

CITY OF CLAREMONT, NEW HAMPSHIRE
Financial Statements
With Schedule of Expenditures of Federal Awards
June 30, 2015
and
Independent Auditor's Report

**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***

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance**

Schedule of Findings and Questioned Costs

**CITY OF CLAREMONT, NEW HAMPSHIRE
FINANCIAL STATEMENTS
June 30, 2015**

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FINANCIAL STATEMENTS
June 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremont, New Hampshire, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of funding progress for other post-employment benefits, the schedule of changes in the City's proportionate share of the net pension liability, and the schedule of City contributions on pages i-viii and 39-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Claremont, New Hampshire's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2016 on our consideration of the City of Claremont, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations,

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

Vachon Chikara + Company PC

Manchester, New Hampshire
February 19, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Claremont, we offer readers this narrative overview and analysis of the financial activities of the City of Claremont for the fiscal year ended June 30, 2015. This analysis compares the 12 month period ending June 30, 2015 to the 18 month period ending June 30, 2014. We encourage readers to consider the information here in conjunction with additional information that we have furnished in our letter of transmittal.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all assets, liabilities, deferred outflows of resources, and deferred inflows of resources with the balance reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, airport, highways and streets, sanitation, health and welfare, culture and recreation, conservation, economic development, and debt service. 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 accounting principles generally accepted in the United States of America and the *Governmental Accounting Standards Board*.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$48,366,159, presented as “net position” shown on the Statement of Net Position for the Total Primary Government. The City’s Net Position increased by \$349,607.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$10,121,230, a change of \$399,235 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund on a GAAP basis was \$452,523. However, unassigned fund balance on a tax rate setting basis was \$2,705,812. See the Notes to Required Supplementary Information on page 44 for more information.
- Total general obligation bonds payable and tax increment financing bonds payable for all funds at the close of the current fiscal year was \$25,700,426, a change of \$(2,715,091) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. Please note that the FY2014 figures have been restated to include the effects on the net position for the implementation of GASB Statement No. 68 during the current fiscal year.

NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$28,322,467	\$30,162,019	\$9,057,605	\$9,150,665	\$37,380,072	\$39,312,684
Capital Assets	40,680,434	41,241,017	28,167,824	28,103,550	68,848,258	69,344,567
Total Assets	<u>69,002,901</u>	<u>71,403,036</u>	<u>37,225,429</u>	<u>37,254,215</u>	<u>106,228,330</u>	<u>108,657,251</u>
Total Deferred Outflow of Resources	<u>1,001,174</u>	<u>799,192</u>	<u>60,800</u>	<u>48,925</u>	<u>1,061,974</u>	<u>848,117</u>
Long-term Liabilities outstanding	28,105,166	30,395,275	10,771,889	8,904,494	38,877,055	39,299,769
Other Liabilities	2,998,536	4,141,813	936,368	3,110,451	3,934,904	7,252,264
Total Liabilities	<u>31,103,702</u>	<u>34,537,088</u>	<u>11,708,257</u>	<u>12,014,945</u>	<u>42,811,959</u>	<u>46,552,033</u>
Total Deferred Inflow of Resources	<u>16,039,758</u>	<u>14,936,783</u>	<u>72,428</u>	<u>-</u>	<u>16,112,186</u>	<u>14,936,783</u>
Net Position:						
Net investment in capital assets	23,559,132	22,285,829	18,405,097	17,186,434	41,964,229	39,472,263
Restricted	6,091,258	1,523,153	-	-	6,091,258	1,523,153
Unrestricted (Deficit)	<u>(6,789,775)</u>	<u>(1,080,625)</u>	<u>7,100,447</u>	<u>8,101,761</u>	<u>310,672</u>	<u>7,021,136</u>
Total Net Position	<u>\$22,860,615</u>	<u>\$22,728,357</u>	<u>\$25,505,544</u>	<u>\$25,288,195</u>	<u>\$48,366,159</u>	<u>\$48,016,552</u>

CHANGES IN NET POSITION

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,457,965	\$ 2,219,184	\$ 3,849,379	\$ 5,929,994	\$ 5,307,344	\$ 8,149,178
Operating grants and contributions	432,403	755,830			432,403	755,830
Capital grants and contributions	1,527,515	2,275,253	125,224	124,891	1,652,739	2,400,144
General revenues:						
Taxes	11,650,171	19,758,717			11,650,171	19,758,717
Licenses and permits	2,117,543	2,355,923			2,117,543	2,355,923
Intergovernmental	645,601	603,487			645,601	603,487
Interest	213,224	2,315,276	26,125	32,017	239,349	2,347,293
Miscellaneous	605,152	572,019	192,337	271,325	797,489	843,344
Total revenues	<u>18,649,574</u>	<u>30,855,689</u>	<u>4,193,065</u>	<u>6,358,227</u>	<u>22,842,639</u>	<u>37,213,916</u>
Expenses:						
General government	3,514,864	6,713,399			3,514,864	6,713,399
Public safety	5,315,405	7,018,919			5,315,405	7,018,919
Airport/aviation center	686,895	173,798			686,895	173,798
Highways and streets	3,786,228	5,518,927			3,786,228	5,518,927
Sanitation	106,520	274,409			106,520	274,409
Health and welfare	365,444	536,220			365,444	536,220
Culture and recreation	2,519,402	2,773,115			2,519,402	2,773,115
Conservation	2,735	9,742			2,735	9,742
Economic development	1,215,475				1,215,475	-
Debt service	1,005,248	1,353,737			1,005,248	1,353,737
Water			1,708,727	2,366,207	1,708,727	2,366,207
Sewer			2,266,989	3,168,661	2,266,989	3,168,661
	<u>18,518,216</u>	<u>24,372,266</u>	<u>3,975,716</u>	<u>5,534,868</u>	<u>22,493,932</u>	<u>29,907,134</u>
Changes in net position before permanent fund contributions and transfers						
	131,358	6,483,423	217,349	823,359	348,707	7,306,782
Permanent fund contribution	900	580,958			900	580,958
Transfers in(out)		(24,615)		24,615	-	-
Changes in net position	132,258	7,039,766	217,349	847,974	349,607	7,887,740
Net Position (deficit) -						
beginning of year	22,728,357	34,790,062	25,288,195	26,993,837	48,016,552	61,783,899
Restatement due to GASB #68		(9,673,728)		(592,202)	-	(10,265,930)
Other restatements		(9,427,743)		(1,961,414)	-	(11,389,157)
Net Position (deficit) - end of year	<u>\$22,860,615</u>	<u>\$22,728,357</u>	<u>\$25,505,544</u>	<u>\$25,288,195</u>	<u>\$48,366,159</u>	<u>\$48,016,552</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$48,366,159, a change of \$349,607 from the prior year, as restated.

The largest portion of the City's net position, \$41,964,229 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 position, \$6,091,258 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$310,672 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 position of \$132,258. Key elements of this change are as follows:

General Fund operating results (per Exhibit D)	\$ 733,827
Nonmajor funds operating results (per Exhibit D)	(334,592)
Capital asset additions	806,709
Depreciation on capital assets	(2,480,639)
Capital lease additions	(562,231)
Principal paid on capital leases	1,498,148
Principal paid on bonds payable	224,873
Other GAAP accruals	246,163
	<u>\$ 132,258</u>

Business-Type Activities. Business-type activities for the year resulted in a change in net position of \$217,349. Key elements of this change are as follows:

Water Fund	\$ (278,680)
Sewer Fund	496,029
	<u>\$ 217,349</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may

serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$10,121,230, a change of \$399,235 in comparison with the prior year. Key elements of this change are as follows:

General Fund operations	\$ 733,827
Nonmajor funds operating results	<u>(334,592)</u>
	<u>\$ 399,235</u>

The general fund is the main operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$452,523 while total fund balance was \$4,536,726. However, for tax rate setting purposes, unassigned fund balance was \$2,705,812 while the total fund balance was \$5,114,832 (see the Notes to the Required Supplementary Information on page 44 for more information).

The fund balance of the general fund changed by \$733,827 during the current fiscal year. Key factors in this change are as follows:

Revenue in excess of budget	\$ 347,221
Expenditures less than budget	607,969
Use of fund balance	(453,550)
Tax collections as compared to budget	(72,827)
Expenditures of current year encumbrances over prior year encumbrances	(221,497)
Capital lease activity	465,896
Change in capital reserve funds	<u>60,615</u>
	<u>\$ 733,827</u>

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

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

Unrestricted net position of the enterprise funds at the end of the fiscal year are \$7,100,447.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The 2015 budget as presented by the City Manager was approved by the City Council on May 27, 2014. The original budget increased by \$284,462. During the fiscal year ending June 30, 2015, the City Council amended the overall budget by issuing supplemental resolutions after the State set the tax rate in the fall of 2014.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets.

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 68,848,258 (net of accumulated depreciation), a change of (\$496,309) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Long-term debt.

At the end of the current fiscal year, total bonded debt outstanding was \$25,700,426, all of which was backed by the full faith and credit of the government.

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

G. ECONOMIC FACTORS

Fiscal year 2015 saw continuing economic activity with expansions, rehabilitation and new construction. Major projects included an expansion at Canam Steel, which currently has 100 job openings, two new Cumberland Farms, 2 new Dunkin Donuts, and a new business Runnings in the former Lowe's site. A new Urgent Care Center at Valley Regional Hospital was opened as well.

The Claremont Development Authority sold one lot in Syd Clarke Industrial Park to Jewell Trucking to build a new facility and has a purchase and sale agreement to sell three other lots in March 2016 to the North Country Smokehouse for a new 67,000 square foot facility. New Hampshire Industries has recently purchased a 120,000 square foot facility and will be moving their operations to Claremont.

An unemployment rate of 3.3% put Claremont below both state (3.6%) and national (5.6%) unemployment figures. Claremont also has several major projects that have been funded largely by grants for the North and Main Street Intersection, Main Street, a Safe Routes to School project on Belding Street, and new sidewalk for East Street through the NH Transportation Alternatives program.

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

EXHIBIT A
CITY OF CLAREMONT, NEW HAMPSHIRE
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 11,497,014	\$ 6,638,217	\$ 18,135,231
Investments	4,134,851	246,255	4,381,106
Taxes receivable, net	11,768,789		11,768,789
Accounts receivable, net	127,336	1,241,583	1,368,919
Loans receivable	3,530		3,530
Due from other governments	113,451	86,225	199,676
Internal balances	213,749	(213,749)	-
Prepaid expenses	125,300		125,300
Inventory		109,398	109,398
Total Current Assets	<u>27,984,020</u>	<u>8,107,929</u>	<u>36,091,949</u>
Noncurrent Assets:			
Loans receivable	40,264		40,264
Due from other governments	298,183	949,676	1,247,859
Capital assets:			
Non-depreciable capital assets	3,087,304	2,198,269	5,285,573
Depreciable capital assets, net	<u>37,593,130</u>	<u>25,969,555</u>	<u>63,562,685</u>
Total Noncurrent Assets	<u>41,018,881</u>	<u>29,117,500</u>	<u>70,136,381</u>
Total Assets	<u>69,002,901</u>	<u>37,225,429</u>	<u>106,228,330</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>1,001,174</u>	<u>60,800</u>	<u>1,061,974</u>
Total Deferred Outflows of Resources	<u>1,001,174</u>	<u>60,800</u>	<u>1,061,974</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	699,124	115,330	814,454
Accrued expenses	640,664	136,131	776,795
Retainage payable	44,947	34,609	79,556
Deposits	5,673		5,673
Current portion of bonds payable	637,018	561,953	1,198,971
Current portion of tax increment financing bonds payable	625,865		625,865
Current portion of capital leases payable	260,900	84,107	345,007
Current portion of compensated absences payable	69,345	4,238	73,583
Current portion of estimated liability for landfill postclosure care costs	15,000		15,000
Total Current Liabilities	<u>2,998,536</u>	<u>936,368</u>	<u>3,934,904</u>
Noncurrent Liabilities:			
Bonds payable	9,685,910	7,919,122	17,605,032
Tax increment financing bonds payable	6,270,558		6,270,558
Capital leases payable	1,604,719	134,485	1,739,204
Other long-term obligations		2,098,961	2,098,961
Compensated absences payable	624,107	38,149	662,256
Other post-employment benefits payable	448,194	15,112	463,306
Net pension liability	9,246,678	566,060	9,812,738
Estimated liability for landfill postclosure care costs	225,000		225,000
Total Noncurrent Liabilities	<u>28,105,166</u>	<u>10,771,889</u>	<u>38,877,055</u>
Total Liabilities	<u>31,103,702</u>	<u>11,708,257</u>	<u>42,811,959</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes collected in advance	14,625,294		14,625,294
Other unearned revenue	231,344		231,344
Deferred inflows related to pension	<u>1,183,120</u>	<u>72,428</u>	<u>1,255,548</u>
Total Deferred Inflows of Resources	<u>16,039,758</u>	<u>72,428</u>	<u>16,112,186</u>
NET POSITION			
Net investment in capital assets	23,559,132	18,405,097	41,964,229
Restricted	6,091,258		6,091,258
Unrestricted (Deficit)	<u>(6,789,775)</u>	<u>7,100,447</u>	<u>310,672</u>
Total Net Position	<u>\$ 22,860,615</u>	<u>\$ 25,505,544</u>	<u>\$ 48,366,159</u>

See accompanying notes to the basic financial statements

EXHIBIT B
CITY OF CLAREMONT, NEW HAMPSHIRE
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 3,514,864	\$ 261,918	\$ 2,273		\$ (3,250,673)		\$ (3,250,673)
Public safety	5,315,405	437,125	44,663	\$ 50,281	(4,783,336)		(4,783,336)
Airport/Aviation center	686,895	50,404		66,851	(569,640)		(569,640)
Highways and streets	3,786,228	5,506	298,924	175,383	(3,306,415)		(3,306,415)
Sanitation	106,520				(106,520)		(106,520)
Health and welfare	365,444	13,206			(352,238)		(352,238)
Culture and recreation	2,519,402	645,532		285,000	(1,588,870)		(1,588,870)
Conservation	2,735				(2,735)		(2,735)
Economic development	1,215,475	44,274	41,108	950,000	(180,093)		(180,093)
Debt service	1,005,248		45,435		(959,813)		(959,813)
Total governmental activities	<u>18,518,216</u>	<u>1,457,965</u>	<u>432,403</u>	<u>1,527,515</u>	<u>(15,100,333)</u>	<u>\$ -</u>	<u>(15,100,333)</u>
Business-type activities:							
Water	1,708,727	1,378,341				(330,386)	(330,386)
Sewer	2,266,989	2,471,038		125,224		329,273	329,273
Total business-type activities	<u>3,975,716</u>	<u>3,849,379</u>	<u>-</u>	<u>125,224</u>	<u>-</u>	<u>(1,113)</u>	<u>(1,113)</u>
Total primary government	<u>\$ 22,493,932</u>	<u>\$ 5,307,344</u>	<u>\$ 432,403</u>	<u>\$ 1,652,739</u>	<u>(15,100,333)</u>	<u>(1,113)</u>	<u>(15,101,446)</u>
General revenues:							
Property and other taxes					11,650,171		11,650,171
Licenses and permits					2,117,543		2,117,543
Grants and contributions:							
Rooms and meals tax distribution					642,216		642,216
Miscellaneous grants					3,385		3,385
Interest and investment earnings					213,224	26,125	239,349
Miscellaneous					605,152	192,337	797,489
Contributions to permanent fund principal					900		900
Total general revenues and contributions to permanent fund principal					<u>15,232,591</u>	<u>218,462</u>	<u>15,451,053</u>
Change in net position					132,258	217,349	349,607
Net position - beginning, as restated					<u>22,728,357</u>	<u>25,288,195</u>	<u>48,016,552</u>
Net position - ending					<u>\$ 22,860,615</u>	<u>\$ 25,505,544</u>	<u>\$ 48,366,159</u>

See accompanying notes to the basic financial statements

EXHIBIT C
CITY OF CLAREMONT, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 11,478,528	\$ 18,486	\$ 11,497,014
Investments	164,413	3,970,438	4,134,851
Taxes receivable, net	11,768,789		11,768,789
Accounts receivable	103,051	24,285	127,336
Due from other governments	72,249	4,469	76,718
Due from other funds	277,695	3,378,212	3,655,907
Advance to other funds	1,597,808		1,597,808
Prepaid expenses	461,212		461,212
Total Assets	<u>25,923,745</u>	<u>7,395,890</u>	<u>33,319,635</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 25,923,745</u>	<u>\$ 7,395,890</u>	<u>\$ 33,319,635</u>
LIABILITIES			
Accounts payable	\$ 679,656	\$ 19,468	\$ 699,124
Accrued expenses	287,070	10,850	297,920
Retainage payable	44,947		44,947
Due to other funds	3,258,898	183,260	3,442,158
Advance from other funds		1,597,808	1,597,808
Deposits	5,673		5,673
Total Liabilities	<u>4,276,244</u>	<u>1,811,386</u>	<u>6,087,630</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes collected in advance	14,625,294		14,625,294
Unearned property tax revenue	2,254,137		2,254,137
Other unearned revenue	231,344		231,344
Total Deferred Inflows of Resources	<u>17,110,775</u>	<u>-</u>	<u>17,110,775</u>
FUND BALANCES			
Nonspendable	2,059,020	2,966,008	5,025,028
Restricted	465,048	3,125,250	3,590,298
Committed	1,058,411	710,188	1,768,599
Assigned	501,724		501,724
Unassigned (deficit)	452,523	(1,216,942)	(764,419)
Total Fund Balances	<u>4,536,726</u>	<u>5,584,504</u>	<u>10,121,230</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 25,923,745</u>	<u>\$ 7,395,890</u>	

Amounts reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	40,680,434
Other long-term assets are not available to pay current period expenditures, and therefore, are not reported in governmental funds	378,710
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	2,254,137
Deferred outflows of resources and deferred inflows of resources that do not provide or require the use of current financial resources are not reported within the funds.	
Deferred outflow of resources attributable to net pension liability	1,001,174
Deferred inflow of resources attributable to net pension liability	(1,183,120)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(10,409,322)
Tax increment financing bonds payable	(6,896,423)
Capital leases payable	(1,934,396)
Accrued interest on long-term obligations	(523,485)
Compensated absences payable	(693,452)
Other post-employment benefits payable	(448,194)
Net pension liability	(9,246,678)
Estimated liability for landfill postclosure care costs	(240,000)
Net position of governmental activities	<u>\$ 22,860,615</u>

See accompanying notes to the basic financial statements

EXHIBIT D

CITY OF CLAREMONT, NEW HAMPSHIRE

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 10,561,383	\$ 1,015,961	\$ 11,577,344
Licenses and permits	1,995,224	122,319	2,117,543
Intergovernmental	973,033	397,486	1,370,519
Charges for services	1,323,690	134,275	1,457,965
Interest and investment income	6,048	207,176	213,224
Miscellaneous	380,426	377,774	758,200
Total Revenues	<u>15,239,804</u>	<u>2,254,991</u>	<u>17,494,795</u>
Expenditures:			
Current operations:			
General government	3,377,975	127,056	3,505,031
Public safety	5,304,165	147,123	5,451,288
Airport/Aviation center	47,127	67,807	114,934
Highways and streets	2,925,242	396,641	3,321,883
Sanitation	191,040		191,040
Health and welfare	362,779	5,278	368,057
Culture and recreation	2,005,865	115,549	2,121,414
Conservation		2,735	2,735
Economic development		140,042	140,042
Capital outlay		169,718	169,718
Debt service:			
Principal retirement	713,148	785,000	1,498,148
Interest and fiscal charges	392,257	381,244	773,501
Total Expenditures	<u>15,319,598</u>	<u>2,338,193</u>	<u>17,657,791</u>
Excess revenues over (under) expenditures	<u>(79,794)</u>	<u>(83,202)</u>	<u>(162,996)</u>
Other financing sources (uses):			
Proceeds from capital lease	562,231		562,231
Transfers in	362,783	111,393	474,176
Transfers out	(111,393)	(362,783)	(474,176)
Total other financing sources (uses)	<u>813,621</u>	<u>(251,390)</u>	<u>562,231</u>
Net change in fund balances	733,827	(334,592)	399,235
Fund balances at beginning of year, as restated	<u>3,802,899</u>	<u>5,919,096</u>	<u>9,721,995</u>
Fund balances at end of year	<u>\$ 4,536,726</u>	<u>\$ 5,584,504</u>	<u>\$ 10,121,230</u>

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 June 30, 2015

Net Change in Fund Balances--Total Governmental Funds	\$ 399,235
Amounts reported for governmental activities in the statement of activities are different because:	
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 as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period	(1,673,930)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,351,621
Repayment of principal on bonds and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,723,021
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the gain on disposed capital assets reduced by the actual proceeds received from the sale of capital assets.	(116,236)
Proceeds from capital lease issuances are other financing sources in the funds, but capital lease issuances increase long-term liabilities in the statement of net position.	(562,231)
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(36,517)
In the statement of activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when due.	(195,230)
Revenues in the governmental fund financial statements that reduce long-term assets recorded on the statement of net position are not reported as revenues in the statement of activities.	(35,421)
The forgiveness of bonds payable reduces long-term liabilities in the statement of net position, but does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	(950,000)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in the net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which pension contributions exceeded pension expense in the current period.	245,104
Some expenses reported in the statement of activities, such as compensated absences, other post-employment benefits, and the post-closure care costs, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(17,158)
Change in Net Position of Governmental Activities	<u>\$ 132,258</u>

See accompanying notes to the basic financial statements

EXHIBIT E
CITY OF CLAREMONT, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,849,159	\$ 3,789,058	\$ 6,638,217
Investments	222,084	24,171	246,255
Accounts receivable, net	428,261	813,322	1,241,583
Due from other governments	21,229	64,996	86,225
Due from other funds	23,551	3,445	26,996
Inventory	99,803	9,595	109,398
Total Current Assets	<u>3,644,087</u>	<u>4,704,587</u>	<u>8,348,674</u>
Noncurrent Assets:			
Due from other governments	233,521	716,155	949,676
Capital assets:			
Non-depreciable capital assets	42,551	2,155,718	2,198,269
Depreciable capital assets, net	<u>10,450,816</u>	<u>15,518,739</u>	<u>25,969,555</u>
Total Noncurrent Assets	<u>10,726,888</u>	<u>18,390,612</u>	<u>29,117,500</u>
Total Assets	<u>14,370,975</u>	<u>23,095,199</u>	<u>37,466,174</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>30,711</u>	<u>30,089</u>	<u>60,800</u>
Total Deferred Outflows of Resources	<u>30,711</u>	<u>30,089</u>	<u>60,800</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	64,014	51,316	115,330
Accrued expenses	64,927	71,204	136,131
Retainage payable		34,609	34,609
Due to other funds	128,570	112,175	240,745
Current portion of bonds payable	211,589	350,364	561,953
Current portion of capital leases payable	30,136	53,971	84,107
Current portion of compensated absences payable	<u>1,932</u>	<u>2,306</u>	<u>4,238</u>
Total Current Liabilities	<u>501,168</u>	<u>675,945</u>	<u>1,177,113</u>
Noncurrent Liabilities:			
Bonds payable	4,194,773	3,724,349	7,919,122
Capital leases payable	74,694	59,791	134,485
Other long-term obligations		2,098,961	2,098,961
Compensated absences payable	17,390	20,759	38,149
Other post-employment benefits payable		15,112	15,112
Net pension liability	<u>269,686</u>	<u>296,374</u>	<u>566,060</u>
Total Noncurrent Liabilities	<u>4,556,543</u>	<u>6,215,346</u>	<u>10,771,889</u>
Total Liabilities	<u>5,057,711</u>	<u>6,891,291</u>	<u>11,949,002</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	<u>34,507</u>	<u>37,921</u>	<u>72,428</u>
Total Deferred Inflows of Resources	<u>34,507</u>	<u>37,921</u>	<u>72,428</u>
NET POSITION			
Net investment in capital assets	6,236,925	12,168,172	18,405,097
Unrestricted	<u>3,072,543</u>	<u>4,027,904</u>	<u>7,100,447</u>
Total Net Position	<u>\$ 9,309,468</u>	<u>\$ 16,196,076</u>	<u>\$ 25,505,544</u>

See accompanying notes to the basic financial statements

EXHIBIT F
CITY OF CLAREMONT, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities		
	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 1,378,341	\$ 2,471,038	\$ 3,849,379
Miscellaneous	<u>40,397</u>	<u>151,940</u>	<u>192,337</u>
Total operating revenues	<u>1,418,738</u>	<u>2,622,978</u>	<u>4,041,716</u>
Operating expenses:			
Personnel services	440,548	385,014	825,562
Contractual services	447,837	878,167	1,326,004
Repairs and maintenance	103,883	69,165	173,048
Administration	109,481	81,272	190,753
Utilities	10,559	8,578	19,137
Depreciation	426,503	638,571	1,065,074
Miscellaneous	<u>8,884</u>	<u>92,291</u>	<u>101,175</u>
Total operating expenses	<u>1,547,695</u>	<u>2,153,058</u>	<u>3,700,753</u>
Operating income (loss)	<u>(128,957)</u>	<u>469,920</u>	<u>340,963</u>
Non-operating income (expenses):			
Interest revenue	11,309	14,816	26,125
Interest expense	<u>(161,032)</u>	<u>(113,931)</u>	<u>(274,963)</u>
Total non-operating income (expenses)	<u>(149,723)</u>	<u>(99,115)</u>	<u>(248,838)</u>
Income (loss) before capital contributions	(278,680)	370,805	92,125
Capital contributions	<u> </u>	<u>125,224</u>	<u>125,224</u>
Change in net position	(278,680)	496,029	217,349
Total net position at beginning of year, as restated	<u>9,588,148</u>	<u>15,700,047</u>	<u>25,288,195</u>
Total net position at end of year	<u>\$ 9,309,468</u>	<u>\$ 16,196,076</u>	<u>\$ 25,505,544</u>

See accompanying notes to the basic financial statements

EXHIBIT G
CITY OF CLAREMONT, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,423,120	\$ 2,674,531	\$ 4,097,651
Cash paid to suppliers	(772,342)	(1,255,065)	(2,027,407)
Cash paid to employees	(302,238)	(267,288)	(569,526)
Net cash provided by operating activities	<u>348,540</u>	<u>1,152,178</u>	<u>1,500,718</u>
Cash flows from capital financing activities:			
Purchases of capital assets	(90,986)	(1,098,481)	(1,189,467)
Capital contributions		87,369	87,369
Proceeds from other long-term obligations		847,155	847,155
Principal paid on bonds payable	(406,964)	(461,004)	(867,968)
Proceeds from capital leases issued	42,299	42,299	84,598
Principal paid on capital leases payable	(22,250)	(45,919)	(68,169)
Interest paid on long-term debt	(231,963)	(138,319)	(370,282)
Net cash (used) for capital financing activities	<u>(709,864)</u>	<u>(766,900)</u>	<u>(1,476,764)</u>
Cash Flows from Investing Activities:			
Interest on investments	11,309	14,816	26,125
Net cash provided by investing activities	<u>11,309</u>	<u>14,816</u>	<u>26,125</u>
Net increase (decrease) in cash and cash equivalents	(350,015)	400,094	50,079
Cash and cash equivalents at beginning of year	<u>3,316,239</u>	<u>3,304,405</u>	<u>6,620,644</u>
Cash and cash equivalents at end of year	<u>\$ 2,966,224</u>	<u>\$ 3,704,499</u>	<u>\$ 6,670,723</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (128,957)	\$ 469,920	\$ 340,963
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	426,503	638,571	1,065,074
Change in deferred outflows related to pension	(7,402)	(4,473)	(11,875)
Change in deferred inflows related to pension	34,507	37,921	72,428
Changes in assets and liabilities:			
Accounts receivable, net	4,382	35,190	39,572
Due to other governments		16,363	16,363
Inventory	7,135	1,069	8,204
Accounts payable	49,267	20,019	69,286
Accrued expenses	1,940	1,517	3,457
Compensated absences payable	(3,071)	(26,831)	(29,902)
Net pension liability	(35,764)	(39,303)	(75,067)
Other post-employment benefits payable		2,215	2,215
Net cash provided by operating activities	<u>\$ 348,540</u>	<u>\$ 1,152,178</u>	<u>\$ 1,500,718</u>
Supplemental disclosure of non-cash transactions:			
Forgiveness of long-term debt principal	\$ 21,229	\$ 95,626	\$ 116,855
Accrued interest on other long-term obligations converted to bonds payable		2,751	2,751
Capital asset additions included in year end liabilities		62,870	62,870
	<u>\$ 21,229</u>	<u>\$ 161,247</u>	<u>\$ 182,476</u>

See accompanying notes to the basic financial statements

EXHIBIT H
CITY OF CLAREMONT, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private- Purpose <u>Trust Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents		\$ 74,896
Investments	\$ 15,701,819	<u>1,119</u>
Total Assets	<u>15,701,819</u>	<u>\$ 76,015</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Due to other governments		\$ 32,453
Deposits		<u>43,562</u>
Total Liabilities	<u>-</u>	<u>\$ 76,015</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>15,701,819</u>	
Total Net Position	<u>\$ 15,701,819</u>	

See accompanying notes to the basic financial statements

EXHIBIT I
CITY OF CLAREMONT, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	Private- Purpose <u>Trust Funds</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 2,095
Total Contributions	<u>2,095</u>
Investment earnings:	
Interest	379,521
Realized gains on investments	653,580
Net decrease in the fair value of investments	<u>(262,977)</u>
Total Investment Earnings	<u>770,124</u>
Total Additions	<u>772,219</u>
DEDUCTIONS:	
Benefits	226,401
Administrative expenses	<u>51,341</u>
Total Deductions	<u>277,742</u>
Change in net position	494,477
Net position - beginning of year, as restated	<u>15,207,342</u>
Net position - end of year	<u>\$ 15,701,819</u>

See accompanying notes to the basic financial statements

**CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Claremont, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The City of Claremont, New Hampshire (the City) was incorporated as a town in 1764 and as a city in 1947. The City operates under the City Council/City Manager form of government and performs local governmental functions as authorized by State law.

The financial statements include those of the various departments governed by the City Council and other officials with financial responsibility. The City has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

2. Fund Financial Statements:

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

The City uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The following is the City's major governmental fund:

The *General Fund* is the main operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

2. Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The City has no internal service funds. The following are the City's major proprietary funds:

The *Water Fund* accounts for all revenues and expenses pertaining to the City's water operations.

The *Sewer Fund* accounts for all revenues and expenses pertaining to the City's wastewater treatment operations.

The Water and Sewer Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City maintains numerous private purpose trusts which account for monies designated to benefit individuals within the City. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The City's agency funds account for capital reserve funds of the Claremont School District and escrow deposits.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Measurement Focus

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position.

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of fiscal year end.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 3). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes and interest on investments.

Licenses and permits and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

2. Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period are also reported as unearned revenue.

3. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The City's budget represents functional appropriations as authorized by the City Council. The Council may transfer funds between operating categories as they deem necessary. The City adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2015, the City applied \$453,550 of its unappropriated fund balance to reduce taxes.

Cash and Cash Equivalents

The City pools its cash resources for the governmental and proprietary funds. Cash applicable to a particular fund is reflected as an interfund balance. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Cash	\$ 2,849,159	\$ 3,789,058	\$ 6,638,217
Investments in New Hampshire Public Deposit Investment Pool	222,083	24,171	246,254
Due from other funds	23,551	3,445	26,996
Due to other funds	<u>(128,569)</u>	<u>(112,175)</u>	<u>(240,744)</u>
Totals	<u>\$ 2,966,224</u>	<u>\$ 3,704,499</u>	<u>\$ 6,670,723</u>

Investments

Investments are stated at their fair value in all funds. Certificates of deposit with a maturity of greater than ninety days from the date of issuance are included in investments.

Accounts Receivable

Charges for services billed during the current fiscal year and prior and uncollected at June 30, 2015 are recorded as receivables net of reserves for estimated uncollectibles of \$54,323 and \$95,123 in the Water Fund and Sewer Fund, respectively.

Taxes Receivable

Taxes levied during the current fiscal year and prior and uncollected at June 30, 2015 are recorded as receivables net of reserves for estimated uncollectibles of \$200,000.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid items.

Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the governmental fund financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of roads, bridges, sidewalks, water purification and distribution system, sewer collection and treatment system, and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary capital assets is also capitalized.

All reported capital assets except for land and construction in process are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Description</u>	<u>Years</u>
	Infrastructure	20-50
	Buildings and improvements	5-50
	Vehicles, equipment and furnishings	5-50

Compensated Absences and Retirement Benefits

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Pursuant to City personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused sick pay earned and, upon retirement, resignation or death will be compensated for such amounts at current rates of pay.

For governmental fund financial statements, compensated absences and accrued retirement benefits are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

Bond Premium

Bond premiums are amortized as a component of interest expense over the lives of the related bonds using the effective interest rate method. Bonds payable are reported in the accompanying financial statements including any applicable unamortized bond premium. The balance of the unamortized bond premiums as of June 30, 2015 is \$80,943 in the governmental activities.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Pensions

During the year ended June 30, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions*. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Policy

The City complies with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which established new fund balance classifications and changed the definition of governmental fund types. Under Statement 54, the City has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts constrained to specific purposes stipulated by external resource providers (such as grantors) or through enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or enabling legislation.
- *Committed Fund Balance*: Amounts constrained to specific purposes determined by a formal action of the City's highest level of decision making authority (City Council). Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally. Any committed funds would go back to the General Fund if the commitment is dissolved. The City Council's actions must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- *Assigned Fund Balance*: Amounts that the City intends to be used for specific purposes. For all governmental funds other than the General Fund, any remaining positive amounts are to be

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

classified as “assigned”. The City Council expressly delegates this authority to the City Manager or his designee.

- *Unassigned Fund Balance*: Amounts that are the residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Any deficit fund balance of another governmental fund is also classified as unassigned.

Spending Prioritization

The City’s policy is to first apply restricted resources when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be applied, committed resources are to be applied first, followed by assigned and unassigned.

Deficit Fund Balance

At year end, if any of the special revenue funds has a deficit unassigned fund balance, the City Manager is authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has the resources to do so.

Minimum Level of Unassigned Fund Balance

In accordance with the City’s fund balance policy, the City will strive to maintain an unassigned fund balance in its General Fund equal to 5-15% of the budgeted General Fund operating expenditures each fiscal year.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the water fund and sewer fund, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. Significant estimates include the allowance for uncollectible receivables, depreciation expense, net pension liability, and the liability for other post-employment benefits.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At June 30, 2015, the following nonmajor governmental fund was in a deficit financial position:

Downtown Tax Increment Financing Fund	<u>\$ 1,216,942</u>
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NOTE 3—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$689,783,208 as of April 1, 2014) and are due in two installments on July 1, 2014 and January 2, 2015. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. These priority tax liens accrue interest at 18% per annum. If the property is not redeemed within a two year redemption period, the property may be tax deeded to the City.

In accordance with State law, the City collects taxes for the Claremont School District and Sullivan County, both independent governmental units, which are remitted to them as required by law. The City also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$15,812,844 and \$2,212,709 for the Claremont School District and Sullivan County, respectively. These taxes are not recognized as revenues in these financial statements. The City bears responsibility for uncollected taxes.

NOTE 4—RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended June 30, 2015, the City was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2015.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the City shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 5—DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 18,135,231
Investments	4,381,106
Statement of fiduciary net position:	
Cash and cash equivalents	74,896
Investments	15,702,938
Total deposits and investments	<u>\$ 38,294,171</u>

Deposits and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 3,450
Deposits with financial institutions	18,206,677
Investments	20,084,044
Total deposits and investments	<u>\$ 38,294,171</u>

The City's investment policy for governmental and proprietary fund types requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The City limits its investments to demand deposits, short-term governmental securities or obligations, certificates of deposit, and repurchase agreements in accordance with New Hampshire State law (RSA 48:16) or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. Responsibility for the investments of the Trust Funds is with the Board of Trustees.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

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. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The City's investment policy addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. The City limits its investments to U.S. Treasury securities, short-term obligations of U.S. Government agencies, money market accounts, certificates of deposit, repurchase agreements, and the New Hampshire Public Deposit Investment Pool.

The investment policy of the Trustees of Trust Funds states that equities and convertible securities should represent a minimum of 40% of the total portfolio, with a similar minimum of 40% in fixed income securities. The fixed income investments shall include U.S. government issues and other bonds rated "A" or higher.

The following is the actual rating at year end for each investment type:

Investment Type	Fair Value	Rating as of Year End				
		Aaa	Aaa-mf	Aa	A	Not Rated
Corporate bonds	\$ 3,187,292	\$ 301,127		\$ 610,318	\$ 2,275,847	
Federal agency securities	777,741	777,741				
Mutual funds	3,292,402					\$ 3,292,402
Money market mutual funds	278,496					278,496
State investment pool	1,257,801		\$ 1,257,801			
	<u>\$ 8,793,732</u>	<u>\$ 1,078,868</u>	<u>\$ 1,257,801</u>	<u>\$ 610,318</u>	<u>\$ 2,275,847</u>	<u>\$ 3,570,898</u>

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 investment policy for governmental and proprietary funds regarding interest rate risk indicates that safety and liquidity are the primary objectives. The City minimizes its interest rate risk by maintaining a portfolio that is sufficiently liquid to enable the City to meet all operating requirements as reasonably anticipated. A portion of the portfolio may be placed in money market mutual funds, repurchase agreements, or local government investment pools which offer same-day liquidity for short term funds.

The Trustees of Trust Funds investment policy states that maturities of fixed income investments should generally be no longer than 10 years from the date of purchase, except for selected mortgage backed securities. Equity securities selected for investment shall be of high quality and be liquid.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

<u>Investment Type</u>	<u>Remaining Maturity (In Years)</u>			
	<u>Fair Value</u>	<u>0-1 Years</u>	<u>1-5 Years</u>	<u>> 5 Years</u>
Corporate bonds	\$ 3,187,292	\$ 205,721	\$ 2,381,064	\$ 600,507
U.S. Treasury notes	777,741		423,222	354,519
Federal agency securities	302,228		302,228	
Mutual funds	3,292,402		2,536,621	755,781
	<u>\$ 7,559,663</u>	<u>\$ 205,721</u>	<u>\$ 5,643,135</u>	<u>\$ 1,710,807</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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.

In accordance with the City's investment policy, all deposits shall be fully collateralized with the delivery of U.S. government obligations, U.S. government agency obligations, or obligations of the State of New Hampshire having a value at least 100% of the cash deposit in each case.

Of the City's deposits with financial institutions at year end, \$8,911,169 was collateralized by securities held by the bank in the bank's name. As of June 30, 2015, City investments in the following investment types were held by the same counterparty that was used to buy the securities.

<u>Investment Type</u>	<u>Reported Amount</u>
Equity securities	\$ 10,987,122
Corporate bonds	3,187,292
U.S. Treasury notes	302,228
Federal agency securities	777,741
Preferred equity securities	962
Mutual funds	3,292,402
Money market mutual funds	278,496
	<u>\$ 18,826,243</u>

Investment in NHPDIP

The City is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials.

The City's exposure to derivatives is indirect through its participation in the NHPDIP. The City's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

NOTE 6—CAPITAL ASSETS

The following is a summary of changes in capital assets in the governmental activities:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

	Balance <u>7/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2015</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 2,713,737		\$ (42,973)	\$ 2,670,764
Intangible assets		\$ 10,000		10,000
Construction in process	<u>2,362,583</u>	<u>227,650</u>	<u>(2,183,693)</u>	<u>406,540</u>
Total capital assets not being depreciated	<u>5,076,320</u>	<u>237,650</u>	<u>(2,226,666)</u>	<u>3,087,304</u>
Other capital assets:				
Infrastructure	25,940,337	2,262,466		28,202,803
Buildings and improvements	11,043,441	198,845	(92,348)	11,149,938
Vehicles, equipment and furnishings	<u>10,578,966</u>	<u>1,521,024</u>	<u>(399,164)</u>	<u>11,700,826</u>
Total other capital assets at historical cost	<u>47,562,744</u>	<u>3,982,335</u>	<u>(491,512)</u>	<u>51,053,567</u>
Less accumulated depreciation for:				
Infrastructure	(4,570,706)	(789,733)		(5,360,439)
Buildings and improvements	(1,222,907)	(478,745)	19,085	(1,682,567)
Vehicles, equipment and furnishings	<u>(5,604,434)</u>	<u>(1,212,161)</u>	<u>399,164</u>	<u>(6,417,431)</u>
Total accumulated depreciation	<u>(11,398,047)</u>	<u>(2,480,639)</u>	<u>418,249</u>	<u>(13,460,437)</u>
Total other capital assets, net	<u>36,164,697</u>	<u>1,501,696</u>	<u>(73,263)</u>	<u>37,593,130</u>
Total capital assets, net	<u>\$ 41,241,017</u>	<u>\$ 1,739,346</u>	<u>\$ (2,299,929)</u>	<u>\$ 40,680,434</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 73,253
Public safety	251,565
Airport/Aviation center	612,482
Highways and streets	1,034,764
Culture and recreation	<u>508,575</u>
Total governmental activities depreciation expense	<u>\$ 2,480,639</u>

During the year ending June 30, 2015, the City received donated capital assets. These assets have been recorded at the fair value as of the date received and are included in the government-wide financial statements. In addition, the City received the vehicle in the current year for which a prepaid deposit was recognized as of June 30, 2014. The total value of these capital assets received and capitalized during the fiscal year is as follows:

Donated capital assets	\$ 285,000
Deposit on capital asset as of June 30, 2014	<u>944,583</u>
	<u>\$ 1,229,583</u>

The balance of the assets acquired through capital leases for governmental activities as of June 30, 2015 is as follows:

Vehicles, equipment and furnishings	\$ 2,446,441
Less accumulated depreciation:	
Vehicles, equipment and furnishings	<u>(653,646)</u>
	<u>\$ 1,792,795</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

The following is a summary of changes in capital assets in the proprietary funds:

	<u>Balance</u> <u>7/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2015</u>
Business-type activities:				
Capital asset not depreciated:				
Land	\$ 99,309			\$ 99,309
Construction in process	2,016,812	\$ 847,155	\$ (765,007)	2,098,960
Total capital assets not being depreciated	<u>2,116,121</u>	<u>847,155</u>	<u>(765,007)</u>	<u>2,198,269</u>
Other capital assets:				
Infrastructure	39,570,065	765,007		40,335,072
Buildings and improvements	4,851,017	-		4,851,017
Vehicles and equipment	4,757,420	282,193		5,039,613
Total other capital assets at historical cost	<u>49,178,502</u>	<u>1,047,200</u>	<u>-</u>	<u>50,225,702</u>
Less accumulated depreciation for:				
Infrastructure	(18,258,731)	(838,374)		(19,097,105)
Buildings and improvements	(643,368)	(97,658)		(741,026)
Vehicles and equipment	(4,288,974)	(129,042)		(4,418,016)
Total accumulated depreciation	<u>(23,191,073)</u>	<u>(1,065,074)</u>	<u>-</u>	<u>(24,256,147)</u>
Total other capital assets, net	<u>25,987,429</u>	<u>(17,874)</u>	<u>-</u>	<u>25,969,555</u>
Total capital assets, net	<u>\$ 28,103,550</u>	<u>\$ 829,281</u>	<u>\$ (765,007)</u>	<u>\$ 28,167,824</u>

Depreciation was charged to proprietary funds as follows:

Water fund	\$ 426,503
Sewer fund	<u>638,571</u>
Total Business-type activities depreciation expense	<u>\$ 1,065,074</u>

The balance of the assets acquired through capital leases in the proprietary funds as of June 30, 2015 is as follows:

Vehicles and equipment	\$ 527,733
Less accumulated depreciation:	
Vehicles and equipment	<u>(181,842)</u>
	<u>\$ 345,891</u>

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes to the New Hampshire Retirement System (NHRS), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The New Hampshire Retirement System is a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

CITY OF CLAREMONT, NEW HAMPSHIRE
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June 30, 2015

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and are available to pay retirement benefits to all members.

Benefits Provided

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

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

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

Funding Policy

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The City is required to contribute at an actuarially determined rate. The City's contribution rates for the covered payroll of police officers, fire employees, and general employees were 21.35%, 23.79%, and 10.44%, respectively. The City contributes 100% of the employer cost for police officers, fire employees, and general employees of the City.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The City's contributions to the NHRS for the year ended June

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

30, 2015, 2014, and 2013 were \$949,374, \$848,117, and \$642,120, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported a liability of \$9,812,738 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013. The City's proportion of the net pension liability was based on actual contributions by the City during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2014, the City's proportion was approximately 0.2614 percent, which was an increase of 0.0032 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$689,756. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments		\$ 1,255,548
Changes in proportion and differences between City contributions and proportionate share of contributions	\$ 112,600	
City contributions subsequent to the measurement date	<u>949,374</u>	<u> </u>
Totals	<u>\$ 1,061,974</u>	<u>\$ 1,255,548</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as a decrease to unrestricted net position in the amount of \$193,574. The City reported \$949,374 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended <u>June 30,</u>	
2015	\$ (289,449)
2016	(289,449)
2017	(289,449)
2018	(289,449)
2019	<u>14,848</u>
	<u>\$ (1,142,948)</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Actuarial Assumptions

The total pension liability in the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Wage inflation	3.75 percent
Salary increases	5.8 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2011 pursuant to an experience study of the period 2005-2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of weighted average long-term expected real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Net of inflation assumption of 3.0%)</u>
Fixed income	25%	(1.75)-2.0%
Domestic equity	30%	3.3%
International equity	20%	4.25-6.5%
Real estate	10%	3.3%
Private equity	5%	5.8%
Private debt	5%	5.0%
Opportunistic	5%	2.5%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

investments was applied to all periods of projected benefit payments to determine the collective pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
City's proportionate share of the net pension liability	\$ 12,924,973	\$ 9,812,738	\$ 7,187,102

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the City provides medical, life insurance, and dental benefits to its eligible retirees. General employees are required to reach age 60 with 10 years of service or a combined age and service of 70 years to qualify for this benefit. Police officers and firefighters are eligible to receive this benefit upon retirement with an attained age of 45 with 20 years of service. All other retirees and spouses of retirees pay the full cost of the health care coverage. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of January 1, 2013, the most recent actuarial valuation date, there were 58 retirees and 107 active employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Annual OPEB Costs

The City's fiscal 2015 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 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The City's annual OPEB cost for the year ending June 30, 2015 including 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, 2013 is as follows:

Annual Required Contribution (ARC)	\$ 152,284
Interest on Net OPEB obligation (NOO)	19,023
NOO amortization adjustment to ARC	<u>(18,019)</u>
Annual OPEB cost	153,288
Contributions made	<u>(112,726)</u>
Increase in Net OPEB obligation	40,562
Net OPEB obligation - beginning of year	<u>422,744</u>
Net OPEB obligation - end of year	<u><u>\$ 463,306</u></u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Effective June 30, 2014, the City changed its fiscal year end from December 31 to June 30. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending June 30, 2015, eighteen month period ending June 30, 2014 and the calendar year ending December 31, 2012 are as follows:

Fiscal Year <u>Ended</u>	Annual OPEB Cost	Percentage of OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2015	\$ 153,288	73.5%	\$ 463,306
6/30/2014	\$ 210,357	55.1%	\$ 422,744
12/31/2012	\$ 203,105	51.9%	\$ 328,316

The City's net OPEB obligation as of June 30, 2015 is recognized as a liability in these financial statements.

Funded Status and Funding Progress for OPEB

The funded status of the plan as of January 1, 2013, the date of the most recent actuarial valuation update is as follows:

Actuarial Accrued Liability (AAL)	\$ 2,333,006
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 2,333,006</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 4,923,077
UAAL as a percentage of covered payroll	47.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other actuarial assumptions. 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 to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions for OPEB

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. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the January 1, 2013 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 of

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

10.0% reduced by 0.5% decrements to an ultimate 5.0% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) is a level dollar amortization over maximum allowable period of thirty years on a closed group basis. This has been calculated assuming the amortization payment increases at a rate of 3.0% per year.

NOTE 9—LONG-TERM OBLIGATIONS

General Long-term Obligations

The changes in the City’s long-term obligations for the year ended June 30, 2015 are as follows:

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Due Within One Year
Governmental activities:					
Bonds payable	\$ 12,192,950		\$(1,909,542)	\$ 10,283,408	\$ 634,498
Unamortized bond premium	19,474		20,046	39,520	2,520
Total Bonds payable	<u>12,212,424</u>	<u>\$ -</u>	<u>(1,889,496)</u>	<u>10,322,928</u>	<u>637,018</u>
Tax increment financing bonds payable	7,480,000		(625,000)	6,855,000	620,000
Unamortized bond premium	24,952		16,471	41,423	5,865
Total tax increment financing bonds payable	<u>7,504,952</u>	<u>-</u>	<u>(608,529)</u>	<u>6,896,423</u>	<u>625,865</u>
Capital leases payable	1,597,038	562,231	(293,650)	1,865,619	260,900
Compensated absences	630,641	67,000	(4,189)	693,452	69,345
Total governmental activities	<u>\$ 21,945,055</u>	<u>\$ 629,231</u>	<u>\$(2,795,864)</u>	<u>\$ 19,778,422</u>	<u>\$ 1,593,128</u>
Business-type activities:					
Bonds payable	\$ 8,422,162	\$ 767,757	\$ (963,594)	\$ 8,226,325	\$ 540,724
Principal forgiveness	275,979		(21,229)	254,750	21,229
Total Bonds payable	<u>8,698,141</u>	<u>767,757</u>	<u>(984,823)</u>	<u>8,481,075</u>	<u>561,953</u>
Capital leases payable	202,163	84,598	(68,169)	218,592	84,107
Other long-term obligations	2,016,812	849,906	(767,757)	2,098,961	-
Compensated absences	72,289	-	(29,902)	42,387	4,238
Total business-type activities	<u>\$ 10,989,405</u>	<u>\$ 1,702,261</u>	<u>\$(1,850,651)</u>	<u>\$ 10,841,015</u>	<u>\$ 650,298</u>

Payments on the general obligation bonds of the governmental activities are paid out of the General Fund and the Claremont Development Authority Fund (a nonmajor governmental fund). Payments on the tax increment financing bonds of the governmental activities are paid out of the Tax Increment Financing Funds (nonmajor governmental funds). Payments on the capital leases of the governmental activities are paid out of the General Fund. Payments on the remaining bonds and capital leases of the business-type activities are paid out of the Water and Sewer Funds. Compensated absences will be paid from the fund where the employee’s salary is paid.

General Obligation Bonds

Governmental Activities

Bonds payable at June 30, 2015 are comprised of the following individual issues:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

	Original Issue <u>Amount</u>	Interest Rate	Final Maturity <u>Date</u>	Balance at <u>6/30/15</u>
Landfill closure	\$ 3,468,368	3.70%	July 2022	\$ 1,498,620
Street project	900,000	4.00%	March 2017	152,017
Street project	3,000,000	3.75%	September 2020	1,200,000
Public improvements - refunding North/Main Streets, Community Center and Drapers Corner	775,625 7,452,400	2.00-4.00% 3.00-4.125%	July 2020 January 2041	412,771 <u>7,020,000</u>
Totals				10,283,408
			Add: Unamortized bond premium	<u>39,520</u>
				<u>\$ 10,322,928</u>

Debt service requirements to retire general obligation bonds outstanding at June 30, 2015 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 634,498	\$ 220,040	\$ 854,538
2017	730,963	349,825	1,080,788
2018	663,959	327,948	991,907
2019	672,184	307,347	979,531
2020	682,258	283,495	965,753
2021-2025	1,769,546	1,170,747	2,940,293
2026-2030	1,275,000	936,844	2,211,844
2031-2035	1,545,000	664,681	2,209,681
2036-2040	1,885,000	327,300	2,212,300
2041	<u>425,000</u>	<u>17,531</u>	<u>442,531</u>
Total	10,283,408	4,605,758	14,889,166
Add: <i>Bond Premium</i>	<u>39,520</u>		<u>39,520</u>
Total	<u>\$ 10,322,928</u>	<u>\$ 4,605,758</u>	<u>\$ 14,928,686</u>

Business-type Activities

Bonds payable at June 30, 2015 are comprised of the following individual issues:

	Original Issue <u>Amount</u>	Interest Rate	Maturity <u>Date</u>	Balance at <u>6/30/15</u>
<u>Water Fund:</u>				
2006 State Revolving Loan	\$ 4,050,000	3.488%	December 2026	\$ 2,703,372
2005 State Revolving Loan	2,298,361	3.488%	July 2027	<u>1,702,990</u>
				<u>4,406,362</u>
<u>Sewer Fund:</u>				
1997 State Revolving Loan	1,105,989	4.168%	January 2016	55,299
2008 State Revolving Loan	336,000	3.688%	December 2027	248,522
2009 State Revolving Loan	108,261	3.488%	January 2028	78,176

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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

2008 State Revolving Loan	2,707,734	3.488%	August 2027	1,961,663
2009 State Revolving Loan	422,540	3.488%	July 2028	304,355
2012 State Revolving Loan	810,751	1.940%	November 2021	583,290
2014 State Revolving Loan	767,757	1.9400%	September 2023	611,179
Wastewater improvements - refunding	436,375	2.00-4.00%	July 2020	232,229
				<u>4,074,713</u>
				<u>\$ 8,481,075</u>

Debt service requirements to retire general obligation bonds, net of principal forgiveness from the State of New Hampshire to be forgiven over a period of 19 years from the start of the individual State Revolving Loan Funds of \$254,749, for business-type activities at June 30, 2015 are as follows:

Year Ending			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 540,724	\$ 170,851	\$ 711,575
2017	681,893	224,774	906,667
2018	695,934	205,145	901,079
2019	712,044	185,660	897,704
2020	726,589	166,404	892,993
2021-2025	3,358,252	531,818	3,890,070
2026-2029	<u>1,510,890</u>	<u>80,497</u>	<u>1,591,387</u>
Total	8,226,326	1,565,149	9,791,475
Add: <i>Principal forgiveness</i>	<u>254,749</u>		<u>254,749</u>
Total	<u>\$ 8,481,075</u>	<u>\$ 1,565,149</u>	<u>\$ 10,046,224</u>

The State of New Hampshire annually reimburses the City for its share of sewer related debt service payments. For the year ended June 30, 2015, the reimbursement was \$89,369 in the Sewer Fund.

Tax Increment Financing Bonds

The City has pledged a portion of future tax increment financing revenues to repay \$10,906,000 in tax increment bonds issued in September 2005 and July 2007 to finance infrastructure improvements within the Downtown District and the Mill District. The bonds are payable solely from the tax increment financing taxes. Incremental taxes were project to, and do, produce in excess of 100% of the debt service requirements over the life of the bonds. For the current fiscal year, principal and interest paid and total tax increment finance revenues were \$977,725 and \$1,015,961, respectively.

Tax increment financing bonds payable at June 30, 2015 are comprised of the following individual issues:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

	Original Issue <u>Amount</u>	Interest Rate	Final Maturity <u>Date</u>	Balance at <u>6/30/15</u>
TIF District	1,000,000	3.40-3.60%	September 2015	100,000
Mill District	2,722,000	4.00-5.00%	August 2027	2,722,000
Mill District	4,939,000	4.00-5.00%	August 2027	3,378,000
Mill District	2,245,000	6.00%	August 2017	655,000
				<u>6,855,000</u>
			Add: Unamortized bond premium	41,423
				<u>\$ 6,896,423</u>

Debt service requirements to retire general obligation bonds outstanding at June 30, 2015 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 620,000	\$ 321,400	\$ 941,400
2017	520,000	291,000	811,000
2018	515,000	263,150	778,150
2019	520,000	236,600	756,600
2020	520,000	210,600	730,600
2021-2025	2,600,000	679,250	3,279,250
2026-2028	1,560,000	111,150	1,671,150
	<u>6,855,000</u>	<u>2,113,150</u>	<u>8,968,150</u>
Add: <i>Bond Premium</i>	41,423		41,423
Total	<u>\$ 6,896,423</u>	<u>\$ 2,113,150</u>	<u>\$ 9,009,573</u>

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of vehicle and equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function.

Governmental Activities

The following are the individual capital lease obligations of the governmental activities at June 30, 2015:

Vehicles and equipment due in annual installments of \$64,904, including interest of 3.71%, through May 2020	\$ 291,312
Equipment due in annual installments of \$41,747, including interest of 1.97%, through February 2016	40,941
Equipment due in annual installments of \$30,295, including interest at 3.151%, through February 2016	29,922

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Vehicles and equipment due in annual installments of \$98,310, including interest at 3.042%, through August 2022 then reduced to annual installments of \$78,316, including interest at 3.042%, through August 2027	901,965
Vehicles due in annual installments of \$40,099, including interest at 2.17%, through June 2016	39,248
Vehicles and equipment due in annual installments of \$102,265, including interest at 1.49%, through September 2018 then reduced to annual installments of \$54,791, including interest at 1.49%, through September 2021	544,004
Vehicle due in annual installments of \$5,103, including interest at 4.69%, through January 2019	18,227
	<u>\$ 1,865,619</u>

Debt service requirements to retire capital lease obligations outstanding for governmental activities at June 30, 2015 are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u> 2016	\$ 260,900	\$ 24,084	\$ 284,984
2017	225,488	45,095	270,583
2018	231,583	39,000	270,583
2019	237,862	32,721	270,583
2020	191,751	26,255	218,006
2021-2025	496,690	70,825	567,515
2026-2028	221,345	13,602	234,947
Total	<u>\$ 1,865,619</u>	<u>\$ 251,582</u>	<u>\$ 2,117,201</u>

Business-type Activities

The following are the individual capital lease obligations of the business-type activities at June 30, 2015:

Vehicles and equipment due in annual installments of \$17,719, including interest of 3.71%, through May 2020	\$ 79,527
Equipment due in annual installments of \$55,540, including interest of 1.97%, through February 2016	54,467
Vehicles and equipment due in annual installments of \$16,402, including interest at 1.49%, through September 2018 then reduced to annual installments of \$8,164, including interest at 1.49%, through September 2021	84,598
	<u>\$ 218,592</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Debt service requirements to retire capital lease obligations outstanding for governmental activities at June 30, 2015 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 84,107	\$ 5,554	\$ 89,661
2017	30,446	3,675	34,121
2018	31,277	2,844	34,121
2019	32,133	1,988	34,121
2020	24,778	1,105	25,883
2021-2022	15,851	477	16,328
Total	<u>\$ 218,592</u>	<u>\$ 15,643</u>	<u>\$ 234,235</u>

Other Long-Term Obligations

The City has drawn \$2,098,961 of approximately \$2,200,000 in funds under the State of New Hampshire, Water Pollution Control Revolving Loan Fund Program for the wastewater treatment plant upgrade project. Payments are not scheduled to commence until the first anniversary of the scheduled completion date or the substantial completion date, whichever is earliest. Interest is accrued at 1% during the construction period of the project and is to be paid upon completion of the project. The City shall be provided federal financial assistance whereby up to 12.5% of the borrowed funds is to be forgiven, not to exceed \$275,000.

NOTE 10—LANDFILL POSTCLOSURE CARE COSTS

The City closed its landfill in 2002. State and federal laws and regulations required that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. An estimated liability has been recorded based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$240,000 as of June 30, 2015. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or change in landfill laws and regulations. The City will finance the postclosure care costs through annual appropriations.

The following is a summary of changes in the estimated liability for postclosure care costs for the year ended June 30, 2015:

Balance - July 1, 2014	\$ 324,000
Expenditures recognized in the General Fund	(11,490)
Net change in the estimated liability for postclosure care costs	<u>(72,510)</u>
Balance - June 30, 2015	<u>\$ 240,000</u>

NOTE 11—INTERFUND BALANCES AND TRANSFERS

The City has combined the cash resources of its governmental fund types. For accounting and reporting purposes, that portion of the pooled cash balance is recorded in the specific fund as an interfund balance. In addition, the General Fund directly pays for various items which are subsequently reimbursed from the applicable fund. These unpaid balances are represented in the interfund balances.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Interfund balances at June 30, 2015 are as follows:

		Due from				
		General	Nonmajor	Water	Sewer	
		Fund	Governmental	Fund	Fund	Totals
			Funds			
Due to	General Fund		\$ 109,310	\$ 92,259	\$ 76,126	\$ 277,695
	Nonmajor Governmental Funds	\$ 3,258,898	70,505	36,311	12,498	3,378,212
	Water Fund				23,551	23,551
	Sewer Fund		3,445			3,445
		<u>\$ 3,258,898</u>	<u>\$ 183,260</u>	<u>\$ 128,570</u>	<u>\$ 112,175</u>	<u>\$ 3,682,903</u>

In addition to the short-term interfunds noted above, the City's General Fund advanced monies to the Downtown Tax Increment Financing Fund (a nonmajor governmental fund). These advances were to assist in funding the operations and are not expected to be repaid within one year. As of June 30, 2015, the Downtown Tax Increment Financing Fund owed the General Fund for advances in the amount of \$1,597,808.

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2015 are as follows:

		Transfer from		
		General	Nonmajor	
		Fund	Governmental	Totals
			Funds	
Transfer to	General Fund		\$ 362,783	\$ 362,783
	Nonmajor Governmental Funds	\$ 111,393		111,393
		<u>\$ 111,393</u>	<u>\$ 362,783</u>	<u>\$ 474,176</u>

NOTE 12—RESTRICTED NET POSITION

Net position is restricted for specific purposes as follows:

	Governmental
	<u>Activities</u>
Permanent Funds - Principal	\$ 2,966,008
Permanent Funds - Income	109,631
Grants Fund	452,637
Police Grants Fund	5,026
Disaster Fund	101,136
Public Works Projects Fund	902,892
Airport and Fire Grants Fund	5,250
Library Historic Preservation Fund	955
River Road Tax Increment Financing Fund	<u>1,547,723</u>
	<u>\$ 6,091,258</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 13—COMPONENTS OF FUND BALANCE

The components of the City’s fund balance for its governmental funds at June 30, 2015 are as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable for:			
Advances to other funds	\$ 1,597,808		\$ 1,597,808
Prepaid expenses	461,212		461,212
Permanent Funds - principal		\$ 2,966,008	2,966,008
Restricted for:			
Permanent Funds - income		109,631	109,631
Grants Fund		452,637	452,637
Police Grants Fund		5,026	5,026
Disaster Fund		101,136	101,136
Public Works Projects Fund		902,892	902,892
Airport and Fire Grants Fund		5,250	5,250
Library Historic Preservation Fund		955	955
River Road Tax Increment Financing Fund		1,547,723	1,547,723
Capital Leases	465,048		465,048
Committed for:			
Capital Reserve Funds	853,411		853,411
Expendable Trust Funds		614,380	614,380
Encumbrances	205,000		205,000
Conservation Fund		13,932	13,932
Community Development Authority Fund		81,876	81,876
Assigned for:			
Encumbrances	151,724		151,724
Contingency for abatements	350,000		350,000
Unassigned for:			
General Fund	452,523		452,523
Downtown Tax Increment Financing Fund		(1,216,942)	(1,216,942)
	<u>\$ 4,536,726</u>	<u>\$ 5,584,504</u>	<u>\$ 10,121,230</u>

NOTE 14—CONTINGENT LIABILITIES

Litigation

There are several pending tax abatement appeals against the City. In the opinion of legal counsel and City management, the potential claims against the City may be potentially material. Accordingly, the City has classified \$350,000 of its fund balance as assigned for abatement contingencies.

Federal Grants

The City participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

expenditures which may be disallowed by the granting agency cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 15—RESTATEMENT OF EQUITY

Governmental Funds

During the year ended June 30, 2015, management determined that the abatement contingency previously recorded as a liability of the General Fund is to be reported as a separate classification within fund balance. Collections on the December 2013 tax billing within sixty days after year end were omitted from property tax recognition. In addition, it was noted that various private purpose trust funds had been misclassified as permanent funds. The activity of the Tolles Home Fund (previously reported as a nonmajor governmental fund) has been excluded from the City's reporting entity as the activity is not governed by the City Council and does not meet the criteria for inclusion in the City's financial statements.

The impact on fund balance of the General Fund and the Nonmajor Governmental Funds as of July 1, 2014 is as follows:

	General Fund	Nonmajor Governmental Funds
Fund balance - July 1, 2014 (as previously reported)	\$ 3,691,849	\$ 15,155,962
Amount of restatement due to:		
Overstatement of contingent liability	500,000	
Overstatement of unearned property tax revenue	301,927	
Private Purpose Trust Funds classified as Permanent Funds		(9,805,740)
Classification of Expendable Trust Funds that are not derived from General Fund taxation	(690,877)	690,877
Exclusion of the Tolles Home from the City's reporting entity		(122,003)
Fund balance - July 1, 2014, as restated	<u>\$ 3,802,899</u>	<u>\$ 5,919,096</u>

Proprietary Funds

During the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions*, as described in Note 1 of these financial statements. It was also determined during the year ended June 30, 2015 that the capital assets of the sewer fund were overstated.

The impact on net position of the Water and Sewer Funds as of July 1, 2014 is as follows:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

	Water Fund	Sewer Fund	Totals
Net Position, July 1, 2014 (as previously reported)	\$ 9,870,289	\$ 17,971,522	\$ 27,841,811
Amount of restatement due to:			
Net Pension Liability	(305,450)	(335,677)	(641,127)
Contributions subsequent to measurement date	23,309	25,616	48,925
Overstatement of capital assets		(1,961,414)	(1,961,414)
Net Position, July 1, 2014 - as restated	<u>\$ 9,588,148</u>	<u>\$ 15,700,047</u>	<u>\$ 25,288,195</u>

Government-Wide Statements

The impact on net position of the Governmental and Business-type Activities as of July 1, 2014 is as follows:

	Governmental Activities	Business-type Activities
Net Position, July 1, 2014 (as previously reported)	\$ 41,829,828	\$ 27,841,811
Amount of restatement due to:		
Net Pension Liability	(10,472,920)	(641,127)
Contributions subsequent to measurement date	799,192	48,925
Overstatement of capital assets		(1,961,414)
Overstatement of contingent liability	500,000	
Private Purpose Trust Funds classified as Permanent Funds	(9,805,740)	
Exclusion of the Tolles Home from the City's reporting entity	(122,003)	
Net Position, July 1, 2014 - as restated	<u>\$ 22,728,357</u>	<u>\$ 25,288,195</u>

Fiduciary Funds

The impact on net position of the Private Purpose Trust Funds as of July 1, 2014 is as follows:

Net position - July 1, 2014 (as previously reported)	\$ 5,401,602
Amount of restatement due to:	
Private Purpose Trust Funds classified as Permanent Funds	<u>9,805,740</u>
Net position - July 1, 2014, as restated	<u>\$ 15,207,342</u>

NOTE 16—SUBSEQUENT EVENT

During September 2015, the City entered into a capital lease agreement for the acquisition of vehicles and equipment in the amount of \$787,400. This lease is due in annual installments of \$89,212, including interest at 2.89%, through September 2024. The contract is subject to cancellation should funds not be appropriated to meet payment obligations.

SCHEDULE 1
CITY OF CLAREMONT, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 10,605,133	\$ 10,605,133	\$ 10,634,210	\$ 29,077
Licenses and permits	1,798,671	1,798,671	1,995,224	196,553
Intergovernmental	968,102	968,102	973,033	4,931
Charges for services	1,400,567	1,400,567	1,323,690	(76,877)
Interest income	7,000	7,000	5,184	(1,816)
Miscellaneous	107,344	117,856	345,426	227,570
Total Revenues	<u>14,886,817</u>	<u>14,897,329</u>	<u>15,276,767</u>	<u>379,438</u>
Expenditures:				
Current operations:				
General government	3,408,023	3,427,623	3,303,112	124,511
Public safety	5,480,910	5,414,576	5,192,652	221,924
Airport/Aviation center	109,655	109,655	47,127	62,528
Highways and streets	2,730,299	2,956,702	2,870,267	86,435
Sanitation	219,280	204,280	191,229	13,051
Health and welfare	375,560	375,560	362,779	12,781
Culture and recreation	1,984,968	2,073,368	2,008,346	65,022
Debt service:				
Principal retirement	685,904	716,225	713,148	3,077
Interest and fiscal charges	441,218	410,897	392,257	18,640
Total Expenditures	<u>15,435,817</u>	<u>15,688,886</u>	<u>15,080,917</u>	<u>607,969</u>
Excess revenues over (under) expenditures	<u>(549,000)</u>	<u>(791,557)</u>	<u>195,850</u>	<u>987,407</u>
Other financing sources (uses):				
Transfers in	331,000	419,400	387,183	(32,217)
Transfers out	<u>(50,000)</u>	<u>(81,393)</u>	<u>(81,393)</u>	<u>-</u>
Total other financing sources (uses)	<u>281,000</u>	<u>338,007</u>	<u>305,790</u>	<u>(32,217)</u>
Net change in fund balance	(268,000)	(453,550)	501,640	955,190
Fund balance at beginning of year				
- Budgetary Basis	<u>4,613,192</u>	<u>4,613,192</u>	<u>4,613,192</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 4,345,192</u>	<u>\$ 4,159,642</u>	<u>\$ 5,114,832</u>	<u>\$ 955,190</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

CITY OF CLAREMONT, NEW HAMPSHIRE

Schedule of Funding Progress for Other Post-Employment Benefits

For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2012	\$ -	\$ 2,667,901	\$ 2,667,901	0%	\$ 4,779,686	55.8%
1/1/2013	\$ -	\$ 2,333,006	\$ 2,333,006	0%	\$ 4,923,077	47.4%
7/1/2014	\$ -	\$ 2,004,136	\$ 2,004,136	0%	\$ 5,070,769	39.5%

See accompanying notes to the required supplementary information

SCHEDULE 3
CITY OF CLAREMONT, NEW HAMPSHIRE
Schedule of Changes in the City's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2015

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability (asset)	0.2614%	0.2582%
City's proportionate share of the net pension liability (asset)	\$ 9,812,738	\$ 11,114,047
City's covered-employee payroll	\$ 5,439,299	\$ 5,225,327
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	180.40%	212.70%
Plan fiduciary net position as a percentage of the total pension liability	66.32%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 4
CITY OF CLAREMONT, NEW HAMPSHIRE
Schedule of City Contributions
For the Year Ended June 30, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 949,374	\$ 848,117	\$ 642,120
Contributions in relation to the contractually required contribution	<u>(949,374)</u>	<u>(848,117)</u>	<u>(642,120)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 6,084,955	\$ 5,439,299	\$ 5,225,327
Contributions as a percentage of covered-employee payroll	15.60%	15.59%	12.29%

See accompanying notes to the required supplementary information

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the City. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary expenditures were adjusted for encumbrances. Budgetary revenues and expenditures were adjusted for non-budgetary activity, capital lease activity, and budgetary transfers as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 16,164,818	\$ 15,430,991
Difference in property taxes meeting susceptible to accrual criteria	72,827	
Encumbrances - June 30, 2014		(578,221)
Encumbrances - June 30, 2015		356,724
Capital lease activity	(562,231)	(97,184)
Budgetary transfers	24,400	50,000
Non-budgetary revenues and expenditures	<u>(35,864)</u>	
Per Schedule 1	<u>\$ 15,663,950</u>	<u>\$ 15,162,310</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund are as follows:

Nonspendable for:	
Prepaid expenses	\$ 461,212
Assigned for:	
Advances to other funds	1,597,808
Contingency for abatements	350,000
Unassigned for:	
General operations	<u>2,705,812</u>
	<u>\$ 5,114,832</u>

NOTE 3—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the City is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The City implemented the provisions of

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
June 30, 2015

GASB Statement #45 during the year ended December 31, 2009. Accordingly, the funding progress has been presented for the three most recent actuarial valuation reports.

NOTE 4—SCHEDULE OF CHANGES IN THE CITY’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF CITY CONTRIBUTIONS

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the City is required to disclose historical information for each of the prior ten years within a schedule of changes in the City’s proportionate share of the net pension liability, and schedule of City contributions. The City implemented the provisions of GASB Statement #68 during the year ended June 30, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

SCHEDULE I
CITY OF CLAREMONT, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	<u>Expenditures</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Pass Through Payments from the New Hampshire Community Development Finance Authority		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii #14-222-CDHS	14.228	\$ 6,282
Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants #CCPNH0061-11	14.704	<u>4,138</u>
Total Department of Housing and Urban Development		<u>10,420</u>
DEPARTMENT OF JUSTICE		
Received directly from U.S. Treasury Department		
Bulletproof Vest Partnership Program	16.607	<u>2,156</u>
Public Safety Partnership and Community Policing Grants, Recovery Act #2011-UM-WX-0123 #2013-UM-WX-0141	16.710	32,226 <u>25,003</u> <u>57,229</u>
Total Department of Justice		<u>59,385</u>
DEPARTMENT OF TRANSPORTATION		
Pass Through Payments from the New Hampshire Department of Highway Safety and Transportation		
Airport Improvement Program #SBG-02-05-2012	20.106	<u>18,851</u>
Highway Planning and Construction #X-A000(418) #X-A000(975)(976)(977) #MGS-STP-X-0131(0389) #X-A002(723), #23677	20.205	88,358 15,512 77,609 9,416 <u>190,895</u>
Highway Safety Cluster:		
Alcohol Impaired Driving Countermeasures Incentive Grants I #315-11A-096 #315-12A-045	20.601	835 <u>3,625</u> <u>4,460</u>
Safety Belt Performance Grants #304-10A-033	20.609	<u>1,389</u>
Total Highway Safety Cluster		<u>5,849</u>
Total Department of Transportation		<u>215,595</u>

See accompanying notes to the required supplementary information

SCHEDULE I
CITY OF CLAREMONT, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2015

Federal Granting Agency/Recipient State Agency/Grant Program/State <u>Grant Number</u>	Federal Catalogue <u>Number</u>	<u>Expenditures</u>
DEPARTMENT OF HOMELAND SECURITY		
Pass Through Payments from New Hampshire		
Department of Safety		
Emergency Management Performance Grants	97.042	49,506
Assistance to Firefighters Grant #EMW-2013-FO-05461	97.044	47,763
Homeland Security Grant Program	97.067	4,608
Staffing for Adequate Fire and Emergency Response (SAFER) #EMW-2013-FH-00392	97.083	<u>180,670</u>
Total Department of Homeland Security		<u>282,547</u>
Total Expenditures of Federal Awards		<u>\$ 567,947</u>

See accompanying notes to the required supplementary information

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2015

NOTE 1—GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Claremont, New Hampshire. The City of Claremont's reporting entity is defined in Note 1 to the City's basic financial statements.

NOTE 2—BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

NOTE 3—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The recognition of expenditures of federal awards has been reported in the City's basic financial statements as intergovernmental revenues in the Major and Nonmajor Funds as follows:

Major Fund:	
General Fund	\$ 237,899
Nonmajor Funds	330,048
	<u>\$ 567,947</u>

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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 June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Claremont, New Hampshire's basic financial statements, and have issued our report thereon dated February 19, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vaughan Clarke + Company PC

Manchester, New Hampshire
February 19, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

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 the City of Claremont, New Hampshire's major federal program for the year ended June 30, 2015. The City of Claremont, New Hampshire's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Claremont, New Hampshire's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 of Claremont, New Hampshire's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Claremont, New Hampshire complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Claremont, New Hampshire is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Claremont, New Hampshire's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 of Claremont, New Hampshire'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Voschor Clark & Company PC

Manchester, New Hampshire
February 19, 2016

**City of Claremont, New Hampshire
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified – all reporting units
 Internal control over financial reporting:
 Material weakness(es) identified? _____yes X no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? _____yes X none reported
 Noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? _____yes X no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? _____yes X none reported

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

Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? _____yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

Dollar threshold used to distinguish between Type A and B program: \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II--Financial Statement Findings

There were no findings relating to the financial statements required to be reported by GAGAS.

Section III--Federal Award Findings and Questioned Costs

There were no findings and questioned costs required to be reported under OMB Circular A-133 .510(a).