

CITY OF CLAREMONT, NEW HAMPSHIRE
Basic Financial Statement
For the 18 Month Period Ended June 30, 2014

City of Claremont, New Hampshire

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INDEPENDENT AUDITORS' REPORT

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

Additional Offices:
Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

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 18 month period ended June 30, 2014, 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

The City of Claremont, New Hampshire's 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the 18 month period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

The City of Claremont, New Hampshire changed from a December 31 calendar year end to a June 30 fiscal year end. The accompanying financial statements reflect the 18 month conversion year of January 1, 2013 - June 30, 2014.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and Schedule of Funding Progress 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 evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

Melanson Heath

December 9, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Claremont, New Hampshire, we offer readers this narrative overview and analysis of the financial activities of the City of Claremont for the 18 month fiscal year ended June 30, 2014. The analysis compares the 18 month period ended June 30, 2014 to the 12 months ended December 31, 2012.

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 and liabilities, with the difference between the two 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 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, welfare, culture and recreation, and airport. The business-type activities include water and sewer activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the 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.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of assets exceeded liabilities by \$69,671,639 (i.e., net position), a change of \$7,887,740 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$18,847,811, a change of \$ 3,432,918 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund on a GAAP basis was \$318,093. However, unassigned fund balance on a tax rate setting basis was \$2,972,020. See Note 22 for more information.
- Total long-term debt (i.e., bonds) for all funds at the close of the current year was \$28,371,091, a change of \$(2,807,076) 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 years.

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>6/30/14</u>	<u>12/31/12</u>	<u>6/30/14</u>	<u>12/31/12</u>	<u>6/30/14</u>	<u>12/31/12</u>
Current and other assets	\$ 40,089,762	\$ 27,812,670	\$ 9,150,665	\$ 8,012,606	\$ 49,240,427	\$ 35,825,276
Capital assets	<u>41,241,017</u>	<u>39,682,890</u>	<u>30,064,964</u>	<u>29,118,158</u>	<u>71,305,981</u>	<u>68,801,048</u>
Total assets	81,330,779	67,495,560	39,215,629	37,130,764	120,546,408	104,626,324
Long-term liabilities outstanding	19,922,355	21,620,427	8,263,367	9,075,195	28,185,722	30,695,622
Other liabilities	4,641,813	11,026,696	3,110,451	1,061,732	7,752,264	12,088,428
Deferred inflows	<u>14,936,783</u>	<u>58,375</u>	<u>-</u>	<u>-</u>	<u>14,936,783</u>	<u>58,375</u>
Total liabilities and deferred inflows	39,500,951	32,705,498	11,373,818	10,136,927	50,874,769	42,842,425
Net position:						
Net investment in capital assets	22,285,829	21,608,648	19,147,848	19,190,038	41,433,677	40,798,686
Restricted	11,328,893	11,692,378	-	-	11,328,893	11,692,378
Unrestricted	<u>8,215,106</u>	<u>1,489,036</u>	<u>8,693,963</u>	<u>7,803,799</u>	<u>16,909,069</u>	<u>9,292,835</u>
Total net position	<u>\$ 41,829,828</u>	<u>\$ 34,790,062</u>	<u>\$ 27,841,811</u>	<u>\$ 26,993,837</u>	<u>\$ 69,671,639</u>	<u>\$ 61,783,899</u>

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>6/30/14</u>	<u>12/31/12</u>	<u>6/30/14</u>	<u>12/31/12</u>	<u>6/30/14</u>	<u>12/31/12</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,219,184	\$ 1,155,863	\$ 5,929,994	\$ 3,881,273	\$ 8,149,178	\$ 5,037,136
Operating grants and contributions	755,830	867,887	-	-	755,830	867,887
Capital grants and contributions	2,275,253	315,856	124,891	35,185	2,400,144	351,041
General revenues:						
Property taxes	19,045,398	11,219,435	-	-	19,045,398	11,219,435
Motor vehicle license	2,355,923	1,454,322	-	-	2,355,923	1,454,322
Penalties and interest on taxes	713,319	584,404	-	-	713,319	584,404
Grants and contributions not restricted to specific programs	603,487	607,450	-	-	603,487	607,450
Investment income	2,315,276	1,136,893	32,017	14,837	2,347,293	1,151,730
Other	572,019	867,937	271,325	17,887	843,344	885,824
Total revenues	<u>30,855,689</u>	<u>18,210,047</u>	<u>6,358,227</u>	<u>3,949,182</u>	<u>37,213,916</u>	<u>22,159,229</u>
Expenses:						
General government	6,713,399	4,567,638	-	-	6,713,399	4,567,638
Public safety	7,018,919	4,439,596	-	-	7,018,919	4,439,596
Highways and streets	5,518,927	3,118,360	-	-	5,518,927	3,118,360
Sanitation	274,409	168,777	-	-	274,409	168,777
Welfare	536,220	455,030	-	-	536,220	455,030
Library and recreation	2,773,115	1,366,000	-	-	2,773,115	1,366,000
Conservation	9,742	19,162	-	-	9,742	19,162
Airport	173,798	130,740	-	-	173,798	130,740
Interest on long-term debt	1,353,737	951,663	-	-	1,353,737	951,663
Water	-	-	2,366,207	1,639,741	2,366,207	1,639,741
Sewer	-	-	3,168,661	2,217,335	3,168,661	2,217,335
Total expenses	<u>24,372,266</u>	<u>15,216,966</u>	<u>5,534,868</u>	<u>3,857,076</u>	<u>29,907,134</u>	<u>19,074,042</u>
Change in net position before permanent fund contributions and transfers	6,483,423	2,993,081	823,359	92,106	7,306,782	3,085,187
Permanent fund contributions	580,958	39,984	-	-	580,958	39,984
Transfers in (out)	<u>(24,615)</u>	<u>-</u>	<u>24,615</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	7,039,766	3,033,065	847,974	92,106	7,887,740	3,125,171
Net position - beginning of year	<u>34,790,062</u>	<u>31,756,997</u>	<u>26,993,837</u>	<u>26,901,731</u>	<u>61,783,899</u>	<u>58,658,728</u>
Net position - end of year	<u>\$ 41,829,828</u>	<u>\$ 34,790,062</u>	<u>\$ 27,841,811</u>	<u>\$ 26,993,837</u>	<u>\$ 69,671,639</u>	<u>\$ 61,783,899</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 year, total net position was \$69,671,639, a change of \$7,887,740 from the prior year.

The largest portion of net position, \$41,433,677, 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 \$11,328,893 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$16,909,069 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the 18 month period resulted in a change in net position of \$7,039,766. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 2,908,814
Nonmajor funds operating results	524,104
Capital lease additions	(1,318,561)
Capital lease payments	586,602
Capital asset additions	3,192,575
Principal debt service in excess of depreciation expense	294,679
Other	<u>851,553</u>
Total	<u>\$ 7,039,766</u>

Business-type activities. Business-type activities for the 18 month period resulted in a change in net position of \$847,974. Key elements of this change are as follows:

Water operations	\$ (166,728)
Sewer operations	<u>1,014,702</u>
Total	<u>\$ 847,974</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 year.

As of the end of the current 18 month period, governmental funds reported combined ending fund balances of \$18,847,811, a change of \$3,432,918 in comparison to the prior year. Key elements of this change are as follows:

General fund operations	\$ 2,908,814
Nonmajor funds operating results	<u>524,104</u>
Total	<u>\$ 3,432,918</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$318,093, while total fund balance was \$3,691,849. However, for tax rate setting purposes, unassigned fund balance was \$2,972,020, and total fund balance was \$5,362,103. See Note 22 for more information. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Refer to the table below:

<u>General Fund</u>	<u>6/30/14</u>	<u>12/31/12</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 318,093	\$ (1,860,191)	\$ 2,178,284	1.5%
Total fund balance	\$ 3,691,849	\$ 783,035	\$ 2,908,814	17.6%

The fund balance of the general fund changed by \$2,908,814 during the current year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 404,449
Expenditures less than budget	1,482,054
Use of fund balance	(17,434)
Tax collections as compared to budget	417,563
Expenditures of current year encumbrances over prior year	301,862
Change in capital reserves	<u>320,320</u>
Total	<u>\$ 2,908,814</u>

Included in the total general fund balance are the City's capital reserve accounts with the following balances:

	<u>6/30/14</u>	<u>12/31/12</u>	<u>Change</u>
Capital reserve	\$ <u>1,483,673</u>	\$ <u>1,163,353</u>	\$ <u>320,320</u>
Total	<u>\$ 1,483,673</u>	<u>\$ 1,163,353</u>	<u>\$ 320,320</u>

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

Unrestricted net position of the enterprise funds at the end of the 18 month period amounted to \$8,693,963.

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 2014 budget as presented by the City Manager was approved by the City Council on November 28, 2012. The budget represented an 18 month cycle as the City transitioned from a calendar year end to a fiscal year end. During that period the City Council amended the overall budget issuing supplemental resolutions totaling \$ 312,205 after the State set the tax rate in the fall of 2013.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$71,305,981 (net of accumulated depreciation), a change of \$2,504,933 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

*Capital assets for sale of \$1,461,868 represent CDA properties (net of accumulated depreciation) that are available for sale.

Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-term debt. At the end of the current year, total bonded debt outstanding was \$28,371,091, all of which was backed by the full faith and credit of the government.

The following funds have been designated as the sources to repay general obligation long-term debt outstanding, in addition the City receives annual reimbursements from the State of New Hampshire to offset debt expenditures for the business activities, the following schedule provides the obligations by fund, as of June 30, 2014.

	State of New Hampshire <u>Subsidy</u>	General Obligations <u>Payable</u>
General fund	\$ -	\$ 11,082,950
Special revenue fund:		
Claremont Development Authority (CDA)	-	1,110,000
Debt service funds:		
River Road TIF District	-	200,000
Mill District TIF	-	7,280,000
Enterprise funds		
Water	275,979	4,558,576
Sewer	<u>838,922</u>	<u>3,024,664</u>
	<u>\$ 1,114,901</u>	<u>\$ 27,256,190</u>

Additional information on capital assets and long-term debt can be found in the Notes to the Financial Statements.

REQUESTS FOR INFORMATION

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

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

CITY OF CLAREMONT, NEW HAMPSHIRE

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 11,190,719	\$ 6,346,140	\$ 17,536,859
Investments	12,547,115	-	12,547,115
Restricted cash	692,368	168,260	860,628
Receivables, net of allowance for uncollectibles:			
Property taxes	10,738,174	-	10,738,174
User fees	501,774	1,281,155	1,782,929
Intergovernmental	55,052	98,285	153,337
Loans	450,000	-	450,000
Internal balances	(106,244)	106,244	-
Other assets	2,114,976	117,602	2,232,578
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	1,070,912	-	1,070,912
Intergovernmental	334,916	1,032,979	1,367,895
Loans	500,000	-	500,000
Capital Assets:			
Capital assets available for sale	1,461,868	-	1,461,868
Land and construction in progress	5,076,320	2,116,122	7,192,442
Other assets, net of accumulated depreciation	<u>34,702,829</u>	<u>27,948,842</u>	<u>62,651,671</u>
TOTAL ASSETS	81,330,779	39,215,629	120,546,408
LIABILITIES			
Current:			
Accounts payable	744,361	46,044	790,405
Retainage payable	26,077	97,479	123,556
Accrued payroll	169,861	15,058	184,919
Accrued liabilities	338,254	212,935	551,189
Tax refunds payable	500,000	-	500,000
Escrow and performance deposits	5,850	-	5,850
Notes payable	-	2,016,812	2,016,812
Other current liabilities	100,863	-	100,863
Current portion of long-term liabilities:			
Bonds payable	2,448,114	647,354	3,095,468
Other liabilities	308,433	74,769	383,202
Noncurrent:			
Bonds payable, net of current portion	17,224,836	8,050,787	25,275,623
OPEB obligation	409,847	12,897	422,744
Other liabilities, net of current portion	2,287,672	199,683	2,487,355
DEFERRED INFLOWS OF RESOURCES	<u>14,936,783</u>	<u>-</u>	<u>14,936,783</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	39,500,951	11,373,818	50,874,769
NET POSITION			
Net investment in capital assets	22,285,829	19,147,848	41,433,677
Restricted for:			
Grants and other statutory restrictions	889,807	-	889,807
Permanent funds:			
Nonexpendable	10,224,787	-	10,224,787
Expendable	214,299	-	214,299
Unrestricted	<u>8,215,106</u>	<u>8,693,963</u>	<u>16,909,069</u>
TOTAL NET POSITION	\$ <u>41,829,828</u>	\$ <u>27,841,811</u>	\$ <u>69,671,639</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE 18 MONTH PERIOD ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 6,713,399	\$ 847,903	\$ 332,896	\$ -	\$ (5,532,600)	\$ -	\$ (5,532,600)
Public safety	7,018,919	298,557	166,451	-	(6,553,911)	-	(6,553,911)
Highways and streets	5,518,927	97,346	-	2,275,253	(3,146,328)	-	(3,146,328)
Sanitation	274,409	96,263	48,047	-	(130,099)	-	(130,099)
Welfare	536,220	60,408	12,584	-	(463,228)	-	(463,228)
Library and recreation	2,773,115	725,956	21,801	-	(2,025,358)	-	(2,025,358)
Conservation	9,742	-	-	-	(9,742)	-	(9,742)
Airport	173,798	92,751	174,051	-	93,004	-	93,004
Interest expense	1,353,737	-	-	-	(1,353,737)	-	(1,353,737)
Total Governmental Activities	24,372,266	2,219,184	755,830	2,275,253	(19,121,999)	-	(19,121,999)
Business-Type Activities:							
Water operations	2,366,207	2,118,823	-	5,297	-	(242,087)	(242,087)
Sewer operations	3,168,661	3,811,171	-	119,594	-	762,104	762,104
Total Business-Type Activities	5,534,868	5,929,994	-	124,891	-	520,017	520,017
Total	\$ 29,907,134	\$ 8,149,178	\$ 755,830	\$ 2,400,144	(19,121,999)	520,017	(18,601,982)
General Revenues, Contributions and Transfers:							
Property taxes					19,045,398	-	19,045,398
Motor vehicle permits					2,355,923	-	2,355,923
Penalties, interest, and other taxes					713,319	-	713,319
Grants and contributions not restricted to specific programs					603,487	-	603,487
Investment income					2,315,276	32,017	2,347,293
Other					572,019	271,325	843,344
Permanent fund contributions					580,958	-	580,958
Transfers, net					(24,615)	24,615	-
Total general revenues, contributions and transfers					26,161,765	327,957	26,489,722
Change in Net Position					7,039,766	847,974	7,887,740
Net Position:							
Beginning of year					34,790,062	26,993,837	61,783,899
End of year					\$ 41,829,828	\$ 27,841,811	\$ 69,671,639

The accompanying notes are an integral part of these financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 10,412,105	\$ 778,614	\$ 11,190,719
Investments	-	12,547,115	12,547,115
Restricted cash	692,368	-	692,368
Receivables:			
Property taxes	11,972,776	-	11,972,776
User fees	72,682	429,092	501,774
Intergovernmental	-	19,632	19,632
Due from other funds	255,329	3,152,916	3,408,245
Advance to other funds	1,264,621	305,725	1,570,346
Other assets	<u>1,170,393</u>	<u>-</u>	<u>1,170,393</u>
TOTAL ASSETS	<u>\$ 25,840,274</u>	<u>\$ 17,233,094</u>	<u>\$ 43,073,368</u>
LIABILITIES			
Accounts payable	\$ 576,185	\$ 168,176	\$ 744,361
Retainage payable	26,077	-	26,077
Accrued liabilities	169,861	10,000	179,861
Tax refunds payable	500,000	-	500,000
Due to other funds	3,191,247	323,242	3,514,489
Advance from other funds	-	1,570,346	1,570,346
Other liabilities	<u>101,345</u>	<u>5,368</u>	<u>106,713</u>
TOTAL LIABILITIES	4,564,715	2,077,132	6,641,847
DEFERRED INFLOWS OF RESOURCES	17,583,710	-	17,583,710
FUND BALANCES			
Nonspendable	1,311,862	10,224,787	11,536,649
Restricted	-	6,252,706	6,252,706
Committed	1,483,673	-	1,483,673
Assigned	578,221	-	578,221
Unassigned	<u>318,093</u>	<u>(1,321,531)</u>	<u>(1,003,438)</u>
TOTAL FUND BALANCES	<u>3,691,849</u>	<u>15,155,962</u>	<u>18,847,811</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 25,840,274</u>	<u>\$ 17,233,094</u>	<u>\$ 43,073,368</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

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

JUNE 30, 2014

Total governmental fund balances	\$ 18,847,811
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,241,017
• Deposits for assets not yet acquired	944,583
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,483,237
• Loans receivable not due and payable in the current period are not reported in the governmental funds	950,000
• Intergovernmental receivables not due and payable in the current period are not reported in the governmental funds	370,337
• Bond premium amortized over duration of bond	(44,426)
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(328,255)
• Long-term liabilities, including bonds payable, compensated absences, and landfill liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(22,634,476)</u>
Net position of governmental activities	\$ <u><u>41,829,828</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE 18 MONTH PERIOD ENDED JUNE 30, 2014

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 16,993,199	\$ 1,624,544	\$ 18,617,743
Penalties, interest, and other taxes	713,319	-	713,319
Charges for services	1,372,033	201,403	1,573,436
Intergovernmental	1,144,992	636,826	1,781,818
Licenses and permits	3,001,670	-	3,001,670
Investment income	12,914	2,302,362	2,315,276
Miscellaneous	518,208	52,224	570,432
Contributions	<u>259,998</u>	<u>2,210,784</u>	<u>2,470,782</u>
Total Revenues	24,016,333	7,028,143	31,044,476
Expenditures:			
Current:			
General government	5,153,291	2,214,117	7,367,408
Public safety	6,468,823	89,416	6,558,239
Highway and streets	3,700,182	2,688,400	6,388,582
Sanitation	288,982	-	288,982
Welfare	523,667	8,592	532,259
Library and recreation	2,640,518	42,262	2,682,780
Conservation	-	9,742	9,742
Airport	144,690	292,028	436,718
Debt service	<u>2,027,324</u>	<u>1,294,909</u>	<u>3,322,233</u>
Total Expenditures	<u>20,947,477</u>	<u>6,639,466</u>	<u>27,586,943</u>
Excess of revenues over expenditures	3,068,856	388,677	3,457,533
Other Financing Sources (Uses):			
Transfers in	-	160,042	160,042
Transfers out	<u>(160,042)</u>	<u>(24,615)</u>	<u>(184,657)</u>
Total Other Financing Sources (Uses)	<u>(160,042)</u>	<u>135,427</u>	<u>(24,615)</u>
Change in fund balance	2,908,814	524,104	3,432,918
Fund Equity, at Beginning of Year, as restated	<u>783,035</u>	<u>14,631,858</u>	<u>15,414,893</u>
Fund Equity, at End of Year	<u>\$ 3,691,849</u>	<u>\$ 15,155,962</u>	<u>\$ 18,847,811</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

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

FOR THE 18 MONTH PERIOD ENDED JUNE 30, 2014

Net changes in fund balances - total governmental funds	\$ 3,432,918																										
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">3,192,575</td> </tr> <tr> <td>Deposits for assets not yet acquired, net of prior year</td> <td style="text-align: right;">860,752</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,634,448)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">427,655</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt on bonds payable</td> <td style="text-align: right;">1,929,127</td> </tr> <tr> <td>Capital lease additions</td> <td style="text-align: right;">(1,318,561)</td> </tr> <tr> <td>Repayments of capital leases</td> <td style="text-align: right;">586,602</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">1,587</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">39,369</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td>State revolving loan</td> <td style="text-align: right;">(37,071)</td> </tr> <tr> <td>Compensated absences</td> <td style="text-align: right;">(367,192)</td> </tr> <tr> <td>Landfill liability</td> <td style="text-align: right;">18,000</td> </tr> <tr> <td>OPEB obligation</td> <td style="text-align: right;"><u>(91,547)</u></td> </tr> </table> 		Capital outlay purchases	3,192,575	Deposits for assets not yet acquired, net of prior year	860,752	Depreciation	(1,634,448)		427,655	Repayments of debt on bonds payable	1,929,127	Capital lease additions	(1,318,561)	Repayments of capital leases	586,602	Amortization of bond premium	1,587		39,369	State revolving loan	(37,071)	Compensated absences	(367,192)	Landfill liability	18,000	OPEB obligation	<u>(91,547)</u>
Capital outlay purchases	3,192,575																										
Deposits for assets not yet acquired, net of prior year	860,752																										
Depreciation	(1,634,448)																										
	427,655																										
Repayments of debt on bonds payable	1,929,127																										
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Compensated absences	(367,192)																										
Landfill liability	18,000																										
OPEB obligation	<u>(91,547)</u>																										
Change in net position of governmental activities	\$ <u>7,039,766</u>																										

The accompanying notes are an integral part of these financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE 18 MONTH PERIOD ENDED JUNE 30, 2014

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
Property taxes	\$ 16,345,061	\$ 16,345,061	\$ 16,345,061	\$ -
Penalties, interest, and other taxes	457,500	457,500	713,319	255,819
Charges for services	1,490,647	1,490,647	1,281,102	(209,545)
Intergovernmental	1,034,886	1,194,666	1,144,992	(49,674)
Licenses and permits	2,679,315	2,679,315	2,852,842	173,527
Investment income	15,000	15,000	12,596	(2,404)
Miscellaneous	171,270	171,270	489,283	318,013
Other financing sources:				
Transfers in	286,920	353,000	271,713	(81,287)
Use of fund balance	<u>10,000</u>	<u>17,434</u>	<u>17,434</u>	<u>-</u>
Total Revenues	22,490,599	22,723,893	23,128,342	404,449
Expenditures and other uses:				
Current:				
General government	5,661,028	5,668,462	5,202,908	465,554
Public safety	7,061,320	7,061,320	6,572,572	488,748
Highways and streets	3,730,247	3,890,027	3,794,801	95,226
Sanitation	347,587	347,587	290,143	57,444
Welfare	651,035	651,035	553,667	97,368
Library and recreation	2,771,576	2,837,656	2,655,734	181,922
Airport	207,401	207,401	144,690	62,711
Debt service	<u>2,060,405</u>	<u>2,060,405</u>	<u>2,027,324</u>	<u>33,081</u>
Total Expenditures	<u>22,490,599</u>	<u>22,723,893</u>	<u>21,241,839</u>	<u>1,482,054</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,886,503</u>	\$ <u>1,886,503</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 3,175,742	\$ 3,170,398	\$ 6,346,140
Restricted cash	168,260	-	168,260
User fees, net of allowance for uncollectibles	432,643	848,512	1,281,155
Intergovernmental receivables	21,229	77,056	98,285
Due from other funds	-	134,007	134,007
Other assets	<u>106,938</u>	<u>10,664</u>	<u>117,602</u>
Total current assets	3,904,812	4,240,637	8,145,449
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental	254,750	778,229	1,032,979
Capital assets:			
Land and construction in progress	42,552	2,073,570	2,116,122
Other assets, net of accumulated depreciation	<u>10,786,332</u>	<u>17,162,510</u>	<u>27,948,842</u>
Total noncurrent assets	<u>11,083,634</u>	<u>20,014,309</u>	<u>31,097,943</u>
TOTAL ASSETS	14,988,446	24,254,946	39,243,392
LIABILITIES			
Current:			
Accounts payable	14,747	31,297	46,044
Retainage payable	-	97,479	97,479
Accrued payroll	7,720	7,338	15,058
Accrued liabilities	126,198	86,737	212,935
Due to other funds	27,763	-	27,763
Notes payable	-	2,016,812	2,016,812
Current portion of long-term liabilities:			
Bonds payable	315,419	331,935	647,354
Other liabilities	<u>24,386</u>	<u>50,383</u>	<u>74,769</u>
Total current liabilities	516,233	2,621,981	3,138,214
Noncurrent:			
Bonds payable, net of current portion	4,519,136	3,531,651	8,050,787
OPEB obligation	-	12,897	12,897
Other liabilities, net of current portion	<u>82,788</u>	<u>116,895</u>	<u>199,683</u>
Total noncurrent liabilities	<u>4,601,924</u>	<u>3,661,443</u>	<u>8,263,367</u>
TOTAL LIABILITIES	5,118,157	6,283,424	11,401,581
NET POSITION			
Net investment in capital assets	5,909,548	13,238,300	19,147,848
Unrestricted	<u>3,960,741</u>	<u>4,733,222</u>	<u>8,693,963</u>
TOTAL NET POSITION	<u>\$ 9,870,289</u>	<u>\$ 17,971,522</u>	<u>\$ 27,841,811</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

PROPRIETARY FUNDS

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

FOR THE 18 MONTH PERIOD ENDED JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 2,118,823	\$ 3,811,171	\$ 5,929,994
Other	<u>23,995</u>	<u>247,330</u>	<u>271,325</u>
Total Operating Revenues	2,142,818	4,058,501	6,201,319
Operating Expenses:			
Operating expenses	1,524,282	2,132,686	3,656,968
Depreciation	584,221	845,692	1,429,913
Other	<u>-</u>	<u>8,741</u>	<u>8,741</u>
Total Operating Expenses	<u>2,108,503</u>	<u>2,987,119</u>	<u>5,095,622</u>
Operating Income	34,315	1,071,382	1,105,697
Nonoperating Revenues (Expenses):			
Intergovernmental revenue	5,297	119,594	124,891
Investment income	14,251	17,766	32,017
Interest expense	<u>(257,704)</u>	<u>(181,542)</u>	<u>(439,246)</u>
Total Nonoperating (Expenses), Net	<u>(238,156)</u>	<u>(44,182)</u>	<u>(282,338)</u>
Income (Loss) Before Other Financing Sources and (Uses)	(203,841)	1,027,200	823,359
Other Financing Sources and (Uses):			
Transfer in	37,113	-	37,113
Transfer out	<u>-</u>	<u>(12,498)</u>	<u>(12,498)</u>
Change in Net Position	(166,728)	1,014,702	847,974
Net Position at Beginning of Year	<u>10,037,017</u>	<u>16,956,820</u>	<u>26,993,837</u>
Net Position at End of Year	<u>\$ 9,870,289</u>	<u>\$ 17,971,522</u>	<u>\$ 27,841,811</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE 18 MONTH PERIOD ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 2,199,457	\$ 4,126,172	\$ 6,325,629
Payments to vendors and employees	<u>(1,357,123)</u>	<u>(1,814,543)</u>	<u>(3,171,666)</u>
Net Cash Provided By Operating Activities	842,334	2,311,629	3,153,963
<u>Cash Flows From Noncapital Financing Activities:</u>			
Interfund borrowing	<u>68,903</u>	<u>(222,956)</u>	<u>(154,053)</u>
Net Cash (Used For) Noncapital Financing Activities	68,903	(222,956)	(154,053)
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets, net	(36,539)	(2,340,180)	(2,376,719)
Principal payments on bonds and leases	(362,444)	(665,372)	(1,027,816)
Proceeds of SRF loan	-	2,016,812	2,016,812
Interest expense	(257,704)	(181,542)	(439,246)
Intergovernmental grant revenue	5,297	119,594	124,891
Intergovernmental subsidy	<u>21,229</u>	<u>12,345</u>	<u>33,574</u>
Net Cash (Used For) Capital and Related Financing Activities	(630,161)	(1,038,343)	(1,668,504)
<u>Cash Flows From Investing Activities:</u>			
Investment income	14,251	17,766	32,017
Reclass of restricted cash	<u>(91,110)</u>	<u>-</u>	<u>(91,110)</u>
Net Cash (Used For) Investing Activities	<u>(76,859)</u>	<u>17,766</u>	<u>(59,093)</u>
Net Change in Cash and Short-Term Investments	204,217	1,068,096	1,272,313
Cash and Short-Term Investments, Beginning of Year	<u>2,971,525</u>	<u>2,102,302</u>	<u>5,073,827</u>
Cash and Short-Term Investments, End of Year	<u>\$ 3,175,742</u>	<u>\$ 3,170,398</u>	<u>\$ 6,346,140</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income (loss)	\$ 34,315	\$ 1,071,382	\$ 1,105,697
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	584,221	845,692	1,429,913
Changes in assets and liabilities:			
User fees	56,639	67,671	124,310
Inventory	12,500	374	12,874
Other assets	43,994	189,280	233,274
Accounts payable	12,906	(3,242)	9,664
Accrued liabilities	80,218	115,084	195,302
Other liabilities	<u>17,541</u>	<u>25,388</u>	<u>42,929</u>
Net Cash Provided By Operating Activities	<u>\$ 842,334</u>	<u>\$ 2,311,629</u>	<u>\$ 3,153,963</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ 83,712	\$ 80,700
Investments	<u>5,317,890</u>	<u>-</u>
Total Assets	5,401,602	80,700
<u>LIABILITIES AND NET POSITION</u>		
Other liabilities	<u>-</u>	<u>80,700</u>
Total Liabilities	<u>-</u>	<u>80,700</u>
<u>NET POSITION</u>		
Total net position held in trust	<u>\$ 5,401,602</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE 18 MONTH PERIOD ENDED JUNE 30, 2014

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions:	
Contributions	\$ 1,247
Increase in fair value of investments	<u>987,698</u>
Total additions	988,945
Deductions:	
Miscellaneous	<u>236,527</u>
Total deductions	<u>236,527</u>
Net increase	752,418
Net position:	
Beginning of year	<u>4,649,184</u>
End of year	<u><u>\$ 5,401,602</u></u>

See notes to financial statements.

CITY OF CLAREMONT, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The City is a municipal corporation governed by an appointed City Manager and City Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and

services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary funds:

- Water services
- Sewer services

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

D. Cash and Short-Term Investments

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

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

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

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

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

F. Interfund Receivables and Payables

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

G. Inventories

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

H. Capital Assets

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

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

I. Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund

financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

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

K. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The City’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., City Council).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the City uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing 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. The remaining net position is reported as unrestricted.

L. Use of Estimates

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

2. **Stewardship, Compliance, and Accountability**

A. Budgetary Information

The City Manager presents an operating and capital budget for the proposed expenditures of the year commencing the following January 1. The budget, as enacted by the City Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the year at City Council meetings as required by changing conditions. Departments are limited to the line items as voted. Formal budgetary integration is employed as a management control device during the year for the General Fund. At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 24,016,333	\$ 20,947,477
Other financing sources/uses (GAAP Basis)	-	160,042
Subtotal (GAAP Basis)	24,016,333	21,107,519
Adjust tax revenue to accrual basis	(417,563)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(276,359)
Add end-of-year appropriation carryforwards from expenditures	-	578,221
To record use of fund balance as a funding source	17,434	-
To record GAAP timing differences	(499,259)	(499,259)
To reverse capital reserve activity	11,397	331,717
Budgetary Basis	<u>\$ 23,128,342</u>	<u>\$ 21,241,839</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2014:

Special Revenue Funds:	
Housing and Urban Development	\$ 30,689
Capital Project Funds:	
Tower Project - Homeland Security	\$ 5,794
Fire Training Grant	\$ 1,496
Airport Parallel Taxiway Grant	\$ 674
Emergency Operation Plant Grant	\$ 1,248
Public Works Projects - Paving	\$ 15,543
Debt Service Funds:	
Mill District TIF	\$ 1,104,215
Downtown TIF	\$ 161,852

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

3. Cash and Short-Term Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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

As of June 30, 2014, \$284,625 of the City's bank balance of \$19,244,504 was exposed to custodial credit risk as uninsured or uncollateralized. The amount exposed to custodial credit risk was the cash and cash equivalent portion of the investments held by the trustee of trust funds.

4. Investments

A. Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>			
				<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>
Mutual Funds	\$ 2,189	N/A	\$ 2,189	\$ -	\$ -	\$ -	\$ -
Federal agency securities	1,650	N/A	-	1,650	-	-	-
Corporate bonds	2,972	N/A	-	200	510	2,052	210
Corporate equities	<u>11,053</u>	N/A	<u>11,053</u>	-	-	-	-
Total investments	<u>\$ 17,864</u>		<u>\$ 13,242</u>	<u>\$ 1,850</u>	<u>\$ 510</u>	<u>\$ 2,052</u>	<u>\$ 210</u>

B. Concentration of Credit Risk

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

C. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>			
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
Corporate bonds	\$ 2,972	\$ 512	\$ 1,967	\$ 493
Federal agency securities	<u>1,650</u>	<u>564</u>	<u>636</u>	<u>450</u>
Total	<u>\$ 4,622</u>	<u>\$ 1,076</u>	<u>\$ 2,603</u>	<u>\$ 943</u>

5. Restricted Cash

Restricted cash represents capital reserve funds held by the trustee of trust funds as of June 30, 2014.

6. Taxes Receivable

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

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

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

recorded as a prepaid tax liability as they are intended to finance the subsequent year's operations.

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

Taxes receivable at June 30, 2014 consist of the following:

Real Estate			
2014	\$	9,164,469	
2013		1,710,993	
2012		<u>10,328</u>	
			10,885,790
Elderly Liens			
2012		3,515	
2011		3,389	
2010		3,210	
Prior		<u>19,665</u>	
			29,779
Tax Liens			
2012		582,040	
2011		340,537	
2010		59,253	
Prior		<u>59,303</u>	
			1,041,133
Timber Tax			<u>16,074</u>
Total	\$		<u><u>11,972,776</u></u>

Taxes Collected for Others

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

7. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 163,690	\$ -
User Fees:		
Water	\$ -	\$ 54,323
Sewer	\$ -	\$ 95,123

8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2014.

9. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2014 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
General Fund	\$ 255,329	\$ 3,191,247	\$ 1,264,621	\$ -
Nonmajor Funds				
Special Revenue Funds	524,148	187,530	-	-
Capital Project Funds	1,060,627	127,065	-	-
Debt Service Funds	1,568,141	-	305,725	1,570,346
Permanent Trust funds	-	8,647	-	-
Water Fund	-	27,763	-	-
Sewer Fund	134,007	-	-	-
Total	\$ 3,542,252	\$ 3,542,252	\$ 1,570,346	\$ 1,570,346

10. Other assets

Other assets reported at year end consist primarily of a prepaid expenditure to the Claremont School District of \$1,158,675, and deposits on capital assets not yet delivered of \$944,583.

11. Loans Receivable

Loans receivable represent promissory notes held by the City for purchases of CDA properties. During the 18 month period ended June 30, 2014, the following changes occurred in Loans receivable:

	<u>Total Balance 1/1/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/14</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/14</u>
<u>Governmental Activities</u>						
Brown Block LLC Loan	\$ 450,000	\$ -	\$ -	\$ 450,000	\$ (450,000)	\$ -
RRCC Realty, LLC (Red River)	500,000	-	-	500,000	-	500,000
Totals	\$ 950,000	\$ -	\$ -	\$ 950,000	\$ (450,000)	\$ 500,000

12. Capital Assets

Capital asset activity for the 18 month period ended June 30, 2014 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,270,127 ¹	\$ 8,773,314	\$ -	\$ 11,043,441
Machinery, equipment, and furnishings	7,262,323	3,618,704	(302,061)	10,578,966
Infrastructure	<u>20,540,069</u>	<u>5,400,268</u>	<u>-</u>	<u>25,940,337</u>
Total capital assets, being depreciated	30,072,519	17,792,286	(302,061)	47,562,744
Less accumulated depreciation for:				
Buildings and improvements	(1,162,354)	(60,553)	-	(1,222,907)
Machinery, equipment, and furnishings	(5,024,204)	(814,852)	234,622	(5,604,434)
Infrastructure	<u>(3,811,663)</u>	<u>(759,043)</u>	<u>-</u>	<u>(4,570,706)</u>
Total accumulated depreciation	<u>(9,998,221)</u>	<u>(1,634,448)</u>	<u>234,622</u>	<u>(11,398,047)</u>
Total capital assets, being depreciated, net	20,074,298	16,157,838	(67,439)	36,164,697
Capital assets, not being depreciated:				
Land	2,713,737	-	-	2,713,737
Construction in progress	<u>16,894,855</u>	<u>2,362,585</u>	<u>(16,894,857)</u>	<u>2,362,583</u>
Total capital assets, not being depreciated	<u>19,608,592</u>	<u>2,362,585</u>	<u>(16,894,857)</u>	<u>5,076,320</u>
Governmental activities capital assets, net	<u>\$ 39,682,890</u>	<u>\$ 18,520,423</u>	<u>\$ (16,962,296)</u>	<u>\$ 41,241,017</u>

¹ Capital assets for sale in the amount of \$1,461,868 are included in this grouping of capital assets.

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,601,017	\$ 250,000	\$ -	\$ 4,851,017
Machinery, equipment, and furnishings	4,726,219	146,155	-	4,872,374
Infrastructure	<u>38,762,773</u>	<u>807,291</u>	<u>-</u>	<u>39,570,064</u>
Total capital assets, being depreciated	48,090,009	1,203,446	-	49,293,455
Less accumulated depreciation for:				
Buildings and improvements	(500,453)	(142,917)	-	(643,370)
Machinery, equipment, and furnishings	(2,283,940)	(158,572)	-	(2,442,512)
Infrastructure	<u>(17,130,307)</u>	<u>(1,128,424)</u>	<u>-</u>	<u>(18,258,731)</u>
Total accumulated depreciation	<u>(19,914,700)</u>	<u>(1,429,913)</u>	<u>-</u>	<u>(21,344,613)</u>
Total capital assets, being depreciated, net	28,175,309	(226,467)	-	27,948,842
Capital assets, not being depreciated:				
Land	99,309	-	-	99,309
Construction in progress	<u>843,540</u>	<u>1,980,564</u>	<u>(807,291)</u>	<u>2,016,813</u>
Total capital assets, not being depreciated	<u>942,849</u>	<u>1,980,564</u>	<u>(807,291)</u>	<u>2,116,122</u>
Business-type activities capital assets, net	<u>\$ 29,118,158</u>	<u>\$ 1,754,097</u>	<u>\$ (807,291)</u>	<u>\$ 30,064,964</u>

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

Governmental Activities:	
General government	\$ 104,723
Public safety	319,040
Highway and streets	1,128,183
Library and recreation	<u>82,502</u>
Total depreciation expense - governmental activities	\$ <u>1,634,448</u>
Business-Type Activities:	
Water	\$ 584,221
Sewer	<u>845,692</u>
Total depreciation expense - business-type activities	\$ <u>1,429,913</u>

13. Accounts Payable

Accounts payable represent fiscal year 2014 expenditures paid in fiscal year 2015.

14. Tax Refunds Payable

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

15. Notes Payable

This balance represents the drawdown proceeds from the State of New Hampshire through the State Revolving Loan Program. The program provides low interest loans to assist communities with the design and construction of various types of projects and the proceeds are disbursed as eligible cost are incurred through drawdowns. Upon completion of the project the original financial assistant agreement shall be amended to reflect actual project expenditures. A supplemental agreement will then be executed between the State and the City containing the final project cost and the repayment schedule.

16. Capital Lease Obligations

The City is the lessee of certain equipment under capital and operating leases expiring in various years through 2020. Future minimum lease pay-

ments under the capital and operating leases consisted of the following as of June 30, 2014:

Fiscal Year	Capital Leases	
	Governmental Activities	Business-Type Activities
2015	\$ 275,189	\$ 73,425
2016	275,001	73,615
2017	163,215	17,719
2018	163,215	17,718
2019	163,216	17,718
2020-2024	536,456	17,722
2025-2029	313,264	-
Total minimum lease payments	1,889,556	217,917
Less amounts representing interest	(292,518)	(15,754)
Present Value of Minimum Lease Payments	\$ 1,597,038	\$ 202,163

17. Long-Term Debt

A. General Obligation Bonds and Notes

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

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/14
<u>Governmental Activities:</u>			
Landfill closure	07/01/22	3.70%	\$ 1,700,000
Street project	03/01/17	4.00%	224,150
Street project	09/15/20	3.75%	1,400,000
TIF District	09/15/15	3.40 - 3.60%	200,000
Mill District	08/15/27	4.00 - 5.00%	2,722,000
Mill District	08/15/27	4.00 - 5.00%	3,638,000
Mill District	08/15/17	6.00%	920,000
CDA - Brown Block	03/01/14	6.50%	450,000
CDA - Farwell Building	10/25/11	3.00%	160,000
CDA - Red River	04/23/15	7.00%	500,000
Refunding 2011 - Public Improvements	07/15/20	2.00 - 4.00%	588,800
North/Main St, Community Center, Drapers Corner	01/15/41	3.00 - 4.125%	7,170,000
Total Governmental Activities:			\$ <u>19,672,950</u>

<u>Business-Type Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/14
Drinking Water SRF Loan Project	12/01/26	3.488%	\$ 2,887,315
Drinking Water SRF Loan Project	07/01/27	2.488%	1,947,240
Revolving Loan #2	01/01/16	4.168%	110,601
Revolving Loan #11	12/01/27	3.688%	262,954
Revolving Loan #12	01/01/28	3.488%	83,074
Revolving Loan #13	08/01/27	3.488%	2,075,483
Revolving Loan #14	07/01/28	3.488%	340,133
Revolving Loan #15	11/01/21	1.940%	660,141
Refunding 2011 - Sewer Improvements	07/15/20	2.00 - 4.00%	<u>331,200</u>
Total Business-Type Activities:			<u>\$ 8,698,141</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,448,114	\$ 766,676	\$ 3,214,790
2016	1,340,898	688,749	2,029,647
2017	1,250,968	636,514	1,887,482
2018	1,180,965	586,787	1,767,752
2019	1,852,005	540,216	2,392,221
2020 - 2024	4,165,000	2,038,745	6,203,745
2025 - 2029	3,305,000	1,183,440	4,488,440
2030 - 2034	1,485,000	723,392	2,208,392
Thereafter	<u>2,645,000</u>	<u>453,087</u>	<u>3,098,087</u>
Total	<u>\$ 19,672,950</u>	<u>\$ 7,617,606</u>	<u>\$ 27,290,556</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 647,354	\$ 283,837	\$ 931,191
2016	680,064	238,488	918,552
2017	639,089	218,446	857,535
2018	651,888	200,058	851,946
2019	666,732	181,259	847,991
2020 - 2024	3,239,993	640,707	3,880,700
2025 - 2029	<u>2,173,021</u>	<u>124,448</u>	<u>2,297,469</u>
Total	<u>\$ 8,698,141</u>	<u>\$ 1,887,243</u>	<u>\$ 10,585,384</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2014:

General fund	\$ 11,082,950
Special revenue fund	
Claremont Development Authority (CDA)	1,110,000
Debt service fund	
River Road TIF District	200,000
Mill District TIF	<u>7,280,000</u>
Total	<u>\$ 19,672,950</u>

C. Changes in General Long-Term Liabilities

During the 18 month period ended June 30, 2014, the following changes occurred in long-term liabilities:

	Total Balance 1/1/13	Additions	Reductions	Total Balance 6/30/14	Less Current Portion	Equals Long-Term Portion 6/30/14
<u>Governmental Activities</u>						
Bonds payable	\$ 21,602,077	\$ -	\$ (1,929,127)	\$ 19,672,950	\$ (2,448,114)	\$ 17,224,836
OPEB	318,300	91,547	-	409,847	-	409,847
Other:						
Bond premium	46,013	-	(1,587)	44,426	(1,587)	42,839
Landfill closure	342,000	-	(18,000)	324,000	(18,000)	306,000
Accrued employee benefits	263,449	367,192	-	630,641	(63,064)	567,577
Capital lease payable	865,079	1,318,561	(586,602)	1,597,038	(225,782)	1,371,256
Totals	<u>\$ 23,436,918</u>	<u>\$ 1,777,300</u>	<u>\$ (2,535,316)</u>	<u>\$ 22,678,902</u>	<u>\$ (2,756,547)</u>	<u>\$ 19,922,355</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 9,576,090	\$ -	\$ (877,949)	\$ 8,698,141	\$ (647,354)	\$ 8,050,787
OPEB	10,016	2,881	-	12,897	-	12,897
Other:						
Accrued employee benefits	31,227	41,062	-	72,289	(6,955)	65,334
Capital lease payable	352,030	-	(149,867)	202,163	(67,814)	134,349
Totals	<u>\$ 9,969,363</u>	<u>\$ 43,943</u>	<u>\$ (1,027,816)</u>	<u>\$ 8,985,490</u>	<u>\$ (722,123)</u>	<u>\$ 8,263,367</u>

18. Landfill Closure and Postclosure Care Costs

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

The \$324,000 reported is based on what it would cost to perform all post-closure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

19. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2014:

	<u>Governmental Activities</u>
Prepaid Taxes	\$ 8,860
Unearned Revenue	14,700,745
Unearned Memberships Fees	<u>227,178</u>
Total	<u>\$ 14,936,783</u>

	<u>Governmental Funds General Fund</u>
Prepaid Taxes	\$ 8,860
Unearned Revenue	17,347,672
Unearned Memberships Fees	<u>227,178</u>
Total	<u>\$ 17,583,710</u>

20. Restricted Net Position

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

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

21. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The City implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance

classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2014:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved by City Council, capital reserve funds set aside by City Council vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the City's fund balances at June 30, 2014:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Prepaid expenditures	\$ 47,241	\$ -	\$ 47,241
Advances to other funds	1,264,621	-	1,264,621
Nonexpendable permanent funds	<u>-</u>	<u>10,224,787</u>	<u>10,224,787</u>
Total Nonexpendable	1,311,862	10,224,787	11,536,649
Restricted			
Special revenue funds	-	920,496	920,496
Capital project funds	-	974,490	974,490
TIFF funds	-	1,846,526	1,846,526
Expendable permanent funds	<u>-</u>	<u>2,511,194</u>	<u>2,511,194</u>
Total Restricted	-	6,252,706	6,252,706
Committed			
Capital reserve funds	<u>1,483,673</u>	<u>-</u>	<u>1,483,673</u>
Total Committed	1,483,673	-	1,483,673
Assigned			
Encumbrances	<u>578,221</u>	<u>-</u>	<u>578,221</u>
Total Assigned	578,221	-	578,221
Unassigned			
Unassigned	<u>318,093</u>	<u>(1,321,531)</u>	<u>(1,003,438)</u>
Total Unassigned	<u>318,093</u>	<u>(1,321,531)</u>	<u>(1,003,438)</u>
Total Fund Balance	<u>\$ 3,691,849</u>	<u>\$ 15,155,962</u>	<u>\$ 18,847,811</u>

22. General Fund Unassigned Fund Balances

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

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

	<u>Unassigned</u>	<u>Total</u>
GAAP basis balance	\$ 318,093	\$ 3,691,849
Unearned revenue	2,646,927	2,646,927
Tax refund contingency	-	500,000
Other	7,000	7,000
Capital reserve	-	<u>(1,483,673)</u>
Tax Rate Setting Balance	<u>\$ 2,972,020</u>	<u>\$ 5,362,103</u>

23. **Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues in which the City is involved. The City's management is of the opinion that the potential future settlement of such claims would materially affect its financial statements taken as a whole. As a result, the City has reserved \$500,000 pending the outcome of the legal issues.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

24. **Post-Employment Healthcare and Life Insurance Benefits**

Other Post-Employment Benefits

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

A. Plan Description

The City provides its eligible retirees, including in some cases their beneficiaries (as govern by RSA 100-A:50), the ability to purchase health, dental, and prescription insurance at the City's group rates. Although the

City does not supplement the cost of these plans, GASB Statement 45 requires the City to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance - one risk group subsidizes another to arrive at a blended premium, therefore current employees who are young and healthy subsidized the older retirees. As of June 30, 2014, there were 58 retiree subscribers, including eligible spouses and dependents, and 107 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

The City's 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the 18 month period ending June 30, 2014, 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.

Annual Required Contribution (ARC)	\$ 177,434
Interest on net OPEB obligation	14,774
Adjustment to ARC	<u>18,149</u>
Annual OPEB cost	210,357
Contributions made	<u>(115,929)</u>
Increase in net OPEB obligation	94,428
Net OPEB obligation - beginning of year	<u>328,316</u>
Net OPEB obligation - end of year	<u><u>\$ 422,744</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 210,357	55%	\$ 94,428
2012	\$ 165,757	70%	\$ 97,715
2011	\$ 165,757	54%	\$ 76,867

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2013, the date of the most recent actuarial valuation was 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)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 4,923,077</u>
UAAL as a percentage of covered payroll	<u>47%</u>

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

F. Actuarial Methods and Assumptions

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

accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 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 rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

25. Retirement System

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

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System (the System), a multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement system (PERS), is divided into two membership groups. State or local employees and teachers belong to Group I. Police officers and firefighters belong to Group II. All assets are held in a single trust and are available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507. The City contributes to the New Hampshire Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Revised Statutes

Annotated 100-A:41-a of New Hampshire Law assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Funding Policy

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and 11.55% for police and 11.80% for fire. The City makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, 8.80% for employees, 19.95% for police, and 22.89% for fire. The City's contributions to the System for the years ended June 30, 2014, 2012, and 2011 were \$1,309,562, \$750,949, and \$752,447, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the 18 month period ended June 30, 2014 was \$8,002,555.

26. Risk Management

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

27. Beginning Fund Balance Restatement

The City's major governmental funds for the 18 month period ended June 30, 2014, as defined by GASB Statement 54, have changed from the previous year. Accordingly, the following reconciliation is provided:

	Fund Equity 1/1/13 (as previously <u>reported</u>)	<u>Reclassification</u>	Fund Equity 1/1/13 (as restated)
General fund	\$ 783,035	\$ -	\$ 783,035
Community Center fund	843,604	(843,604)	-
Nonmajor funds	<u>13,788,254</u>	<u>843,604</u>	<u>14,631,858</u>
Total	<u>\$ 15,414,893</u>	<u>\$ -</u>	<u>\$ 15,414,893</u>

28. Implementation of New GASB Standards

The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in year 2015. Management's current assessment is that this pronouncement will have a significant impact on the City's basic financial statements by recognizing as a liability and expense, the City's applicable portion of the State of New Hampshire's actuarially accrued liability.

CITY OF CLAREMONT, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2014

(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/09	\$ -	\$ 2,153,999	\$ 2,153,999	0.0%	\$ 4,687,774	46%
1/1/2012	\$ -	\$ 2,667,901	\$ 2,667,901	0.0%	\$ 4,779,686	56%
1/1/2013	\$ -	\$ 2,333,006	\$ 2,333,006	0.0%	\$ 4,923,077	47%

See Independent Auditors' Report.