

CITY OF CLAREMONT, NEW HAMPSHIRE

Independent Auditors' Reports Pursuant  
to Governmental Auditing Standards  
and The Single Audit Act Amendments of 1996

For the Year Ended December 31, 2010

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# MELANSON HEATH & COMPANY, PC

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremont, New Hampshire, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 28, 2011. 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.

### Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of the City of Claremont, New Hampshire, in a separate letter dated September 28, 2011.

This report is intended solely for the information and use of management, City Manager and City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Melanson, Heath + Company P.C.*

Manchester, New Hampshire  
September 28, 2011



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REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Claremont, New Hampshire's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

## Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2010, and have issued our report thereon dated September 28, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, City Manager and City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Melanson, Heath + Company P.C.*

Manchester, New Hampshire  
September 28, 2011

City of Claremont, New Hampshire  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2010

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	State Identification <u>Number</u>	Federal Catalog <u>Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through NH Community Development Finance Authority (CDFA)			
Sullivan County Oral Health Coll.	07-222-CDPF	14.228	\$ 7,402
Woven Label LLC	07-222-CDED	14.228	6,015
Claremont Soup Kitchen	08-222-CDPF	14.228	22,563
Emergency Sawtooth Grant	09-222-EGPE	14.228	<u>6,862</u>
Total U.S. Department of Housing and Urban Development			<u>42,842</u>
<u>U.S. Department of Justice</u>			
Passed through NH Department of Justice			
COPS Grant Nielsen	*	16.710	45,481
Access for All	2008-DD-BX-0612	16.808	<u>171,145</u>
Total U.S. Department of Justice			<u>216,626</u>
<u>U.S. Department of Transportation</u>			
Passed through NH Department of Transportation			
Aeronautical Study & Storm Water Study	SBG-02-02-2009	20.106	113,278
Taxiway C-West	SBG-02-03-2010	20.106	83,695
Safe Routes to school	X-A000(975)(976)(977)	20.205	13,601
Drapers Corners	X-A000(418)	20.205	31,749
DWI Hunter Patrols	308-09A-094	20.601	1,593
NH Join the Clique	304-10A-030	20.609	<u>1,965</u>
Total U.S. Department of Transportation			<u>245,881</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through New Hampshire Department of Safety			
FEMA Washer/Extractor Grant	EMW-2009-FO-03654	97.044	13,236
Homeland Security Grant-PD	2005-V0082-NH-GE	97.067	1,815
Stacked Stone Clay Hill	*	97.039	65,520
PVE-Clay Hill Road	*	97.039	9,890
Stone House Forge	*	97.039	18,454
Stone House Forge	*	97.039	<u>46,411</u>
Total U.S. Department of Homeland Security			<u>155,326</u>
Total All Programs			<u>\$ 660,675</u>

This schedule was prepared on a modified accrual basis of accounting.

\* State identifying numbers were not available for the pass-through grants listed above.

See Independent Auditors' Report on Schedule of Expenditures of Federal Awards.

CITY OF CLAREMONT, NEW HAMPSHIRE  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2010

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs:

Airport Improvement Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None.

**SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS**

There were no findings in the prior year.

**CITY OF CLAREMONT, NEW HAMPSHIRE**

**Annual Financial Statement**

**For the Year Ended December 31, 2010**

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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, 2010, 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, 2010, 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 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 September 28, 2011 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.*

Manchester, New Hampshire  
September 28, 2011

## **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 year ended December 31, 2010.

### **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 \$ 53,644,017 (i.e., net assets), a change of \$ 695,376 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 11,936,080, a change of \$ 1,014,085 in comparison to 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 \$ (1,563,223). However, unreserved fund balance on a tax rate setting basis was \$ 720,786. See note 18 for more information.
- Total long-term debt (i.e., bonds) for all funds at the close of the current fiscal year was \$ 27,269,338, a change of \$ (2,089,894) 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 20,950,518	\$ 20,535,467	\$ 7,440,460	\$ 7,357,013	\$ 28,390,978	\$ 27,892,480
Capital assets	<u>31,033,204</u>	<u>31,529,029</u>	<u>29,903,672</u>	<u>30,645,941</u>	<u>60,936,876</u>	<u>62,174,970</u>
Total assets	51,983,722	52,064,496	37,344,132	38,002,954	89,327,854	90,067,450
Long-term liabilities outstanding	16,398,359	18,052,188	9,751,990	10,368,763	26,150,349	28,420,951
Other liabilities	<u>8,663,572</u>	<u>7,850,368</u>	<u>869,916</u>	<u>847,490</u>	<u>9,533,488</u>	<u>8,697,858</u>
Total liabilities	25,061,931	25,902,556	10,621,906	11,216,253	35,683,837	37,118,809
Net assets:						
Invested in capital assets, net	15,802,324	15,054,199	19,452,965	19,597,189	35,255,289	34,651,388
Restricted	11,754,093	11,009,285	-	-	11,754,093	11,009,285
Unrestricted	<u>(634,626)</u>	<u>98,456</u>	<u>7,269,261</u>	<u>7,189,512</u>	<u>6,634,635</u>	<u>7,287,968</u>
Total net assets	\$ <u>26,921,791</u>	\$ <u>26,161,940</u>	\$ <u>26,722,226</u>	\$ <u>26,786,701</u>	\$ <u>53,644,017</u>	\$ <u>52,948,641</u>

**CHANGES IN NET ASSETS**

	Governmental Activities		Business-Type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,302,997	\$ 1,252,350	\$ 3,368,763	\$ 2,874,627	\$ 4,671,760	\$ 4,126,977
Operating grants and contributions	871,066	3,027,084	-	-	871,066	3,027,084
Capital grants and contributions	294,029	282,049	49,667	52,475	343,696	334,524
General revenues:						
Property taxes	9,038,377	9,974,360	-	-	9,038,377	9,974,360
Motor vehicle license	1,424,257	1,466,291	-	-	1,424,257	1,466,291
Charges for services	754,646	729,929	-	-	754,646	729,929
Penalties, Interest, and other taxes	760,192	368,615	-	-	760,192	368,615
Grants and contributions not restricted to specific programs	598,046	598,263	-	-	598,046	598,263
Investment income	1,231,190	1,306,506	17,946	39,171	1,249,136	1,345,677
Other	215,156	328,156	68,210	105,009	283,366	433,165
<b>Total revenues</b>	<u>16,489,956</u>	<u>19,333,603</u>	<u>3,504,586</u>	<u>3,071,282</u>	<u>19,994,542</u>	<u>22,404,885</u>
<b>Expenses:</b>						
General government	4,510,758	9,731,087	-	-	4,510,758	9,731,087
Public safety	4,286,246	4,105,721	-	-	4,286,246	4,105,721
Highways and streets	4,090,704	3,767,577	-	-	4,090,704	3,767,577
Sanitation	198,923	161,239	-	-	198,923	161,239
Welfare	435,988	414,828	-	-	435,988	414,828
Library and recreation	1,374,301	1,386,993	-	-	1,374,301	1,386,993
Conservation	983	2,462	-	-	983	2,462
Airport	97,100	74,528	-	-	97,100	74,528
Interest on long-term debt	867,891	947,640	-	-	867,891	947,640
Water	-	-	1,739,145	1,692,640	1,739,145	1,692,640
Sewer	-	-	1,829,916	2,008,039	1,829,916	2,008,039
<b>Total expenses</b>	<u>15,862,894</u>	<u>20,592,075</u>	<u>3,569,061</u>	<u>3,700,679</u>	<u>19,431,955</u>	<u>24,292,754</u>
Change in net assets before permanent fund contributions	627,062	(1,258,472)	(64,475)	(629,397)	562,587	(1,887,869)
Permanent fund contributions	132,789	623,368	-	-	132,789	623,368
Increase in net assets	759,851	(635,104)	(64,475)	(629,397)	695,376	(1,264,501)
Net assets - beginning 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>
Net assets - end of year	<u>\$ 26,921,791</u>	<u>\$ 26,161,940</u>	<u>\$ 26,722,226</u>	<u>\$ 26,786,701</u>	<u>\$ 53,644,017</u>	<u>\$ 52,948,641</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 \$ 53,644,017, a change of \$ 695,376 from the prior year.

The largest portion of net assets, \$ 35,255,289, 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 \$ 11,754,093 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 6,634,635 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 \$ 759,851. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 389,031
Nonmajor fund operating results	625,054
Excess principal maturities, a budgeted (i.e., funded) expense over depreciation, which is not budgeted or funded	394,580
Other	<u>(648,814)</u>
Total	<u>\$ 759,851</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ (64,475). Key elements of this change are as follows:

Water operations	\$ (460,202)
Sewer operations	<u>395,727</u>
Total	<u>\$ (64,475)</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 \$ 11,936,080, a change of \$ 1,014,085 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results, as discussed further in Section D	\$ 389,031
Nonmajor funds operating results	<u>625,054</u>
Total	<u><u>\$ 1,014,085</u></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 \$ (1,563,223), while total fund balance deficit was \$ (44,703). However, for tax rate setting purposes, undesignated fund balance was \$ 720,786, while total fund balance was \$ 2,744,535. See note 18 for more information.

The fund balance of the general fund changed by \$ 389,031 during the current fiscal year. Key factors in this change are as follows:

Revenues less than budget	\$ (497,966)
Expenditures less than budget	1,303,006
Expenditures of prior year encumbrances, net of current year encumbrances	371,082
Excess in tax collections compared to net assessment	545,710
Use of fund balance as a funding source	<u>(1,332,801)</u>
Total	<u><u>\$ 389,031</u></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 \$ 7,269,261.

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 \$ 60,936,876 (net of accumulated depreciation), a change of \$ (1,238,094) 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 notes to the financial statements.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 27,269,338, 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, 2010.

	State of New Hampshire <u>Subsidy</u>	General Obligations <u>Payable</u>
General fund	\$ -	\$ 6,538,810
Special revenue fund:		
Claremont Development Authority (CDA)	-	1,110,000
Debt service funds:		
River Road TIF District	-	500,000
Mill District TIF	-	8,855,000
Enterprise funds:		
Water	339,665	5,729,086
Sewer	<u>1,076,975</u>	<u>4,536,442</u>
	<u>\$ 1,416,640</u>	<u>\$ 27,269,338</u>

**Change in credit rating.** During the fiscal year, the Moody's credit rating changed from A1 to A2.

Additional information on capital assets and long-term debt can be found in the notes 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, 2010

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 5,806,686	\$ 4,676,675	\$ 10,483,361
Investments	10,454,017	-	10,454,017
Receivables, net of allowance for uncollectibles:			
Property taxes	1,288,443	-	1,288,443
User fees	208,512	1,362,291	1,570,803
Intergovernmental	34,675	124,222	158,897
Loans	3,896	-	3,896
Internal balances	135,241	(135,241)	-
Other assets	349,901	120,095	469,996
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,199,796	-	1,199,796
Intergovernmental	443,261	1,292,418	1,735,679
Loans	1,026,090	-	1,026,090
Capital Assets:			
Capital assets available for sale	1,499,475	-	1,499,475
Land and construction in progress	10,275,163	244,762	10,519,925
Other assets, net of accumulated depreciation	<u>19,258,566</u>	<u>29,658,910</u>	<u>48,917,476</u>
<b>TOTAL ASSETS</b>	<b>51,983,722</b>	<b>37,344,132</b>	<b>89,327,854</b>
<b>LIABILITIES</b>			
Current:			
Accounts payable	434,417	26,748	461,165
Retainage payable	11,608	-	11,608
Accrued payroll	129,189	10,499	139,688
Accrued liabilities	327,644	96,253	423,897
Due to school district	4,844,280	-	4,844,280
Tax refunds payable	852,716	-	852,716
Escrow and performance deposits	18,775	-	18,775
Other current liabilities	126,293	2,378	128,671
Current portion of long-term liabilities:			
Bonds payable	1,577,815	699,719	2,277,534
Other liabilities	340,835	34,319	375,154
Noncurrent:			
Bonds payable, net of current portion	15,425,995	9,565,809	24,991,804
OPEB obligation	152,096	4,520	156,616
Other liabilities, net of current portion	<u>820,268</u>	<u>181,661</u>	<u>1,001,929</u>
<b>TOTAL LIABILITIES</b>	<b>25,061,931</b>	<b>10,621,906</b>	<b>35,683,837</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	15,802,324	19,452,965	35,255,289
Restricted for:			
Grants and other statutory restrictions	1,134,851	-	1,134,851
Permanent funds:			
Nonexpendable	9,082,505	-	9,082,505
Expendable	1,536,737	-	1,536,737
Unrestricted	<u>(634,626)</u>	<u>7,269,261</u>	<u>6,634,635</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>26,921,791</u></b>	<b>\$ <u>26,722,226</u></b>	<b>\$ <u>53,644,017</u></b>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net(Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 4,510,758	\$ 631,644	\$ 290,503	\$ -	\$ (3,588,611)	\$ -	\$ (3,588,611)
Public safety	4,286,246	175,042	197,106	-	(3,914,098)	-	(3,914,098)
Highways and streets	4,090,704	1,209	11,750	294,029	(3,783,716)	-	(3,783,716)
Sanitation	198,923	183,121	13,668	-	(2,134)	-	(2,134)
Welfare	435,988	53,987	34,920	-	(347,081)	-	(347,081)
Library and recreation	1,374,301	197,898	91,916	-	(1,084,487)	-	(1,084,487)
Conservation	983	-	-	-	(983)	-	(983)
Airport	97,100	60,096	231,203	-	194,199	-	194,199
Interest expense	867,891	-	-	-	(867,891)	-	(867,891)
Total Governmental Activities	15,862,894	1,302,997	871,066	294,029	(13,394,802)	-	(13,394,802)
<b>Business-Type Activities:</b>							
Water operations	1,739,145	1,256,023	-	-	-	(483,122)	(483,122)
Sewer operations	1,829,916	2,112,740	-	49,667	-	332,491	332,491
Total Business-Type Activities	3,569,061	3,368,763	-	49,667	-	(150,631)	(150,631)
Total	\$ 19,431,955	\$ 4,671,760	\$ 871,066	\$ 343,696	(13,394,802)	(150,631)	(13,545,433)
<b>General Revenues and Contributions:</b>							
Property taxes					9,038,377	-	9,038,377
Motor vehicle permits					1,424,257	-	1,424,257
Charges for service					754,646	-	754,646
Penalties, interest, and other taxes					760,192	-	760,192
Grants and contributions not restricted to specific programs					598,046	-	598,046
Investment income					1,231,190	17,946	1,249,136
Other					215,156	68,210	283,366
Permanent fund contributions					132,789	-	132,789
Total general revenues and contributions					14,154,653	86,156	14,240,809
Change in Net Assets					759,851	(64,475)	695,376
<b>Net Assets:</b>							
Beginning of year					26,161,940	26,786,701	52,948,641
End of year					\$ 26,921,791	\$ 26,722,226	\$ 53,644,017

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2010

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 4,717,495	\$ 1,089,191	\$ 5,806,686
Investments	-	10,454,017	10,454,017
Receivables:			
Property taxes	3,338,239	-	3,338,239
User fees	115,921	92,591	208,512
Due from other funds	444,423	1,646,493	2,090,916
Advance to other funds	659,968	300,000	959,968
Other assets	<u>349,901</u>	<u>-</u>	<u>349,901</u>
TOTAL ASSETS	<u>\$ 9,625,947</u>	<u>\$ 13,582,292</u>	<u>\$ 23,208,239</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 368,256	\$ 66,161	\$ 434,417
Retainage payable	11,608	-	11,608
Accrued liabilities	128,319	870	129,189
Deferred revenues	1,939,238	-	1,939,238
Due to school district	4,844,280	-	4,844,280
Tax refunds payable	852,716	-	852,716
Due to other funds	1,384,403	571,272	1,955,675
Advance from other funds	-	959,968	959,968
Other liabilities	<u>141,830</u>	<u>3,238</u>	<u>145,068</u>
TOTAL LIABILITIES	9,670,650	1,601,509	11,272,159
Fund Balances:			
Reserved for:			
Encumbrances and continuing appropriations	513,781	159,309	673,090
Perpetual (unexpendable) permanent funds	-	9,082,505	9,082,505
Prepaid expenditures	344,771	-	344,771
Advance	659,968	-	659,968
Unreserved:			
Undesignated, reported in:			
General fund	(1,563,223)	-	(1,563,223)
Special revenue funds	-	1,045,809	1,045,809
Capital project funds	-	(58,857)	(58,857)
Debt service funds	-	215,280	215,280
Permanent funds	<u>-</u>	<u>1,536,737</u>	<u>1,536,737</u>
TOTAL FUND BALANCES	<u>(44,703)</u>	<u>11,980,783</u>	<u>11,936,080</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,625,947</u>	<u>\$ 13,582,292</u>	<u>\$ 23,208,239</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, 2010

<b>Total governmental fund balances</b>	\$ 11,936,080
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	31,033,204
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	1,089,238
<ul style="list-style-type: none"><li>• Loans receivable not due and payable in the current period are not reported in the governmental funds</li></ul>	1,507,922
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(327,644)
<ul style="list-style-type: none"><li>• 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.</li></ul>	<u>(18,317,009)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 26,921,791</u></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, 2010

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 9,184,182	\$ 1,095,706	\$ 10,279,888
Penalties, interest, and other taxes	760,192	-	760,192
Charges for services	1,675,899	103,874	1,779,773
Intergovernmental	1,162,055	634,627	1,796,682
Licenses and permits	1,710,385	-	1,710,385
Investment income	6,786	1,224,404	1,231,190
Miscellaneous	180,035	63,839	243,874
Contributions	-	132,789	132,789
	<u>14,679,534</u>	<u>3,255,239</u>	<u>17,934,773</u>
Total Revenues			
<b>Expenditures:</b>			
Current:			
General government	3,391,386	1,105,897	4,497,283
Public safety	4,214,685	21,124	4,235,809
Highway and streets	3,553,151	740	3,553,891
Sanitation	205,254	-	205,254
Welfare	429,338	6,637	435,975
Library and recreation	1,329,237	48,923	1,378,160
Conservation	-	983	983
Airport	91,832	215,477	307,309
Debt service	<u>1,123,470</u>	<u>1,182,554</u>	<u>2,306,024</u>
Total Expenditures	<u>14,338,353</u>	<u>2,582,335</u>	<u>16,920,688</u>
Excess (deficiency) of revenues over expenditures	341,181	672,904	1,014,085
<b>Other Financing Sources (Uses):</b>			
Transfers in	67,850	149,351	217,201
Transfers out	<u>(20,000)</u>	<u>(197,201)</u>	<u>(217,201)</u>
Total Other Financing Sources (Uses)	<u>47,850</u>	<u>(47,850)</u>	<u>-</u>
Change in fund balance	389,031	625,054	1,014,085
Fund Equity, at Beginning of Year, as restated	<u>(433,734)</u>	<u>11,355,729</u>	<u>10,921,995</u>
Fund Equity, at End of Year	<u>\$ (44,703)</u>	<u>\$ 11,980,783</u>	<u>\$ 11,936,080</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, 2010

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 1,014,085</b>																		
<ul style="list-style-type: none"> <li>• 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 border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">547,951</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,015,058)</td> </tr> <tr> <td>Loss on disposals of fixed assets</td> <td style="text-align: right;">(28,718)</td> </tr> </table> </li> <li>• 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. <span style="float: right;">(1,283,310)</span></li> <li>• 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 border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt on bonds payable</td> <td style="text-align: right;">1,409,638</td> </tr> <tr> <td>Repayments of capital leases</td> <td style="text-align: right;">350,484</td> </tr> <tr> <td>Capital lease additions</td> <td style="text-align: right;">(230,995)</td> </tr> </table> </li> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <span style="float: right;">28,495</span></li> <li>• 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 border="0" style="margin-left: 40px;"> <tr> <td>Compensated absences</td> <td style="text-align: right;">28,327</td> </tr> <tr> <td>Landfill liability</td> <td style="text-align: right;">15,000</td> </tr> <tr> <td>OPEB obligation</td> <td style="text-align: right;"><u>(76,048)</u></td> </tr> </table> </li> </ul>		Capital outlay purchases	547,951	Depreciation	(1,015,058)	Loss on disposals of fixed assets	(28,718)	Repayments of debt on bonds payable	1,409,638	Repayments of capital leases	350,484	Capital lease additions	(230,995)	Compensated absences	28,327	Landfill liability	15,000	OPEB obligation	<u>(76,048)</u>
Capital outlay purchases	547,951																		
Depreciation	(1,015,058)																		
Loss on disposals of fixed assets	(28,718)																		
Repayments of debt on bonds payable	1,409,638																		
Repayments of capital leases	350,484																		
Capital lease additions	(230,995)																		
Compensated absences	28,327																		
Landfill liability	15,000																		
OPEB obligation	<u>(76,048)</u>																		
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>759,851</u></b>																		

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, 2010

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u> )	Variance with Final Budget Positive (Negative)
<b>Revenues and other sources:</b>				
Property taxes	\$ 8,638,472	\$ 8,638,472	\$ 8,638,472	\$ -
Penalties, interest, and other taxes	655,200	655,200	760,192	104,992
Charges for services	1,701,527	1,701,527	1,675,899	(25,628)
Intergovernmental	1,389,991	1,389,991	967,395	(422,596)
Licenses and permits	1,851,600	1,851,600	1,710,385	(141,215)
Investment income	85,000	85,000	6,786	(78,214)
Miscellaneous	115,340	115,340	180,035	64,695
Other financing sources:				
Transfers in	67,850	67,850	67,850	-
Use of fund balance	<u>1,332,801</u>	<u>1,332,801</u>	<u>1,332,801</u>	<u>-</u>
 Total Revenues	 15,837,781	 15,837,781	 15,339,815	 (497,966)
<b>Expenditures and other uses:</b>				
Current:				
General government	4,112,265	4,112,265	3,483,217	629,048
Public safety	4,148,985	4,148,985	4,077,416	71,569
Highways and streets	4,241,474	4,241,474	3,765,819	475,655
Sanitation	199,763	199,763	195,456	4,307
Welfare	383,552	383,552	429,338	(45,786)
Library and recreation	1,435,435	1,435,435	1,351,051	84,384
Airport	119,119	119,119	89,008	30,111
Debt service	1,177,188	1,177,188	1,123,470	53,718
Other financing uses:				
Transfers out	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
 Total Expenditures	 <u>15,837,781</u>	 <u>15,837,781</u>	 <u>14,534,775</u>	 <u>1,303,006</u>
 Excess of revenues and other sources over expenditures and other uses	 \$ <u>-</u>	 \$ <u>-</u>	 \$ <u>805,040</u>	 \$ <u>805,040</u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

DECEMBER 31, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current:			
Cash and short-term investments	\$ 3,429,961	\$ 1,246,714	\$ 4,676,675
User fees, net of allowance for uncollectibles	476,134	886,157	1,362,291
Intergovernmental receivables	21,229	102,993	124,222
Due from other funds	39,302	49,876	89,178
Other assets	<u>109,513</u>	<u>10,582</u>	<u>120,095</u>
Total current assets	4,076,139	2,296,322	6,372,461
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental	318,436	973,982	1,292,418
Capital assets:			
Land and construction in progress	42,551	202,211	244,762
Other assets, net of accumulated depreciation	<u>11,994,986</u>	<u>17,663,924</u>	<u>29,658,910</u>
Total noncurrent assets	<u>12,355,973</u>	<u>18,840,117</u>	<u>31,196,090</u>
<b>TOTAL ASSETS</b>	<b>16,432,112</b>	<b>21,136,439</b>	<b>37,568,551</b>
<b><u>LIABILITIES</u></b>			
Current:			
Accounts payable	22,640	4,108	26,748
Accrued payroll	6,938	3,561	10,499
Accrued liabilities	38,830	57,423	96,253
Due to other funds	143,356	81,063	224,419
Other current liabilities	2,378	-	2,378
Current portion of long-term liabilities:			
Bonds payable	289,756	409,963	699,719
Other liabilities	<u>21,704</u>	<u>12,615</u>	<u>34,319</u>
Total current liabilities	525,602	568,733	1,094,335
Noncurrent:			
Bonds payable, net of current portion	5,439,330	4,126,479	9,565,809
OPEB obligation	-	4,520	4,520
Other liabilities, net of current portion	<u>40,279</u>	<u>141,382</u>	<u>181,661</u>
Total noncurrent liabilities	<u>5,479,609</u>	<u>4,272,381</u>	<u>9,751,990</u>
<b>TOTAL LIABILITIES</b>	<b>6,005,211</b>	<b>4,841,114</b>	<b>10,846,325</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	6,253,901	13,199,064	19,452,965
Unrestricted	<u>4,173,000</u>	<u>3,096,261</u>	<u>7,269,261</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>10,426,901</u></b>	<b>\$ <u>16,295,325</u></b>	<b>\$ <u>26,722,226</u></b>

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, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 1,256,023	\$ 2,112,740	\$ 3,368,763
Other	<u>11,812</u>	<u>56,398</u>	<u>68,210</u>
Total Operating Revenues	1,267,835	2,169,138	3,436,973
<b>Operating Expenses:</b>			
Operating expenses	1,174,526	1,105,818	2,280,344
Depreciation	<u>399,668</u>	<u>538,124</u>	<u>937,792</u>
Total Operating Expenses	<u>1,574,194</u>	<u>1,643,942</u>	<u>3,218,136</u>
Operating Income (Loss)	(306,359)	525,196	218,837
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental revenue	-	49,667	49,667
Investment income	11,108	6,838	17,946
Interest expense	<u>(164,951)</u>	<u>(185,974)</u>	<u>(350,925)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(153,843)</u>	<u>(129,469)</u>	<u>(283,312)</u>
Change in Net Assets	(460,202)	395,727	(64,475)
Net Assets at Beginning of Year	<u>10,887,103</u>	<u>15,899,598</u>	<u>26,786,701</u>
Net Assets at End of Year	<u>\$ 10,426,901</u>	<u>\$ 16,295,325</u>	<u>\$ 26,722,226</u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 1,212,865	\$ 1,885,821	\$ 3,098,686
Payments to vendors and employees	<u>(1,199,665)</u>	<u>(1,103,947)</u>	<u>(2,303,612)</u>
Net Cash Provided By (Used For) Operating Activities	13,200	781,874	795,074
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Interfund borrowing	<u>(132,588)</u>	<u>(19,471)</u>	<u>(152,059)</u>
Net Cash (Used For) Noncapital Financing Activities	(132,588)	(19,471)	(152,059)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition and construction of capital assets	-	(195,519)	(195,519)
Principal payments on bonds and leases	(299,141)	(407,629)	(706,770)
Proceeds of SRF loan	-	108,724	108,724
Interest expense	(164,951)	(185,974)	(350,925)
Intergovernmental grant revenue	-	49,667	49,667
Intergovernmental subsidy	<u>21,230</u>	<u>99,763</u>	<u>120,993</u>
Net Cash (Used For) Capital and Related Financing Activities	(442,862)	(530,968)	(973,830)
<b><u>Cash Flows From Investing Activities:</u></b>			
Investment income	<u>11,108</u>	<u>6,838</u>	<u>17,946</u>
Net Cash (Used For) Investing Activities	<u>11,108</u>	<u>6,838</u>	<u>17,946</u>
Net Change in Cash and Short-Term Investments	(551,142)	238,273	(312,869)
Cash and Short-Term Investments, Beginning of Year	<u>3,981,103</u>	<u>1,008,441</u>	<u>4,989,544</u>
Cash and Short-Term Investments, End of Year	<u>\$ 3,429,961</u>	<u>\$ 1,246,714</u>	<u>\$ 4,676,675</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>			
Operating income (loss)	\$ (306,359)	\$ 525,196	\$ 218,837
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	399,668	538,124	937,792
Changes in assets and liabilities:			
User fees	(54,973)	(283,317)	(338,290)
Inventory	(28,112)	1,149	(26,963)
Accounts payable	4,383	(804)	3,579
Accrued liabilities	(568)	(1,320)	(1,888)
Other liabilities	<u>(839)</u>	<u>2,846</u>	<u>2,007</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 13,200</u>	<u>\$ 781,874</u>	<u>\$ 795,074</u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

DECEMBER 31, 2010

	Private Purpose Trust Funds	Agency Funds
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ 40,720	\$ 252,719
Investments	<u>4,342,497</u>	<u>-</u>
Total Assets	4,383,217	252,719
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Other liabilities	<u>-</u>	<u>252,719</u>
Total Liabilities	<u>-</u>	<u>252,719</u>
<b><u>NET ASSETS</u></b>		
Net assets	\$ <u><u>4,383,217</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, 2010

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions:	
Contributions	\$ 4,296
Increase (decrease) in fair value of investments	<u>466,446</u>
Total additions	<u>470,742</u>
 <b>Deductions:</b>	
Miscellaneous	<u>134,265</u>
Total deductions	<u>134,265</u>
Net increase (decrease)	336,477
 <b>Net assets:</b>	
Beginning of year	<u>4,046,740</u>
End of year	<u><u>\$ 4,383,217</u></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 2010, 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.

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)	\$ 14,679,534	\$ 14,338,353
Other financing sources/uses (GAAP basis)	<u>67,850</u>	<u>20,000</u>
Subtotal (GAAP Basis)	14,747,384	14,358,353
Adjust tax revenue to accrual basis	(545,710)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(142,699)
Add end of year appropriation carryforwards to expenditures	-	513,781
To record the use of fund balance as a funding source	1,332,801	-
To reverse the effect of other timing differences	(42,842)	(42,842)
To reverse the effect of non- budgeted State contributions for police and fire retirement	<u>(151,818)</u>	<u>(151,818)</u>
Budgetary basis	<u>\$ 15,339,815</u>	<u>\$ 14,534,775</u>

D. Deficit Fund Equity

The following funds had deficits as of December 31, 2010:

General Fund	\$	(558,484)
Special Revenue Funds:		
Police Grants		(3,349)
Capital Project Funds:		
Airport Hanger Grant		(4,740)
Airport		(12,034)
Sugar River Pedestrian Bridge		(54,743)
Debt Service Funds:		
Mill District TIF		(633,314)

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, 2010, \$ 264,675 of the City's bank balance of \$ 10,972,991 was exposed to custodial credit risk as uninsured or uncollateralized.

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:

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End				
				Aaa	Aa	A	Baa	Other
Mutual Funds	\$ 1,713,402	N/A	\$ 1,713,402	\$ -	\$ -	\$ -	\$ -	\$ -
Federal securities	2,348,613	N/A	-	2,348,613	-	-	-	-
Corporate bonds	1,763,047	N/A	-	-	435,928	1,176,341	52,024	98,754
Corporate equities	<u>8,971,452</u>	N/A	<u>8,971,452</u>	-	-	-	-	-
Total investments	<u>\$ 14,796,514</u>		<u>\$ 10,684,854</u>	<u>\$ 2,348,613</u>	<u>\$ 435,928</u>	<u>\$ 1,176,341</u>	<u>\$ 52,024</u>	<u>\$ 98,754</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 \$ 14,796,514 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:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1-5	6-10
Federal securities	\$ 2,348,613	\$ 257,339	\$ 1,857,484	\$ 233,790
Corporate bonds	<u>1,763,047</u>	<u>257,890</u>	<u>1,058,726</u>	<u>446,431</u>
Total	<u>\$ 4,111,660</u>	<u>\$ 515,229</u>	<u>\$ 2,916,210</u>	<u>\$ 680,221</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, 2010 consist of the following:

Real Estate		
2010		\$ 1,726,963
Elderly Liens		
2009	3,115	
2008	2,802	
2007	2,854	
2006	3,134	
Prior	<u>11,125</u>	
		23,030
Tax Liens		
2009	736,852	
2008	479,347	
2007	268,096	
Prior	<u>102,330</u>	
		1,586,625
Timber Tax		
2010		<u>1,621</u>
Total		<u>\$ 3,338,239</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	\$ 850,000	\$ -
User fees	-	147,795

**7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2010.

**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, 2010 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	\$ 444,423	\$ 1,384,403	\$ 659,968	\$ -
Special Revenue Funds	676,845	131,128	-	-
Capital Project Funds	25,523	85,055	-	-
Debt Service Funds	944,125	303,662	300,000	959,968
Enterprise Funds	89,178	224,419	-	-
Permanent Trust Funds	-	51,427	-	-
Total	<u>\$ 2,180,094</u>	<u>\$ 2,180,094</u>	<u>\$ 959,968</u>	<u>\$ 959,968</u>

## 9. Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,904,304	\$ 24,000	\$ -	\$ 1,928,304
Machinery, equipment, and furnishings	6,604,450	177,950	(95,549)	6,686,851
Infrastructure	<u>20,540,067</u>	<u>-</u>	<u>-</u>	<u>20,540,067</u>
Total capital assets, being depreciated	29,048,821	201,950	(95,549)	29,155,222
Less accumulated depreciation for:				
Buildings and improvements	(1,056,766)	(32,946)	-	(1,089,712)
Machinery, equipment, and furnishings	(4,098,615)	(476,083)	66,831	(4,507,867)
Infrastructure	<u>(2,293,575)</u>	<u>(506,029)</u>	<u>-</u>	<u>(2,799,604)</u>
Total accumulated depreciation	<u>(7,448,956)</u>	<u>(1,015,058)</u>	<u>66,831</u>	<u>(8,397,183)</u>
Total capital assets, being depreciated, net	21,599,865	(813,108)	(28,718)	20,758,039
Capital assets, not being depreciated:				
Land	2,713,737	-	-	2,713,737
Construction in progress	<u>7,215,427</u>	<u>346,001</u>	<u>-</u>	<u>7,561,428</u>
Total capital assets, not being depreciated	<u>9,929,164</u>	<u>346,001</u>	<u>-</u>	<u>10,275,165</u>
Governmental activities capital assets, net	<u>\$ 31,529,029</u>	<u>\$ (467,107)</u>	<u>\$ (28,718)</u>	<u>\$ 31,033,204</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,550,951	\$ 50,066	\$ -	\$ 4,601,017
Machinery, equipment, and furnishings	4,367,772	-	-	4,367,772
Infrastructure	<u>38,711,449</u>	<u>-</u>	<u>-</u>	<u>38,711,449</u>
Total capital assets, being depreciated	47,630,172	50,066	-	47,680,238
Less accumulated depreciation for:				
Buildings and improvements	(228,005)	(90,940)	-	(318,945)
Machinery, equipment, and furnishings	(1,982,678)	(94,477)	-	(2,077,155)
Infrastructure	<u>(14,872,857)</u>	<u>(752,371)</u>	<u>-</u>	<u>(15,625,228)</u>
Total accumulated depreciation	<u>(17,083,540)</u>	<u>(937,788)</u>	<u>-</u>	<u>(18,021,328)</u>
Total capital assets, being depreciated, net	30,546,632	(887,722)	-	29,658,910
Capital assets, not being depreciated:				
Land	99,309	-	-	99,309
Construction in progress	<u>-</u>	<u>145,453</u>	<u>-</u>	<u>145,453</u>
Total capital assets, not being depreciated	<u>99,309</u>	<u>145,453</u>	<u>-</u>	<u>244,762</u>
Business-type activities capital assets, net	<u>\$ 30,645,941</u>	<u>\$ (742,269)</u>	<u>\$ -</u>	<u>\$ 29,903,672</u>

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

Governmental-Type Activities:	
General government	\$ 32,543
Public safety	146,352
Highway and streets	784,349
Library and recreation	<u>51,814</u>
Total depreciation expense - governmental-type activities	\$ <u>1,015,058</u>
Business-Type Activities:	
Water	\$ 399,664
Sewer	<u>538,124</u>
Total depreciation expense - business-type activities	\$ <u>937,788</u>

**10. Accounts Payable**

Accounts payable represent 2010 expenditures paid in 2011.

**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, 2010 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, 2010:

	<u>Capital Leases</u>	
	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>
2011	\$ 300,824	\$ 34,259
2012	151,923	25,434
2013	62,207	8,184
2014	<u>57,303</u>	<u>8,578</u>
Total minimum lease payments	572,257	76,455
Less amounts representing interest	<u>(47,800)</u>	<u>(6,576)</u>
Present Value of Minimum Lease Payments	<u>\$ 524,457</u>	<u>\$ 69,879</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</u>	<u>Interest</u>	<u>Amount</u>
	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
	<u>Through</u>		<u>as of</u>
			<u>12/31/10</u>
Lawsuit settlement	02/15/13	4.00 - 6.00%	\$ 465,000
Public improvements	08/15/13	3.90 - 5.00%	330,000
Public improvements	12/01/20	4.80 - 5.20%	870,818
Landfill closure	07/01/22	3.70%	2,373,377
Street project	03/01/17	4.00%	455,337
Landfill closure	09/01/13	2.32%	44,278
Street project	09/15/20	3.75%	2,000,000
TIF District	09/15/15	3.40 - 3.60%	500,000
Mill District	08/15/27	4.00 - 5.00%	2,722,000
Mill District	08/15/27	4.00 - 5.00%	4,418,000
Mill District	08/15/17	6.00%	1,715,000
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>\$ 17,003,810</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/10</u>
Drinking Water SRF Loan Project	12/01/26	3.488%	\$ 3,402,776
Drinking Water SRF Loan Project	07/01/27	2.488%	2,326,310
Revolving Loan #1	09/30/13	4.168%	515,276
Revolving Loan #2	01/01/16	4.168%	331,797
Sewer Improvements	12/01/20	4.993%	489,942
Revolving Loan #11	12/01/27	3.688%	303,006
Revolving Loan #12	01/01/28	3.488%	100,385
Revolving Loan #13	08/01/27	3.488%	2,405,927
Revolving Loan #14	07/01/28	3.488%	<u>390,108</u>
Total Business-Type Activities:			<u>\$ 10,265,527</u>

**B. Future Debt Service**

The annual principal payments to retire all general obligation long-term debt outstanding as of December 31, 2010 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,577,815	\$ 781,355	\$ 2,359,170
2012	1,426,286	713,883	2,140,169
2013	1,431,926	647,328	2,079,254
2014	1,611,302	566,653	2,177,955
2015	1,665,795	488,076	2,153,871
2016-2020	5,179,873	1,641,817	6,821,690
2021-2025	3,070,813	643,817	3,714,630
2026-2027	<u>1,040,000</u>	<u>74,100</u>	<u>1,114,100</u>
Total	<u>\$ 17,003,810</u>	<u>\$ 5,557,029</u>	<u>\$ 22,560,839</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, 2010:

General fund	\$ 6,538,810
Special revenue fund:	
Claremont Development Authority (CDA)	1,110,000
Debt service funds:	
River Road TIF District	500,000
Mill District TIF	<u>8,855,000</u>
Total	<u>\$ 17,003,810</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	588,343	268,687	857,030
2016-2020	2,948,474	1,021,541	3,970,015
2021-2025	3,045,818	491,045	3,536,863
2026-2027	950,562	47,496	998,058
<b>Total</b>	<b>\$ 10,265,527</b>	<b>\$ 3,154,095</b>	<b>\$ 13,419,622</b>

**C. Changes in General Long-Term Liabilities**

During the year ended December 31, 2010, the following changes occurred in long-term liabilities:

	<u>Total Balance 1/1/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 12/31/10</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 12/31/10</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 18,413,448	\$ -	\$ (1,409,638)	\$ 17,003,810	\$ (1,577,815)	\$ 15,425,995
OPEB liability	76,048	76,048	-	152,096	-	152,096
Other:						
Landfill closure	330,000	-	(15,000)	315,000	(15,000)	300,000
Accrued employee benefits	302,173	1,890	(30,217)	273,846	(27,385)	246,461
Capital leases payable	691,746	230,995	(350,484)	572,257	(298,450)	273,807
<b>Totals</b>	<b>\$ 19,813,415</b>	<b>\$ 308,933</b>	<b>\$ (1,805,339)</b>	<b>\$ 18,317,009</b>	<b>\$ (1,918,650)</b>	<b>\$ 16,398,359</b>

	<u>Total Balance 1/1/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 12/31/10</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 12/31/10</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 10,945,783	\$ -	\$ (680,256)	\$ 10,265,527	\$ (699,719)	\$ 9,565,808
OPEB liability	2,260	2,260	-	4,520	-	4,520
Other:						
Accrued employee benefits	31,054	-	(252)	30,802	(3,080)	27,722
SRF Loan #15	-	108,724	-	108,724	-	108,724
Capital leases payable	102,969	3,431	(29,945)	76,455	(31,239)	45,216
<b>Totals</b>	<b>\$ 11,082,066</b>	<b>\$ 114,415</b>	<b>\$ (710,453)</b>	<b>\$ 10,486,028</b>	<b>\$ (734,038)</b>	<b>\$ 9,751,990</b>

**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 \$ 315,000 reported is based on what it would cost to perform all post-closure care in 2010. 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, 2010:

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.

Reserved for Prepaid Expenditures – Represents amounts of fund balance that are not available because of prepaid expenses at year end.

Reserved for Advance – Represents amount of fund balance not available because of long-term receivable due from other funds.

## **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 and total fund balance:

	<u>Undesignated</u>	<u>Total</u>
GAAP basis balance	\$ (1,563,223)	\$ (44,703)
Deferred revenue	1,939,238	1,939,238
Reserved for prepaid expenditures	344,771	-
Tax refund contingency	-	850,000
	<u>                    </u>	<u>                    </u>
Tax Rate Setting Balance	<u>\$ 720,786</u>	<u>\$ 2,744,535</u>

**19. Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues 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 \$ 850,000 pending the outcome of the legal issues.

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, 2010, 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 2010 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, 2010, 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	78,308
Net OPEB obligation - end of year	\$ 156,616

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
2010	\$ 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)	<u>2,153,999</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.0%</u>
Covered payroll (active plan members)	\$ <u>4,687,774</u>
UAAL as a percentage of covered payroll	<u>45.9%</u>

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 9.16% for employees,

13.66% for police, and 17.28% for fire. The City's contributions to the System for the years ended December 31, 2010, 2009, and 2008 were \$ 650,793, \$ 631,211, and \$ 612,028, 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, 2010, was \$ 5,504,485. Contribution requirements for the year ended December 31, 2010, were as follows:

State of New Hampshire	\$ 155,818
Employer contributions	650,793
Employees' contributions	<u>377,097</u>
Total	\$ <u>1,183,708</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.

**23. Beginning Fund Balance Net Assets Restatement**

The beginning (January 1, 2009) fund balances of the City have been restated as follows:

Fund Basis Financial Statements:	
	General <u>Fund</u>
As previously reported	\$ (1,199,084)
To record school portion of year end property tax accounts receivable	<u>765,350</u>
As restated	\$ <u>(433,734)</u>

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**SCHEDULE OF FUNDING PROGRESS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2010**  
**(Unaudited)**

<b>Other Post-Employment Benefits</b>						
Actuarial Valuation <u>Date</u>	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.