activities:

Fiscal Year Ending June 30,	Bonds - Direct Placements		
	Principal	Interest	Total
2024	\$ 1,119,708	\$ 225,354	\$ 1,345,062
2025	1,129,708	166,625	1,296,333
2026	1,135,209	122,356	1,257,565
2027	653,083	87,389	740,472
2028	778,083	58,578	836,661
2029-2033	831,417	133,866	965,283
2034-2036	423,332	21,943	445,275
Totals	<u>\$ 6,070,540</u>	<u>\$ 816,111</u>	<u>\$ 6,886,651</u>

Fiscal Year Ending June 30,	Bonds - Direct Borrowings		
	Principal	Interest	Total
2024	\$ 620,001	\$ 230,991	\$ 850,992
2025	620,860	218,313	839,173
2026	621,744	205,611	827,355
2027	622,655	192,883	815,538
2028	623,592	180,127	803,719
2029-2033	3,018,593	711,871	3,730,464
2034-2038	2,954,500	413,630	3,368,130
2039-2042	2,363,600	118,180	2,481,780
Totals	<u>\$ 11,445,545</u>	<u>\$ 2,271,606</u>	<u>\$ 13,717,151</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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

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

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

On September 5, 2005, the physical construction and the remedy was completed, and minor punch list items remained. The EPA requires the City to perform certain maintenance and monitoring functions and the landfill through September 2056. As of June 30, 2023, the City estimates the pollution remediation obligation to be \$6,006,000 and estimated recoveries from the potentially responsible party of \$2,972,970. The estimated obligation was calculated using the expected cash flow technique measured at current value. In making the estimate, the City assumed an 80% likelihood current monitoring procedures would be adequate and 20% likelihood additional monitoring procedures would be required through 2056 and there would be no unforeseen repairs or changes in EPA's evaluation of the remediation process. This estimate has the potential to change due to factors such as price increases or decreases, changes in technology, or changes in applicable laws and regulations.

NOTE 12 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers 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 – Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Group II benefits are provided based on age, years of creditable service and benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by 1/1/12 the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

Years of Creditable Service as of 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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

Contributions – The System is financed by contributions from both the employees and the City. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I members are required to contribute 7% of earnable compensation and group II members (police and fire) are required to contribute 11.55% and 11.80% respectively. For fiscal year 2023, the City contributed 30.67% for police, 29.78% for fire and 13.75% for other employees. The contribution requirement for the fiscal year 2023 was \$3,808,747, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2023 the City reported a liability of \$36,988,475 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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 governmental entities, actuarially determined. At June 30, 2022, the City's proportion was 0.64% which was an increase of 0.02% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$3,948,488. At June 30, 2023 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	\$ 1,259,805	\$ 142,049
Changes in assumptions	1,967,492	-
Net difference between projected and actual investment earnings on pension plan investments	1,401,816	-
Differences between expected and actual experience	694,208	141,993
Contributions subsequent to the measurement date	3,808,747	-
Total	<u>\$ 9,132,068</u>	<u>\$ 284,042</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

The \$3,808,747 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, 2024. 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,	
2023	\$ 1,649,823
2024	1,593,718
2025	(326,964)
2026	2,122,702
Thereafter	-
Totals	<u>\$ 5,039,279</u>

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2021, using the following actuarial assumptions which, accordingly, apply to 2022 measurements:

Inflation:	2.0%
Salary increases:	5.4% average, including inflation
Wage inflation:	2.75% (2.25% for teachers)
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2022:

Asset Class	Target Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	7.60%
Global Ex-US Equity (2)	20.00%	7.90%
Total public equity	50.00%	
Real Estate Equity	10.00%	6.60%
Private Equity	10.00%	8.85%
Total private market equity	20.00%	
Private Debt	5.00%	7.25%
Core U.S. Fixed Income (3)	25.00%	3.60%
Inflation	0.00%	2.25%
Total	100.00%	7.30%

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

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

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2022	\$ 49,629,209	\$ 36,988,475	\$ 26,208,876

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

Reconciliation to the government-wide financial statements:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
Governmental activities	\$ 8,881,130	\$ 35,949,988	\$ 278,069
Business-type activities	250,938	1,038,487	5,973
Total	<u>\$ 9,132,068</u>	<u>\$ 36,988,475</u>	<u>\$ 284,042</u>

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

13-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2022 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.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Maximum medical subsidy rates paid during fiscal year 2023 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 2022, 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 2023, the City contributed 3.21% for police and fire, and 0.31% for other employees. The contribution requirement for the fiscal year 2023 was \$271,840, which was paid in full.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB – At June 30, 2023, the City reported a liability of \$2,409,940 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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 governmental entities, actuarially determined. At June 30, 2022, the City's proportion was 0.64% which was an increase of 0.03% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized OPEB expense of \$257,958. At June 30, 2023, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual investment earnings on OPEB plan investments	\$ 6,586
Contributions subsequent to the measurement date	271,840
Total	<u>\$ 278,426</u>

The \$271,840 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, 2024. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2023	\$ 1,095
2024	284
2025	(2,591)
2026	7,798
Thereafter	-
Totals	<u>\$ 6,586</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2021, and a measurement date of June 30, 2022. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.0% per year
Wage inflation:	2.75% (2.25% for teachers)
Salary increases:	5.4% average, including inflation
Investment rate of return:	6.75% net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2022:

Asset Class	Target Allocation	30 Year Geometric Return
Broad US Equity (1)	30.00%	7.60%
Global Ex-US Equity (2)	20.00%	7.90%
Total public equity	50.00%	
Real Estate Equity	10.00%	6.60%
Private Equity	10.00%	8.85%
Total private market equity	20.00%	
Private Debt	5.00%	7.25%
Core U.S. Fixed Income (3)	25.00%	3.60%
Inflation	0.00%	2.25%
Total	100.00%	7.30%

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2022, was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2022	\$ 1,152,597	\$ 1,061,646	\$ 982,434

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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.

13-B City of Somersworth Retiree Health Benefit Program

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

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

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

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

Total OPEB Liability – The City’s total OPEB liability of \$4,808,523 was measured as of July 1, 2021, and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.69%
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	2043
Salary Increases:	0.00%

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 June 30, 2023.

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

Changes in the Total OPEB Liability

	June 30,	
	2022	2023
OPEB liability beginning of year	\$ 6,022,847	\$ 5,609,077
Changes for the year:		
Service cost	188,585	155,867
Interest	132,769	121,583
Assumption changes and difference between actual and expected experience	(480,400)	(805,742)
Change in actuarial cost method	152,834	-
Benefit payments	(407,558)	(272,262)
OPEB liability end of year	<u>\$ 5,609,077</u>	<u>\$ 4,808,523</u>

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Sensitivity of the City's OPEB Liability to Changes in the Discount Rate – The July 1, 2021, actuarial valuation was prepared using a discount rate of 3.69%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$4,334,966 or by 9.85%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$5,373,500 or by 11.75%.

	Discount Rate		
	1% Decrease	Baseline 3.69%	1% Increase
Total OPEB Liability	\$ 5,373,500	\$ 4,808,523	\$ 4,334,966

Sensitivity of the City's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The July 1, 2021, actuarial valuation was prepared using an initial trend rate of 7.50%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$5,238,386 or by 8.94%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$4,436,477 or by 7.74%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 7.50%	1% Increase
Total OPEB Liability	\$ 4,436,477	\$ 4,808,523	\$ 5,238,386

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the City recognized OPEB expense of \$741,202. At June 30, 2023, 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	\$ 50,944	\$ 1,166,011
Differences between expected and actual experience	-	756,371
Total	\$ 50,944	\$ 1,922,382

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,	
2024	\$ (1,292,018)
2025	(579,420)
Totals	\$ (1,871,438)

Reconciliation of Note 13-A and Note 13-B to the government-wide financial statements:

	Deferred Outflows of Resources	OPEB Liability	Deferred Inflows of Resources
Governmental activities	\$ 318,675	\$ 7,021,176	\$ 1,843,509
Business-type activities	10,695	272,327	78,873
Total	\$ 329,370	\$ 7,293,503	\$ 1,922,382

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

NOTE 14 – STATE AID TO WATER POLLUTION PROJECTS

Under New Hampshire RSA Chapter 486, the City receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from wastewater infrastructure improvements. At June 30, 2023 the City is due to receive the following annual amounts to offset debt payments:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 122,387	\$ 12,807	\$ 135,194
2025	122,387	8,538	130,925
2026	122,387	4,269	126,656
Total	<u>\$ 367,161</u>	<u>\$ 25,614</u>	<u>\$ 392,775</u>

NOTE 15 – COMMITMENTS

The City has active construction projects as of June 30, 2023. At year-end, the City commitments with contractors for specific projects are as follows:

Capital Project Program	Spent to Date	Remaining Commitment
Fire Station	\$ 7,578,291	\$ 553,179
Cemetery Road Reconstruction	3,275,510	371,269
Total Construction Commitments	<u>\$ 10,853,801</u>	<u>\$ 924,448</u>

NOTE 16 - ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at June 30, 2023 are as follows:

General fund:	
General government	\$ 7,272
Public safety	9,512
Highways and streets	697,178
Culture and recreation	73
Capital outlay	509,868
Total encumbrances	<u>\$ 1,223,903</u>

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

Governmental and business-type activities and fiduciary fund net position reported on the Statements of Net Position at June 30, 2023 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	\$ 60,498,917	\$ 29,261,922	\$ 89,760,839	\$ -
Less:				
General obligation bonds/notes payable	(16,710,956)	(17,516,085)	(34,227,041)	-
Unamortized bond premiums	(1,443,791)	(951,685)	(2,395,476)	-
Notes payable	(1,150,796)	-	(1,150,796)	-
Retainage payable	-	(2,150)	(2,150)	-
Total net investment in capital assets	<u>41,193,374</u>	<u>10,792,002</u>	<u>51,985,376</u>	<u>-</u>

(Continued)

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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

	Government-wide Financial Statements			Fiduciary Funds
	Governmental Activities	Business-type Activities	Total	
Restricted net position:				
Perpetual care - nonexpendable	172,807	-	172,807	-
Perpetual care - expendable	25,894	-	25,894	-
SB 38 highway block grant	709,249	-	709,249	-
Food service	435,578	-	435,578	-
Police forfeiture	13,285	-	13,285	-
School grants	31,229	-	31,229	-
City grants	183,800	-	183,800	-
City capital projects	789,256	-	789,256	-
Other	-	-	-	1,137,582
Total restricted net position	2,361,098	-	2,361,098	1,137,582
Unrestricted	(28,461,333)	11,497,016	(16,964,317)	-
Total net position	\$ 15,093,139	\$ 22,289,018	\$ 37,382,157	\$ 1,137,582

NOTE 18 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2023 include the following:

	General Fund	School Grants Fund	City Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:					
Prepaid items	\$ 59,498	\$ -	\$ -	\$ -	\$ 59,498
Permanent fund - principal balance	-	-	-	172,807	172,807
Total nonspendable fund balance	59,498	-	-	172,807	232,305
Restricted:					
School grants	-	31,229	-	-	31,229
City capital projects	-	-	789,256	-	789,256
SB 38 Highway block grant	-	-	-	709,249	709,249
City grants	-	-	-	183,800	183,800
Police forfeiture	-	-	-	13,285	13,285
Food service	-	-	-	435,578	435,578
Permanent - income balance	-	-	-	25,894	25,894
Total restricted fund balance	-	31,229	789,256	1,367,806	2,188,291
Committed:					
Expendable trust	213,144	-	-	-	213,144
Conservation	-	-	-	254,776	254,776
Cable communications	-	-	-	140,852	140,852
City other special revenue funds	-	-	-	29,768	29,768
School other special revenue funds	-	-	-	36,600	36,600
Transportation improvement trust	-	-	-	85,345	85,345
Other trusts	-	-	-	79,009	79,009
Total committed fund balance	213,144	-	-	626,350	839,494

(Continued)

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

Governmental fund balances continued:

	General Fund	School Grants Fund	City Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assigned:					
Encumbrances	1,223,903	-	-	-	1,223,903
Student activity funds	-	-	-	91,311	91,311
Total assigned fund balance	1,223,903	-	-	91,311	1,315,214
Unassigned	9,574,005	-	-	-	9,574,005
Total governmental fund balances	<u>\$ 11,070,550</u>	<u>\$ 31,229</u>	<u>\$ 789,256</u>	<u>\$ 2,258,274</u>	<u>\$ 14,149,309</u>

NOTE 19 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at July 1, 2022, was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund	School Grants
To restate for initial measurement of lessor lease receivables applicable to GASB #87 (see Note 1-O)	\$ 553,716	\$ 553,716	\$ -
Miscellaneous rounding difference	(2)	-	(2)
Fund balance/net position, as previously reported	9,611,220	9,039,766	37,939
Fund balance/net position, as restated	<u>\$ 10,164,934</u>	<u>\$ 9,593,482</u>	<u>\$ 37,937</u>

NOTE 20 – 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 2023, 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, 2022 to June 30, 2023 by Primex³, which retained \$2,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and for each property loss it is based upon the City's property schedule on file with Primex³. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In fiscal year 2022-23 the City paid \$341,973 and \$304,245 respectively, to Primex for property, liability, and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

NOTE 21 – TAX ABATEMENTS

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

The City had no such tax abatement programs as of June 30, 2023.

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

NOTE 22 – CONTINGENT LIABILITIES

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

NOTE 23 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through April 1, 2024, the date the June 30, 2023 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Schedule of the City's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2023
Unaudited

Fiscal year-end	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Measurement date	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
City's proportion of the net pension liability	0.63%	0.64%	0.63%	0.64%	0.62%	0.63%	0.61%	0.61%	0.62%	0.64%
City's proportionate share of the net pension liability	\$ 27,115,078	\$ 24,002,258	\$ 25,120,120	\$ 34,181,336	\$ 30,683,127	\$ 30,111,197	\$ 29,477,219	\$ 39,140,944	\$ 27,628,750	\$ 36,988,475
City's covered payroll (as of the measurement date)	\$ 15,319,843	\$ 15,764,272	\$ 16,218,949	\$ 16,568,181	\$ 16,535,231	\$ 16,767,460	\$ 16,802,057	\$ 17,178,692	\$ 17,969,590	\$ 19,340,258
City's proportionate share of the net pension liability as a percentage of its covered payroll	176.99%	152.26%	154.88%	206.31%	185.56%	179.58%	175.44%	227.85%	153.75%	191.25%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%	72.22%	65.12%

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, 2023
Unaudited

Fiscal year-end	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 2,127,337	\$ 2,301,721	\$ 2,285,599	\$ 2,643,031	\$ 2,665,744	\$ 2,666,015	\$ 2,718,518	\$ 3,733,665	\$ 3,808,747
Contributions in relation to the contractually required contributions	(2,127,337)	(2,301,721)	(2,285,599)	(2,643,031)	(2,665,744)	(2,666,015)	(2,718,518)	(3,733,665)	(3,808,747)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll (as of the fiscal year end)	\$ 16,218,949	\$ 16,568,181	\$ 16,535,231	\$ 16,767,460	\$ 16,802,057	\$ 17,178,692	\$ 17,969,590	\$ 19,340,258	\$ 19,709,283
Contributions as a percentage of covered payroll	13.12%	13.89%	13.82%	15.76%	15.87%	15.52%	15.13%	19.31%	19.32%

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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

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

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

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the City's pension plan at June 30, 2023. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

EXHIBIT I
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Schedule of the City's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended June 30, 2023
Unaudited

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
City's proportion of the net OPEB liability	0.61%	0.60%	0.59%	0.59%	0.59%	0.61%	0.64%
City's proportionate share of the net OPEB liability (asset)	\$ 2,968,420	\$ 2,733,417	\$ 2,722,472	\$ 2,576,768	\$ 2,591,842	\$ 2,434,834	\$ 2,409,940
City's covered payroll (as of the measurement date)	\$ 16,568,181	\$ 16,535,231	\$ 16,767,460	\$ 16,802,057	\$ 17,178,692	\$ 17,969,590	\$ 19,340,258
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	17.92%	16.53%	16.24%	15.34%	15.09%	13.55%	12.46%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%	11.06%	10.64%

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, 2023
Unaudited

Fiscal year-end	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Measurement date	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Contractually required contribution	\$ 354,326	\$ 263,021	\$ 268,201	\$ 268,226	\$ 292,142	\$ 268,579	\$ 271,402
Contributions in relation to the contractually required contribution	(354,326)	(263,021)	(268,201)	(268,226)	(292,142)	(268,579)	(271,402)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll (as of the fiscal year end)	\$ 16,535,231	\$ 16,767,460	\$ 16,802,057	\$ 17,178,692	\$ 17,969,590	\$ 19,340,258	\$ 19,709,283
Contributions as a percentage of covered payroll	2.14%	1.57%	1.60%	1.56%	1.63%	1.39%	1.38%

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, 2023
Unaudited

	June 30,					
	2018	2019	2020	2021	2022	2023
OPEB liability, beginning of year	\$ 12,522,983	\$ 7,346,405	\$ 7,312,811	\$ 5,216,200	\$ 6,022,847	\$ 5,609,077
Changes for the year:						
Service cost	437,287	273,431	254,999	136,496	188,585	155,867
Interest	337,275	233,514	285,467	181,543	132,769	121,583
Assumption changes and difference between actual and expected experience	(2,975,310)	(221,807)	(2,531,414)	-	(480,400)	(805,742)
Change in actuarial cost method	(2,821,012)	-	277,120	820,090	152,834	-
Benefit payments	(154,818)	(318,732)	(382,783)	(331,482)	(407,558)	(272,262)
OPEB liability, end of year	<u>\$ 7,346,405</u>	<u>\$ 7,312,811</u>	<u>\$ 5,216,200</u>	<u>\$ 6,022,847</u>	<u>\$ 5,609,077</u>	<u>\$ 4,808,523</u>
Covered payroll	<u>\$ 16,069,210</u>	<u>\$ 16,796,116</u>	<u>\$ 17,929,114</u>	<u>\$ 17,312,549</u>	<u>\$ 18,840,822</u>	<u>\$ 20,248,742</u>
Total OPEB liability as a percentage of covered payroll	45.72%	43.54%	29.09%	34.79%	29.77%	23.75%

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

CITY OF SOMERSWORTH, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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

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

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

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

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the City's other postemployment benefits at June 30, 2023. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

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

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

As required by GASB Statement No. 75, Exhibit K represents the actuarial determined costs associated with the City's other postemployment benefits at June 30, 2023. 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, 2023

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 28,679,306	\$ 28,661,192	\$ (18,114)
Yield	-	2,480	2,480
Other	-	4,438	4,438
Payment in lieu of taxes	60,725	157,773	97,048
Interest and penalties on taxes	160,000	156,300	(3,700)
Total from taxes	28,900,031	28,982,183	82,152
Licenses, permits, and fees:			
Business licenses, permits, and fees	110,000	160,632	50,632
Motor vehicle permit fees	1,895,000	2,025,731	130,731
Building permits	90,000	242,461	152,461
Total from licenses, permits, and fees	2,095,000	2,428,824	333,824
Intergovernmental:			
State:			
Meals and rooms distribution	1,046,275	1,046,275	-
Highway block grant	230,962	230,933	(29)
Education related	8,978,642	9,166,246	187,604
Other	118,241	118,241	-
Federal:			
Other	503,482	630,499	127,017
Total from intergovernmental	10,877,602	11,192,194	314,592
Charges for services:			
Income from departments	583,285	600,276	16,991
Miscellaneous:			
Sale of municipal property	25,000	21,038	(3,962)
Interest on investments	200,000	884,037	684,037
Other	538,766	654,110	115,344
Total from miscellaneous	763,766	1,559,185	795,419
Other financing sources:			
Transfers in	174,410	175,202	792
Total revenues and other financing sources	43,394,094	\$ 44,937,864	\$ 1,543,770
Unassigned fund balance used to reduce tax rate	1,300,000		
Total revenues, other financing sources, and use of fund balance	\$ 44,694,094		

See Independent Auditor's Report.

SCHEDULE 2
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2023

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 560,962	\$ 558,249	\$ -	\$ 2,713
Election and registration	-	193,182	186,793	-	6,389
Financial administration	-	717,998	743,959	3,000	(28,961)
Revaluation of property	-	171,221	179,512	-	(8,291)
Planning and zoning	-	323,273	317,430	915	4,928
General government buildings	-	184,870	181,947	3,357	(434)
Cemeteries	-	8,770	2,771	-	5,999
Other	-	75,000	41,650	-	33,350
Total general government	-	2,235,276	2,212,311	7,272	15,693
Public safety:					
Police	43,134	4,444,286	4,273,816	9,512	204,092
Fire	-	2,585,058	2,488,971	-	96,087
Building inspection	-	227,768	181,417	-	46,351
Total public safety	43,134	7,257,112	6,944,204	9,512	346,530
Highways and streets:					
Administration	-	1,554,451	1,478,092	-	76,359
Highways and streets	585,194	1,333,550	1,270,129	690,503	(41,888)
Street lighting	-	99,200	77,235	4,180	17,785
Other	4,545	165,280	162,227	2,495	5,103
Total highways and streets	589,739	3,152,481	2,987,683	697,178	57,359
Sanitation:					
Solid waste collection	-	253,988	257,319	-	(3,331)
Health:					
Health agencies	-	176,995	176,995	-	-
Welfare:					
Administration and direct assistance	-	243,170	147,918	-	95,252
Culture and recreation:					
Parks and recreation	-	199,858	163,748	-	36,110
Library	265	302,903	283,978	73	19,117
Patriotic purposes	-	800	-	-	800
Other	-	12,750	12,022	-	728
Total culture and recreation	265	516,311	459,748	73	56,755
Economic development	-	6,795	846	-	5,949
Debt service:					
Principal of long-term debt	-	1,614,409	1,593,693	-	20,716
Interest on long-term debt	-	1,037,355	1,039,394	-	(2,039)
Other	-	431,104	431,104	-	-
Total debt service	-	3,082,868	3,064,191	-	18,677
Education	-	27,022,046	26,715,890	-	306,156
Capital outlay	351,295	608,351	422,683	509,868	27,095

(Continued)

See Independent Auditor's Report.

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

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2023

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Other financing uses:					
Transfers out	-	138,701	134,524	-	4,177
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 984,433	\$ 44,694,094	\$ 43,524,312	\$ 1,223,903	\$ 930,312

See Independent Auditor's Report.

SCHEDULE 3
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2023

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 8,469,557
Changes:		
Unassigned fund balance used to reduce 2022-2023 tax rate		(1,300,000)
2022-23 Budget summary:		
Revenue surplus (Schedule 1)	\$ 1,543,770	
Unexpended balance of appropriations (Schedule 2)	930,312	
2022-23 Budget surplus		2,474,082
Increase in nonspendable fund balance		(36,682)
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		9,606,957
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		(574,247)
Consolidation of blended pollution remediation fund deficit fund balance		(9,847)
To record lease receivables and deferred inflows of resources, not recognized on a budgetary basis		551,142
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		\$ 9,574,005

See Independent Auditor's Report.

SCHEDULE 4
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023

	Special Revenue Funds				
	SB 38 Highway Block Grant	Conservation	City Grants	Cable Communications	City Other Special Revenue Funds
ASSETS					
Cash and cash equivalents	\$ 709,249	\$ -	\$ -	\$ 114,399	\$ 9,128
Investments	-	194,776	-	-	33,925
Taxes receivable	-	60,000	-	-	-
Accounts receivable	-	-	-	27,107	-
Intergovernmental receivable	-	-	808,156	-	-
Interfund receivable	-	-	-	-	-
Total assets	<u>\$ 709,249</u>	<u>\$ 254,776</u>	<u>\$ 808,156</u>	<u>\$ 141,506</u>	<u>\$ 43,053</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 53,208	\$ 597	\$ -
Accrued salaries and benefits payable	-	-	-	57	-
Contract payable	-	-	553,830	-	-
Interfund payable	-	-	17,318	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>624,356</u>	<u>654</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - student balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	709,249	-	183,800	-	13,285
Committed	-	254,776	-	140,852	29,768
Assigned	-	-	-	-	-
Total fund balances	<u>709,249</u>	<u>254,776</u>	<u>183,800</u>	<u>140,852</u>	<u>43,053</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 709,249</u>	<u>\$ 254,776</u>	<u>\$ 808,156</u>	<u>\$ 141,506</u>	<u>\$ 43,053</u>

Special Revenue Funds							
School Other Special Revenue Funds	Food Service	Transportation Improvement Trust	Other Trusts	Student Activity Funds	School Capital Projects	Permanent Fund	Total
\$ 36,773	\$ 441,397	\$ 3,838	\$ 1,274	\$ 91,311	\$ -	\$ 3,205	\$ 1,410,574
-	-	75,387	77,735	-	-	195,496	577,319
-	-	-	-	-	-	-	60,000
2,500	-	-	-	-	-	-	29,607
-	118,223	-	-	-	-	-	926,379
-	-	6,120	-	-	-	-	6,120
<u>\$ 39,273</u>	<u>\$ 559,620</u>	<u>\$ 85,345</u>	<u>\$ 79,009</u>	<u>\$ 91,311</u>	<u>\$ -</u>	<u>\$ 198,701</u>	<u>\$ 3,009,999</u>
\$ 2,673	\$ 103,992	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,470
-	-	-	-	-	-	-	57
-	-	-	-	-	-	-	553,830
-	-	-	-	-	-	-	17,318
<u>2,673</u>	<u>103,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>731,675</u>
-	20,050	-	-	-	-	-	20,050
-	-	-	-	-	-	172,807	172,807
-	435,578	-	-	-	-	25,894	1,367,806
36,600	-	85,345	79,009	-	-	-	626,350
-	-	-	-	91,311	-	-	91,311
<u>36,600</u>	<u>435,578</u>	<u>85,345</u>	<u>79,009</u>	<u>91,311</u>	<u>-</u>	<u>198,701</u>	<u>2,258,274</u>
<u>\$ 39,273</u>	<u>\$ 559,620</u>	<u>\$ 85,345</u>	<u>\$ 79,009</u>	<u>\$ 91,311</u>	<u>\$ -</u>	<u>\$ 198,701</u>	<u>\$ 3,009,999</u>

See Independent Auditor's Report.

SCHEDULE 5
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2023

	Special Revenue Funds				
	SB 38 Highway Block Grant	Conservation	City Grants	Cable Communications	City Other Special Revenue Funds
REVENUES					
Taxes	\$ -	\$ 60,000	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	687,238	-	1,232,374	-	-
Charges for services	-	-	-	112,832	-
Miscellaneous	-	7,398	27,822	-	25,645
Total revenues	687,238	67,398	1,260,196	112,832	25,645
EXPENDITURES					
Current:					
General government	-	-	12,545	64	-
Public safety	-	-	338,222	-	13,339
Highways and streets	-	-	1,097,337	-	-
Culture and recreation	-	-	10,879	40,590	19,670
Conservation	-	1,553	-	-	-
Education	-	-	-	-	-
Food service	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Capital outlay	-	-	5,784	62,469	-
Total expenditures	-	1,553	1,464,767	103,123	33,009
Excess (deficiency) of revenues over (under) expenditures	687,238	65,845	(204,571)	9,709	(7,364)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	73,760	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	73,760	-	-
Net change in fund balances	687,238	65,845	(130,811)	9,709	(7,364)
Fund balances, beginning	22,011	188,931	314,611	131,143	50,417
Fund balances, ending	\$ 709,249	\$ 254,776	\$ 183,800	\$ 140,852	\$ 43,053

Special Revenue Funds							
School Other Special Revenue Funds	Food Service	Transportation Improvement Trust	Other Trusts	Student Activity Funds	School Capital Projects	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000
-	-	66,676	-	-	-	-	66,676
-	581,579	-	-	-	-	-	2,501,191
72,839	348,212	-	-	90,837	-	-	624,720
-	-	2,327	2,339	-	-	5,880	71,411
72,839	929,791	69,003	2,339	90,837	-	5,880	3,323,998
-	-	-	-	-	-	-	12,609
-	-	-	-	-	-	-	351,561
-	-	-	-	-	-	-	1,097,337
-	-	-	-	-	-	-	71,139
-	-	-	-	-	-	-	1,553
76,957	-	-	-	98,161	-	-	175,118
-	949,153	-	-	-	-	-	949,153
-	-	-	-	-	20,717	-	20,717
-	-	-	-	-	-	-	68,253
76,957	949,153	-	-	98,161	20,717	-	2,747,440
(4,118)	(19,362)	69,003	2,339	(7,324)	(20,717)	5,880	576,558
-	-	-	-	-	-	-	73,760
-	-	(104,937)	-	-	-	-	(104,937)
-	-	(104,937)	-	-	-	-	(31,177)
(4,118)	(19,362)	(35,934)	2,339	(7,324)	(20,717)	5,880	545,381
40,718	454,940	121,279	76,670	98,635	20,717	192,821	1,712,893
\$ 36,600	\$ 435,578	\$ 85,345	\$ 79,009	\$ 91,311	\$ -	\$ 198,701	\$ 2,258,274

See Independent Auditor's Report.

SCHEDULE 6
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Student Activity Funds
Combining Balance Sheet
June 30, 2023

	Idlehurst Elementary	Maple Wood Elementary	Middle School	High School	Career Technical Center	Total
ASSETS						
Cash and cash equivalents	\$ 7,077	\$ 9,957	\$ 11,713	\$ 59,191	\$ 3,373	\$ 91,311
FUND BALANCES						
Assigned	\$ 7,077	\$ 9,957	\$ 11,713	\$ 59,191	\$ 3,373	\$ 91,311

See Independent Auditor's Report.

SCHEDULE 7
CITY OF SOMERSWORTH, NEW HAMPSHIRE
Student Activity Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2023

	Idlehurst Elementary	Maple Wood Elementary	Middle School	High School	Career Technical Center	Total
REVENUES						
Charges for services	\$ 8,575	\$ 9,589	\$ 33,729	\$ 35,795	\$ 3,149	\$ 90,837
EXPENDITURES						
Education	9,033	10,623	38,014	37,205	3,286	98,161
Net change in fund balances	(458)	(1,034)	(4,285)	(1,410)	(137)	(7,324)
Fund balances, beginning	7,535	10,991	15,998	60,601	3,510	98,635
Fund balances, ending	\$ 7,077	\$ 9,957	\$ 11,713	\$ 59,191	\$ 3,373	\$ 91,311

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



PLODZIK & SANDERSON

Professional Association/Certified Public Accountants

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, business-type activities, each major governmental and proprietary fund, and the aggregate remaining fund information of the City of Somersworth as of and for the year ended June 30, 2023, 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 April 1, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

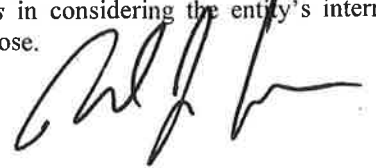
As part of obtaining reasonable assurance about whether the City of Somersworth's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

City of Somersworth

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

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.



PLODZIK & SANDERSON
Professional Association

April 1, 2024
Concord, New Hampshire



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Somersworth's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Somersworth's major federal programs for the year ended June 30, 2023. The City of Somersworth's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Somersworth complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the City of Somersworth and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Somersworth's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Somersworth's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Somersworth's compliance with the requirements of each major federal program as a whole.

City of Somersworth

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

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

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

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

Report on Internal Control Over Compliance

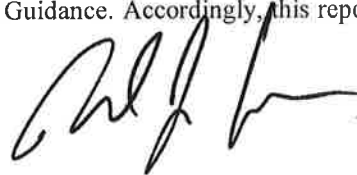
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

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

April 1, 2024
Concord, New Hampshire



PLODZIK & SANDERSON
Professional Association

SCHEDULE I
City of Somersworth
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
Unmodified opinions on governmental activities, business-type activities, each major governmental and proprietary fund,
and aggregate remaining fund information

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425U	COVID-19 – Education Stabilization Fund

Dollar threshold used to distinguish between type A and
type B programs:

\$750,000

Auditee qualified as low-risk auditee? X yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
City of Somersworth
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the State of New Hampshire Department of Education				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	N/A	\$ -	\$ 103,668
National School Lunch Program	10.555	N/A	-	372,069
COVID-19 - National School Lunch Program	10.555	N/A	-	47,052
Fresh Fruit and Vegetable Program	10.582	N/A	-	47,258
CLUSTER TOTAL			-	570,047
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through the New Hampshire Community Development Finance Authority				
Community Development Block Grants/State's Program	14.228	20-218-CDHS	227,536	227,536
U.S. DEPARTMENT OF THE INTERIOR				
Passed Through the State of New Hampshire Department of Natural and Cultural Resources				
Historic Preservation Fund Grants-In-Aid	15.904	CLG-P21AS00231-07	-	2,158
Outdoor Recreation Acquisition, Development, and Planning	15.916	33-00724	-	1,088
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the State of New Hampshire Department of Transportation				
Highway Planning and Construction	20.205	41363	-	687,715
Highway Planning and Construction	20.205	41741	-	8,126
PROGRAM TOTAL			-	695,841
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through the State of New Hampshire Department of Transportation				
State and Community Highway Safety	20.600	23-07-04	-	535
U.S. DEPARTMENT OF TREASURY				
Passed Through the State of New Hampshire Governor's Office for Emergency Relief and Recovery				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	00FRF602PH0206A	-	7,942
Passed Through the State of New Hampshire Department of Justice				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	00FRF602GS2002A	-	2,936
Passed Through the State of New Hampshire Department of Environmental Services				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	00FRF602WB4401D	-	8,244
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	CW-334163-01	-	22,888
PROGRAM TOTAL			-	42,010
U.S. DEPARTMENT OF EDUCATION				
Passed Through the State of New Hampshire Department of Education				
Title I Grants to Local Educational Agencies:				
Title I Part A	84.010	20220292	-	90,674
Title I Part A	84.010	20230317	-	584,684
PROGRAM TOTAL			-	675,358

(Continued)

The accompanying notes are an integral part of this schedule.

SCHEDULE II (Continued)
City of Somersworth
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Passed Through the State of New Hampshire Department of Education				
SPECIAL EDUCATION CLUSTER				
Special Education Grants to States:				
IDEA	84.027	20211438	-	964
IDEA	84.027	20220331	-	11,192
IDEA	84.027	20230300	-	421,697
COVID-19 - ARP - IDEA	84.027X	20220539	-	26,263
Special Education Preschool Grants:				
Preschool	84.173	20211438	-	3,702
<i>CLUSTER TOTAL</i>			-	463,818
Career and Technical Education - Basic Grants to States:				
Perkins V Program Improvement	84.048	20220085	-	515
Perkins V Program Improvement	84.048	20230236	-	57,590
Perkins V Program Improvement	84.048	20230908	-	50,000
<i>PROGRAM TOTAL</i>			-	108,105
English Language Acquisition State Grants:				
Title III	84.365	20211258	-	2,585
Title III	84.365	20220729	-	13,288
Title III	84.365	20230486	-	995
<i>PROGRAM TOTAL</i>			-	16,868
Supporting Effective Instruction State Grants:				
Title II Part A	84.367	20200196	-	1,589
Title II Part A	84.367	20211105	-	7,219
Title II Part A	84.367	20220592	-	36,800
Title II Part A	84.367	20230355	-	61,429
<i>PROGRAM TOTAL</i>			-	107,037
Student Support and Academic Enrichment Program:				
Title IV A	84.424	20211751	-	48,914
<i>PROGRAM TOTAL</i>			-	48,914
COVID-19 - Education Stabilization Fund:				
ESSER III	84.425U	20220469	-	2,145,188
<i>PROGRAM TOTAL</i>			-	2,145,188
DIRECT FUNDING				
U.S. DEPARTMENT OF AGRICULTURE				
Farm to School Grant Program	10.575		-	57,940
U.S. DEPARTMENT OF JUSTICE				
Alcohol, Tobacco, & Firearms	16.U01		-	1,933
Bulletproof Vest Partnership Program	16.607		-	8,525
Public Safety Partnership and Community Policing Grants	16.710		-	54,429
Equitable Sharing Program	16.922		-	21,060

(Continued)

The accompanying notes are an integral part of this schedule.

SCHEDULE II (Continued)
City of Somersworth
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF TREASURY				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		-	353,482
U.S. DEPARTMENT OF HOMELAND SECURITY				
Assistance to Firefighters Grant	97.044	EMW-2021-FG-06875	-	50,299
Homeland Security Grant Program	97.067	23HS20SHTR	-	1,939
<i>Total Expenditures of Federal Awards</i>			<u>\$ 227,536</u>	<u>\$ 5,654,110</u>

The accompanying notes are an integral part of this schedule.

CITY OF SOMERSWORTH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Somersworth under programs of the federal government for the year ended June 30, 2023. 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.

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, 2023, the value of food donations received was \$63,168.