

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Financial Statements**  
**With Schedule of Expenditures of Federal Awards**  
**June 30, 2017**  
**and**  
**Independent Auditor's Report**

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance  
With *Government Auditing Standards***

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

**Schedule of Findings and Questioned Costs**

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**FINANCIAL STATEMENTS**  
**June 30, 2017**

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**FINANCIAL STATEMENTS**  
**June 30, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremont, New Hampshire, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremont, New Hampshire, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for other post-employment benefits, schedule of changes in the City's proportionate share of the net pension liability, and the schedule of City contributions on pages i-viii and 41-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Claremont, New Hampshire's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2018 on our consideration of the City of Claremont, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and

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

Vashon Aubrey & Company PC

Manchester, New Hampshire  
January 8, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Claremont, we offer readers this narrative overview and analysis of the financial activities of the City of Claremont for the fiscal year ended June 30, 2017. This analysis compares the fiscal year ending June 30, 2017 to the fiscal year ending June 30, 2016. We encourage readers to consider the information here in conjunction with additional information that we have furnished in our letter of transmittal.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental fund financial statements provide separate information for the General Fund and the Permanent Funds, both of which are considered to be major funds.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water, sewer, and economic development operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America and the *Governmental Accounting Standards Board*.

**B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$48,529,879, presented as “net position” shown on the Statement of Net Position for the Total Primary Government. The City’s Net Position decreased by \$989,958.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$10,465,590, a change of (\$145,360) in comparison with the prior year.
- The River Road Tax Increment Financing Fund (a nonmajor governmental fund) closed during the fiscal year, and the unexpended balance of \$1,326,485 was transferred to the General Fund.
- At the end of the current fiscal year, unassigned fund balance for the general fund on a GAAP basis was \$1,694,672. However, unassigned fund balance on a tax rate setting basis was \$3,790,987. See the Notes to Required Supplementary Information on page 45 for more information.
- Total general obligation bonds payable and tax increment financing bonds payable for all funds at the close of the current fiscal year was \$24,856,326, a change of \$(383,942) in comparison to the prior year.

**C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

**NET POSITION**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>(Restated)</u>		<u>(Restated)</u>			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$20,565,504	\$29,353,904	\$10,207,430	\$9,769,168	\$30,772,934	\$39,123,072
Capital Assets	38,266,419	39,830,473	27,285,509	28,297,300	65,551,928	68,127,773
<b>Total Assets</b>	<b>58,831,923</b>	<b>69,184,377</b>	<b>37,492,939</b>	<b>38,066,468</b>	<b>96,324,862</b>	<b>107,250,845</b>
Total Deferred Outflow of Resources	4,284,535	1,746,160	230,484	93,842	4,515,019	1,840,002
Long-term Liabilities outstanding	32,417,091	29,932,156	9,045,853	10,212,881	41,462,944	40,145,037
Other Liabilities	3,261,251	3,249,867	1,111,771	865,426	4,373,022	4,115,293
<b>Total Liabilities</b>	<b>35,678,342</b>	<b>33,182,023</b>	<b>10,157,624</b>	<b>11,078,307</b>	<b>45,835,966</b>	<b>44,260,330</b>
Total Deferred Inflow of Resources	6,464,315	15,282,854	9,721	27,826	6,474,036	15,310,680
<b>Net Position:</b>						
Net investment in capital assets	21,712,665	22,044,451	19,172,378	19,092,883	40,885,043	41,137,334
Restricted	4,390,938	6,006,618	-	-	4,390,938	6,006,618
Unrestricted (Deficit)	(5,129,802)	(5,585,409)	8,383,700	7,961,294	3,253,898	2,375,885
<b>Total Net Position</b>	<b>\$20,973,801</b>	<b>\$22,465,660</b>	<b>\$27,556,078</b>	<b>\$27,054,177</b>	<b>\$48,529,879</b>	<b>\$49,519,837</b>

## CHANGES IN NET POSITION

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2017</u>	Restated <u>2016</u>	<u>2017</u>	Restated <u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,718,245	\$ 1,376,985	\$ 4,483,333	\$ 4,358,582	\$ 6,201,578	\$ 5,735,567
Operating grants and contributions	369,102	683,952			369,102	683,952
Capital grants and contributions	396,227	280,165	286,070	19,619	682,297	299,784
General revenues:						
Taxes	10,679,894	11,663,765			10,679,894	11,663,765
Licenses and permits	2,404,239	2,263,927			2,404,239	2,263,927
Intergovernmental	692,235	644,242			692,235	644,242
Interest	334,086	160,257	40,110	29,387	374,196	189,644
Miscellaneous	209,559	599,027		204,118	209,559	803,145
Total revenues	<u>16,803,587</u>	<u>17,672,320</u>	<u>4,809,513</u>	<u>4,611,706</u>	<u>21,613,100</u>	<u>22,284,026</u>
Expenses:						
General government	3,606,509	3,378,511			3,606,509	3,378,511
Public safety	6,249,767	5,623,074			6,249,767	5,623,074
Airport/aviation center	762,235	687,561			762,235	687,561
Highways and streets	4,055,236	3,421,391			4,055,236	3,421,391
Sanitation	162,671	184,564			162,671	184,564
Health and welfare	429,758	377,518			429,758	377,518
Culture and recreation	2,385,293	2,454,143			2,385,293	2,454,143
Conservation	1,208	1,439			1,208	1,439
Economic development	-	285,327	79,183	125,209	79,183	410,536
Debt service	645,052	570,418			645,052	570,418
Water			1,853,801	1,829,417	1,853,801	1,829,417
Sewer			2,374,628	2,277,373	2,374,628	2,277,373
	<u>18,297,729</u>	<u>16,983,946</u>	<u>4,307,612</u>	<u>4,231,999</u>	<u>22,605,341</u>	<u>21,215,945</u>
Changes in net position before permanent fund contributions	(1,494,142)	688,374	501,901	379,707	(992,241)	1,068,081
Permanent fund contributions	2,283	85,597			2,283	85,597
Changes in net position	(1,491,859)	773,971	501,901	379,707	(989,958)	1,153,678
Net Position - beginning of year	22,465,660	22,860,615	27,054,177	25,505,544	49,519,837	48,366,159
Restatement due to reclassification of Claremont Development Authority Fund		(1,168,926)		1,168,926	-	-
Net Position - end of year	<u>\$ 20,973,801</u>	<u>\$ 22,465,660</u>	<u>\$ 27,556,078</u>	<u>\$ 27,054,177</u>	<u>\$ 48,529,879</u>	<u>\$ 49,519,837</u>

Please note that the 2016 columns reflect the restated figures due to the reclassification of the Claremont Development Authority Fund from a governmental fund to a proprietary fund.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$48,529,879, a change of (\$989,958) from the prior year.

The largest portion of the City's net position, \$40,885,043 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, \$4,390,938 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$3,253,898 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of (\$1,491,859). Key elements of this change are as follows:

General Fund operating results (per Exhibit D)	\$	929,050
Permanent Funds operating results (per Exhibit D)		240,250
Nonmajor funds operating results (per Exhibit D)		(1,314,660)
Capital asset additions		936,912
Depreciation on capital assets		(2,478,393)
Issuance of capital leases		(299,977)
Issuance of notes payable		(263,810)
Principal paid on capital leases		278,738
Principal paid on bonds payable		1,345,933
Principal paid on notes payable		54,853
Net change in the net pension liability and related deferred outflows and inflows of resources		(796,011)
Other GAAP accruals		(124,744)
	\$	<u>(1,491,859)</u>

**Business-Type Activities.** Business-type activities for the year resulted in a change in net position of \$501,901. Key elements of this change are as follows:

Water Fund	\$	(140,270)
Sewer Fund		676,263
Claremont Development Authority Fund		(34,092)
	\$	<u>501,901</u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$10,465,590, a change of (\$145,360) in comparison with the prior year. Key elements of this change are as follows:

General Fund operations	\$ 929,050
Permanent Funds operating results	240,250
Nonmajor funds operating results	<u>(1,314,660)</u>
	<u>\$ (145,360)</u>

The general fund is the main operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,694,672 while total fund balance was \$5,548,245. However, for tax rate setting purposes, unassigned fund balance was \$3,790,987 while the total fund balance was \$6,006,747 (see the Notes to the Required Supplementary Information on page 45 for more information).

The fund balance of the general fund changed by \$929,050 during the current fiscal year. Key factors in this change are as follows:

Revenue in excess of budget	\$ 1,007,210
Expenditures less than budget	889,845
Use of fund balance	(1,512,154)
Tax collections as compared to budget	162,629
Expenditures of current year encumbrances over prior year encumbrances	575,299
Capital lease activity	(137,994)
Change in capital reserve funds	<u>(55,785)</u>
	<u>\$ 929,050</u>

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

Permanent funds account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the City's programs. At June 30, 2017, the balance of \$3,370,611 was nonspendable and \$108,536 was restricted for income earned on the principal balance.

The total fund balance of \$1,438,198 in the other governmental funds is restricted or committed for the purposes of the individually established funds. The unassigned balance of (\$1,124,958) is applicable to the deficit balance in the Downtown Tax Increment Financing Fund. During the year ending June 30, 2017, fund balance in the other governmental funds decreased by \$1,314,660. The majority of this decrease is the result of the discontinuance of the River Road Tax Increment Financing Fund, and the unexpended balance of \$1,326,485 was transferred to the General Fund.

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

Unrestricted net position of the enterprise funds at the end of the fiscal year are \$8,383,700.

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 2017 budget as presented by the City Manager was approved by the City Council on June 22, 2016. The original budget increased by \$87,639. During the fiscal year ending June 30, 2017, the City Council amended the overall budget by issuing supplemental resolutions after the State set the tax rate in the fall of 2015.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital assets.**

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$65,551,928 (net of accumulated depreciation), a change of (\$2,2575,845) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

### **Long-term debt.**

At the end of the current fiscal year, total bonded debt outstanding was \$24,856,326, all of which was backed by the full faith and credit of the government.

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

## **G. ECONOMIC CONDITIONS**

2017 was a busy year for commercial activity which will continue in 2018. New construction of a 67,000 square foot facility for North Country Smokehouse was completed and occupied. An additional 24,000 square foot addition at National Field Representatives is near completion. Both companies are adding jobs, with an additional 60-100 anticipated.

Construction is well underway for Twin State MakerSpace as an adaptive reuse project in the Mill district. The project is repurposing 11,000 square feet of space in the former Joy Manufacturing Forge for shared workspace. Tools will include CNC machines, 3D printers, woodworking, welding, technology, fiber arts and metal and will be a focal point for entrepreneurship and small business programming.

Approvals and financing has been approved for renovation of an existing building in the City Center for 36 units of housing. Plans are being completed and construction is anticipated to begin by June 2018.

Hobby Lobby has signed a lease agreement for 50,000+ square feet of existing space (former Kmart store) and anticipates approximately \$1 million in upgrades with opening anticipated in April 2018.

A new Ford Dealership has received all city and state approvals, has completed site work and is scheduled for construction in the spring.

### **REQUESTS FOR INFORMATION**

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

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

EXHIBIT A  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Statement of Net Position**  
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 7,560,046	\$ 4,519,267	\$ 12,079,313
Investments	9,891,740	3,035,140	12,926,880
Taxes receivable, net	2,667,269		2,667,269
Accounts receivable, net	102,278	1,477,690	1,579,968
Due from other governments	237,408	50,926	288,334
Internal balances	(172,254)	172,254	-
Prepaid expenses	58,431		58,431
Inventory		124,280	124,280
Total Current Assets	<u>20,344,918</u>	<u>9,379,557</u>	<u>29,724,475</u>
Noncurrent Assets:			
Due from other governments	220,586	827,873	1,048,459
Capital assets:			
Non-depreciable capital assets	2,269,767	1,084,969	3,354,736
Depreciable capital assets, net	<u>35,996,652</u>	<u>26,200,540</u>	<u>62,197,192</u>
Total Noncurrent Assets	<u>38,487,005</u>	<u>28,113,382</u>	<u>66,600,387</u>
Total Assets	<u>58,831,923</u>	<u>37,492,939</u>	<u>96,324,862</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>4,284,535</u>	<u>230,484</u>	<u>4,515,019</u>
Total Deferred Outflows of Resources	<u>4,284,535</u>	<u>230,484</u>	<u>4,515,019</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	886,247	177,322	1,063,569
Accrued expenses	573,966	143,563	717,529
Retainage payable	60,225		60,225
Deposits	6,682		6,682
Current portion of bonds payable	758,959	745,562	1,504,521
Current portion of tax increment financing bonds payable	515,000		515,000
Current portion of notes payable	50,821		50,821
Current portion of capital leases payable	328,687	41,416	370,103
Current portion of compensated absences payable	65,664	3,908	69,572
Current portion of estimated liability for landfill postclosure care costs	<u>15,000</u>		<u>15,000</u>
Total Current Liabilities	<u>3,261,251</u>	<u>1,111,771</u>	<u>4,373,022</u>
Noncurrent Liabilities:			
Bonds payable	9,584,050	8,022,756	17,606,806
Tax increment financing bonds payable	5,229,999		5,229,999
Notes payable	158,136		158,136
Capital leases payable	1,877,628	152,434	2,030,062
Other long-term obligations		29,762	29,762
Compensated absences payable	590,979	35,171	626,150
Other post-employment benefits obligation	471,119	35,926	507,045
Net pension liability	14,310,180	769,804	15,079,984
Estimated liability for landfill postclosure care costs	<u>195,000</u>		<u>195,000</u>
Total Noncurrent Liabilities	<u>32,417,091</u>	<u>9,045,853</u>	<u>41,462,944</u>
Total Liabilities	<u>35,678,342</u>	<u>10,157,624</u>	<u>45,835,966</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes collected in advance	6,056,599		6,056,599
Other collections in advance	227,014		227,014
Deferred inflows related to pension	<u>180,702</u>	<u>9,721</u>	<u>190,423</u>
Total Deferred Inflows of Resources	<u>6,464,315</u>	<u>9,721</u>	<u>6,474,036</u>
NET POSITION			
Net investment in capital assets	21,712,665	19,172,378	40,885,043
Restricted	4,390,938		4,390,938
Unrestricted (Deficit)	<u>(5,129,802)</u>	<u>8,383,700</u>	<u>3,253,898</u>
Total Net Position	<u>\$ 20,973,801</u>	<u>\$ 27,556,078</u>	<u>\$ 48,529,879</u>

*See accompanying notes to the basic financial statements*

EXHIBIT B  
CITY OF CLAREMONT, NEW HAMPSHIRE  
Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 3,606,509	\$ 248,470			\$ (3,358,039)		\$ (3,358,039)
Public safety	6,249,767	582,593	\$ 44,231		(5,622,943)		(5,622,943)
Airport/Aviation center	762,235	106,252		\$ 314,554	(341,429)		(341,429)
Highways and streets	4,055,236	38,428	316,808	81,673	(3,618,327)		(3,618,327)
Sanitation	162,671				(162,671)		(162,671)
Health and welfare	429,758	5,546			(424,212)		(424,212)
Culture and recreation	2,385,293	736,956			(1,648,337)		(1,648,337)
Conservation	1,208				(1,208)		(1,208)
Debt service	645,052		8,063		(636,989)		(636,989)
Total governmental activities	<u>18,297,729</u>	<u>1,718,245</u>	<u>369,102</u>	<u>396,227</u>	<u>(15,814,155)</u>	<u>\$ -</u>	<u>(15,814,155)</u>
Business-type activities:							
Water	1,853,801	1,701,258				(152,543)	(152,543)
Sewer	2,374,628	2,738,517		286,070		649,959	649,959
Nonmajor fund	79,183	43,558				(35,625)	(35,625)
Total business-type activities	<u>4,307,612</u>	<u>4,483,333</u>	<u>-</u>	<u>286,070</u>	<u>-</u>	<u>461,791</u>	<u>461,791</u>
Total primary government	<u>\$ 22,605,341</u>	<u>\$ 6,201,578</u>	<u>\$ 369,102</u>	<u>\$ 682,297</u>	<u>(15,814,155)</u>	<u>461,791</u>	<u>(15,352,364)</u>
General revenues:							
Property and other taxes					10,679,894		10,679,894
Licenses and permits					2,404,239		2,404,239
Grants and contributions:							
Rooms and meals tax distribution					685,771		685,771
Miscellaneous grants					6,464		6,464
Interest and investment earnings					334,086	40,110	374,196
Miscellaneous					209,559		209,559
Contributions to permanent fund principal					2,283		2,283
Total general revenues and contributions to permanent fund principal					<u>14,322,296</u>	<u>40,110</u>	<u>14,362,406</u>
Change in net position					(1,491,859)	501,901	(989,958)
Net position - beginning, as restated					<u>22,465,660</u>	<u>27,054,177</u>	<u>49,519,837</u>
Net position - ending					<u>\$ 20,973,801</u>	<u>\$ 27,556,078</u>	<u>\$ 48,529,879</u>

See accompanying notes to the basic financial statements

EXHIBIT C  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2017

	<u>General Fund</u>	<u>Permanent Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,557,734		\$ 2,312	\$ 7,560,046
Investments	5,501,198	\$ 3,504,519	886,023	9,891,740
Taxes receivable, net	2,667,269			2,667,269
Accounts receivable	27,300		74,978	102,278
Due from other governments	75,883		122,021	197,904
Due from other funds	365,305		1,774,199	2,139,504
Advance to other funds	860,890			860,890
Prepaid expenses	58,431			58,431
Total Assets	<u>17,114,010</u>	<u>3,504,519</u>	<u>2,859,533</u>	<u>23,478,062</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 17,114,010</u>	<u>\$ 3,504,519</u>	<u>\$ 2,859,533</u>	<u>\$ 23,478,062</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 786,737		\$ 99,510	\$ 886,247
Accrued expenses	244,704			244,704
Retainage payable	30,883		29,342	60,225
Due to other funds	1,854,793	\$ 25,372	431,593	2,311,758
Advance from other funds			860,890	860,890
Deposits	6,682			6,682
Total Liabilities	<u>2,923,799</u>	<u>25,372</u>	<u>1,421,335</u>	<u>4,370,506</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes collected in advance	6,056,599			6,056,599
Uncollected property taxes	2,358,353			2,358,353
Other collections in advance	227,014			227,014
Total Deferred Inflows of Resources	<u>8,641,966</u>	<u>-</u>	<u>-</u>	<u>8,641,966</u>
<b>FUND BALANCES</b>				
Nonspendable	919,321	3,370,611		4,289,932
Restricted		108,536	1,565,790	1,674,326
Committed	1,624,650		997,366	2,622,016
Assigned	1,309,602			1,309,602
Unassigned (deficit)	1,694,672		(1,124,958)	569,714
Total Fund Balances	<u>5,548,245</u>	<u>3,479,147</u>	<u>1,438,198</u>	<u>10,465,590</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 17,114,010</u>	<u>\$ 3,504,519</u>	<u>\$ 2,859,533</u>	<u>\$ 23,478,062</u>

*See accompanying notes to the basic financial statements*

EXHIBIT C-1  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
June 30, 2017

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 10,465,590
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	38,266,419
Other long-term assets are not available to pay current period expenditures, and therefore, are not reported in governmental funds	260,090
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	2,358,353
Deferred outflows of resources and deferred inflows of resources that do not provide or require the use of current financial resources are not reported within the funds:	
Deferred outflows of resources related to net pension liability	4,284,535
Deferred inflows of resources related to net pension liability	(180,702)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(10,343,009)
Tax increment financing bonds payable	(5,744,999)
Notes payable	(208,957)
Capital leases payable	(2,206,315)
Accrued interest on long-term obligations	(329,262)
Compensated absences payable	(656,643)
Other post-employment benefits obligation	(471,119)
Net pension liability	(14,310,180)
Estimated liability for landfill postclosure care costs	<u>(210,000)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 20,973,801</u>

*See accompanying notes to the basic financial statements*

EXHIBIT D  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended June 30, 2017

	General <u>Fund</u>	Permanent <u>Funds</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	\$ 10,316,179		\$ 526,344	\$ 10,842,523
Licenses and permits	2,264,718		139,521	2,404,239
Intergovernmental	1,055,199		440,458	1,495,657
Charges for services	1,395,082		93,524	1,488,606
Interest and investment income	27,966	\$ 299,415	6,705	334,086
Miscellaneous	<u>226,132</u>	<u>2,283</u>	<u>229,639</u>	<u>458,054</u>
Total Revenues	<u>15,285,276</u>	<u>301,698</u>	<u>1,436,191</u>	<u>17,023,165</u>
Expenditures:				
Current operations:				
General government	3,445,119	27,161	750	3,473,030
Public safety	5,572,754		68,150	5,640,904
Airport/Aviation center	71,628		362,713	434,341
Highways and streets	2,387,969		708,093	3,096,062
Sanitation	171,993			171,993
Health and welfare	406,324		11,841	418,165
Culture and recreation	1,927,776	2,020	34,331	1,964,127
Conservation			1,208	1,208
Capital outlay	424,932		1,850	426,782
Debt service:				
Principal retirement	880,786		520,000	1,400,786
Interest and fiscal charges	<u>413,914</u>		<u>291,000</u>	<u>704,914</u>
Total Expenditures	<u>15,703,195</u>	<u>29,181</u>	<u>1,999,936</u>	<u>17,732,312</u>
Excess revenues over (under) expenditures	<u>(417,919)</u>	<u>272,517</u>	<u>(563,745)</u>	<u>(709,147)</u>
Other financing sources (uses):				
Proceeds from note issuance			263,810	263,810
Proceeds from capital lease	299,977			299,977
Transfers in	1,415,252		391,710	1,806,962
Transfers out	<u>(368,260)</u>	<u>(32,267)</u>	<u>(1,406,435)</u>	<u>(1,806,962)</u>
Total other financing sources (uses)	<u>1,346,969</u>	<u>(32,267)</u>	<u>(750,915)</u>	<u>563,787</u>
Net change in fund balances	929,050	240,250	(1,314,660)	(145,360)
Fund balances at beginning of year, as restated	<u>4,619,195</u>	<u>3,238,897</u>	<u>2,752,858</u>	<u>10,610,950</u>
Fund balances at end of year	<u>\$ 5,548,245</u>	<u>\$ 3,479,147</u>	<u>\$ 1,438,198</u>	<u>\$ 10,465,590</u>

*See accompanying notes to the basic financial statements*

EXHIBIT D-1

CITY OF CLAREMONT, NEW HAMPSHIRE

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities

For the Year Ended June 30, 2017

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ (145,360)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	(1,541,481)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(162,629)
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Repayments in the current year are as follows:	
Principal paid on general obligation bonds	825,933
Principal paid on tax increment financing bonds	520,000
Principal paid on notes payable	54,853
Principal paid on capital leases payable	278,738
Proceeds from the issuance of long-term obligations are an other financing source in the funds, but increase long-term liabilities in the statement of net position. Proceeds in the current year are as follows:	
Proceeds from note issuance	(263,810)
Proceeds from capital leases	(299,977)
Governmental funds only report the disposal of assets to the extent proceeds are received for the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposed capital assets reduced by the actual proceeds received from the disposal.	(22,573)
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are unearned and amortized in the statement of activities:	22,497
In the statement of activities, interest is accrued on outstanding long-term obligations whereas in governmental funds, an interest expenditure is reported when due.	53,627
Revenues in the governmental fund financial statements that reduce long-term assets recorded on the statement of net position are not reported as revenues in the statement of activities.	(38,093)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These expenses are from the following activities:	
Compensated absences	29,188
Other post-employment benefits	(21,761)
Landfill postclosure care costs	15,000
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in the net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which pension expense exceeded pension contributions in the current period.	<u>(796,011)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ (1,491,859)</u>

*See accompanying notes to the basic financial statements*

EXHIBIT E  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Statement of Net Position**  
**Proprietary Funds**  
June 30, 2017

	Business-type Activities			Totals
	Water Fund	Sewer Fund	Nonmajor Proprietary Fund	
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 2,240,215	\$ 2,267,812	\$ 11,240	\$ 4,519,267
Investments	276,429	2,538,429	220,282	3,035,140
Accounts receivable, net	624,899	852,268	523	1,477,690
Due from other governments		50,926		50,926
Due from other funds	23,667	223,565		247,232
Inventory	114,031	10,249		124,280
Total Current Assets	<u>3,279,241</u>	<u>5,943,249</u>	<u>232,045</u>	<u>9,454,535</u>
Noncurrent Assets:				
Due from other governments	212,291	615,582		827,873
Capital assets:				
Non-depreciable capital assets	120,621	56,758	907,590	1,084,969
Depreciable capital assets, net	<u>9,803,967</u>	<u>16,267,307</u>	<u>129,266</u>	<u>26,200,540</u>
Total Noncurrent Assets	<u>10,136,879</u>	<u>16,939,647</u>	<u>1,036,856</u>	<u>28,113,382</u>
Total Assets	<u>13,416,120</u>	<u>22,882,896</u>	<u>1,268,901</u>	<u>37,567,917</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pension	<u>125,539</u>	<u>104,945</u>		<u>230,484</u>
Total Deferred Outflows of Resources	<u>125,539</u>	<u>104,945</u>	<u>-</u>	<u>230,484</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	127,617	47,920	1,785	177,322
Accrued expenses	62,137	71,426	10,000	143,563
Due to other funds	38,813	36,165		74,978
Current portion of bonds payable	203,870	541,692		745,562
Current portion of capital leases payable	27,605	13,811		41,416
Current portion of compensated absences payable	<u>2,388</u>	<u>1,520</u>		<u>3,908</u>
Total Current Liabilities	<u>462,430</u>	<u>712,534</u>	<u>11,785</u>	<u>1,186,749</u>
Noncurrent Liabilities:				
Bonds payable	3,539,766	4,482,990		8,022,756
Capital leases payable	119,915	32,519		152,434
Other long-term obligations	29,762			29,762
Compensated absences payable	21,488	13,683		35,171
Other post-employment benefits obligation	21,621	14,305		35,926
Net pension liability	<u>419,294</u>	<u>350,510</u>		<u>769,804</u>
Total Noncurrent Liabilities	<u>4,151,846</u>	<u>4,894,007</u>	<u>-</u>	<u>9,045,853</u>
Total Liabilities	<u>4,614,276</u>	<u>5,606,541</u>	<u>11,785</u>	<u>10,232,602</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pension	<u>5,295</u>	<u>4,426</u>		<u>9,721</u>
Total Deferred Inflows of Resources	<u>5,295</u>	<u>4,426</u>	<u>-</u>	<u>9,721</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,215,961	11,919,561	1,036,856	19,172,378
Unrestricted	<u>2,706,127</u>	<u>5,457,313</u>	<u>220,260</u>	<u>8,383,700</u>
Total Net Position	<u>\$ 8,922,088</u>	<u>\$ 17,376,874</u>	<u>\$ 1,257,116</u>	<u>\$ 27,556,078</u>

See accompanying notes to the basic financial statements

EXHIBIT F  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
For the Year Ended June 30, 2017

	Business-type Activities			Totals
	Water Fund	Sewer Fund	Nonmajor Proprietary Fund	
Operating revenues:				
Charges for services	\$ 1,597,859	\$ 2,555,639	\$ 42,017	\$ 4,195,515
Miscellaneous	103,399	182,878	1,541	287,818
Total operating revenues	<u>1,701,258</u>	<u>2,738,517</u>	<u>43,558</u>	<u>4,483,333</u>
Operating expenses:				
Personnel services	522,240	421,944		944,184
Contractual services	455,144	833,671	13,820	1,302,635
Repairs and maintenance	240,484	177,015	11,845	429,344
Administration	90,102	103,610	36,809	230,521
Utilities	7,210	6,545	13,509	27,264
Depreciation	386,987	710,497	3,200	1,100,684
Miscellaneous	11,294	12,390		23,684
Total operating expenses	<u>1,713,461</u>	<u>2,265,672</u>	<u>79,183</u>	<u>4,058,316</u>
Operating income (loss)	<u>(12,203)</u>	<u>472,845</u>	<u>(35,625)</u>	<u>425,017</u>
Non-operating income (expenses):				
Interest revenue	12,273	26,304	1,533	40,110
Interest expense	(137,283)	(108,956)		(246,239)
Loss on disposal of capital assets	(3,057)			(3,057)
Total non-operating income (expenses)	<u>(128,067)</u>	<u>(82,652)</u>	<u>1,533</u>	<u>(209,186)</u>
Income (loss) before capital contributions	<u>(140,270)</u>	<u>390,193</u>	<u>(34,092)</u>	<u>215,831</u>
Capital contributions		<u>286,070</u>		<u>286,070</u>
Change in net position	<u>(140,270)</u>	<u>676,263</u>	<u>(34,092)</u>	<u>501,901</u>
Total net position at beginning of year, as restated	<u>9,062,358</u>	<u>16,700,611</u>	<u>1,291,208</u>	<u>27,054,177</u>
Total net position at end of year	<u>\$ 8,922,088</u>	<u>\$ 17,376,874</u>	<u>\$ 1,257,116</u>	<u>\$ 27,556,078</u>

*See accompanying notes to the basic financial statements*

EXHIBIT G  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Year Ended June 30, 2017

	Business-type Activities			Totals
	Water Fund	Sewer Fund	Nonmajor Proprietary Fund	
Cash flows from operating activities:				
Cash received from customers	\$ 1,605,272	\$ 2,784,628	\$ 43,518	\$ 4,433,418
Cash paid to suppliers	(942,177)	(1,289,349)	(74,943)	(2,306,469)
Cash paid to employees	(301,132)	(257,845)		(558,977)
Net cash provided (used) by operating activities	<u>361,963</u>	<u>1,237,434</u>	<u>(31,425)</u>	<u>1,567,972</u>
Cash flows from capital financing activities:				
Purchases of capital assets	(28,070)	(13,880)		(41,950)
Capital contributions		67,380		67,380
Proceeds from loan receivable			41,388	41,388
Proceeds from other long-term obligations	29,762			29,762
Principal paid on bonds payable	(314,656)	(557,988)		(872,644)
Principal paid on capital leases payable	(21,547)	(8,167)		(29,714)
Interest paid on long-term debt	(141,553)	(159,048)		(300,601)
Net cash provided (used) for capital financing activities	<u>(476,064)</u>	<u>(671,703)</u>	<u>41,388</u>	<u>(1,106,379)</u>
Cash Flows from Investing Activities:				
Interest on investments	<u>12,273</u>	<u>26,304</u>	<u>1,533</u>	<u>40,110</u>
Net cash provided by investing activities	<u>12,273</u>	<u>26,304</u>	<u>1,533</u>	<u>40,110</u>
Net increase (decrease) in cash and cash equivalents	(101,828)	592,035	11,496	501,703
Cash and cash equivalents at beginning of year	<u>2,603,326</u>	<u>4,401,606</u>	<u>220,026</u>	<u>7,224,958</u>
Cash and cash equivalents at end of year	<u>\$ 2,501,498</u>	<u>\$ 4,993,641</u>	<u>\$ 231,522</u>	<u>\$ 7,726,661</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (12,203)	\$ 472,845	\$ (35,625)	\$ 425,017
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	386,987	710,497	3,200	1,100,684
Change in deferred outflows related to pension	(75,903)	(60,739)		(136,642)
Change in deferred inflows related to pension	(9,423)	(8,682)		(18,105)
Changes in assets and liabilities:				
Accounts receivable, net	(95,986)	46,111	(40)	(49,915)
Inventory	235	857		1,092
Accounts payable	36,713	12,569	1,040	50,322
Accrued expenses	(4,220)	(6,013)		(10,233)
Compensated absences payable	8,625	(9,101)		(476)
Other post-employment benefits obligation	10,255	(2,092)		8,163
Net pension liability	<u>116,883</u>	<u>81,182</u>		<u>198,065</u>
Net cash provided (used) by operating activities	<u>\$ 361,963</u>	<u>\$ 1,237,434</u>	<u>\$ (31,425)</u>	<u>\$ 1,567,972</u>
Supplemental disclosure of non-cash transactions:				
Forgiveness of long-term debt principal	\$ 21,229	\$ 268,337		\$ 289,566
Cost basis of disposed capital assets	653,433	44,278		697,711
Capital asset additions included in year end liabilities	<u>50,000</u>			<u>50,000</u>
	<u>\$ 724,662</u>	<u>\$ 312,615</u>	<u>\$ -</u>	<u>\$ 1,037,277</u>

See accompanying notes to the basic financial statements

EXHIBIT H  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
June 30, 2017

	Private- Purpose <u>Trust Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents		\$ 74,946
Investments	\$ 17,073,038	<u>1,130</u>
Total Assets	<u>17,073,038</u>	<u>\$ 76,076</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Due to other governments		\$ 32,470
Deposits		<u>43,606</u>
Total Liabilities	<u>-</u>	<u>\$ 76,076</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>17,073,038</u>	
Total Net Position	<u>\$ 17,073,038</u>	

*See accompanying notes to the basic financial statements*

EXHIBIT I  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
For the Year Ended June 30, 2017

	<u>Private- Purpose Trust Funds</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 1,906
Total Contributions	<u>1,906</u>
Investment earnings:	
Interest	337,454
Realized gains on investments	1,210,098
Net decrease in the fair value of investments	<u>(51,078)</u>
Total Investment Earnings	<u>1,496,474</u>
Total Additions	<u>1,498,380</u>
DEDUCTIONS:	
Benefits	307,268
Administrative expenses	<u>102,157</u>
Total Deductions	<u>409,425</u>
Change in net position	1,088,955
Net position - beginning of year	<u>15,984,083</u>
Net position - end of year	<u>\$ 17,073,038</u>

*See accompanying notes to the basic financial statements*

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Financial Reporting Entity***

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

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

***Basis of Presentation***

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

**1. Government-Wide Financial Statements:**

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

**2. Fund Financial Statements:**

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

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

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

***Fund Accounting***

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

**1. Governmental Funds:**

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

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

The *Permanent Funds* account for the financial transactions related to resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the City's programs.

**2. Proprietary Funds:**

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

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

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

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

**3. Fiduciary Funds:**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City maintains

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

numerous private purpose trusts which account for monies designated to benefit individuals within the City. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The City's agency funds account for capital reserve funds of the Claremont School District and escrow deposits.

***Measurement Focus***

**1. Government-Wide Financial Statements:**

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

**2. Fund Financial Statements:**

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

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

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

***Basis of Accounting***

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

**1. Revenues – Exchange and Non-Exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 13). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

**2. Expenses/Expenditures:**

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

***Budgetary Data***

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. During the budgetary process, the City authorized the use of \$1,150,500 from fund balance to offset appropriations. An additional \$315,000 of fund balance was applied to reduce the tax rate. Supplemental appropriations passed during the year were also partially funded from fund balance in the amount of \$46,654 for a combined total of \$1,512,154.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

***Investments***

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

***Accounts Receivable***

Charges for services billed during the current fiscal year and prior and uncollected at June 30, 2017 are recorded as receivables net of reserves for estimated uncollectibles of \$54,323 and \$95,123 in the Water Fund and Sewer Fund, respectively.

***Taxes Receivable***

Taxes levied during the current fiscal year and prior and uncollected at June 30, 2017 are recorded as receivables net of reserves for estimated uncollectibles of \$482,000.

***Prepaid Expenses***

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items.

***Inventory***

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

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

***Capital Assets***

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

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

All reported capital assets except for land and construction in process are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Description</u>	<u>Years</u>
	Infrastructure	10-50
	Buildings and improvements	20-40
	Vehicles, equipment and furnishings	5-25

***Compensated Absences and Retirement Benefits***

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

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

***Bond Premium***

Bond premiums are amortized as a component of interest expense over the lives of the related bonds using the effective interest rate method. Bonds payable are reported in the accompanying financial statements including any applicable unamortized bond premium.

***Accrued Liabilities and Long-Term Obligations***

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

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

***Net Position***

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

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

***Fund Balance Policy***

The City has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

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

***Spending Prioritization***

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

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

*Deficit Fund Balance*

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

*Minimum Level of Unassigned Fund Balance*

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

*Interfund Activity*

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

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

*Operating Revenues and Expenses*

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

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

At June 30, 2017, the following nonmajor governmental fund was in a deficit financial position:

Downtown Tax Increment Financing Fund	<u>\$ 1,124,958</u>
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**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

**NOTE 3—CASH AND CASH EQUIVALENTS**

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

	Water <u>Fund</u>	Sewer <u>Fund</u>	Nonmajor Proprietary <u>Fund</u>	<u>Totals</u>
Cash	\$ 2,240,215	\$ 2,267,812	\$ 11,240	\$ 4,519,267
Investments in New Hampshire Public Deposit Investment Pool	276,429	2,538,429	220,282	3,035,140
Due from other funds	23,667	223,565		247,232
Due to other funds	(38,813)	(36,165)		(74,978)
<b>Totals</b>	<u>\$ 2,501,498</u>	<u>\$ 4,993,641</u>	<u>\$ 231,522</u>	<u>\$ 7,726,661</u>

**NOTE 4—DEPOSITS AND INVESTMENTS**

Deposits and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 12,079,313
Investments	12,926,880
Statement of fiduciary net position:	
Cash and cash equivalents	74,946
Investments	17,074,168
<b>Total deposits and investments</b>	<u>\$ 42,155,307</u>

Deposits and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 3,450
Deposits with financial institutions	12,150,809
Investments	30,001,048
<b>Total deposits and investments</b>	<u>\$ 42,155,307</u>

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

***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

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

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>					
		<u>Aaa</u>	<u>Aaa-m</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Not Rated</u>
Corporate bonds	\$ 3,290,225	\$ 857,248		\$ 409,439	\$ 2,023,538		
Bond mutual funds	3,250,097	750,573		260,049	1,922,543	\$ 316,932	
Money market mutual funds	521,026						\$ 521,026
State investment pool	9,423,491		\$ 9,423,491				
	<u>\$ 16,484,839</u>	<u>\$ 1,607,821</u>	<u>\$ 9,423,491</u>	<u>\$ 669,488</u>	<u>\$ 3,946,081</u>	<u>\$ 316,932</u>	<u>\$ 521,026</u>

***Interest Rate Risk***

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

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

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

<u>Investment Type</u>	<u>Remaining Maturity (In Years)</u>			
	<u>Fair Value</u>	<u>0-1 Years</u>	<u>1-5 Years</u>	<u>&gt; 5 Years</u>
Corporate bonds	\$ 3,290,225	\$ 401,340	\$ 2,174,798	\$ 714,087
U.S. Treasury notes	2,440,306	249,610	1,190,851	999,845
Bond mutual funds	3,250,097		260,049	2,990,048
	<u>\$ 8,980,628</u>	<u>\$ 650,950</u>	<u>\$ 3,625,698</u>	<u>\$ 4,703,980</u>

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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

Of the City’s deposits with financial institutions at year end, \$2,094,789 was collateralized by securities held by the bank in the bank’s name. As of June 30, 2017, City investments in the following investment types were held by the same counterparty that was used to buy the securities.

<u>Investment Type</u>	<u>Reported Amount</u>
Equity securities	\$ 11,075,903
Corporate bonds	3,290,225
U.S. Treasury notes	2,440,306
Bond mutual funds	3,250,097
Money market mutual funds	521,026
	<u>\$ 20,577,557</u>

***Investment in NHPDIP***

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

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

***Fair Value***

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2017:

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

Description	Fair Value Measurements Using:		
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:			
Debt securities:			
Corporate bonds	\$ 3,290,225	\$ 3,290,225	
Bond mutual funds	3,250,097	3,250,097	
U.S. Treasury notes	2,440,306	2,440,306	
Equity securities	<u>11,075,903</u>	<u>\$ 11,075,903</u>	
	<u>\$ 20,056,531</u>	<u>\$ 11,075,903</u>	<u>\$ -</u>

**NOTE 5—CAPITAL ASSETS**

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

	(Restated) Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,763,174		\$ (11,000)	\$ 1,752,174
Intangible assets	10,000			10,000
Construction in process	<u>578,800</u>	<u>\$ 67,725</u>	<u>(138,932)</u>	<u>507,593</u>
Total capital assets not being depreciated	<u>2,351,974</u>	<u>67,725</u>	<u>(149,932)</u>	<u>2,269,767</u>
Other capital assets:				
Infrastructure	29,538,108			29,538,108
Buildings and improvements	11,096,103	423,521		11,519,624
Vehicles, equipment and furnishings	12,182,466	548,998	(24,799)	12,706,665
Intangible assets	<u></u>	<u>35,600</u>	<u></u>	<u>35,600</u>
Total other capital assets at historical cost	<u>52,816,677</u>	<u>1,008,119</u>	<u>(24,799)</u>	<u>53,799,997</u>
Less accumulated depreciation for:				
Infrastructure	(6,164,866)	(865,927)		(7,030,793)
Buildings and improvements	(2,146,589)	(490,048)		(2,636,637)
Vehicles, equipment and furnishings	(7,026,723)	(1,117,671)	13,226	(8,131,168)
Intangible assets	<u></u>	<u>(4,747)</u>	<u></u>	<u>(4,747)</u>
Total accumulated depreciation	<u>(15,338,178)</u>	<u>(2,478,393)</u>	<u>13,226</u>	<u>(17,803,345)</u>
Total other capital assets, net	<u>37,478,499</u>	<u>(1,470,274)</u>	<u>(11,573)</u>	<u>35,996,652</u>
Total capital assets, net	<u>\$ 39,830,473</u>	<u>\$ (1,402,549)</u>	<u>\$ (161,505)</u>	<u>\$ 38,266,419</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 89,633
Public safety	155,302
Airport/Aviation center	612,483
Highways and streets	1,097,186
Culture and recreation	<u>523,789</u>
Total governmental activities depreciation expense	<u>\$ 2,478,393</u>

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

The balance of the assets acquired through capital leases for governmental activities as of June 30, 2017 is as follows:

Vehicles, equipment and furnishings	\$ 3,393,539
Less accumulated depreciation:	
Vehicles, equipment and furnishings	<u>(927,851)</u>
	<u>\$ 2,465,688</u>

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

	(Restated) Balance <u>7/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2017</u>
Business-type activities:				
Capital asset not depreciated:				
Land	\$ 1,006,899			\$ 1,006,899
Construction in process		\$ 78,070		78,070
Total capital assets not being depreciated	<u>1,006,899</u>	<u>78,070</u>	<u>\$ -</u>	<u>1,084,969</u>
Other capital assets:				
Infrastructure	42,436,532		(173,312)	42,263,220
Buildings and improvements	5,011,017			5,011,017
Vehicles and equipment	5,234,293	13,880	(524,399)	4,723,774
Total other capital assets at historical cost	<u>52,681,842</u>	<u>13,880</u>	<u>(697,711)</u>	<u>51,998,011</u>
Less accumulated depreciation for:				
Infrastructure	(19,970,297)	(872,366)	173,312	(20,669,351)
Buildings and improvements	(866,218)	(100,858)		(967,076)
Vehicles and equipment	(4,554,926)	(127,460)	521,342	(4,161,044)
Total accumulated depreciation	<u>(25,391,441)</u>	<u>(1,100,684)</u>	<u>694,654</u>	<u>(25,797,471)</u>
Total other capital assets, net	<u>27,290,401</u>	<u>(1,086,804)</u>	<u>(3,057)</u>	<u>26,200,540</u>
Total capital assets, net	<u>\$ 28,297,300</u>	<u>\$ (1,008,734)</u>	<u>\$ (3,057)</u>	<u>\$ 27,285,509</u>

Depreciation was charged to proprietary funds as follows:

Water fund	\$ 386,987
Sewer fund	710,497
Nonmajor proprietary fund	<u>3,200</u>
Total Business-type activities depreciation expense	<u>\$ 1,100,684</u>

The balance of the assets acquired through capital leases in the proprietary funds as of June 30, 2017 is as follows:

Vehicles and equipment	\$ 364,605
Less accumulated depreciation:	
Vehicles and equipment	<u>(196,030)</u>
	<u>\$ 168,575</u>

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

**NOTE 6—LONG-TERM OBLIGATIONS**

*General Long-term Obligations*

The changes in the City’s long-term obligations for the year ended June 30, 2017 are as follows:

	Balance <u>7/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2017</u>	Due Within <u>One Year</u>
<b>Governmental activities:</b>					
Bonds payable	\$ 11,048,880		\$ (825,933)	\$ 10,222,947	\$ 758,959
Unamortized bond premium	<u>137,000</u>		<u>(16,938)</u>	<u>120,062</u>	
Total Bonds payable	<u>11,185,880</u>	<u>\$ -</u>	<u>(842,871)</u>	<u>10,343,009</u>	<u>758,959</u>
Tax increment financing bonds payable	6,235,000		(520,000)	5,715,000	515,000
Unamortized bond premium	<u>35,558</u>		<u>(5,559)</u>	<u>29,999</u>	
Total tax increment financing bonds payable	<u>6,270,558</u>	<u>-</u>	<u>(525,559)</u>	<u>5,744,999</u>	<u>515,000</u>
Notes payable	-	263,810	(54,853)	208,957	50,821
Capital leases payable	2,114,206	299,977	(207,868)	2,206,315	328,687
Compensated absences	<u>685,831</u>	<u>43,197</u>	<u>(72,385)</u>	<u>656,643</u>	<u>65,664</u>
Total governmental activities	<u>\$ 20,256,475</u>	<u>\$ 606,984</u>	<u>\$ (1,703,536)</u>	<u>\$ 19,159,923</u>	<u>\$ 1,719,131</u>
<b>Business-type activities:</b>					
Bonds payable	\$ 7,550,310	\$ 2,146,698	\$ (1,140,981)	\$ 8,556,027	\$ 745,562
Principal forgiveness	<u>233,520</u>		<u>(21,229)</u>	<u>212,291</u>	
Total Bonds payable	7,783,830	2,146,698	(1,162,210)	8,768,318	745,562
Capital leases payable	223,564		(29,714)	193,850	41,416
Other long-term obligations	2,146,698	29,762	(2,146,698)	29,762	
Compensated absences	<u>39,555</u>	<u>12,990</u>	<u>(13,466)</u>	<u>39,079</u>	<u>3,908</u>
Total business-type activities	<u>\$ 10,193,647</u>	<u>\$ 2,189,450</u>	<u>\$ (3,352,088)</u>	<u>\$ 9,031,009</u>	<u>\$ 790,886</u>

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

***General Obligation Bonds***

Governmental Activities

Bonds payable at June 30, 2017 are comprised of the following individual issues:

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

	Original Issue <u>Amount</u>	Interest <u>Rate</u>	Final Maturity <u>Date</u>	Balance at <u>6/30/17</u>
Landfill closure	\$ 3,468,368	3.70%	July 2022	\$ 1,086,570
Street project	3,000,000	3.75%	September 2020	800,000
Public improvements - refunding North/Main Streets, Community Center and Drapers Corner	775,625	2.00-4.00%	July 2020	326,377
Infrastructure improvements	7,452,400	3.00-4.125%	January 2041	6,705,000
Totals	1,400,000	2.00-4.00%	February 2031	<u>10,222,947</u>
	Add: Unamortized bond premium			<u>120,062</u>
				<u>\$ 10,343,009</u>

Debt service requirements to retire general obligation bonds outstanding at June 30, 2017 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 758,959	\$ 372,273	\$ 1,131,232
2019	767,184	347,872	1,115,056
2020	777,258	320,220	1,097,478
2021	790,583	291,970	1,082,553
2022	518,963	269,420	788,383
2023-2027	1,600,000	1,164,569	2,764,569
2028-2032	1,735,000	855,819	2,590,819
2033-2037	1,670,000	538,681	2,208,681
2038-2041	<u>1,605,000</u>	<u>168,919</u>	<u>1,773,919</u>
Total	10,222,947	4,329,743	14,552,690
Add: <i>Bond Premium</i>	<u>120,062</u>		<u>120,062</u>
Total	<u>\$ 10,343,009</u>	<u>\$ 4,329,743</u>	<u>\$ 14,672,752</u>

Business-type Activities

Bonds payable at June 30, 2017 are comprised of the following individual issues:

	Original Issue <u>Amount</u>	Interest <u>Rate</u>	Maturity <u>Date</u>	Balance at <u>6/30/17</u>
<u>Water Fund:</u>				
2006 State Revolving Loan	\$ 4,050,000	3.488%	December 2026	\$ 2,316,013
2005 State Revolving Loan	2,298,361	3.488%	July 2027	<u>1,427,623</u>
				<u>3,743,636</u>

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 6/30/17</u>
<u>Sewer Fund:</u>				
2008 State Revolving Loan	336,000	3.688%	December 2027	215,055
2009 State Revolving Loan	108,261	3.488%	January 2028	67,649
2008 State Revolving Loan	2,707,734	3.488%	August 2027	1,697,497
2009 State Revolving Loan	422,540	3.488%	July 2028	263,764
2012 State Revolving Loan	810,751	1.940%	November 2021	422,225
2014 State Revolving Loan	767,757	1.940%	September 2023	484,345
2017 State Revolving Loan	2,146,698	1.940%	April 2026	1,690,524
Wastewater improvements - refunding	436,375	2.00-4.00%	July 2020	183,623
				<u>5,024,682</u>
				<u>\$ 8,768,318</u>

Debt service requirements to retire general obligation bonds, net of principal forgiveness from the State of New Hampshire to be forgiven over a period of 19 years from the start of the individual State Revolving Loan Funds of \$212,291, for business-type activities at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 745,562	\$ 176,792	\$ 922,354
2019	899,880	214,812	1,114,692
2020	914,424	191,912	1,106,336
2021	930,949	168,657	1,099,606
2022	902,567	144,920	1,047,487
2023-2027	3,806,216	368,400	4,174,616
2028-2029	356,429	10,384	366,813
Total	8,556,027	1,275,877	9,831,904
Add: <i>Principal forgiveness</i>	212,291		212,291
Total	<u>\$ 8,768,318</u>	<u>\$ 1,275,877</u>	<u>\$ 10,044,195</u>

The State of New Hampshire annually reimburses the City for its share of sewer related debt service payments. For the year ended June 30, 2017, the reimbursement was \$67,380 in the Sewer Fund.

***Tax Increment Financing Bonds***

The City has pledged a portion of future tax increment financing revenues to repay \$9,906,000 in tax increment bonds issued in July 2007 to finance infrastructure improvements within the Downtown District and the Mill District. The bonds are payable solely from the tax increment financing taxes. Incremental taxes were project to produce in excess of 100% of the debt service requirements over the life of the bonds. For the current fiscal year, principal and interest paid and total tax increment finance revenues were \$811,000 and \$526,344, respectively. During the year ended June 30, 2017, \$330,500 was transferred from the General Fund to the nonmajor governmental fund.

Tax increment financing bonds payable at June 30, 2017 are comprised of the following individual issues:

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

	Original Issue <u>Amount</u>	Interest Rate	Final Maturity <u>Date</u>	Balance at <u>6/30/17</u>
Mill District	\$ 2,722,000	4.00-5.00%	August 2027	\$ 2,722,000
Mill District	4,939,000	4.00-5.00%	August 2027	2,858,000
Mill District	2,245,000	6.00%	August 2017	<u>135,000</u>
				5,715,000
			Add: Unamortized bond premium	<u>29,999</u>
				<u>\$ 5,744,999</u>

Debt service requirements to retire tax increment financing bonds outstanding at June 30, 2017 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 515,000	\$ 263,150	\$ 778,150
2019	520,000	236,600	756,600
2020	520,000	210,600	730,600
2021	520,000	185,250	705,250
2022	520,000	160,550	680,550
2023-2027	2,600,000	432,250	3,032,250
2028	<u>520,000</u>	<u>12,350</u>	<u>532,350</u>
	5,715,000	1,500,750	7,215,750
Add: <i>Bond Premium</i>	<u>29,999</u>		<u>29,999</u>
Total	<u>\$ 5,744,999</u>	<u>\$ 1,500,750</u>	<u>\$ 7,245,749</u>

***Notes Payable***

Notes payable at June 30, 2017 is comprised of the following individual issue:

	Original Issue <u>Amount</u>	Interest Rate	Final Maturity <u>Date</u>	Balance at <u>6/30/17</u>
Energy improvements	\$ 263,810	2.00%	June 2021	<u>\$ 208,957</u>

Debt service requirements to retire notes payable outstanding at June 30, 2017 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 50,821	\$ 4,179	\$ 55,000
2019	51,837	3,163	55,000
2020	52,874	2,126	55,000
2021	<u>53,425</u>	<u>1,068</u>	<u>54,493</u>
Total	<u>\$ 208,957</u>	<u>\$ 10,536</u>	<u>\$ 219,493</u>

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

***Capital Lease Obligations***

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

Governmental Activities

The following are the individual capital lease obligations of the governmental activities at June 30, 2017:

Vehicles and equipment due in annual installments of \$64,904, including interest of 3.71%, through May 2020	\$ 181,112
Vehicles and equipment due in annual installments of \$98,310, including interest at 3.042%, through August 2022 then reduced to annual installments of \$78,316, including interest at 3.042%, through August 2027	831,095
Vehicles and equipment due in annual installments of \$102,265, including interest at 1.49%, through September 2018 then reduced to annual installments of \$54,791, including interest at 1.49%, through September 2021	345,258
Vehicle due in annual installments of \$5,103, including interest at 4.69%, through January 2019	9,531
Vehicles and equipment due in annual installments of \$76,477, including interest at 2.89%, through September 2024	539,342
Equipment due in annual installments of \$38,151, including interest at 2.79%, through January 2026	<u>299,977</u>
	<u>\$ 2,206,315</u>

Debt service requirements to retire capital lease obligations outstanding for governmental activities at June 30, 2017 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 328,687	\$ 62,754	\$ 391,441
2019	337,772	53,669	391,441
2020	281,571	44,317	325,888
2021	224,913	36,071	260,984
2022	231,003	29,981	260,984
2023-2027	726,365	67,242	793,607
2028	76,004	2,312	78,316
Total	<u>\$ 2,206,315</u>	<u>\$ 296,346</u>	<u>\$ 2,502,661</u>

Business-type Activities

The following are the individual capital lease obligations of the business-type activities at June 30, 2017:

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

Vehicles and equipment due in annual installments of \$17,719, including interest of 3.71%, through May 2020	\$ 49,443
Vehicles and equipment due in annual installments of \$16,402, including interest at 1.49%, through September 2018 then reduced to annual installments of \$8,164, including interest at 1.49%, through September 2021	54,595
Vehicles due in annual installments of \$12,735, including interest at 2.89%, through September 2024	<u>89,812</u>
	<u>\$ 193,850</u>

Debt service requirements to retire capital lease obligations outstanding for business-type activities at June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 41,416	\$ 5,440	\$ 46,856
2019	42,566	4,290	46,856
2020	35,512	3,106	38,618
2021	18,891	2,008	20,899
2022	19,367	1,532	20,899
2023-2025	36,098	2,106	38,204
Total	<u>\$ 193,850</u>	<u>\$ 18,482</u>	<u>\$ 212,332</u>

***Other Long-Term Obligations***

The City has drawn \$29,762 of approximately \$500,000 in funds under the State of New Hampshire, Drinking Water State Revolving Loan Fund Program for the lead service removal project. Payments are not scheduled to commence until the first anniversary of the scheduled completion date or the substantial completion date, whichever is earliest. Interest is accrued at 1% during the construction period of the project and is to be paid upon completion of the project. The City may be provided federal financial assistance whereby a portion of the borrowed funds is forgiven. The principal forgiveness will be determined when the aggregate principal loan amount is established and will be applied to the loan upon the initial repayment.

**NOTE 7—DEFINED BENEFIT PENSION PLAN**

***Plan Description***

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

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

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

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

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

***Benefits Provided***

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

Group II members vested by January 1, 2012, who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have not attained status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by ¼ of 1%. For Group II members who commenced service prior to July 1, 2011, who have not attained vested status prior to January 1, 2012, benefits are calculated depending on age and years of creditable service as follows:

Years of Creditable Service as of <u>January 1, 2012</u>	Minimum <u>Age</u>	Minimum <u>Service</u>	Benefit <u>Multiplier</u>
At least 3 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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

***Funding Policy***

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

The City is required to contribute at an actuarially determined rate. The City's pension contribution rates for the covered payroll of police officers, fire employees, and general employees were 22.54%, 25.32%, and 10.86%, respectively. The City contributes 100% of the employer cost for police officers, fire employees, and general employees of the City.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The City's pension contributions to the NHRS were \$1,015,540 for the year ending June 30, 2017.

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

At June 30, 2017, the City reported a liability of \$15,079,984 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2015. The City's proportion of the net pension liability was based on actual contributions by the City during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2016, the City's proportion was approximately 0.2836 percent, which was an increase of 0.0006 percentage points from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$1,862,083. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 41,907	\$ 190,423
Net difference between projected and actual earnings on pension plan investments	943,481	
Changes of assumptions	1,855,867	
Changes in proportion and differences between City contributions and proportionate share of contributions	658,224	
City contributions subsequent to the measurement date	<u>1,015,540</u>	<u>                    </u>
Totals	<u>\$4,515,019</u>	<u>\$ 190,423</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as an increase to unrestricted net position in the amount of \$4,324,596. The City reported \$1,015,540 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

deferred inflows of resources related to pensions will be recognized as pension expense in the measurement periods as follows:

Period ended <u>June 30,</u>	
2017	\$ 718,909
2018	718,909
2019	1,049,818
2020	786,119
2021	35,301
	<u>\$ 3,309,056</u>

***Actuarial Assumptions***

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions:

Inflation	2.5 percent
Wage inflation	3.25 percent
Salary increases	5.6 percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study. Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2015 pursuant to an experience study of the period July 1, 2010 – June 30, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Net of inflation assumption of 2.5%)</u>
Fixed income	25%	(0.25)-1.71%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.75-6.25%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.75%
Opportunistic	5%	3.68%
Total	<u>100%</u>	

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

***Discount Rate***

The discount rate used to measure the collective pension liability was 7.25%, which is a decrease of 0.50% from the discount rate used for the prior measurement period of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
City's proportionate share of the net pension liability	\$ 19,376,752	\$ 15,079,984	\$ 11,516,496

**NOTE 8—OTHER POST-EMPLOYMENT BENEFITS**

Per RSA 100-A:50, any political subdivision of the state that provides for its active employees to receive medical, life and dental insurance shall permit its employees upon retirement to participate in the same plan as its active members. Accordingly, in addition to providing pension benefits, the City provides medical, life insurance, and dental benefits to its eligible retirees. General employees are required to reach age 60 with 10 years of service or a combined age and service of 70 years to qualify for this benefit. Police officers and firefighters are eligible to receive this benefit upon retirement with an attained age of 45 with 20 years of service. All retirees and spouses of retirees pay the full cost of participation in the medical, life and dental insurance plans. As of July 1, 2016, the most recent actuarial valuation date, there were 57 retirees and 112 active employees that meet the eligibility requirements. The plan does not issue a separate financial report.

***Annual OPEB Costs***

The City's fiscal 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The City's annual OPEB cost for the year ending June 30, 2017 including the amount actually contributed

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of July 1, 2016 is as follows:

Annual Required Contribution (ARC)	\$ 157,225
Interest on Net OPEB obligation (NOO)	21,470
NOO amortization adjustment to ARC	<u>(20,337)</u>
Annual OPEB cost	158,358
Contributions made	<u>(128,434)</u>
Increase in Net OPEB obligation	29,924
Net OPEB obligation - beginning of year	<u>477,121</u>
Net OPEB obligation - end of year	<u>\$ 507,045</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ending June 30, 2017, 2016 and 2015 are as follows:

Fiscal Year <u>Ended</u>	Annual OPEB Cost	Percentage of OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2017	\$ 158,358	81.1%	\$ 507,045
6/30/2016	\$ 139,463	90.1%	\$ 477,121
6/30/2015	\$ 153,288	73.5%	\$ 463,306

The City's net OPEB obligation as of June 30, 2017 is recognized as a liability in these financial statements.

***Funded Status and Funding Progress for OPEB***

The funded status of the plan as of July 1, 2016, the date of the most recent actuarial valuation update is as follows:

Actuarial Accrued Liability (AAL)	\$ 2,047,696
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 2,047,696</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 5,679,612
UAAL as a percentage of covered payroll	36.1%

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

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

*Actuarial Methods and Assumptions for OPEB*

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

In the July 1, 2016 actuarial valuation, the Projected Unit Credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend of 8.5% reduced by 0.5% decrements to an ultimate 5.0% long-term rate for all healthcare benefits after seven years. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) is a level dollar amortization over maximum allowable period of thirty years on a closed group basis. This has been calculated assuming the amortization payment increases at a rate of 3.0% per year.

**NOTE 9—LANDFILL POSTCLOSURE CARE COSTS**

The City closed its landfill in 2002. State and federal laws and regulations required that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. An estimated liability has been recorded based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$210,000 as of June 30, 2017. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or change in landfill laws and regulations. The City will finance the postclosure care costs through annual appropriations.

The following is a summary of changes in the estimated liability for postclosure care costs for the year ended June 30, 2017:

Balance - July 1, 2016	\$ 225,000
Expenditures recognized in the General Fund	(7,764)
Net change in the estimated liability for postclosure care costs	<u>(7,236)</u>
Balance - June 30, 2017	<u>\$ 210,000</u>

**NOTE 10—INTERFUND BALANCES AND TRANSFERS**

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

Interfund balances at June 30, 2017 are as follows:

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

	Due from					Totals
	General Fund	Permanent Funds	Nonmajor Governmental Funds	Water Fund	Sewer Fund	
General Fund		\$ 25,372	\$ 337,431	\$ 2,502		\$ 365,305
Nonmajor Governmental Funds	\$ 1,634,673		90,717	36,311	\$ 12,498	1,774,199
Water Fund					23,667	23,667
Sewer Fund	220,120		3,445			223,565
	<u>\$ 1,854,793</u>	<u>\$ 25,372</u>	<u>\$ 431,593</u>	<u>\$ 38,813</u>	<u>\$ 36,165</u>	<u>\$ 2,386,736</u>

In addition to the short-term interfunds noted above, the City’s General Fund advanced monies to the Downtown Tax Increment Financing Fund (a nonmajor governmental fund). These advances were to assist in funding the operations and are not expected to be repaid within one year. As of June 30, 2017, the Downtown Tax Increment Financing Fund owed the General Fund for advances in the amount of \$860,890.

During the year, several interfund transactions occurred between funds. The River Road TIF District Fund (a nonmajor governmental fund) closed during the fiscal year and the unexpended balance of \$1,326,485 was transferred to the General Fund. The other transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2017 are as follows:

	Transfer from			
	General Fund	Permanent Funds	Nonmajor Governmental Funds	Totals
General Fund		\$ 25,372	\$ 1,389,880	\$ 1,415,252
Nonmajor Governmental Funds	\$ 368,260	6,895	16,555	391,710
	<u>\$ 368,260</u>	<u>\$ 32,267</u>	<u>\$ 1,406,435</u>	<u>\$ 1,806,962</u>

**NOTE 11—RESTRICTED NET POSITION**

Net position is restricted for specific purposes as follows:

	Governmental
	<u>Activities</u>
Permanent Funds - Principal	\$ 3,370,611
Permanent Funds - Income	108,536
Grants Fund	554,017
Police Grants Fund	4,966
Disaster Fund	83,009
Public Works Projects Fund	265,226
Airport and Fire Grants Fund	4,142
Library Historic Preservation Fund	431
	<u>\$ 4,390,938</u>

**NOTE 12—COMPONENTS OF FUND BALANCE**

The components of the City’s fund balance for its governmental funds at June 30, 2017 are as follows:

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

	General Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable for:</b>				
Advances to other funds	\$ 860,890			\$ 860,890
Prepaid expenses	58,431			58,431
Permanent Funds - principal		\$ 3,370,611		3,370,611
<b>Restricted for:</b>				
Permanent Funds - income		108,536		108,536
Grants Fund			\$ 554,017	554,017
Police Grants Fund			4,966	4,966
Disaster Fund			83,009	83,009
Public Works Projects Fund			919,225	919,225
Airport and Fire Grants Fund			4,142	4,142
Library Historic Preservation Fund			431	431
<b>Committed for:</b>				
Capital Reserve Funds	683,538			683,538
Expendable Trust Funds			981,005	981,005
Encumbrances	941,112			941,112
Conservation Fund			16,361	16,361
<b>Assigned for:</b>				
Encumbrances	275,201			275,201
Contingency for abatements	15,066			15,066
Designated to offset subsequent year's tax rate	901,335			901,335
Subsequent year's expenditures	118,000			118,000
<b>Unassigned for:</b>				
General Fund	1,694,672			1,694,672
Downtown Tax Increment Financing Fund			(1,124,958)	(1,124,958)
	<u>\$ 5,548,245</u>	<u>\$ 3,479,147</u>	<u>\$ 1,438,198</u>	<u>\$ 10,465,590</u>

**NOTE 13—PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$694,138,674 as of April 1, 2016) and are due in four installments on July 1, 2016, October 3, 2016, January 3, 2017 and March 31, 2017. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year-end).

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

In accordance with State law, the City collects taxes for the Claremont School District and Sullivan County, both independent governmental units, which are remitted to them as required by law. The City also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$17,246,935 and \$1,981,929 for the Claremont School District and Sullivan County, respectively. These taxes are not recognized as revenues in these financial statements. The City bears responsibility for uncollected taxes.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

**NOTE 14—RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended June 30, 2017, the City was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2017.

***Property and Liability Insurance***

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

***Worker's Compensation***

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

**NOTE 15—CONTINGENT LIABILITIES**

***Litigation***

Certain tax assessments are the subject of appeal to the New Hampshire Board of Land and Tax Appeals. During December 2017, the City's assessment on a property was not upheld, and a refund is due to the taxpayer for the tax levies of 2015, 2016, and 2017. A liability has been included in these financial statements for this tax appeal settlement. An additional amount for pending tax appeals has been classified within the City's fund balance as assigned for abatement contingencies.

The City's management estimates that any claims against the City, which are not covered by insurance, are immaterial and would not affect the financial position of the City.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2017**

*Federal Grants*

The City participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**NOTE 16—RESTATEMENT OF EQUITY**

During the year ended June 30, 2017, management decided to classify the operations of the Claremont Development Authority Fund as a proprietary fund instead of a governmental fund. Accordingly, the long-term receivables and capital assets previously reported in the Governmental Activities in the Government-Wide Statements are now reported in the Business-Type Activities.

*Government-Wide Statements*

Net position of the Governmental Activities and Business-Type Activities as of July 1, 2016 has been restated as follows:

	Governmental Activities	Business-type Activities
Net Position, July 1, 2016 (as previously reported)	\$ 23,756,868	\$ 25,762,969
Amount of restatement due to:		
Reclassification of reported fund balance within the nonmajor governmental funds at June 30, 2016	(209,764)	209,764
Long-term loan receivable	(41,388)	41,388
Capital assets	<u>(1,040,056)</u>	<u>1,040,056</u>
Net Position, July 1, 2016 - as restated	<u>\$ 22,465,660</u>	<u>\$ 27,054,177</u>

*Fund Financial Statements*

Fund balance of the Nonmajor Governmental Funds and the net position of the Nonmajor Proprietary Fund as of July 1, 2016 have been restated as follows:

	Nonmajor Governmental Funds	Nonmajor Proprietary Fund
Fund Balance/Net Position, July 1, 2016 (as previously reported)	\$ 6,201,519	\$ -
Amount of restatement due to:		
Reclassification of reported fund balance within the nonmajor governmental funds at June 30, 2016	(209,764)	209,764
Long-term loan receivable		41,388
Capital assets		1,040,056
Reclassification of fund balance of the Permanent Funds, which are now reported as a major fund	<u>(3,238,897)</u>	
Fund Balance/Net Position, July 1, 2016 - as restated	<u>\$ 2,752,858</u>	<u>\$ 1,291,208</u>

SCHEDULE 1  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis) - General Fund**  
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 10,795,455	\$ 10,795,455	\$ 10,153,550	\$ (641,905)
Licenses and permits	1,862,175	1,862,175	2,264,718	402,543
Intergovernmental	1,059,744	1,059,744	1,055,199	(4,545)
Charges for services	1,457,908	1,467,153	1,395,082	(72,071)
Interest income	4,000	4,000	22,862	18,862
Miscellaneous	113,361	125,361	215,529	90,168
Total Revenues	<u>15,292,643</u>	<u>15,313,888</u>	<u>15,106,940</u>	<u>(206,948)</u>
Expenditures:				
Current operations:				
General government	3,914,039	3,913,034	3,428,541	484,493
Public safety	5,878,830	5,878,830	5,706,534	172,296
Airport/Aviation center	109,278	109,278	71,628	37,650
Highways and streets	2,999,645	2,886,038	2,867,856	18,182
Sanitation	183,968	183,968	172,756	11,212
Health and welfare	356,048	356,048	405,024	(48,976)
Culture and recreation	2,008,381	2,072,621	1,906,523	166,098
Debt service:				
Principal retirement	822,835	922,835	880,786	42,049
Interest and fiscal charges	407,684	407,684	400,844	6,840
Total Expenditures	<u>16,680,708</u>	<u>16,730,336</u>	<u>15,840,492</u>	<u>889,844</u>
Excess revenues over (under) expenditures	<u>(1,388,065)</u>	<u>(1,416,448)</u>	<u>(733,552)</u>	<u>682,896</u>
Other financing sources (uses):				
Transfers in	253,065	272,805	1,486,963	1,214,158
Transfers out	<u>(330,500)</u>	<u>(368,511)</u>	<u>(368,510)</u>	<u>1</u>
Total other financing sources (uses)	<u>(77,435)</u>	<u>(95,706)</u>	<u>1,118,453</u>	<u>1,214,159</u>
Net change in fund balance	(1,465,500)	(1,512,154)	384,901	1,897,055
Fund balance at beginning of year				
- Budgetary Basis	<u>5,621,846</u>	<u>5,621,846</u>	<u>5,621,846</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 4,156,346</u>	<u>\$ 4,109,692</u>	<u>\$ 6,006,747</u>	<u>\$ 1,897,055</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

**CITY OF CLAREMONT, NEW HAMPSHIRE**

**Schedule of Funding Progress for Other Post-Employment Benefits**

For the Year Ended June 30, 2017

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Liability (AAL) - Accrued Projected <u>Unit Credit</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
7/1/2016	\$ -	\$ 2,047,696	\$ 2,047,696	0%	\$ 5,679,612	36.1%
7/1/2015	\$ -	\$ 1,816,400	\$ 1,816,400	0%	\$ 5,514,186	32.9%
7/1/2014	\$ -	\$ 2,004,136	\$ 2,004,136	0%	\$ 5,070,769	39.5%

*See accompanying notes to the required supplementary information*

SCHEDULE 3

CITY OF CLAREMONT, NEW HAMPSHIRE

Schedule of Changes in the City's Proportionate Share of the Net Pension Liability

For the Year Ended June 30, 2017

	For the Measurement Period Ended June 30:			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability (asset)	0.2836%	0.2830%	0.2614%	0.2582%
City's proportionate share of the net pension liability (asset)	\$ 15,079,984	\$ 11,210,447	\$ 9,812,738	\$ 11,114,047
City's covered-employee payroll	\$ 6,104,210	\$ 6,084,955	\$ 5,439,299	\$ 5,225,327
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.04%	184.23%	180.40%	212.70%
Plan fiduciary net position as a percentage of the total pension liability	58.30%	65.47%	66.32%	59.81%

*See accompanying notes to the required supplementary information*

SCHEDULE 4  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Schedule of City Contributions**  
For the Year Ended June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,015,540	\$ 1,015,464	\$ 949,374	\$ 848,117	\$ 642,120
Contributions in relation to the contractually required contribution	<u>(1,015,540)</u>	<u>(1,015,464)</u>	<u>(949,374)</u>	<u>(848,117)</u>	<u>(642,120)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 6,180,147	\$ 6,104,210	\$ 6,084,955	\$ 5,439,299	\$ 5,225,327
Contributions as a percentage of covered-employee payroll	16.43%	16.64%	15.60%	15.59%	12.29%

*See accompanying notes to the required supplementary information*

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2017**

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

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

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	\$ 17,000,505	\$ 16,071,455
Difference in property taxes meeting susceptible to accrual criteria	(162,629)	
Encumbrances - June 30, 2017		1,216,313
Encumbrances - June 30, 2016		(641,014)
Capital lease activity	(300,008)	(438,002)
Budgetary transfers	71,961	250
Non-budgetary activity	(15,926)	
Per Schedule 1	<u>\$ 16,593,903</u>	<u>\$ 16,209,002</u>

**NOTE 2—BUDGETARY FUND BALANCE**

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

<b>Nonspendable for:</b>	
Advances to other funds	\$ 1,122,928
Prepaid expenses	58,431
<b>Assigned for:</b>	
Contingency for abatements	15,066
Designated to offset subsequent year's tax rate	901,335
Subsequent year's expenditures	118,000
<b>Unassigned for:</b>	
General operations	<u>3,790,987</u>
	<u>\$ 6,006,747</u>

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

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

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**June 30, 2017**

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

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

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

**NOTE 5—CHANGES OF ACTUARIAL ASSUMPTIONS**

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System included changes in the valuation and economic assumptions previously used in the June 30, 2014 actuarial valuation. The investment rate of return was reduced from 7.75% to 7.25%. The price inflation was decreased from 3.0% to 2.5%. The wage inflation was decreased from 3.75% to 3.25%. The salary increases were decreased from 5.8% to 5.6%. In addition, the expectation of retired life mortality was based on RP-2000 Mortality Tables. Amounts reported in the June 30, 2015 actuarial valuation are based on the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.

SCHEDULE I  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Schedule of Expenditures of Federal Awards**  
For the Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency/Grant Program/State Grant Number	Federal Catalogue Number	Expenditures	Expenditures to Subrecipients
<b>DEPARTMENT OF JUSTICE</b>			
Received directly from U.S. Treasury Department			
Bulletproof Vest Partnership Program	16.607	\$ 2,949	\$ -
Public Safety Partnership and Community Policing Grants,	16.710	37,500	-
<b>Total Department of Justice</b>		<u>40,449</u>	<u>-</u>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Pass Through Payments from the New Hampshire Department of Highway Safety and Transportation			
Airport Improvement Program	20.106		
#SBG-02-06-2014		2,588	-
#SBG-02-07-2015		12,872	-
#SBG-02-08-2016		282,538	-
		<u>297,998</u>	<u>-</u>
Highway Planning and Construction	20.205		
#X-A004(405)		56,614	-
#X-A0003(767)		21,678	-
#MGS-STP-X-0131(0389)		19,188	-
#X-A002(723)		5,871	-
		<u>103,351</u>	<u>-</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		
#315-11A-095		9,457	-
<b>Total Department of Transportation</b>		<u>410,806</u>	<u>-</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Pass Through Payments from New Hampshire Department of Safety			
Emergency Management Performance Grants	97.042	5,400	-
Homeland Security Grant Program	97.067	1,639	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		
#EMW-2013-FH-00392		410,958	-
<b>Total Department of Homeland Security</b>		<u>417,997</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 869,252</u>	<u>\$ -</u>

*See accompanying notes to the schedule of expenditures of federal awards*

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2017**

**NOTE 1—FINANCIAL REPORTING ENTITY**

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

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Claremont, New Hampshire, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Claremont, New Hampshire.

**NOTE 2—BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State and Local Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Claremont, New Hampshire has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The recognition of expenditures of federal awards has been reported in the City's basic financial statements as intergovernmental revenues in the governmental funds as follows:

Major Governmental Fund:	
General Fund	\$ 448,458
Nonmajor Governmental Funds	<u>420,794</u>
	<u>\$ 869,252</u>

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremont, New Hampshire, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Claremont, New Hampshire's basic financial statements, and have issued our report thereon dated January 8, 2018.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

A handwritten signature in black ink that reads "Jackson Clahay & Company PC". The signature is written in a cursive, flowing style.

Manchester, New Hampshire  
January 8, 2018

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

Independent Auditor's Report

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Claremont, New Hampshire's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Claremont, New Hampshire's major federal program for the year ended June 30, 2017. The City of Claremont, New Hampshire's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City of Claremont, New Hampshire's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Claremont, New Hampshire's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Claremont, New Hampshire complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

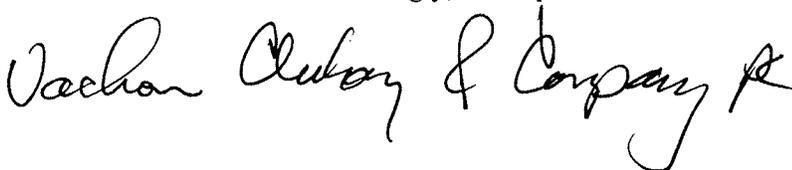
### **Report on Internal Control Over Compliance**

Management of the City of Claremont, New Hampshire is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Claremont, New Hampshire's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Claremont, New Hampshire's internal control over compliance.

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

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

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



Manchester, New Hampshire  
January 8, 2018

**City of Claremont, New Hampshire  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017**

**Section I--Summary of Auditor's Results**

**Financial Statements**

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

**Federal Awards**

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

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____yes	___X___ no
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Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B program:	\$ 750,000 .
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Auditee qualified as low-risk auditee?	___X___ yes	_____ no
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## **Section II--Financial Statement Findings**

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

## **Section III--Federal Award Findings and Questioned Costs**

There were no findings and questioned costs required to be reported under 2 CFR 200.516(a).