

CITY OF CLAREMONT, NEW HAMPSHIRE

Annual Financial Statement

For the Year Ended December 31, 2009

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INDEPENDENT AUDITORS' REPORT

To the City Manager and City Council
City of Claremont, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremont, New Hampshire, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Claremont's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremont, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages is not a required part of the basic financial statements but is supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
August 23, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Claremont, we offer readers this narrative overview and analysis of the financial activities of the City of Claremont for the fiscal year ended December 31, 2009.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, sanitation, welfare, culture and recreation, and airport. The business-type activities include water and sewer 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 and sewer 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 and sewer operations, both of which are considered to be major funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the 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 of assets exceeded liabilities by \$ 52,948,641 (i.e., net assets), a change of \$ (1,264,501) in comparison to the prior year.

- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 10,156,645, a change of \$ (3,041,238) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund on a GAAP basis was a deficit of \$ (1,341,783). However, unreserved fund balance on a tax rate setting basis was \$ 2,378,470. See footnote 18 for more information.
- Total long-term debt (i.e., bonds) for all funds at the close of the current fiscal year was \$ 29,359,231, a change of \$ (2,059,834) 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 fiscal years. Only the current year presentation will be shown, as capital assets have been added to the current year financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 20,535,467	\$ 23,608,857	\$ 7,357,013	\$ 7,998,835	\$ 27,892,480	\$ 31,607,692
Capital assets	<u>31,529,029</u>	<u>31,808,432</u>	<u>30,645,941</u>	<u>31,462,042</u>	<u>62,174,970</u>	<u>63,270,474</u>
Total assets	52,064,496	55,417,289	38,002,954	39,460,877	90,067,450	94,878,166
Long-term liabilities outstanding	19,813,415	21,899,824	11,082,066	11,760,354	30,895,481	33,660,178
Other liabilities	<u>6,089,141</u>	<u>6,720,421</u>	<u>134,187</u>	<u>284,425</u>	<u>6,223,328</u>	<u>7,004,846</u>
Total liabilities	25,902,556	28,620,245	11,216,253	12,044,779	37,118,809	40,665,024
Net assets:						
Invested in capital assets, net	15,054,199	14,676,398	19,597,189	19,683,594	34,651,388	34,359,992
Restricted	11,009,285	9,730,574	-	-	11,009,285	9,730,574
Unrestricted	<u>98,456</u>	<u>2,390,072</u>	<u>7,189,512</u>	<u>7,732,504</u>	<u>7,287,968</u>	<u>10,122,576</u>
Total net assets	\$ <u>26,161,940</u>	\$ <u>26,797,044</u>	\$ <u>26,786,701</u>	\$ <u>27,416,098</u>	\$ <u>52,948,641</u>	\$ <u>54,213,142</u>

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 1,252,350	\$ 1,487,841	\$ 2,874,627	\$ 2,835,520	\$ 4,126,977	\$ 4,323,361
Operating grants and contributions	3,027,084	927,768	-	-	3,027,084	927,768
Capital grants and contributions	282,049	274,381	52,475	979,553	334,524	1,253,934
General revenues:						
Property taxes	9,974,360	8,886,776	-	-	9,974,360	8,886,776
Motor vehicle license	1,466,291	1,562,156	-	-	1,466,291	1,562,156
Charges for services	729,929	787,576	-	-	729,929	787,576
Penalties, Interest, and other taxes	368,615	839,738	-	-	368,615	839,738
Grants and contributions not restricted to specific programs	598,263	1,232,268	-	-	598,263	1,232,268
Investment income	1,306,506	(753,138)	39,171	139,292	1,345,677	(613,846)
Other	<u>328,156</u>	<u>380,109</u>	<u>105,009</u>	<u>131,707</u>	<u>433,165</u>	<u>511,816</u>
Total revenues	19,333,603	15,625,475	3,071,282	4,086,072	22,404,885	19,711,547

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Expenses:						
General government	9,701,004	9,349,126	-	-	9,701,004	9,349,126
Public safety	4,105,721	4,026,204	-	-	4,105,721	4,026,204
Highways and streets	3,767,577	4,232,098	-	-	3,767,577	4,232,098
Sanitation	161,239	263,700	-	-	161,239	263,700
Welfare	414,828	328,966	-	-	414,828	328,966
Library and recreation	1,386,993	2,588,178	-	-	1,386,993	2,588,178
Conservation	2,462	1,640	-	-	2,462	1,640
Airport	74,528	125,002	-	-	74,528	125,002
Interest on long-term debt	947,640	905,709	-	-	947,640	905,709
Miscellaneous	30,083	-	-	-	30,083	-
Water	-	-	1,692,640	1,714,842	1,692,640	1,714,842
Sewer	-	-	2,008,039	2,031,527	2,008,039	2,031,527
Total expenses	<u>20,592,075</u>	<u>21,820,623</u>	<u>3,700,679</u>	<u>3,746,369</u>	<u>24,292,754</u>	<u>25,566,992</u>
Change in net assets before permanent fund contributions	(1,258,472)	(6,195,148)	(629,397)	339,703	(1,887,869)	(5,855,445)
Permanent fund contributions	<u>623,368</u>	<u>101,190</u>	<u>-</u>	<u>-</u>	<u>623,368</u>	<u>101,190</u>
Increase in net assets	(635,104)	(6,093,958)	(629,397)	339,703	(1,264,501)	(5,754,255)
Net assets - beginning of year	<u>26,797,044</u>	<u>32,891,002</u>	<u>27,416,098</u>	<u>27,076,395</u>	<u>54,213,142</u>	<u>59,967,397</u>
Net assets - end of year	<u>\$ 26,161,940</u>	<u>\$ 26,797,044</u>	<u>\$ 26,786,701</u>	<u>\$ 27,416,098</u>	<u>\$ 52,948,641</u>	<u>\$ 54,213,142</u>

As noted earlier, net assets 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 assets were \$ 52,948,641, a change of \$ (1,264,501) from the prior year.

The largest portion of net assets, \$ 34,651,388, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 11,009,285 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 7,287,968 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ (635,104). Key elements of this change are as follows:

General fund operations, as discussed further in section D	\$ (696,376)
Mill District TIF debt service fund operating results	(3,581,768)
Nonmajor fund operating results	1,236,906
Excess principal maturities, a budgeted (i.e. funded) expense over depreciation, which is not budgeted or funded	674,880
Other	<u>1,731,254</u>
Total	<u>\$ (635,104)</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ (629,397). Key elements of this change are as follows:

Water operations	\$ (415,426)
Sewer operations	<u>(213,971)</u>
Total	<u>\$ (629,397)</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, unreserved 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 \$ 10,156,645, a change of \$ (3,041,238) in comparison with the prior year. Key elements of this change are as follows:

General fund operating results, as discussed further in section D	\$ (696,376)
Mill District TIF operating results	(3,581,768)
Nonmajor funds operating results	<u>1,236,906</u>
Total	<u>\$ (3,041,238)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was a deficit of \$ (1,341,783), while total fund balance deficit was \$ (1,199,084). However, for tax rate setting purposes, undesignated fund balance was \$ 2,378,470, while total fund balance was \$ 3,125,364. See footnote 18 for more information. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents (9.51) percent of total general fund expenditures, while total fund balance represents (8.50) percent of that same amount.

The fund balance of the general fund changed by \$ (696,376) during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ (556,704)
Expenditures less than budget	723,936
Expenditures of prior year encumbrances, net of current year encumbrances	(103,170)
Shortfall in tax collections compared to net assessment	(628,450)
Use of fund balance as a funding source	(200,000)
Other	<u>68,012</u>
Total	<u>\$ (696,376)</u>

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 assets of the enterprise funds at the end of the year amounted to \$ 7,189,512.

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

There were no differences between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 62,174,970 (net of accumulated depreciation), a change of \$ (1,095,504) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Additional information on capital assets can be found in the footnotes to the financial statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 29,359,231, all of which was backed by the full faith and credit of the government.

The following funds have been designated as the sources to repay general obligation long-term debt outstanding, with State subsidy, as of December 31, 2009.

	State of New Hampshire <u>Subsidy</u>	General Obligations <u>Payable</u>
General fund	\$ -	\$ 7,323,448
Special revenue fund:		
Claremont Development Authority (CDA)	-	1,110,000
Debt service funds:		
River Road TIF District	-	600,000
Mill District TIF	-	9,380,000
Enterprise funds:		
Water	360,895	6,010,697
Sewer	1,176,738	4,935,086
	<u>\$ 1,537,633</u>	<u>\$ 29,359,231</u>

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

REQUESTS FOR INFORMATION

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

City of Claremont
Finance Department
58 Opera House Square
Claremont, New Hampshire 03743
(603) 542-7000

CITY OF CLAREMONT, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

DECEMBER 31, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 4,864,415	\$ 4,989,544	\$ 9,853,959
Investments	9,703,128	-	9,703,128
Receivables, net of allowance for uncollectibles:			
Property taxes	2,332,149	-	2,332,149
User fees	405,958	1,024,004	1,429,962
Intergovernmental	33,541	120,992	154,533
Loans	6,801	-	6,801
Internal balances	287,300	(287,300)	-
Other assets	59,399	93,132	152,531
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,333,397	-	1,333,397
Intergovernmental	477,936	1,416,641	1,894,577
Loans	1,031,443	-	1,031,443
Capital Assets:			
Capital assets available for sale	1,510,220	-	1,510,220
Land and construction in progress	9,929,162	99,309	10,028,471
Other assets, net of accumulated depreciation	<u>20,089,647</u>	<u>30,546,632</u>	<u>50,636,279</u>
TOTAL ASSETS	52,064,496	38,002,954	90,067,450
LIABILITIES			
Current:			
Accounts payable	309,943	23,169	333,112
Retainage payable	53,682	-	53,682
Accrued payroll	80,958	8,076	89,034
Accrued liabilities	356,139	100,564	456,703
Due to school district	4,572,056	-	4,572,056
Tax refunds payable	601,799	-	601,799
Escrow and performance deposits	19,571	-	19,571
Other current liabilities	94,993	2,378	97,371
Current portion of long-term liabilities:			
Bonds payable	1,409,638	680,254	2,089,892
Other liabilities	351,589	33,049	384,638
Noncurrent:			
Bonds payable, net of current portion	17,003,810	10,265,529	27,269,339
OPEB obligation	76,048	2,260	78,308
Other liabilities, net of current portion	<u>972,330</u>	<u>100,974</u>	<u>1,073,304</u>
TOTAL LIABILITIES	25,902,556	11,216,253	37,118,809
NET ASSETS			
Invested in capital assets, net of related debt	15,054,199	19,597,189	34,651,388
Restricted for:			
Grants and other statutory restrictions	1,250,828	-	1,250,828
Permanent funds:			
Nonexpendable	9,008,378	-	9,008,378
Expendable	750,079	-	750,079
Unrestricted	<u>98,456</u>	<u>7,189,512</u>	<u>7,287,968</u>
TOTAL NET ASSETS	\$ <u>26,161,940</u>	\$ <u>26,786,701</u>	\$ <u>52,948,641</u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Expenses	Program Revenues			Net(Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 9,701,004	\$ 618,442	\$ 2,432,772	\$ -	\$ (6,649,790)	\$ -	\$ (6,649,790)
Public safety	4,105,721	216,850	177,595	-	(3,711,276)	-	(3,711,276)
Highways and streets	3,767,577	97	4,688	281,944	(3,480,848)	-	(3,480,848)
Sanitation	161,239	154,324	14,505	-	7,590	-	7,590
Welfare	414,828	34,122	17,092	-	(363,614)	-	(363,614)
Library and recreation	1,386,993	168,910	29,029	105	(1,188,949)	-	(1,188,949)
Conservation	2,462	-	-	-	(2,462)	-	(2,462)
Airport	74,528	59,605	351,403	-	336,480	-	336,480
Interest expense	947,640	-	-	-	(947,640)	-	(947,640)
Miscellaneous	30,083	-	-	-	(30,083)	-	(30,083)
Total Governmental Activities	20,592,075	1,252,350	3,027,084	282,049	(16,030,592)	-	(16,030,592)
Business-Type Activities:							
Water operations	1,692,640	1,224,117	-	-	-	(468,523)	(468,523)
Sewer operations	2,008,039	1,650,510	-	52,475	-	(305,054)	(305,054)
Total Business-Type Activities	3,700,679	2,874,627	-	52,475	-	(773,577)	(773,577)
Total	\$ 24,292,754	\$ 4,126,977	\$ 3,027,084	\$ 334,524	(16,030,592)	(773,577)	(16,804,169)
General Revenues and Contributions:							
Property taxes					9,974,360	-	9,974,360
Motor vehicle permits					1,466,291	-	1,466,291
Charges for service					729,929	-	729,929
Penalties, interest, and other taxes					368,615	-	368,615
Grants and contributions not restricted to specific programs					598,263	-	598,263
Investment income					1,306,506	39,171	1,345,677
Other					328,156	105,009	433,165
Permanent fund contributions					623,368	-	623,368
Total general revenues and contributions					15,395,488	144,180	15,539,668
Change in Net Assets					(635,104)	(629,397)	(1,264,501)
Net Assets:							
Beginning of year					26,797,044	27,416,098	54,213,142
End of year					\$ 26,161,940	\$ 26,786,701	\$ 52,948,641

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2009

ASSETS	<u>General</u>	Mill District <u>TIF</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash and short-term investments	\$ 3,893,103	\$ 200	\$ 971,112	\$ 4,864,415
Investments	-	-	9,703,128	9,703,128
Receivables:				
Property taxes	4,293,895	-	-	4,293,895
User fees	372,215	-	33,743	405,958
Due from other funds	1,083,706	891,560	1,173,947	3,149,213
Advance to other funds	-	-	628,500	628,500
Other assets	<u>59,399</u>	<u>-</u>	<u>-</u>	<u>59,399</u>
TOTAL ASSETS	<u>\$ 9,702,318</u>	<u>\$ 891,760</u>	<u>\$ 12,510,430</u>	<u>\$ 23,104,508</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 255,392	\$ 6,653	\$ 47,898	\$ 309,943
Retainage payable	53,682	-	-	53,682
Accrued liabilities	80,088	-	870	80,958
Deferred revenues	3,724,448	-	-	3,724,448
Due to school district	4,572,056	-	-	4,572,056
Tax refunds payable	601,799	-	-	601,799
Due to other funds	1,504,371	574,793	782,749	2,861,913
Advance from other funds	-	628,500	-	628,500
Other liabilities	<u>109,566</u>	<u>-</u>	<u>4,998</u>	<u>114,564</u>
TOTAL LIABILITIES	10,901,402	1,209,946	836,515	12,947,863
Fund Balances:				
Reserved for:				
Encumbrances and continuing appropriations	142,699	61,164	158,968	362,831
Perpetual (unexpendable) permanent funds	-	-	9,008,378	9,008,378
Unreserved:				
Undesignated, reported in:				
General fund	(1,341,783)	-	-	(1,341,783)
Special revenue funds	-	-	1,150,672	1,150,672
Capital project funds	-	-	(124,302)	(124,302)
Debt service funds	-	(379,350)	730,120	350,770
Permanent funds	<u>-</u>	<u>-</u>	<u>750,079</u>	<u>750,079</u>
TOTAL FUND BALANCES	<u>(1,199,084)</u>	<u>(318,186)</u>	<u>11,673,915</u>	<u>10,156,645</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,702,318</u>	<u>\$ 891,760</u>	<u>\$ 12,510,430</u>	<u>\$ 23,104,508</u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

DECEMBER 31, 2009

Total governmental fund balances	\$ 10,156,645
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,529,029
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,096,099
<ul style="list-style-type: none">• Loans receivable not due and payable in the current period are not reported in the governmental funds	1,549,721
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(356,139)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, compensated absences, and landfill liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(19,813,415)</u>
Net assets of governmental activities	\$ <u>26,161,940</u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General</u>	Mill District <u>TIF</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Property taxes	\$ 8,267,056	\$ 643,716	\$ 415,368	\$ 9,326,140
Penalties, interest, and other taxes	368,615	-	-	368,615
Charges for services	1,582,403	-	100,384	1,682,787
Intergovernmental	1,102,836	723,347	2,113,660	3,939,843
Licenses and permits	1,786,698	-	-	1,786,698
Investment income	23,709	3,813	1,278,984	1,306,506
Miscellaneous	130,770	2,410	194,976	328,156
Contributions	-	97,361	526,007	623,368
Total Revenues	<u>13,262,087</u>	<u>1,470,647</u>	<u>4,629,379</u>	<u>19,362,113</u>
Expenditures:				
Current:				
General government	3,284,766	4,029,795	2,339,688	9,654,249
Public safety	4,008,910	-	33,561	4,042,471
Highway and streets	3,603,026	-	278,558	3,881,584
Sanitation	160,858	-	-	160,858
Welfare	405,736	-	9,038	414,774
Library and recreation	1,424,760	-	58,049	1,482,809
Conservation	-	-	2,462	2,462
Aiport	74,528	-	304,842	379,370
Miscellaneous	-	-	30,083	30,083
Debt service	<u>1,143,421</u>	<u>1,022,620</u>	<u>188,650</u>	<u>2,354,691</u>
Total Expenditures	<u>14,106,005</u>	<u>5,052,415</u>	<u>3,244,931</u>	<u>22,403,351</u>
Excess (deficiency) of revenues over expenditures	(843,918)	(3,581,768)	1,384,448	(3,041,238)
Other Financing Sources (Uses):				
Transfers in	147,542	-	143,654	291,196
Transfers out	<u>-</u>	<u>-</u>	<u>(291,196)</u>	<u>(291,196)</u>
Total Other Financing Sources (Uses)	<u>147,542</u>	<u>-</u>	<u>(147,542)</u>	<u>-</u>
Change in fund balance	(696,376)	(3,581,768)	1,236,906	(3,041,238)
Fund Equity, at Beginning of Year	<u>(502,708)</u>	<u>3,263,582</u>	<u>10,437,009</u>	<u>13,197,883</u>
Fund Equity, at End of Year	<u>\$ (1,199,084)</u>	<u>\$ (318,186)</u>	<u>\$ 11,673,915</u>	<u>\$ 10,156,645</u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2009

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (3,041,238)						
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td style="padding-left: 40px;">Capital outlay purchases</td> <td style="text-align: right;">754,868</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(1,034,271)</td> </tr> </table> 		Capital outlay purchases	754,868	Depreciation	(1,034,271)		
Capital outlay purchases	754,868						
Depreciation	(1,034,271)						
<ul style="list-style-type: none"> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td> <td style="text-align: right;">594,857</td> </tr> </table> 			594,857				
	594,857						
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">1,709,154</td> </tr> </table> 		Repayments of debt	1,709,154				
Repayments of debt	1,709,154						
<ul style="list-style-type: none"> In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table> <tr> <td></td> <td style="text-align: right;">4,270</td> </tr> </table> 			4,270				
	4,270						
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td style="padding-left: 40px;">Compensated absences</td> <td style="text-align: right;">46,637</td> </tr> <tr> <td style="padding-left: 40px;">Landfill liability</td> <td style="text-align: right;">406,667</td> </tr> <tr> <td style="padding-left: 40px;">OPEB obligation</td> <td style="text-align: right;"><u>(76,048)</u></td> </tr> </table> 		Compensated absences	46,637	Landfill liability	406,667	OPEB obligation	<u>(76,048)</u>
Compensated absences	46,637						
Landfill liability	406,667						
OPEB obligation	<u>(76,048)</u>						
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(635,104)</u></u>						

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES, AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
Property taxes	\$ 8,895,506	\$ 8,895,506	\$ 8,895,506	\$ -
Penalties, interest, and other taxes	655,200	655,200	368,615	(286,585)
Charges for services	1,758,805	1,758,805	1,582,403	(176,402)
Intergovernmental	932,802	932,802	941,344	8,542
Licenses and permits	1,823,600	1,823,600	1,786,698	(36,902)
Investment income	100,000	100,000	23,709	(76,291)
Miscellaneous	129,378	129,378	130,770	1,392
Other financing sources:				
Transfers in	138,000	138,000	147,542	9,542
Use of fund balance	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total Revenues	14,633,291	14,633,291	14,076,587	(556,704)
Expenditures and other uses:				
Current:				
General government	3,598,985	3,598,985	3,250,103	348,882
Public safety	3,918,528	3,918,528	3,837,481	81,047
Highways and streets	3,840,903	3,840,903	3,720,153	120,750
Sanitation	139,633	139,633	119,858	19,775
Welfare	352,251	352,251	405,736	(53,485)
Library and recreation	1,425,309	1,425,309	1,355,251	70,058
Airport	155,914	155,914	77,352	78,562
Debt service	<u>1,201,768</u>	<u>1,201,768</u>	<u>1,143,421</u>	<u>58,347</u>
Total Expenditures	<u>14,633,291</u>	<u>14,633,291</u>	<u>13,909,355</u>	<u>723,936</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>167,232</u>	\$ <u>167,232</u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

DECEMBER 31, 2009

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current:			
Cash and short-term investments	\$ 3,981,103	\$ 1,008,441	\$ 4,989,544
User fees, net of allowance for uncollectibles	421,164	602,840	1,024,004
Intergovernmental receivables	21,229	99,763	120,992
Due from other funds	21,555	43,121	64,676
Other assets	<u>81,401</u>	<u>11,731</u>	<u>93,132</u>
Total current assets	4,526,452	1,765,896	6,292,348
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental	339,666	1,076,975	1,416,641
Capital assets:			
Land and construction in progress	42,551	56,758	99,309
Other assets, net of accumulated depreciation	<u>12,394,650</u>	<u>18,151,982</u>	<u>30,546,632</u>
Total noncurrent assets	<u>12,776,867</u>	<u>19,285,715</u>	<u>32,062,582</u>
TOTAL ASSETS	17,303,319	21,051,611	38,354,930
<u>LIABILITIES</u>			
Current:			
Accounts payable	18,257	4,912	23,169
Accrued payroll	5,534	2,542	8,076
Accrued liabilities	40,802	59,762	100,564
Due to other funds	258,197	93,779	351,976
Other current liabilities	2,378	-	2,378
Current portion of long-term liabilities:			
Bonds payable	281,610	398,644	680,254
Other liabilities	<u>21,788</u>	<u>11,261</u>	<u>33,049</u>
Total current liabilities	628,566	570,900	1,199,466
Noncurrent:			
Bonds payable, net of current portion	5,729,087	4,536,442	10,265,529
Other liabilities, net of current portion	<u>58,563</u>	<u>44,671</u>	<u>103,234</u>
Total noncurrent liabilities	<u>5,787,650</u>	<u>4,581,113</u>	<u>10,368,763</u>
TOTAL LIABILITIES	6,416,216	5,152,013	11,568,229
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	6,354,425	13,242,764	19,597,189
Unrestricted	<u>4,532,678</u>	<u>2,656,834</u>	<u>7,189,512</u>
TOTAL NET ASSETS	<u>\$ 10,887,103</u>	<u>\$ 15,899,598</u>	<u>\$ 26,786,701</u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 1,224,117	\$ 1,650,510	\$ 2,874,627
Other	<u>22,012</u>	<u>82,997</u>	<u>105,009</u>
Total Operating Revenues	1,246,129	1,733,507	2,979,636
Operating Expenses:			
Operating expenses	1,070,221	1,302,417	2,372,638
Depreciation	405,049	529,866	934,915
Other	<u>100</u>	<u>-</u>	<u>100</u>
Total Operating Expenses	<u>1,475,370</u>	<u>1,832,283</u>	<u>3,307,653</u>
Operating Income (Loss)	(229,241)	(98,776)	(328,017)
Nonoperating Revenues (Expenses):			
Intergovernmental revenue	-	52,475	52,475
Investment income	31,085	8,086	39,171
Interest expense	<u>(217,270)</u>	<u>(175,756)</u>	<u>(393,026)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(186,185)</u>	<u>(115,195)</u>	<u>(301,380)</u>
Change in Net Assets	(415,426)	(213,971)	(629,397)
Net Assets at Beginning of Year	<u>11,302,529</u>	<u>16,113,569</u>	<u>27,416,098</u>
Net Assets at End of Year	<u>\$ 10,887,103</u>	<u>\$ 15,899,598</u>	<u>\$ 26,786,701</u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 1,232,526	\$ 1,713,494	\$ 2,946,020
Payments to vendors and employees	<u>(1,118,628)</u>	<u>(1,386,240)</u>	<u>(2,504,868)</u>
Net Cash Provided By (Used For) Operating Activities	113,898	327,254	441,152
<u>Cash Flows From Noncapital Financing Activities:</u>			
Intergovernmental subsidy	9,300	-	9,300
Interfund borrowing	<u>169,857</u>	<u>108,102</u>	<u>277,959</u>
Net Cash (Used For) Noncapital Financing Activities	179,157	108,102	287,259
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	(61,183)	(57,631)	(118,814)
Principal payments on bonds and leases	(311,855)	(399,747)	(711,602)
Interest expense	(217,270)	(175,756)	(393,026)
Intergovernmental subsidy	<u>21,229</u>	<u>152,860</u>	<u>174,089</u>
Net Cash (Used For) Capital and Related Financing Activities	(569,079)	(480,274)	(1,049,353)
<u>Cash Flows From Investing Activities:</u>			
Investment income	<u>21,785</u>	<u>8,086</u>	<u>29,871</u>
Net Cash (Used For) Investing Activities	<u>21,785</u>	<u>8,086</u>	<u>29,871</u>
Net Change in Cash and Short-Term Investments	(254,239)	(36,832)	(291,071)
Cash and Short-Term Investments, Beginning of Year	<u>4,235,342</u>	<u>1,045,273</u>	<u>5,280,615</u>
Cash and Short-Term Investments, End of Year	<u>\$ 3,981,103</u>	<u>\$ 1,008,441</u>	<u>\$ 4,989,544</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income (loss)	\$ (229,241)	\$ (98,776)	\$ (328,017)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	405,049	529,866	934,915
Changes in assets and liabilities:			
User fees	(13,603)	(20,013)	(33,616)
Inventory	(13,511)	(1,695)	(15,206)
Accounts payable	(16,576)	(55,265)	(71,841)
Retainage payable	(19,609)	-	(19,609)
Accrued liabilities	(9,261)	(29,139)	(38,400)
OPEB obligation	-	2,260	2,260
Other liabilities	<u>10,650</u>	<u>16</u>	<u>10,666</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 113,898</u>	<u>\$ 327,254</u>	<u>\$ 441,152</u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 DECEMBER 31, 2009

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ 42,730	\$ 456,410
Investments	<u>4,004,010</u>	<u>-</u>
Total Assets	4,046,740	456,410
 <u>LIABILITIES AND NET ASSETS</u>		
Other liabilities	<u>-</u>	<u>456,410</u>
Total Liabilities	<u>-</u>	<u>456,410</u>
 <u>NET ASSETS</u>		
Net assets	\$ <u><u>4,046,740</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions:	
Contributions	\$ 3,018
Increase (decrease) in fair value of investments	<u>507,841</u>
Total additions	<u>510,859</u>
Deductions:	
Miscellaneous	<u>144,727</u>
Total deductions	<u>144,727</u>
Net increase (decrease)	366,132
Net assets:	
Beginning of year	<u>3,680,608</u>
End of year	<u>\$ 4,046,740</u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Claremont (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an appointed City Manager and City Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2009, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all property taxes and motor vehicle permits.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Mill District TIF* accounts for property tax revenue associated with the Mill District TIF bonded debt.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with

a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

- Water services
- Sewer services

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not

exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

F. Interfund Receivables and Payables

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due from/to other funds” (i.e., the current portion of interfund loans).

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only), are reported in the business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

I. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The City Manager presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following January 1. The budget, as enacted by the City Council, establishes the legal level of

control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at City Council meetings as required by changing conditions. Departments are limited to the line items as voted. Formal budgetary integration is employed as a management control device during the year for the General Fund. At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 13,262,087	\$ 14,106,005
Other financing sources/uses (GAAP basis)	<u>147,542</u>	<u>-</u>
Subtotal (GAAP Basis)	13,409,629	14,106,005
Adjust tax revenue to accrual basis	628,450	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(245,869)
Add end of year appropriation carryforwards to expenditures	-	142,699
To record the use of fund balance as a funding source	200,000	-
To reverse the effect of other timing differences	-	68,012
To reverse the effect of non- budgeted State contributions for police and fire retirement	<u>(161,492)</u>	<u>(161,492)</u>
Budgetary basis	<u>\$ 14,076,587</u>	<u>\$ 13,909,355</u>

D. Deficit Fund Equity

The following funds had deficits as of December 31, 2009:

General Fund	\$ (1,199,084)
Special Revenue Funds:	
Police Grants	(6,456)
Capital Project Funds:	
Airport Hanger Grant	(4,740)
Airport	(12,034)
Sugar River Pedestrian Bridge	(54,743)
Construction - Maple Ave	(286)
Debt Service Funds:	
Mill District TIF	(318,186)

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. **Cash and Short-Term Investments**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a City with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The City does not have a deposit policy for custodial credit risk.

As of December 31, 2009, \$ 146,280 of the City's bank balance of \$ 10,460,047 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the City's name.

4. **Investments**

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below is the actual rating as of year end for each investment of the City:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>				
				<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Other</u>
Mutual Funds	\$ 1,221,230	N/A	\$ 1,221,230	\$ -	\$ -	\$ -	\$ -	\$ -
Federal securities	3,307,120	N/A	-	3,200,980	106,140	-	-	-
Corporate bonds	1,611,406	N/A	-	-	309,432	1,159,180	52,985	89,809
Corporate equities	<u>7,567,382</u>	N/A	<u>7,567,382</u>	-	-	-	-	-
Total investments	<u>\$ 13,707,138</u>		<u>\$ 8,788,612</u>	<u>\$ 3,200,980</u>	<u>\$ 415,572</u>	<u>\$ 1,159,180</u>	<u>\$ 52,985</u>	<u>\$ 89,809</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's policy limits investments in solvent financial institutions.

The City has a custodial credit risk exposure of \$ 13,707,138 because the related securities are uninsured, unregistered and held by the City's brokerage firm, which is also the Counterparty to these securities.

C. Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's policy is to limit investments maturing in one year or less.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Federal securities	\$ 3,307,120	\$ 565,319	\$ 2,100,005	\$ 641,796
Corporate bonds	<u>1,611,406</u>	<u>102,814</u>	<u>772,172</u>	<u>736,420</u>
Total	<u>\$ 4,918,526</u>	<u>\$ 668,133</u>	<u>\$ 2,872,177</u>	<u>\$ 1,378,216</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City's policy does not authority the investments in foreign currency.

5. Taxes Receivable

The City bills property taxes on a semi-annual basis and they are due in July and December. Property tax revenues are recognized in the fiscal year for which taxes have been levied to the extent that they become available, i.e., due or receivable, within the current fiscal year and collected within the current period or within 60 days of year end.

Property taxes collected before the due date, and in advance of the year for which they are levied, are recorded as a prepaid tax liability as they are intended to finance the subsequent year’s budget.

At the time of the tax lien, which the City usually processes in May for the previous levy year, a lien is recorded on the property at the Registry of Deeds. The City Council approves conveyance of lien property to the City. Afterwards, the City Council sets a date for public sale. Property taxes collected before the due date, and in advance of the year for which they are levied, are recorded as a prepaid tax liability as they are intended to finance the subsequent year’s operations.

The City annually raises through tax levy an amount (overlay for abatements) for property tax abatements and interest refunds. All abatements and interest refunds are charged to overlay.

Taxes receivable at December 31, 2009 consist of the following:

Real Estate		
2009		\$ 2,312,877
Elderly Liens		
2008	3,514	
2007	3,244	
2006	3,134	
2004	1,271	
Prior	9,854	
		21,017
Tax Liens		
2008	1,238,512	
2007	525,710	
2006	186,881	
2005	7,944	
		1,959,047
Timber Tax		
2009		954
Total		\$ <u>4,293,895</u>

Taxes Collected for Others

The City collects property taxes for the State of New Hampshire, the Claremont School District, and the Sullivan County. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the City.

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 628,349	\$ -
User fees	-	46,796

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2009.

8. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2009 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
General Fund	\$ 1,083,706	\$ 1,504,371	\$ -	\$ -
Special Revenue Funds	695,900	15,668	-	-
Capital Project Funds	16,155	81,645	-	-
Debt Service Funds	1,353,452	1,212,008	628,500	628,500
Enterprise Funds	64,676	351,976	-	-
Permanent Trust Funds	-	48,221	-	-
Total	<u>\$ 3,213,889</u>	<u>\$ 3,213,889</u>	<u>\$ 628,500</u>	<u>\$ 628,500</u>

9. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,904,304	\$ -	\$ -	\$ 1,904,304
Machinery, equipment, and furnishings	6,538,100	66,350	-	6,604,450
Infrastructure	<u>19,045,504</u>	<u>1,494,563</u>	<u>-</u>	<u>20,540,067</u>
Total capital assets, being depreciated	27,487,908	1,560,913	-	29,048,821
Less accumulated depreciation for:				
Buildings and improvements	(1,024,420)	(32,346)	-	(1,056,766)
Machinery, equipment, and furnishings	(3,602,591)	(496,024)	-	(4,098,615)
Infrastructure	<u>(1,787,674)</u>	<u>(505,901)</u>	<u>-</u>	<u>(2,293,575)</u>
Total accumulated depreciation	<u>(6,414,685)</u>	<u>(1,034,271)</u>	<u>-</u>	<u>(7,448,956)</u>
Total capital assets, being depreciated, net	21,073,223	526,642	-	21,599,865
Capital assets, not being depreciated:				
Land	2,713,737	-	-	2,713,737
Construction in progress	8,021,472	583,297	(1,389,342)	7,215,427
Total capital assets, not being depreciated	<u>10,735,209</u>	<u>583,297</u>	<u>(1,389,342)</u>	<u>9,929,164</u>
Governmental activities capital assets, net	<u>\$ 31,808,432</u>	<u>\$ 1,109,939</u>	<u>\$ (1,389,342)</u>	<u>\$ 31,529,029</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,550,951	\$ -	\$ -	\$ 4,550,951
Machinery, equipment, and furnishings	4,367,772	-	-	4,367,772
Infrastructure	<u>38,121,500</u>	<u>589,949</u>	<u>-</u>	<u>38,711,449</u>
Total capital assets, being depreciated	47,040,223	589,949	-	47,630,172
Less accumulated depreciation for:				
Buildings and improvements	(137,065)	(90,940)	-	(228,005)
Machinery, equipment, and furnishings	(1,879,291)	(103,387)	-	(1,982,678)
Infrastructure	<u>(14,132,268)</u>	<u>(740,589)</u>	<u>-</u>	<u>(14,872,857)</u>
Total accumulated depreciation	<u>(16,148,624)</u>	<u>(934,916)</u>	<u>-</u>	<u>(17,083,540)</u>
Total capital assets, being depreciated, net	30,891,599	(344,967)	-	30,546,632
Capital assets, not being depreciated:				
Land	99,309	-	-	99,309
Construction in progress	471,134	6,186	(477,320)	-
Total capital assets, not being depreciated	<u>570,443</u>	<u>6,186</u>	<u>(477,320)</u>	<u>99,309</u>
Business-type activities capital assets, net	<u>\$ 31,462,042</u>	<u>\$ (338,781)</u>	<u>\$ (477,320)</u>	<u>\$ 30,645,941</u>

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

General government	\$ 34,801
Public safety	144,299
Highway and streets	808,064
Library and recreation	<u>47,107</u>
Total depreciation expense - governmental-type activities	<u>\$ 1,034,271</u>

Business-Type Activities:	
Water	\$ 405,049
Sewer	<u>529,867</u>
Total depreciation expense - business-type activities	<u>\$ 934,916</u>

10. Accounts Payable and Accrued Expenses

Accounts payable represent additional 2009 expenditures paid in 2010.

11. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *deferred revenues* account is equal to the total of all December 31, 2009 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

12. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Board of Tax and Land Appeals.

13. Capital Lease Obligations

The City is the lessee of certain equipment under capital and operating leases expiring in various years through 2014. Future minimum lease payments under the capital and operating leases consisted of the following as of December 31, 2009:

	<u>Capital Leases</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
2010	\$ 333,113	\$ 34,928
2011	276,637	37,780
2012	113,643	23,855
2013	16,902	8,980
2014	<u>11,660</u>	<u>8,980</u>
Total minimum lease payments	751,955	114,523
Less amounts representing interest	<u>(60,209)</u>	<u>(11,554)</u>
Present Value of Minimum Lease Payments	<u>\$ 691,746</u>	<u>\$ 102,969</u>

14. Long-Term Debt

A. General Obligation Bonds and Notes

The City issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. General obligation bonds and notes currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/09</u>
Lawsuit settlement	02/15/13	4.00 - 6.00%	\$ 620,000
Public improvements	08/15/13	3.90 - 5.00%	440,000
Public improvements	12/01/20	4.80 - 5.20%	960,412
Landfill closure	07/01/22	3.70%	2,528,293
Street project	03/01/17	4.00%	515,705
Landfill closure	09/01/13	2.32%	59,038
Street project	09/15/20	3.75%	2,200,000
TIF District	09/15/15	3.40 - 3.60%	600,000
Mill District	08/15/27	4.00 - 5.00%	2,722,000
Mill District	08/15/27	4.00 - 5.00%	4,678,000
Mill District	08/15/17	6.00%	1,980,000
CDA - Brown Block	03/01/14	6.50%	450,000
CDA - Farwell Building	10/25/11	3.00%	160,000
CDA - Red River	04/23/15	7.00%	<u>500,000</u>
Total Governmental Activities:			<u>\$ 18,413,448</u>
<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/09</u>
Drinking Water SRF Loan Project	12/01/26	3.488%	\$ 3,563,147
Drinking Water SRF Loan Project	07/01/27	2.488%	2,447,550
Revolving Loan #1	09/30/13	4.168%	673,477
Revolving Loan #2	01/01/16	4.168%	387,096
Sewer Improvements	12/01/20	4.993%	540,348
Revolving Loan #11	12/01/27	3.688%	315,419
Revolving Loan #12	01/01/28	3.488%	104,354
Revolving Loan #13	08/01/27	3.488%	2,508,735
Revolving Loan #14	07/01/28	3.488%	<u>405,657</u>
Total Business-Type Activities:			<u>\$ 10,945,783</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of December 31, 2009 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,409,638	\$ 845,050	\$ 2,254,688
2011	1,577,815	781,355	2,359,170
2012	1,426,286	713,883	2,140,169
2013	1,431,927	647,328	2,079,255
2014	1,611,301	566,653	2,177,954
2015-2019	5,815,934	1,894,580	7,710,514
2020-2024	3,580,547	805,029	4,385,576
2025-2027	<u>1,560,000</u>	<u>148,200</u>	<u>1,708,200</u>
Total	\$ <u>18,413,448</u>	\$ <u>6,402,078</u>	\$ <u>24,815,526</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2009:

General fund	\$ 7,323,448
Special revenue fund:	
Claremont Development Authority (CDA)	1,110,000
Debt service funds:	
River Road TIF District	600,000
Mill District TIF	<u>9,380,000</u>
Total	\$ <u>18,413,448</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 680,254	\$ 397,965	\$ 1,078,219
2011	699,719	372,100	1,071,819
2012	719,831	345,410	1,065,241
2013	738,802	317,970	1,056,772
2014	573,978	289,846	863,824
2015-2019	2,926,558	1,128,373	4,054,931
2020-2024	3,016,518	597,292	3,613,810
2025-2027	<u>1,590,123</u>	<u>103,103</u>	<u>1,693,226</u>
Total	\$ <u>10,945,783</u>	\$ <u>3,552,059</u>	\$ <u>14,497,842</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2009, the following changes occurred in long-term liabilities:

	Total Balance 1/1/09	Additions	Reductions	Total Balance 12/31/09	Less Current Portion	Equals Long-Term Portion 12/31/09
Governmental Activities						
Bonds payable	\$ 19,816,229	\$ -	\$ (1,402,781)	\$ 18,413,448	\$ (1,409,638)	\$ 17,003,810
OPEB liability	-	76,048	-	76,048	-	76,048
Other:						
Landfill closure	736,667	-	(406,667)	330,000	(15,000)	315,000
Accrued employee benefits	348,809	-	(46,636)	302,173	(30,217)	271,956
Capital leases payable	998,119	-	(306,373)	691,746	(306,372)	385,374
Totals	\$ <u>21,899,824</u>	\$ <u>76,048</u>	\$ <u>(2,162,457)</u>	\$ <u>19,813,415</u>	\$ <u>(1,761,227)</u>	\$ <u>18,052,188</u>
Business-Type Activities						
Bonds payable	\$ 11,602,836	\$ 6,300	\$ (663,353)	\$ 10,945,783	\$ (680,254)	\$ 10,265,529
OPEB liability	-	2,260	-	2,260	-	2,260
Other:						
Accrued employee benefits	-	31,054	-	31,054	(3,105)	27,949
Capital leases payable	157,518	-	(54,549)	102,969	(29,944)	73,025
Totals	\$ <u>11,760,354</u>	\$ <u>39,614</u>	\$ <u>(717,902)</u>	\$ <u>11,082,066</u>	\$ <u>(713,303)</u>	\$ <u>10,368,763</u>

15. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City completed the capping of the landfill in 2002.

The \$ 330,000 reported is based on what it would cost to perform all post-closure care in 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

16. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

17. Reserves of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at December 31, 2009:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

18. General Fund Undesignated Fund Balance

The undesignated general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how undesignated fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ (1,341,783)
Deferred revenue	3,724,448
Reserved for inventory	<u>(4,195)</u>
Tax Rate Setting Balance	<u>\$ 2,378,470</u>

19. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the City is involved. The City’s management is of the opinion that the potential future settlement of such claims would materially affect its financial statements taken as a whole. As a result, the City has reserved \$ 600,000 pending the outcome of the lawsuit.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be

disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**20. Post-Employment Health Care and Life Insurance Benefits
Other Post-Employment Benefits**

During the year, the City implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

The City provides its eligible retirees, including in some cases their beneficiaries (as govern by RSA 100-A:50), the ability to purchase health, dental, and prescription insurance at the City's group rates. Although the City does not supplement the cost of these plans, GASB Statement 45 requires the City to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance - one risk group subsidizes another to arrive at a blended premium, therefore current employees who are young and healthy subsidized the older retirees. As of December 31, 2009, there were 21 retiree subscribers, including eligible spouses and dependents, and 136 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The City provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 100% of the cost of the health plan, as determined by the City. The City contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The City's 2009 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending December 31, 2009, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of January 1, 2009.

Annual Required Contribution (ARC)	\$ 161,461
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	161,461
Contributions made	(83,153)
Increase in net OPEB obligation	78,308
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 78,308

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 161,461	51.5%	\$ 78,308

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2009, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,153,999
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	2,153,999
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 4,687,774
UAAL as a percentage of covered payroll	45.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of

events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

21. Retirement System

The City follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System (the System), a multiple-employer contributory pension plan and trust 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 plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police

officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at 4 Chenell Drive, Concord, New Hampshire 03301-8509.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% for employees and 9.3% for police and fire. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, equal to 8.74% for employees, 11.84% for police, and 15.92% for fire. The City's contributions to the System for the years ended December 31, 2009, 2008, and 2007 were \$ 631,211, \$ 612,028, and \$ 687,278, respectively, which were equal to its annual required contributions for each of these years. The payroll for employees covered by the System for the year ended December 31, 2009, was \$ 5,585,985. Contribution requirements for the year ended December 31, 2009, were as follows:

State of New Hampshire	\$	161,492
Employer contributions		631,211
Employees' contributions		<u>279,299</u>
Total	\$	<u><u>1,072,002</u></u>

22. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

CITY OF CLAREMONT, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2009
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
01/01/09	\$ -	\$ 2,153,999	\$ 2,153,999	0.0%	\$ 4,687,774	46%

See Independent Auditors' Report.