

CITY OF CLAREMONT, NEW HAMPSHIRE

Financial Statements

June 30, 2019

and

Independent Auditor's Report

**CITY OF CLAREMONT, NEW HAMPSHIRE
FINANCIAL STATEMENTS
June 30, 2019**

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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, 2019, 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. 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, 2019, 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 changes in the City's proportionate share of the net OPEB liability, schedule of City OPEB contributions, schedule of changes in the City's total OPEB liability and related ratios, schedule of changes in the City's proportionate share of the net pension liability, and schedule of City pension contributions on pages i-viii and 47-55 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.

Vachon Clukay & Company PC

Manchester, New Hampshire
March 23, 2020

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, 2019. This analysis compares the fiscal year ending June 30, 2019 to the fiscal year ending June 30, 2018. We encourage readers to consider the information here in conjunction with additional information that is included within the City's financial statements.

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 the required 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 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, Downtown Tax Increment Financing Fund and the Permanent Funds, 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 \$46,088,191, presented as "net position" shown on the Statement of Net Position for the Total Primary Government. The City's Net Position increased by \$567,570.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$10,430,353, a change of \$62,618 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund on a GAAP basis was \$740,436. However, unassigned fund balance on a tax rate setting basis was \$2,764,915. See the Notes to Required Supplementary Information on page 53 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 \$20,424,190, a change of (\$2,229,850) 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>			
	2019	2018	2018	2018	2019	2018
	(Restated)					
Current and Other Assets	\$15,320,396	\$18,174,951	\$10,127,963	\$10,716,649	\$25,448,359	\$28,891,600
Capital Assets	35,530,145	36,296,192	27,595,881	26,923,841	63,126,026	63,220,033
Total Assets	50,850,541	54,471,143	37,723,844	37,640,490	88,574,385	92,111,633
Total Deferred Outflow of Resources	4,400,556	4,471,834	142,710	160,827	4,543,266	4,632,461
Long-term Liabilities outstanding	29,771,575	31,982,080	8,300,612	8,677,166	38,072,187	40,639,248
Other Liabilities	3,087,993	3,183,119	1,022,694	1,333,235	4,110,887	4,516,354
Total Liabilities	32,859,568	35,145,199	9,323,506	10,010,403	42,183,074	45,155,602
Total Deferred Inflow of Resources	4,782,972	6,046,992	63,414	20,879	4,846,386	6,067,871
Net Position:						
Net investment in capital assets	20,919,940	20,405,982	19,556,824	18,493,106	40,476,764	38,899,088
Restricted	4,532,693	5,251,263	-	-	4,532,693	5,251,263
Unrestricted (Deficit)	(7,844,076)	(7,906,479)	8,922,810	9,276,729	1,078,734	1,370,250
Total Net Position	\$17,608,557	\$17,750,766	\$28,479,634	\$27,769,835	\$46,088,191	\$45,520,621

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>Restated 2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,363,329	\$ 1,343,616	\$ 4,865,524	\$ 4,700,196	\$ 6,228,853	\$ 6,043,812
Operating grants and contributions	467,609	746,537	28,339		493,948	746,537
Capital grants and contributions	520,709	240,939	19,539	264,253	540,248	505,192
General revenues:						
Taxes	11,467,243	10,976,500			11,467,243	10,976,500
Licenses and permits	2,519,127	2,393,602			2,519,127	2,393,602
Intergovernmental	687,249	688,036			687,249	688,036
Interest	445,306	377,572	180,335	100,113	625,641	477,685
Miscellaneous	357,209	99,476			357,209	99,476
Total revenues	17,827,781	16,866,278	5,091,737	5,064,562	22,919,518	21,930,840
Expenses:						
General government	3,888,093	3,686,676			3,888,093	3,686,676
Public safety	6,105,757	5,936,781			6,105,757	5,936,781
Airport/aviation center	702,358	709,675			702,358	709,675
Highways and streets	3,667,122	3,650,628			3,667,122	3,650,628
Sanitation	175,255	90,435			175,255	90,435
Health and welfare	415,184	359,564			415,184	359,564
Culture and recreation	2,411,232	2,435,102			2,411,232	2,435,102
Conservation	1,590	8,240			1,590	8,240
Economic development	-	-	38,019	63,417	38,019	63,417
Interest and fiscal charges	584,749	636,796			584,749	636,796
Water			1,823,356	1,901,644	1,823,356	1,901,644
Sewer			2,551,392	2,602,573	2,551,392	2,602,573
	17,951,340	17,513,897	4,412,767	4,567,634	22,364,107	22,081,531
Changes in net position before transfers and permanent fund contributions						
	(123,559)	(647,619)	678,970	496,928	555,411	(150,691)
Transfers, net	(30,829)	(3,716)	30,829	3,716	-	-
Permanent fund contributions	12,159	4,265			12,159	4,265
Changes in net position	(142,229)	(647,070)	709,799	500,644	567,570	(146,426)
Net Position - beginning of year						
	17,750,786	18,883,748	27,769,835	27,289,191	45,520,621	45,952,937
Restatement		(285,890)			-	(285,890)
Net Position - end of year	\$ 17,608,557	\$ 17,750,786	\$ 28,479,634	\$ 27,789,835	\$ 46,088,191	\$ 45,520,621

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 \$46,088,191, a change of \$567,570 from the prior year.

The largest portion of the City's net position, \$40,476,764 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, \$4,532,693 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$1,078,734 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 (\$142,229). Key elements of this change are as follows:

General Fund operating results (per Exhibit D)	\$	(98,520)
Downtown Tax Increment Financing Fund operating results (per Exhibit D)		33,774
Permanent Funds operating results (per Exhibit D)		247,738
Nonmajor funds operating results (per Exhibit D)		(120,374)
Capital asset additions		1,693,952
Depreciation on capital assets		(2,441,033)
Issuance of notes payable		(51,730)
Issuance of capital leases		(296,523)
Issuance of State of NH revolving loan		(14,987)
Principal paid on bonds payable		1,287,184
Principal paid on notes payable		57,364
Principal paid on capital leases		382,959
Net changes in the OPEB		(328,530)
Net changes in pension		(160,721)
Other GAAP accruals		(332,782)
	\$	<u>(142,229)</u>

Business-Type Activities. Business-type activities for the year resulted in a change in net position of \$709,799. Key elements of this change are as follows:

Water Fund	\$	336,781
Sewer Fund		337,823
Claremont Development Authority Fund		35,195
	\$	<u>709,799</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 \$10,430,353, a change of \$62,618 in comparison with the prior year. Key elements of this change are as follows:

General Fund operations	\$ (98,520)
Downtown Tax Increment Financing Fund operating results	33,774
Permanent Funds operating results	247,738
Nonmajor funds operating results	(120,374)
	<u>\$ 62,618</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 \$740,436 while total fund balance was \$4,317,082. However, for tax rate setting purposes, unassigned fund balance was \$2,764,915 while the total fund balance was \$4,906,544 (see the Notes to the Required Supplementary Information on page 53 for more information).

The fund balance of the general fund changed by (\$98,520) during the current fiscal year. Key factors in this change are as follows:

Revenue and other financing sources in excess of budget	\$ 133,977
Expenditures and other financing uses less than budget	1,386,535
Use of fund balance	(1,746,115)
Tax collections as compared to budget	299,869
Capital lease activity	107,924
Expenditures of current year net encumbrances less than prior year net encumbrances	(300,542)
Change in capital reserve funds	19,832
	<u>\$ (98,520)</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.

The Downtown Tax Increment Financing Fund accounts for the financial transactions related to the City's parking garage. At June 30, 2019, this fund was in a deficit position of \$1,047,245.

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, 2019, the balance of \$3,515,930 was nonspendable and \$126,705 was restricted for income earned on the principal balance.

The total fund balance of \$3,517,881 in the other governmental funds is restricted or committed for the purposes of the individually established funds. During the year ending June 30, 2019, fund balance in the other governmental funds decreased by (\$120,374). The majority of this decrease is the result of continued activity in the Public Works Capital Projects Fund to finance the City's applicable portion of the Main Street reconstruction project.

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 \$8,922,810.

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 2019 budget as presented by the City Manager was approved by the City Council on June 13, 2018. The original budget increased by \$83,600. During the fiscal year ending June 30, 2019, the City Council amended the overall budget by issuing supplemental resolutions after the State set the tax rate in the fall of 2018.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets.

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$63,126,026 (net of accumulated depreciation), a change of (\$94,007) 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 \$20,424,190, 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

In 2019 economic conditions continued to improve. The vacancy rates in our business commercial and industrial zones remain low. Our large employers have all been hiring and the unemployment rate is currently below 2%. New construction was completed for a Ford garage and service center on Charlestown Road, and new construction began on a new Toyota garage in the same area.

The City Center has several significant rehabilitation projects underway. The 54,000 SF Goddard Block renovation is almost complete, with 10 of the 36 new housing units ready for occupancy. Just down the street, the long vacant upper level of the Farwell Block is under construction for expansion of the Dental Center. A long-term tenant has signed an LOI in the abutting 10,000 SF building, which has been vacant for 25 years. Funding and approvals are currently in process for that project.

Entrepreneurship and workforce training have been growing programs in our MakerSpace, and we anticipate growth in both areas.

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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 5,398,867	\$ 856,305	\$ 6,255,172
Investments	6,148,710	7,481,363	13,630,073
Taxes receivable, net	2,384,544		2,384,544
Accounts receivable, net	73,587	1,668,250	1,741,837
Due from other governments	159,259	97,871	257,130
Internal balances	950,326	(950,326)	-
Prepaid expenses	67,970		67,970
Inventory		141,153	141,153
Total Current Assets	<u>15,183,263</u>	<u>9,294,616</u>	<u>24,477,879</u>
Noncurrent Assets:			
Due from other governments	137,133	833,347	970,480
Capital assets:			
Non-depreciable capital assets	2,594,935	3,223,564	5,818,499
Depreciable capital assets, net	32,935,210	24,372,317	57,307,527
Total Noncurrent Assets	<u>35,667,278</u>	<u>28,429,228</u>	<u>64,096,506</u>
Total Assets	<u>50,850,541</u>	<u>37,723,844</u>	<u>88,574,385</u>
DEFERRED OUTFLOWS OF RESOURCES			
School taxes paid in advance	2,000,000		2,000,000
Deferred outflows related to OPEB	260,852	21,292	282,144
Deferred outflows related to pension	2,139,704	121,418	2,261,122
Total Deferred Outflows of Resources	<u>4,400,556</u>	<u>142,710</u>	<u>4,543,266</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	664,392	60,714	725,306
Accrued expenses	456,718	129,916	586,634
Retainage payable	46,817		46,817
Unearned revenue	188,158		188,158
Deposits	6,682		6,682
Current portion of bonds payable	777,258	770,728	1,547,986
Current portion of tax increment financing bonds payable	520,000		520,000
Current portion of notes payable	68,399		68,399
Current portion of capital leases payable	284,782	57,628	342,410
Current portion of compensated absences payable	64,587	3,908	68,495
Current portion of estimated liability for landfill postclosure care costs	10,000		10,000
Total Current Liabilities	<u>3,087,993</u>	<u>1,022,894</u>	<u>4,110,887</u>
Noncurrent Liabilities:			
Bonds payable	8,010,157	6,165,991	14,176,148
Tax increment financing bonds payable	4,180,056		4,180,056
Notes payable	84,103		84,103
Capital leases payable	1,560,874	169,985	1,730,859
State of New Hampshire revolving loan	30,000	874,725	904,725
Compensated absences payable	581,279	35,171	616,450
OPEB liability	3,305,887	378,948	3,684,835
Net pension liability	11,909,219	675,792	12,585,011
Estimated liability for landfill postclosure care costs	110,000		110,000
Total Noncurrent Liabilities	<u>29,771,575</u>	<u>8,300,612</u>	<u>38,072,187</u>
Total Liabilities	<u>32,859,568</u>	<u>9,323,506</u>	<u>42,183,074</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes collected in advance	3,665,467		3,665,467
Deferred inflows related to OPEB	3,797	216	4,013
Deferred inflows related to pension	1,113,708	63,198	1,176,906
Total Deferred Inflows of Resources	<u>4,782,972</u>	<u>63,414</u>	<u>4,846,386</u>
NET POSITION			
Net investment in capital assets	20,919,940	19,556,824	40,476,764
Restricted	4,532,693		4,532,693
Unrestricted (deficit)	(7,844,076)	8,922,810	1,078,734
Total Net Position	<u>\$ 17,608,557</u>	<u>\$ 28,479,634</u>	<u>\$ 46,088,191</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, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services		Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
		Operating Grants and Contributions	Charges for Services				
Governmental Activities:							
General government	\$ 3,888,093	\$ 319,565	\$ 91,014		\$ (3,477,514)		\$ (3,477,514)
Public safety	6,105,757	227,007	27,547	\$ 36,593	(5,814,610)		(5,814,610)
Airport/Aviation center	702,358	80,991		49,425	(571,942)		(571,942)
Highways and streets	3,667,122	25,135	330,871	434,691	(2,876,425)		(2,876,425)
Sanitation	175,255	965			(174,290)		(174,290)
Health and welfare	415,184	30,650			(384,534)		(384,534)
Culture and recreation	2,411,232	679,016	12,212		(1,720,004)		(1,720,004)
Conservation	1,590				(1,590)		(1,590)
Interest and fiscal charges	584,749		5,965		(578,784)		(578,784)
Total governmental activities	17,951,340	1,363,329	467,609	520,709	(15,599,693)	\$ -	(15,599,693)
Business-type activities:							
Water	1,823,356	2,079,047	26,339		282,030		282,030
Sewer	2,551,392	2,747,664		19,539	215,811		215,811
Nonmajor fund	38,019	38,813			794		794
Total business-type activities	4,412,767	4,865,524	26,339	19,539	498,635		498,635
Total primary government	\$ 22,364,107	\$ 6,228,853	\$ 493,948	\$ 540,248	(15,599,693)	\$ -	(15,101,058)
General revenues:							
Property and other taxes					11,467,243		11,467,243
Licenses and permits					2,519,127		2,519,127
Grants and contributions:							
Rooms and meals tax distribution					678,061		678,061
Miscellaneous grants					9,188		9,188
Interest and investment earnings					445,306	180,335	625,641
Miscellaneous					357,209		357,209
Transfers, net					(30,829)	30,829	-
Contributions to permanent fund principal					12,159		12,159
Total general revenues, transfers and contributions to permanent fund principal					15,457,464	211,164	15,668,628
Change in net position					(142,229)	769,799	567,570
Net position - beginning, as restated					17,750,786	27,769,835	45,520,621
Net position - ending					\$ 17,608,557	\$ 28,479,634	\$ 46,088,191

See accompanying notes to the basic financial statements

EXHIBIT C
CITY OF CLAREMONT, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Downtown Tax Increment Financing Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,390,975		\$ 3,100	\$ 4,792	\$ 5,398,867
Investments	1,052,703	\$ 211	3,669,535	1,426,261	6,148,710
Taxes receivable, net	2,384,544				2,384,544
Accounts receivable, net	57,052	2,713		13,822	73,587
Due from other governments	24,201			92,573	116,774
Due from other funds	649,678			2,352,815	3,002,493
Advance to other funds	781,637				781,637
Prepaid expenses	164,402				164,402
Total Assets	<u>10,505,192</u>	<u>2,924</u>	<u>3,672,635</u>	<u>3,890,263</u>	<u>18,071,014</u>
DEFERRED OUTFLOWS OF RESOURCES					
School taxes paid in advance	2,000,000				2,000,000
Total Deferred Outflows of Resources	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,505,192</u>	<u>\$ 2,924</u>	<u>\$ 3,672,635</u>	<u>\$ 3,890,263</u>	<u>\$ 20,071,014</u>
LIABILITIES					
Accounts payable	\$ 509,397	\$ 1,126		\$ 153,869	\$ 664,392
Accrued expenses	210,662				210,662
Retainage payable	46,817				46,817
Due to other funds	1,536,248	267,406	\$ 30,000	218,513	2,052,167
Advance from other funds		781,637			781,637
Unearned revenue	188,158				188,158
Deposits	6,682				6,682
Total Liabilities	<u>2,498,164</u>	<u>1,050,169</u>	<u>30,000</u>	<u>372,382</u>	<u>3,950,715</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes collected in advance	3,665,467				3,665,467
Uncollected property taxes	2,024,479				2,024,479
Total Deferred Inflows of Resources	<u>5,689,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,689,946</u>
FUND BALANCES					
Nonspendable	946,039		3,515,930		4,461,969
Restricted	107,924		126,705	890,058	1,124,687
Committed	833,433			2,627,823	3,461,256
Assigned	1,689,250				1,689,250
Unassigned (deficit)	740,436	(1,047,245)			(306,809)
Total Fund Balances (deficit)	<u>4,317,082</u>	<u>(1,047,245)</u>	<u>3,642,635</u>	<u>3,517,881</u>	<u>10,430,353</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,505,192</u>	<u>\$ 2,924</u>	<u>\$ 3,672,635</u>	<u>\$ 3,890,263</u>	<u>\$ 20,071,014</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, 2019

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 10,430,353
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	35,530,145
Other long-term assets are not available to pay current period expenditures, and therefore, are not reported in governmental funds	179,618
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	2,024,479
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 OPEB liability	260,852
Deferred outflows of resources related to net pension liability	2,139,704
Deferred inflows of resources related to OPEB liability	(3,797)
Deferred inflows of resources related to net pension liability	(1,113,708)
Debt service payments are recognized as expenditures when due within the funds. Prepaid debt service payments represent a reduction of the long-term liabilities in the statement of net position as follows:	
Capital leases payable	(77,537)
Accrued interest on long-term obligations	(18,895)
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	(8,787,415)
Tax increment financing bonds payable	(4,700,056)
Notes payable	(152,502)
Capital leases payable	(1,845,656)
State of New Hampshire revolving loan	(30,000)
Accrued interest on long-term obligations	(246,056)
Compensated absences payable	(645,866)
OPEB liability	(3,305,887)
Net pension liability	(11,909,219)
Estimated liability for landfill postclosure care costs	(120,000)
Net Position of Governmental Activities (Exhibit A)	<u>\$ 17,608,557</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, 2019

	General Fund	Downtown Tax Increment Financing Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 11,232,020	\$ 534,812		\$ 280	\$ 11,767,112
Licenses and permits	2,391,471			127,656	2,519,127
Intergovernmental	1,065,052			651,482	1,716,534
Charges for services	1,045,431			100,539	1,145,970
Interest and investment income	122,656	5	\$ 294,545	28,100	445,306
Miscellaneous	214,565	47,644	12,159	312,359	586,727
Total Revenues	<u>16,071,195</u>	<u>582,461</u>	<u>306,704</u>	<u>1,220,416</u>	<u>18,180,776</u>
Expenditures:					
Current operations:					
General government	3,667,868	38,050	12,957	103,430	3,822,305
Public safety	5,693,574			120,735	5,814,309
Airport/Aviation center	65,521			60,910	126,431
Highways and streets	3,006,956	41,627		1,189,595	4,238,178
Sanitation	183,510				183,510
Health and welfare	384,380		6,150	10,023	400,553
Culture and recreation	1,851,424		3,926	65,265	1,920,615
Conservation				1,590	1,590
Capital outlay				10,450	10,450
Debt service:					
Principal retirement	819,022	520,000		5,526	1,344,548
Interest and fiscal charges	351,034	236,600		446	588,080
Total Expenditures	<u>16,023,289</u>	<u>836,277</u>	<u>23,033</u>	<u>1,567,970</u>	<u>18,450,569</u>
Excess revenues over (under) expenditures	<u>47,906</u>	<u>(253,816)</u>	<u>283,671</u>	<u>(347,554)</u>	<u>(269,793)</u>
Other financing sources (uses):					
Proceeds from capital lease	296,523				296,523
Proceeds from State revolving loan funds				14,987	14,987
Proceeds from note issuance				51,730	51,730
Transfers in	147,834	287,590		329,713	765,137
Transfers out	(590,783)		(35,933)	(169,250)	(795,966)
Total other financing sources (uses)	<u>(146,426)</u>	<u>287,590</u>	<u>(35,933)</u>	<u>227,180</u>	<u>332,411</u>
Net change in fund balances	(98,520)	33,774	247,738	(120,374)	62,618
Fund balances (deficit) at beginning of year, as restated	<u>4,415,602</u>	<u>(1,081,019)</u>	<u>3,394,897</u>	<u>3,638,255</u>	<u>10,367,735</u>
Fund balances (deficit) at end of year	<u>\$ 4,317,082</u>	<u>\$ (1,047,245)</u>	<u>\$ 3,642,635</u>	<u>\$ 3,517,881</u>	<u>\$ 10,430,353</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, 2019

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 62,618
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(747,081)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(299,869)
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	767,184
Principal paid on tax increment financing bonds	520,000
Principal paid on notes payable	57,364
Principal paid on capital leases payable	382,959
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	(51,730)
Proceeds from capital lease	(296,523)
Proceeds from State revolving loan funds	(14,987)
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.	(18,966)
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt.	18,883
In the statement of activities, interest is accrued on outstanding long-term obligations whereas in governmental funds, an interest expenditure is reported when due.	17,153
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.	(40,967)
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	(19,016)
Landfill postclosure care costs	10,000
Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and 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 OPEB and pension expense differed from OPEB and pension contributions in the current period.	
Net changes in OPEB	(328,530)
Net changes in pension	(160,721)
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ (142,229)</u>

See accompanying notes to the basic financial statements

EXHIBIT E
CITY OF CLAREMONT, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities			Totals
	Water Fund	Sewer Fund	Nonmajor Proprietary Fund	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 430,959	\$ 421,346	\$ 4,000	\$ 856,305
Investments	2,132,331	5,202,411	146,621	7,481,363
Accounts receivable, net	817,139	850,677	434	1,668,250
Due from other governments	21,229	76,642		97,871
Due from other funds	23,695	3,445		27,140
Inventory	129,601	11,552		141,153
Total Current Assets	<u>3,554,954</u>	<u>6,566,073</u>	<u>151,055</u>	<u>10,272,082</u>
Noncurrent Assets:				
Due from other governments	148,604	684,743		833,347
Capital assets:				
Non-depreciable capital assets	1,214,924	1,009,774	998,866	3,223,564
Depreciable capital assets, net	9,042,119	15,207,332	122,866	24,372,317
Total Noncurrent Assets	<u>10,405,647</u>	<u>16,901,849</u>	<u>1,121,732</u>	<u>28,429,228</u>
Total Assets	<u>13,960,601</u>	<u>23,467,922</u>	<u>1,272,787</u>	<u>38,701,310</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to OPEB	10,455	10,837		21,292
Deferred outflows related to pension	65,293	56,125		121,418
Total Deferred Outflows of Resources	<u>75,748</u>	<u>66,962</u>	<u>-</u>	<u>142,710</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	29,903	28,059	2,752	60,714
Accrued expenses	53,786	74,210	1,920	129,916
Due to other funds	867,332	110,134		977,466
Current portion of bonds payable	218,341	552,387		770,728
Current portion of capital leases payable	25,089	32,539		57,628
Current portion of compensated absences payable	2,388	1,520		3,908
Total Current Liabilities	<u>1,196,839</u>	<u>798,849</u>	<u>4,672</u>	<u>2,000,360</u>
Noncurrent Liabilities:				
Bonds payable	2,825,951	3,340,040		6,165,991
Capital leases payable	66,431	103,554		169,985
State of New Hampshire revolving loan	174,746	699,979		874,725
Compensated absences payable	21,488	13,683		35,171
OPEB liability	174,440	204,508		378,948
Net pension liability	363,409	312,383		675,792
Total Noncurrent Liabilities	<u>3,626,465</u>	<u>4,674,147</u>	<u>-</u>	<u>8,300,612</u>
Total Liabilities	<u>4,823,304</u>	<u>5,472,996</u>	<u>4,672</u>	<u>10,300,972</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to OPEB	116	100		216
Deferred inflows related to pension	33,985	29,213		63,198
Total Deferred Inflows of Resources	<u>34,101</u>	<u>29,313</u>	<u>-</u>	<u>63,414</u>
NET POSITION				
Net investment in capital assets	6,946,485	11,488,607	1,121,732	19,556,824
Unrestricted	2,232,459	6,543,968	146,383	8,922,810
Total Net Position	<u>\$ 9,178,944</u>	<u>\$ 18,032,575</u>	<u>\$ 1,268,115</u>	<u>\$ 28,479,634</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, 2019

	Business-type Activities			Totals
	Water Fund	Sewer Fund	Nonmajor Proprietary Fund	
Operating revenues:				
Charges for services	\$ 1,997,531	\$ 2,538,626	\$ 38,813	\$ 4,574,970
Miscellaneous	81,516	209,038		290,554
Total operating revenues	<u>2,079,047</u>	<u>2,747,664</u>	<u>38,813</u>	<u>4,865,524</u>
Operating expenses:				
Personnel services	493,367	523,045		1,016,412
Contractual services	415,267	754,977		1,170,244
Repairs and maintenance	178,573	149,885	5,384	333,842
Administration	112,245	121,849	11,571	245,665
Utilities	36,385	118,994	17,189	172,568
Depreciation	370,327	701,188	3,200	1,074,715
Miscellaneous	103,703	96,829	675	201,207
Total operating expenses	<u>1,709,867</u>	<u>2,466,767</u>	<u>38,019</u>	<u>4,214,653</u>
Operating income	<u>369,180</u>	<u>280,897</u>	<u>794</u>	<u>650,871</u>
Non-operating income (expenses):				
Intergovernmental revenue	26,339			26,339
Interest revenue	54,751	122,012	3,572	180,335
Interest expense	(113,489)	(84,625)		(198,114)
Total non-operating income (expenses)	<u>(32,399)</u>	<u>37,387</u>	<u>3,572</u>	<u>8,560</u>
Income before transfers and capital contributions	336,781	318,284	4,366	659,431
Transfers in			30,829	30,829
Capital contributions		19,539		19,539
Change in net position	336,781	337,823	35,195	709,799
Total Net Position at beginning of year	<u>8,842,163</u>	<u>17,694,752</u>	<u>1,232,920</u>	<u>27,769,835</u>
Total Net Position at end of year	<u>\$ 9,178,944</u>	<u>\$ 18,032,575</u>	<u>\$ 1,268,115</u>	<u>\$ 28,479,634</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, 2019

	Business-type Activities			Totals
	Water Fund	Sewer Fund	Nonmajor Proprietary Fund	
Cash flows from operating activities:				
Cash received from customers	\$ 1,955,062	\$ 2,691,973	\$ 38,554	\$ 4,685,589
Other operating cash receipts	4,690	17,702		22,392
Cash paid to suppliers	(1,039,485)	(1,431,700)	(42,059)	(2,513,244)
Cash paid to employees	(288,358)	(278,334)		(566,692)
Net cash provided (used) by operating activities	<u>631,909</u>	<u>999,641</u>	<u>(3,505)</u>	<u>1,628,045</u>
Cash flows from noncapital financing activities:				
Proceeds from other governments	26,339			26,339
Net cash provided for noncapital financing activities	<u>26,339</u>	<u>-</u>	<u>-</u>	<u>26,339</u>
Cash flows from capital financing activities:				
Purchases of capital assets	(928,783)	(1,014,717)	(91,276)	(2,034,776)
Capital contributions		94,488		94,488
Transfer from other funds			30,829	30,829
Proceeds from State revolving loan funds	35,154	561,944		597,098
Principal paid on bonds payable	(333,067)	(569,487)		(902,554)
Principal paid on capital leases payable	(28,395)	(35,614)		(64,009)
Interest paid on long-term debt	(117,803)	(85,359)		(203,162)
Net cash (used) for capital financing activities	<u>(1,372,894)</u>	<u>(1,048,745)</u>	<u>(60,447)</u>	<u>(2,482,086)</u>
Cash Flows from Investing Activities:				
Interest on investments	54,751	122,012	3,572	180,335
Net cash provided by investing activities	<u>54,751</u>	<u>122,012</u>	<u>3,572</u>	<u>180,335</u>
Net increase (decrease) in cash and cash equivalents	(659,895)	72,908	(60,380)	(647,367)
Cash and cash equivalents at beginning of year	2,379,548	5,444,160	211,001	8,034,709
Cash and cash equivalents at end of year	<u>\$ 1,719,653</u>	<u>\$ 5,517,068</u>	<u>\$ 150,621</u>	<u>\$ 7,387,342</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 369,180	\$ 280,897	\$ 794	\$ 650,871
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	370,327	701,188	3,200	1,074,715
Change in deferred outflows related to OPEB	(5,664)	(6,325)		(11,989)
Change in deferred outflows related to pension	14,032	15,874		29,906
Change in deferred inflows related to OPEB	(146)	(138)		(284)
Change in deferred inflows related to pension	23,302	19,517		42,819
Changes in assets and liabilities:				
Accounts receivable, net	(119,295)	(37,989)	(259)	(157,543)
Inventory	(499)	3,183		2,684
Accounts payable	(23,913)	63	840	(23,010)
Accrued expenses	1,420	6,906	(8,080)	246
OPEB liability	8,512	38,779		47,291
Net pension liability	(5,347)	(22,314)		(27,661)
Net cash provided (used) by operating activities	<u>\$ 631,909</u>	<u>\$ 999,641</u>	<u>\$ (3,505)</u>	<u>\$ 1,628,045</u>
Supplemental disclosure of non-cash transactions:				
Forgiveness of long-term debt principal	<u>\$ 21,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,229</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, 2019

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents		\$ 74,995
Investments	\$ 11,306,306	<u>8,123,138</u>
Total Assets	<u>11,306,306</u>	<u>\$ 8,198,133</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Due to other governments		\$ 8,154,484
Deposits		<u>43,649</u>
Total Liabilities	<u>-</u>	<u>\$ 8,198,133</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>11,306,306</u>	
Total Net Position	<u>\$ 11,306,306</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
 June 30, 2019

	Private- Purpose <u>Trust Funds</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 52
Total Contributions	<u>52</u>
Investment earnings:	
Interest	238,008
Realized gains on investments	416,514
Net increase in the fair value of investments	<u>264,856</u>
Total Investment Earnings	<u>919,378</u>
Total Additions	<u>919,430</u>
DEDUCTIONS:	
Benefits	268,218
Administrative expenses	<u>57,951</u>
Total Deductions	<u>326,169</u>
Change in net position	593,261
Net position - beginning of year, as restated	<u>10,713,045</u>
Net position - end of year	<u>\$ 11,306,306</u>

See accompanying notes to the basic financial statements

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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)
For the Year Ended June 30, 2019

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 *Downtown Tax Increment Financing Fund* is a debt service fund that accounts for the financial transactions related to the City's parking garage.

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.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

3. Fiduciary Funds:

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

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

1. Revenues – Exchange and Non-Exchange Transactions:

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

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 are 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 \$1,063,590 from fund balance to offset appropriations. An additional \$500,000 of fund balance was applied to reduce the tax rate.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Supplemental appropriations passed during the year were also partially funded from fund balance in the amount of \$83,600. Unexpended supplemental appropriations of \$98,925 were carried forward from the fiscal year ending June 30, 2018 for a net combined use of fund balance of \$1,746,115.

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, 2019 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, 2019 are recorded as receivables net of reserves for estimated uncollectibles of \$612,000.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2019 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.

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 acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of roads, bridges, sidewalks, water purification and distribution system, sewer collection and treatment system, and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary capital assets is also capitalized.

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

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

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

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 and vacation leave 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 gross of 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) OPEB Plan 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, NHRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for non-registered commingled funds valued at net asset value (NAV) as a practical expedient to estimate fair value.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Pensions

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

Net Position

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

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

Fund Balance Policy

The City 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.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

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

Spending Prioritization

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

Deficit Fund Balance

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

Minimum Level of Unassigned Fund Balance

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

Interfund Activity

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the water fund, 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.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

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—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	\$ 430,959	\$ 421,346	\$ 4,000	\$ 856,305
Investments in New Hampshire Public Deposit Investment Pool	2,132,331	5,202,411	146,621	7,481,363
Due from other funds	23,695	3,445		27,140
Due to other funds	<u>(867,332)</u>	<u>(110,134)</u>		<u>(977,466)</u>
Totals	<u>\$ 1,719,653</u>	<u>\$ 5,517,068</u>	<u>\$ 150,621</u>	<u>\$ 7,387,342</u>

NOTE 3—DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of net position:		
Cash and cash equivalents		\$ 6,255,172
Investments		13,630,073
Statement of fiduciary net position:		
Cash and cash equivalents		74,995
Investments		<u>19,429,444</u>
Total deposits and investments		<u>\$ 39,389,684</u>

Deposits and investments as of June 30, 2019 consist of the following:

Cash on hand	\$ 3,707
Deposits with financial institutions	6,326,460
Investments	<u>33,059,517</u>
Total deposits and investments	<u>\$ 39,389,684</u>

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

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Credit Risk

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

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

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>				<u>Not Rated</u>
		<u>Aaa</u>	<u>Aaa-mf</u>	<u>Aa</u>	<u>A</u>	
Corporate bonds	\$ 4,426,223	\$ 2,227,777		\$ 205,460	\$ 1,992,986	
Bond mutual funds	3,300,744					\$ 3,300,744
Money market mutual funds	276,094					276,094
State investment pool	9,961,708		\$ 9,961,708			
	<u>\$ 17,964,769</u>	<u>\$ 2,227,777</u>	<u>\$ 9,961,708</u>	<u>\$ 205,460</u>	<u>\$ 1,992,986</u>	<u>\$ 3,576,838</u>

Interest Rate Risk

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

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

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

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

<u>Investment Type</u>	<u>Remaining Maturity (In Years)</u>			
	<u>Fair Value</u>	<u>0-1 Years</u>	<u>1-5 Years</u>	<u>≥ 5 Years</u>
Corporate bonds	\$ 4,426,223	\$ 649,360	\$ 2,962,133	\$ 814,730
U.S. Treasury notes	1,714,155	99,344	854,058	760,753
Bond mutual funds	3,300,744		1,010,719	2,290,025
	<u>\$ 9,441,122</u>	<u>\$ 748,704</u>	<u>\$ 4,826,910</u>	<u>\$ 3,865,508</u>

Custodial Credit Risk

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

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

Of the City's deposits with financial institutions at year end, \$812,762 was collateralized by securities held by the bank in the bank's name. As of June 30, 2019, 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	\$ 13,380,593
Corporate bonds	4,426,223
U.S. Treasury notes	1,714,155
Bond mutual funds	3,300,744
Money market mutual funds	276,094
	<u>\$ 23,097,809</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. Financial statements for the NHPDIP can be accessed through the NHPDIP's website at www.NHPDIP.com.

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 Measurements of Investments

The City categorizes the fair value measurements of its investments within the fair value hierarchy established by accounting principles generally accepted in the United States. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows (in order of priority):

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

- *Level 1 Inputs* - Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.
- *Level 2 Inputs* - Inputs other than quoted prices that are observable for assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active.
- *Level 3 Inputs* - Significant unobservable inputs.

As of June 30, 2019, the City's investments measured at fair value, by type, were as follows:

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	\$ 4,426,223	\$ 4,426,223	
U.S. Treasury notes	1,714,155	1,714,155	
Bond mutual funds	3,300,744	\$ 3,300,744	
Equity securities	13,380,593	13,380,593	
	<u>\$ 22,821,715</u>	<u>\$ 16,681,337</u>	<u>\$ 6,140,378</u>
			<u>\$ -</u>

Bond mutual funds and equity securities classified as Level 1 are valued using unadjusted quoted prices in active markets for those securities. Corporate bonds and U.S. Treasury notes classified as Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to bench-mark quoted prices.

NOTE 4—CAPITAL ASSETS

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

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,682,769			\$ 1,682,769
Intangible assets	10,000			10,000
Construction in process	945,411	\$ 411,584	\$ (454,829)	902,166
Total capital assets not being depreciated	<u>2,638,180</u>	<u>411,584</u>	<u>(454,829)</u>	<u>2,594,935</u>
Other capital assets:				
Infrastructure	29,538,108	1,356,119		30,894,227
Buildings and improvements	11,586,568			11,586,568
Vehicles, equipment and furnishings	12,663,539	381,078	(347,744)	12,696,873
Intangible assets	35,600			35,600
Total other capital assets at historical cost	<u>53,823,815</u>	<u>1,737,197</u>	<u>(347,744)</u>	<u>55,213,268</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

	Balance <u>7/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2019</u>
Less accumulated depreciation for:				
Infrastructure	(7,896,719)	(870,288)		(8,767,007)
Buildings and improvements	(3,136,180)	(500,519)		(3,636,699)
Vehicles, equipment and furnishings	(9,121,037)	(1,063,106)	328,778	(9,855,365)
Intangible assets	(11,867)	(7,120)		(18,987)
Total accumulated depreciation	<u>(20,165,803)</u>	<u>(2,441,033)</u>	<u>328,778</u>	<u>(22,278,058)</u>
Total other capital assets, net	<u>33,658,012</u>	<u>(703,836)</u>	<u>(18,966)</u>	<u>32,935,210</u>
Total capital assets, net	<u>\$ 36,296,192</u>	<u>\$ (292,252)</u>	<u>\$ (473,795)</u>	<u>\$ 35,530,145</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 57,022
Public safety	161,549
Airport/Aviation center	624,744
Highways and streets	1,074,495
Culture and recreation	<u>523,223</u>
Total governmental activities depreciation expense	<u>\$ 2,441,033</u>

The balance of the assets acquired through capital leases for governmental activities as of June 30, 2019 is as follows:

Vehicles, equipment and furnishings	\$ 3,741,675
Less accumulated depreciation:	
Vehicles, equipment and furnishings	<u>(1,373,559)</u>
	<u>\$ 2,368,116</u>

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

	Balance <u>7/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2019</u>
Business-type activities:				
Capital asset not depreciated:				
Land	\$ 1,006,899			\$ 1,006,899
Construction in process	<u>673,415</u>	<u>\$ 1,543,250</u>		<u>2,216,665</u>
Total capital assets not being depreciated	<u>1,680,314</u>	<u>1,543,250</u>	<u>\$ -</u>	<u>3,223,564</u>
Other capital assets:				
Infrastructure	41,749,295	155,285		41,904,580
Buildings and improvements	4,983,966			4,983,966
Vehicles and equipment	<u>3,531,061</u>	<u>48,220</u>		<u>3,579,281</u>
Total other capital assets at historical cost	<u>50,264,322</u>	<u>203,505</u>	<u>-</u>	<u>50,467,827</u>
Less accumulated depreciation for:				
Infrastructure	(21,047,120)	(856,264)	-	(21,903,384)
Buildings and improvements	(1,048,784)	(100,586)	-	(1,149,370)
Vehicles and equipment	<u>(2,924,891)</u>	<u>(117,865)</u>		<u>(3,042,756)</u>
Total accumulated depreciation	<u>(25,020,795)</u>	<u>(1,074,715)</u>	<u>-</u>	<u>(26,095,510)</u>
Total other capital assets, net	<u>25,243,527</u>	<u>(871,210)</u>	<u>-</u>	<u>24,372,317</u>
Total capital assets, net	<u>\$ 26,923,841</u>	<u>\$ 672,040</u>	<u>\$ -</u>	<u>\$ 27,595,881</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Depreciation was charged to proprietary funds as follows:

Water fund	\$ 370,327
Sewer fund	701,188
Nonmajor proprietary fund	<u>3,200</u>
Total Business-type activities depreciation expense	<u>\$ 1,074,715</u>

The balance of the assets acquired through capital leases in the proprietary funds as of June 30, 2019 is as follows:

Vehicles and equipment	\$ 324,398
Less accumulated depreciation:	
Vehicles and equipment	<u>(85,179)</u>
	<u>\$ 239,219</u>

NOTE 5—LONG-TERM OBLIGATIONS

General Long-term Obligations

The changes in the City's long-term obligations for the year ended June 30, 2019 are as follows:

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
Governmental activities:					
Bonds payable	\$ 9,463,988		\$ (767,184)	\$ 8,696,804	\$ 777,258
Unamortized bond premium	<u>104,754</u>		<u>(14,143)</u>	<u>90,611</u>	
Total Bonds payable	<u>9,568,742</u>	<u>\$ -</u>	<u>(781,327)</u>	<u>8,787,415</u>	<u>777,258</u>
Tax increment financing bonds payable	5,200,000		(520,000)	4,680,000	520,000
Unamortized bond premium	<u>24,796</u>		<u>(4,740)</u>	<u>20,056</u>	
Total tax increment financing bonds payable	<u>5,224,796</u>	<u>-</u>	<u>(524,740)</u>	<u>4,700,056</u>	<u>520,000</u>
Notes payable	158,136	51,730	(57,364)	152,502	68,399
Capital leases payable	1,934,381	296,523	(385,248)	1,845,656	284,782
State of New Hampshire revolving loan	15,013	14,987		30,000	
Compensated absences	<u>626,850</u>	<u>54,031</u>	<u>(35,015)</u>	<u>645,866</u>	<u>64,587</u>
Total governmental activities	<u>\$ 17,512,905</u>	<u>\$ 402,284</u>	<u>\$ (1,783,694)</u>	<u>\$ 16,131,495</u>	<u>\$ 1,715,026</u>
Business-type activities:					
Bonds payable	\$ 7,669,440		\$ (902,554)	\$ 6,766,886	\$ 770,728
Principal forgiveness	<u>191,062</u>		<u>(21,229)</u>	<u>169,833</u>	
Total Bonds payable	<u>7,860,502</u>	<u>\$ -</u>	<u>(923,783)</u>	<u>6,936,719</u>	<u>770,728</u>
Capital leases payable	291,622		(64,009)	227,613	57,628
State of New Hampshire revolving loan	277,627	597,098		874,725	
Compensated absences	<u>39,079</u>			<u>39,079</u>	<u>3,908</u>
Total business-type activities	<u>\$ 8,468,830</u>	<u>\$ 597,098</u>	<u>\$ (987,792)</u>	<u>\$ 8,078,136</u>	<u>\$ 832,264</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 Downtown Tax Increment Financing Fund. Payments on the remaining

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

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, 2019 are comprised of the following individual issues:

	Original Issue <u>Amount</u>	Interest <u>Rate</u>	Final Maturity <u>Date</u>	Balance at <u>6/30/2019</u>
Landfill closure	\$3,468,368	3.70%	July 2022	\$ 661,815
Street project	3,000,000	3.75%	September 2020	400,000
Public improvements - refunding North/Main Streets, Community Center and Drapers Corner	775,625	2.00-4.00%	July 2020	159,989
Infrastructure improvements	7,452,400	3.00-4.125%	January 2041	6,360,000
Totals	1,400,000	2.00-4.00%	February 2031	<u>1,115,000</u>
				8,696,804
		Add: Unamortized bond premium		<u>90,611</u>
				<u>\$ 8,787,415</u>

General obligation bonds are direct obligations of the City, for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the City's boundaries.

Debt service requirements to retire general obligation bonds outstanding at June 30, 2019 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 777,258	\$ 320,220	\$ 1,097,478
2021	790,583	291,970	1,082,553
2022	518,963	269,420	788,383
2023	305,000	256,194	561,194
2024	310,000	246,094	556,094
2025-2029	1,685,000	1,042,469	2,727,469
2030-2034	1,665,000	730,144	2,395,144
2035-2039	1,810,000	401,112	2,211,112
2040-2041	<u>835,000</u>	<u>51,975</u>	<u>886,975</u>
Total	8,696,804	3,609,598	12,306,402
Add: <i>Bond Premium</i>	<u>90,611</u>		<u>90,611</u>
Total	<u>\$ 8,787,415</u>	<u>\$ 3,609,598</u>	<u>\$ 12,397,013</u>

Business-type Activities

Bonds payable at June 30, 2019 are comprised of the following individual issues:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

	Original Issue Amount	Interest Rate	Maturity Date	Balance at 6/30/2019
<u>Water Fund:</u>				
2006 State Revolving Loan	\$4,050,000	3.488%	December 2026	\$ 1,901,161
2005 State Revolving Loan	2,298,361	3.488%	July 2027	<u>1,143,131</u>
				<u>3,044,292</u>
<u>Sewer Fund:</u>				
2008 State Revolving Loan	336,000	3.688%	December 2027	179,976
2009 State Revolving Loan	108,261	3.488%	January 2028	56,614
2008 State Revolving Loan	2,707,734	3.488%	August 2027	1,420,607
2009 State Revolving Loan	422,540	3.488%	July 2028	221,076
2012 State Revolving Loan	810,751	1.940%	November 2021	256,749
2014 State Revolving Loan	767,757	1.940%	September 2023	352,542
2017 State Revolving Loan	2,146,698	1.940%	April 2026	1,314,852
Wastewater improvements - refunding	436,375	2.00-4.00%	July 2020	<u>90,011</u>
				<u>3,892,427</u>
				<u>\$ 6,936,719</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 \$169,833, for business-type activities at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 770,728	\$ 141,592	\$ 912,320
2021	930,949	168,657	1,099,606
2022	902,567	144,920	1,047,487
2023	831,239	120,698	951,937
2024	846,402	97,192	943,594
2025-2029	<u>2,485,001</u>	<u>160,894</u>	<u>2,645,895</u>
Total	6,766,886	833,953	7,600,839
Add: Principal forgiveness	<u>169,833</u>		<u>169,833</u>
Total	<u>\$ 6,936,719</u>	<u>\$ 833,953</u>	<u>\$ 7,770,672</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, 2019, the reimbursement was \$94,488 in the Sewer Fund.

Tax Increment Financing Bonds

The City has pledged a portion of future tax increment financing revenues to repay \$7,661,000 in tax increment bonds issued in July 2007 to finance infrastructure improvements within the Downtown District. The bonds are payable solely from the tax increment financing taxes. Incremental taxes were projected 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 \$520,000 and \$236,600, respectively. During the year ended June 30, 2019, \$287,590 was transferred from the General Fund to the Downtown Tax Increment Financing Fund to assist with the debt service payments.

Tax increment financing bonds payable at June 30, 2019 are comprised of the following individual issues:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

	Original Issue <u>Amount</u>	Interest Rate	Final Maturity Date	Balance at <u>6/30/2019</u>
Mill District	\$2,722,000	4.00-5.00%	August 2027	\$ 2,340,000
Mill District	4,939,000	4.00-5.00%	August 2027	2,340,000
				<u>4,680,000</u>
	Add: Unamortized bond premium			20,056
				<u>\$ 4,700,056</u>

Debt service requirements to retire tax increment financing bonds outstanding at June 30, 2019 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 520,000	\$ 210,600	\$ 730,600
2021	520,000	185,250	705,250
2022	520,000	160,550	680,550
2023	520,000	135,850	655,850
2024	520,000	111,150	631,150
2025-2028	<u>2,080,000</u>	<u>197,600</u>	<u>2,277,600</u>
	4,680,000	1,001,000	5,681,000
Add: Bond Premium	20,056		20,056
Total	<u>\$ 4,700,056</u>	<u>\$ 1,001,000</u>	<u>\$ 5,701,056</u>

Notes Payable

Notes payable at June 30, 2019 is comprised of the following individual issues:

	Original Issue <u>Amount</u>	Interest Rate	Final Maturity Date	Balance at <u>6/30/2019</u>
Energy improvements	\$ 263,810	2.00%	June 2021	\$ 106,298
Energy improvements	51,730	2.50%	March 2022	46,204
				<u>\$ 152,502</u>

Debt service requirements to retire notes payable outstanding at June 30, 2019 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 68,399	\$ 3,024	\$ 71,423
2021	70,771	1,638	72,409
2022	<u>13,332</u>	<u>139</u>	<u>13,471</u>
Total	<u>\$ 152,502</u>	<u>\$ 4,801</u>	<u>\$ 157,303</u>

The City's outstanding notes from direct borrowings and direct placements related to governmental activities of \$152,502 contain provisions that in the event of default, all principal and accrued interest thereon shall immediately become due and payable. The full faith and credit of the City is pledged for the payment on the notes.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

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, 2019:

Vehicles and equipment due in annual installments of \$64,904, including interest at 3.71%, through May 2020	\$ 62,583
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	605,285
Vehicles and equipment due in annual installments of \$54,791, including interest at 1.49%, through September 2021	139,066
Vehicles and equipment due in annual installments of \$76,477, including interest at 2.89%, through September 2024	415,803
Equipment due in annual installments of \$38,151, including interest at 2.97%, through January 2026	239,583
Vehicles due in annual installments of \$45,823, including interest at 3.69%, through August 2019	86,813
Vehicles due in annual installments of \$48,477, including interest at 3.49%, through November 2025	296,523
	<u>\$ 1,845,656</u>

Debt service requirements to retire capital lease obligations outstanding for governmental activities at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 284,782	\$ 37,096	\$ 321,878
2021	308,565	46,719	355,284
2022	271,839	37,621	309,460
2023	231,478	29,936	261,414
2024	218,522	22,898	241,420
2025-2028	530,470	35,526	565,996
Total	<u>\$ 1,845,656</u>	<u>\$ 209,796</u>	<u>\$ 2,055,452</u>

Business-type Activities

The following are the individual capital lease obligations of the business-type activities at June 30, 2019:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Vehicles and equipment due in annual installments of \$17,719, including interest at 3.71%, through May 2020	\$ 17,084
Vehicles and equipment due in annual installments of \$8,164, including interest at 1.49%, through September 2021	23,544
Vehicles due in annual installments of \$12,735, including interest at 2.89%, through September 2024	69,240
Equipment due in annual installments of \$25,813, including interest at 3.14%, through February 2024	<u>117,745</u>
	<u>\$ 227,613</u>

Debt service requirements to retire capital lease obligations outstanding for business-type activities at June 30, 2019 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 57,628	\$ 6,803	\$ 64,431
2021	41,701	5,010	46,711
2022	42,893	3,818	46,711
2023	35,957	2,591	38,548
2024	37,057	1,491	38,548
2025	<u>12,377</u>	<u>358</u>	<u>12,735</u>
Total	<u>\$ 227,613</u>	<u>\$ 20,071</u>	<u>\$ 247,684</u>

State of New Hampshire Revolving Loan

The City has drawn \$174,746 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.

The City has drawn \$669,983 of approximately \$882,320 in funds under the State of New Hampshire, Water Pollution Control Revolving Loan Fund Program for the Main Street Utility 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, not to exceed \$160,290.

The City has also drawn \$59,996 of approximately \$60,000 in funds under the State of New Hampshire, Clean Water State Revolving Loan Fund Program for the asset management for the wastewater and stormwater collection systems. 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 OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

City may be provided federal financial assistance whereby a portion of the borrowed funds is forgiven, not to exceed \$60,000.

NOTE 6—OTHER POST-EMPLOYMENT BENEFITS

Total OPEB Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense

	<u>Deferred Outflows</u>	<u>OPEB Liability</u>	<u>Deferred Inflows</u>	<u>OPEB Expense</u>
Cost-Sharing Multiple Employer Plan	\$ 200,009	\$ 1,263,137	\$ 4,013	\$ 410,742
Single Employer Plan	<u>82,135</u>	<u>2,421,698</u>	<u>-</u>	<u>205,506</u>
Total	<u>\$ 282,144</u>	<u>\$ 3,684,835</u>	<u>\$ 4,013</u>	<u>\$ 616,248</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$278,131.

COST-SHARING MULTIPLE EMPLOYER PLAN

Plan Description

The New Hampshire Retirement System (NHRS) administers a cost-sharing multiple-employer other postemployment benefit plan (OPEB Plan). The OPEB Plan provides a medical insurance subsidy to qualified retired members.

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 at 54 Regional Drive, Concord, New Hampshire 03301 or from their website at www.nhrs.org.

The OPEB Plan is divided into four membership types. Political subdivision employees, teachers and State employees belong to Group I. Police officers and firefighters belong to Group II. The OPEB plan is closed to new entrants.

Benefits Provided

Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. Medical subsidy rates established by RSA 100-A:52 II are dependent upon whether retirees are eligible for Medicare. Retirees not eligible for Medicare may receive a maximum medical subsidy of \$375.56 for a single person plan and \$751.12 for a two person plan. Retirees eligible for Medicare may receive a maximum medical subsidy of \$236.84 for a single person plan and \$473.68 for a two person plan.

Funding Policy

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The City's contribution rates for the covered payroll of public safety employees and political subdivision employees were 4.10% and 0.30%, respectively, for the year ended June 30, 2019. Contributions to the OPEB plan for the City were \$111,403 for the year ended June 30, 2019. Employees are not required to contribute to the OPEB plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the City reported a liability of \$1,263,137 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2017. The City's proportion of the net OPEB 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, 2018, the City's proportion was approximately 0.2759 percent, which was an increase of 0.0834 percentage points from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized an OPEB expense of \$410,742. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,414	
Net difference between projected and actual earnings on OPEB plan investments		\$ 4,013
Changes in proportion and differences between City contributions and proportionate share of contributions	81,192	
City contributions subsequent to the measurement date	<u>111,403</u>	
Totals	<u>\$ 200,009</u>	<u>\$ 4,013</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

The City reported \$111,403 as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

<u>June 30,</u>	
2019	\$ 87,354
2020	(1,252)
2021	(1,252)
2022	(257)
	<u>\$ 84,593</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Wage inflation	3.25 percent
Salary increases	5.60 percent, average, including inflation
Investment rate of return	7.25 percent, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on OPEB Plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-1.80%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.00%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.25%
Opportunistic	5%	2.15%
Total	<u>100%</u>	

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

The discount rate used to measure the collective total OPEB liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net OPEB 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>
Net OPEB Liability	\$ 1,314,678	\$ 1,263,137	\$ 1,118,760

SINGLE EMPLOYER PLAN

Plan Description

The City of Claremont, New Hampshire administers the retiree health care benefits program, a single employer defined benefits plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

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 and their dependents. General employees hired before July 1, 2011 must meet one of the following eligibility requirements: age 60 or older with no minimum service requirement, age 50 with 10 years of service, or age plus service equals 70 with a minimum of 20 years of service. General employees hired on or after July 1, 2011 must meet the following eligibility requirements: age 65 regardless of years of creditable service or age 60 with a minimum of 30 years of service. Police officers and firefighters hired before July 1, 2011 must meet the following eligibility requirements: age 45 with 20 years of service or age 60 with no minimum service requirement. Police officers and firefighters hired on or after July 1, 2011 must meet the following eligibility requirements: age 50 with a minimum of 25 years of service, age 52.5 with a minimum of 25 years of service or age 60 with no minimum service requirement. Retirees and their covered spouses pay the full cost of the medical premiums.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Employees Covered By Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	74
Active employees	<u>91</u>
	<u>165</u>

Total OPEB Liability

The City's total OPEB liability of \$2,421,698 was measured as of June 30, 2019, and was determined by a rollforward of the actuarial valuation as of July 1, 2017 with results actuarially projected on a "no gain/no loss" basis.

Actuarial Assumptions and Other Inputs for OPEB

The total OPEB liability in the July 1, 2017 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.25 percent
Discount rate	3.51 percent
Healthcare cost trend rates	8.50% for 2019, decreasing 0.50% per year to an ultimate rate of 5.00% for 2026 and later years.

The discount rate was based on the Bond Buyer 20-Year General Obligation Municipal Bond Index as of June 30, 2019.

Mortality rates were based on the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial valuation date of July 1, 2017 project to June 30, 2019 on a "no gain/no loss" basis.

Changes in the Total OPEB Liability

	Total OPEB
	<u>Liability</u>
Balance at June 30, 2018	\$ 2,300,292
Changes for the year:	
Service Cost	102,308
Interest	90,273
Changes in assumptions or other inputs	70,055
Benefit payments	<u>(141,230)</u>
Net changes	<u>121,406</u>
Balance at June 30, 2019	<u>\$ 2,421,698</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

Changes of assumptions and other inputs reflect a decrease in the discount rate from 3.87% at June 30, 2018 to 3.51% at June 30, 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease <u>(2.51%)</u>	Current Discount Rate <u>(3.51%)</u>	1% Increase <u>(4.51%)</u>
Total OPEB Liability	\$ 2,575,227	\$ 2,421,698	\$ 2,184,879

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (9.50 percent decreasing to 6.00 percent) than the current healthcare cost trend rate:

	1% Decrease <u>(7.50%</u> decreasing <u>to 4.00%)</u>	Healthcare Cost Trend Rates <u>(8.50%</u> decreasing <u>to 5.00%)</u>	1% Increase <u>(9.50%</u> decreasing <u>to 6.00%)</u>
Total OPEB Liability	\$ 2,121,394	\$ 2,421,698	\$ 2,662,124

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$205,506. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 13,677	
Changes of assumptions	<u>68,458</u>	<u> </u>
Totals	<u>\$ 82,135</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

<u>June 30,</u>	
2020	\$ 12,925
2021	12,925
2022	12,925
2023	12,925
2024	12,922
Thereafter	<u>17,513</u>
	<u>\$ 82,135</u>

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes to the New Hampshire Retirement System (NHRS), 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.

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 or from their website at www.nhrs.org.

Substantially all full-time state and local 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

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

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:

<u>Years of Creditable Service as of January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit 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 of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Funding Policy

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The City is required to contribute at an actuarially determined rate. The City's pension contribution rates for the year ended June 30, 2019 for covered payroll of police officers, fire employees, and general employees were 25.33%, 27.79%, and 11.08%, 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 \$1,028,708 for the year ending June 30, 2019.

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

At June 30, 2019, the City reported a liability of \$12,585,011 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017. 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, 2018, the City's proportion was approximately 0.2614 percent, which was a decrease of 0.0208 percentage points from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$1,238,329. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 100,451	\$ 101,901
Net difference between projected and actual earnings on pension plan investments		291,228
Changes of assumptions	870,945	
Changes in proportion and differences between City contributions and proportionate share of contributions	261,018	783,777
City contributions subsequent to the measurement date	<u>1,028,708</u>	
Totals	<u>\$ 2,261,122</u>	<u>\$ 1,176,906</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 \$1,084,216. The City reported \$1,028,708 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 measurement period ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the measurement periods as follows:

<u>June 30,</u>	
2019	\$ 485,883
2020	233,652
2021	(463,614)
2022	<u>(200,413)</u>
	<u>\$ 55,508</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions:

Inflation	2.50 percent
Wage inflation	3.25 percent
Salary increases	5.60 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, with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-1.80%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.00%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.25%
Opportunistic	5%	2.15%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.25%. 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:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
City's proportionate share of the net pension liability	\$ 16,744,460	\$ 12,585,011	\$ 9,099,265

NOTE 8—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

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$120,000 as of June 30, 2019. 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, 2019:

Balance - July 1, 2018	\$ 130,000
Expenditures recognized in the General Fund	(17,601)
Net change in the estimated liability for postclosure care costs	<u>7,601</u>
Balance - June 30, 2019	<u>\$ 120,000</u>

NOTE 9—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, 2019 are as follows:

	Due from						Totals
	General Fund	Downtown Tax Increment Financing		Nonmajor Governmental Funds	Water Fund	Sewer Fund	
		Fund	Fund				
General Fund		\$ 267,406	\$ 30,000	\$ 94,758	\$ 183,573	\$ 73,941	\$ 649,678
Nonmajor Governmental Funds	\$ 1,536,248			120,310	683,759	12,498	2,352,815
Water Fund						23,695	23,695
Sewer Fund				3,445			3,445
	<u>\$ 1,536,248</u>	<u>\$ 267,406</u>	<u>\$ 30,000</u>	<u>\$ 218,513</u>	<u>\$ 867,332</u>	<u>\$ 110,134</u>	<u>\$ 3,029,633</u>

In addition to the short-term interfunds noted above, the City's General Fund advanced monies to the Downtown Tax Increment Financing Fund. These advances were to assist in funding the operations and are not expected to be repaid within one year. As of June 30, 2019, the Downtown Tax Increment Financing Fund owed the General Fund for advances in the amount of \$781,637.

During the year, several interfund transactions occurred between funds. These transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2019 are as follows:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

	General Fund	Permanent Funds	Transfer from	Totals
			Nonmajor Governmental Funds	
Transfer to General Fund		\$ 28,683	\$ 119,151	\$ 147,834
Downtown Tax Increment Financing Fund	\$ 287,590			287,590
Nonmajor Governmental Funds	303,193	7,250	19,270	329,713
Nonmajor Proprietary Fund			30,829	30,829
	<u>\$ 590,783</u>	<u>\$ 35,933</u>	<u>\$ 169,250</u>	<u>\$ 795,966</u>

NOTE 10—RESTRICTED NET POSITION

Net position is restricted for specific purposes as follows:

Permanent Funds - Principal	\$ 3,515,930
Permanent Funds - Income	126,705
Grants Fund	519,806
HUD Grants Fund	6,807
Police Grants Fund	44,235
Disaster Fund	59,986
Public Works Projects Fund	253,046
Airport and Fire Grants Fund	4,142
Library Historic Preservation Fund	1,091
Playground Project Fund	945
	<u>\$ 4,532,693</u>

NOTE 11—COMPONENTS OF FUND BALANCE

The components of the City's fund balance for its governmental funds at June 30, 2019 are as follows:

	General Fund	Downtown Tax Increment Financing Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable for:					
Advances to other funds	\$ 781,637				\$ 781,637
Prepaid expenses	164,402				164,402
Permanent Funds - principal			\$ 3,515,930		3,515,930
Restricted for:					
Permanent Funds - income			126,705		126,705
Grants Fund				\$ 519,806	519,806
HUD Grants Fund				6,807	6,807
Police Grants Fund				44,235	44,235
Disaster Fund				59,986	59,986
Public Works Projects Fund				253,046	253,046
Airport and Fire Grants Fund				4,142	4,142
Library Historic Preservation Fund				1,091	1,091
Playground Project Fund				945	945
Capital Leases	107,924				107,924

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

	General Fund	Downtown Tax Increment Financing Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
Committed for:					
Capital Reserve Funds	614,519				614,519
Expendable Trust Funds				1,514,441	1,514,441
Public Works Projects Fund				1,104,020	1,104,020
Playground Project Fund				194	194
Encumbrances	218,914				218,914
Conservation Fund				9,168	9,168
Assigned for:					
Encumbrances	493,660				493,660
Contingency for abatements	350,000				350,000
Designated to offset subsequent year's tax rate	845,590				845,590
Unassigned for:					
General Fund	740,436				740,436
Downtown Tax Increment Financing Fund (deficit)		\$ (1,047,245)			(1,047,245)
	<u>\$ 4,317,082</u>	<u>\$ (1,047,245)</u>	<u>\$ 3,642,635</u>	<u>\$ 3,517,881</u>	<u>\$ 10,430,353</u>

NOTE 12—ENCUMBRANCES

The encumbrances of the General Fund as of June 30, 2019, by function, are as follows:

Function	Committed	Assigned
General government	\$ 143,742	\$ 191,955
Public safety	54,930	57,579
Highways and streets	19,742	230,707
Sanitation		4,662
Culture and recreation	500	23,007
	<u>218,914</u>	<u>507,910</u>
Less: revenues not susceptible to accrual		(14,250)
	<u>\$ 218,914</u>	<u>\$ 493,660</u>

NOTE 13—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$723,270,277 as of April 1, 2018) and are due in four installments on July 2, 2018, October 1, 2018, January 1, 2019 and April 8, 2019. Taxes paid after the due dates accrue interest at 12% per annum for taxes assessed before April 1, 2019 and at 8% per annum for taxes assessed after April 1, 2019. 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 for properties liened before April 1, 2019 and at 14%

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

per annum for properties liened after April 1, 2019. If the property is not redeemed within a two year redemption period, the property may be tax dedeed 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 \$17,318,451 and \$1,996,375 for the Claremont School District and Sullivan County, respectively. These taxes are not recognized as revenues in these financial statements. The City bears responsibility for uncollected taxes.

NOTE 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, 2019, 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, 2019.

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 \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. 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.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

NOTE 15—CONTINGENT LIABILITIES

Litigation

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.

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, 2019, it was determined that various trust funds held by the City had been misclassified. These include scholarship funds held on behalf of the Claremont School District and are reported as agency funds in these financial statements.

Government-Wide Statements

The impact on net position of the Governmental Activities as of July 1, 2018 is as follows:

Net position - July 1, 2018 (as previously reported)	\$ 18,036,676
Amount of restatement due to:	
Agency Funds classified as Permanent Funds	<u>(285,890)</u>
Net position - July 1, 2018, as restated	<u>\$ 17,750,786</u>

Governmental Funds

The impact on fund balance of the Permanent Funds as of July 1, 2018 is as follows:

Fund balance - July 1, 2018 (as previously reported)	\$ 3,680,787
Amount of restatement due to:	
Agency Funds classified as Permanent Funds	<u>(285,890)</u>
Fund balance - July 1, 2018, as restated	<u>\$ 3,394,897</u>

Fiduciary Funds

The impact on net position of the Private Purpose Trust Funds as of July 1, 2018 is as follows:

Net position - July 1, 2018 (as previously reported)	\$ 18,032,138
Amount of restatement due to:	
Agency Funds classified as Private Purpose Trust Funds	<u>(7,319,093)</u>
Net position - July 1, 2018, as restated	<u>\$ 10,713,045</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2019

NOTE 17—SUBSEQUENT EVENTS

Note Payable

During July 2019, the City authorized the issuance, on behalf of the Claremont Development Authority, a long-term note payable in the amount of \$50,000 for the architecture and engineering design for renovations of the Farwell Block. This note is payable by the Claremont Development Authority in one balloon payment on or before July 31, 2021, including interest at 2.50%.

Capital Lease Payable

During August 2019, the City entered into a capital lease agreement for the acquisition of vehicles and equipment in the amount of \$1,050,800. This lease is due in annual installments of \$125,867, including interest at 2.99%, through September 2023. The annual installments are reduced to \$91,573 through September 2026. Effective with the September 2027 installment, the annual payments will be \$44,702 through September 2033. The contract is subject to cancellation should funds not be appropriated to meet payment obligations.

State of New Hampshire Revolving Loans

During September 2019, the City had drawn down an additional \$55,113 on its existing Water Pollution Control Revolving Loan Fund Program for the Main Street Utility project. The outstanding balance of \$721,551 from this Revolving Loan Fund Program was converted into long-term debt during October 2019. The City received a principal forgiveness subsidy of \$136,004 during November 2019. The balance of \$585,547 is to be repaid in annual installments through November 2023 at 2.00%.

During July 2019, the asset management project for the wastewater and stormwater collection systems was deemed to be complete and approved by the New Hampshire Department of Environmental Services. The outstanding principal balance of \$59,996 from the Clean Water State Revolving Loan Fund Program was forgiven.

NOTE 18—IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, which the City is required to implement in the fiscal year ending June 30, 2020. Management believes that this pronouncement will have a potentially significant impact on the City's financial statements. Taxes collected on behalf of other governmental entities and agency funds held on behalf of the Claremont School District will be reported as Custodial Funds. Furthermore, the City will be required to report on the additions to and deductions from the Custodial Funds.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 11,171,197	\$ 11,171,197	\$ 10,932,151	\$ (239,046)
Licenses and permits	2,136,410	2,136,410	2,391,471	255,061
Intergovernmental	1,064,157	1,064,157	1,065,052	895
Charges for services	1,057,608	1,057,608	1,045,431	(12,177)
Interest income	60,500	60,500	109,159	48,659
Miscellaneous	93,326	93,326	214,565	121,239
Total Revenues	<u>15,583,198</u>	<u>15,583,198</u>	<u>15,757,829</u>	<u>174,631</u>
Expenditures:				
Current operations:				
General government	4,621,565	4,573,145	3,895,759	677,386
Public safety	5,741,494	5,741,246	5,456,604	284,642
Airport/Aviation center	112,954	112,954	65,521	47,433
Highways and streets	2,689,408	2,589,408	2,560,386	29,022
Sanitation	177,409	177,409	174,824	2,585
Health and welfare	371,747	371,747	381,024	(9,277)
Culture and recreation	1,961,552	1,961,552	1,829,974	131,578
Debt service:				
Principal retirement	815,798	819,022	819,022	-
Interest and fiscal charges	354,271	351,047	351,034	13
Total Expenditures	<u>16,846,198</u>	<u>16,697,530</u>	<u>15,534,148</u>	<u>1,163,382</u>
Excess revenues over (under) expenditures	<u>(1,263,000)</u>	<u>(1,114,332)</u>	<u>223,681</u>	<u>1,338,013</u>
Other financing sources (uses):				
Transfers in	138,000	138,000	147,834	9,834
Transfers out	<u>(537,515)</u>	<u>(769,783)</u>	<u>(597,118)</u>	<u>172,665</u>
Total other financing sources (uses)	<u>(399,515)</u>	<u>(631,783)</u>	<u>(449,284)</u>	<u>182,499</u>
Net change in fund balance	(1,662,515)	(1,746,115)	(225,603)	1,520,512
Fund balance at beginning of year				
- Budgetary Basis	<u>5,132,147</u>	<u>5,132,147</u>	<u>5,132,147</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 3,469,632</u>	<u>\$ 3,386,032</u>	<u>\$ 4,906,544</u>	<u>\$ 1,520,512</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

CITY OF CLAREMONT, NEW HAMPSHIRE

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

For the Year Ended June 30, 2019

Measurement Period Ended	Cost-Sharing Multiple Employer Plan Information Only				
	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2018	0.27588692%	\$ 1,263,137	\$ 6,132,474	20.60%	7.53%
June 30, 2017	0.19245460%	\$ 879,968	\$ 6,307,134	13.95%	7.91%
June 30, 2016	0.19732865%	\$ 955,278	\$ 6,104,210	15.65%	5.21%

See accompanying notes to the required supplementary information

SCHEDULE 3
CITY OF CLAREMONT, NEW HAMPSHIRE
 Schedule of City OPEB Contributions
 For the Year Ended June 30, 2019

<u>Year Ended</u>	<u>Cost-Sharing Multiple Employer Plan Information Only</u>				
	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	\$ 111,403	\$ (111,403)	\$ -	\$ 5,862,140	1.90%
June 30, 2018	\$ 122,033	\$ (122,033)	\$ -	\$ 6,132,474	1.99%
June 30, 2017	\$ 114,068	\$ (114,068)	\$ -	\$ 6,307,134	1.81%
June 30, 2016	\$ 114,660	\$ (114,660)	\$ -	\$ 6,104,210	1.88%

See accompanying notes to the required supplementary information

SCHEDULE 4
CITY OF CLAREMONT, NEW HAMPSHIRE
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2019

<u>Single Employer Plan Information Only</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:		
Service cost	\$ 102,308	\$ 78,256
Interest	90,273	80,774
Changes of assumptions or other inputs	70,055	10,024
Differences between expected and actual experience		19,149
Benefit payments	<u>(141,230)</u>	<u>(130,688)</u>
Net change in total OPEB liability	121,406	57,515
Total OPEB liability - beginning	<u>2,300,292</u>	<u>2,242,777</u>
Total OPEB liability - ending	<u>\$ 2,421,698</u>	<u>\$ 2,300,292</u>
Covered employee payroll	\$ 5,812,146	\$ 5,472,469
Total OPEB liability as a percentage of covered employee payroll	41.67%	42.03%

See accompanying notes to the required supplementary information

SCHEDULE 5

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, 2019

<u>Measurement Period Ended</u>	<u>City's Proportion of the Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2018	0.26135996%	\$ 12,585,011	\$ 6,132,474	205.22%	64.73%
June 30, 2017	0.28219702%	\$ 13,878,429	\$ 6,307,134	220.04%	62.66%
June 30, 2016	0.28358653%	\$ 15,079,984	\$ 6,104,210	247.04%	58.30%
June 30, 2015	0.28298298%	\$ 11,210,447	\$ 6,084,955	184.23%	65.47%
June 30, 2014	0.26142305%	\$ 9,812,738	\$ 5,439,299	180.40%	66.32%
June 30, 2013	0.25823893%	\$ 11,114,047	\$ 5,225,327	212.70%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 6
CITY OF CLAREMONT, NEW HAMPSHIRE
Schedule of City Pension Contributions
For the Year Ended June 30, 2019

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	\$ 1,028,708	\$ (1,028,708)	\$ -	\$ 5,862,140	17.55%
June 30, 2018	\$ 1,104,658	\$ (1,104,658)	\$ -	\$ 6,132,474	18.01%
June 30, 2017	\$ 1,033,810	\$ (1,033,810)	\$ -	\$ 6,307,134	16.39%
June 30, 2016	\$ 1,015,464	\$ (1,015,464)	\$ -	\$ 6,104,210	16.64%
June 30, 2015	\$ 949,374	\$ (949,374)	\$ -	\$ 6,084,955	15.60%
June 30, 2014	\$ 848,117	\$ (848,117)	\$ -	\$ 5,439,299	15.59%
June 30, 2013	\$ 642,120	\$ (642,120)	\$ -	\$ 5,225,327	12.29%

See accompanying notes to the required supplementary information

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

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 revenues and other financing sources and expenditures and other financing uses were adjusted for encumbrances, capital lease activity, non-budgetary activity and budgetary transfers as follows:

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	\$ 16,515,552	\$ 16,614,072
Difference in property taxes meeting susceptible to accrual criteria	(299,869)	
Encumbrances - June 30, 2019		712,574
Encumbrances - June 30, 2018		(1,013,116)
Capital lease activity	(296,523)	(188,599)
Non-budgetary activity	(13,497)	
Budgetary transfers		6,335
Per Schedule 1	<u>\$ 15,905,663</u>	<u>\$ 16,131,266</u>

NOTE 2—BUDGETARY FUND BALANCE

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

Nonspendable for:	
Advances to other funds	\$ 781,637
Prepaid expenses	164,402
Assigned for:	
Contingency for abatements	350,000
Designated to offset subsequent year's tax rate	845,590
Unassigned for:	
General operations	2,764,915
	<u>\$ 4,906,544</u>

NOTE 3—SCHEDULE OF CHANGES IN THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND SCHEDULE OF CITY OPEB CONTRIBUTIONS

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than 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 OPEB liability and

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended June 30, 2019

schedule of City OPEB contributions. The City implemented the provisions of GASB Statement #75 during the year ended June 30, 2018. 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 additional information becomes available.

NOTE 4—SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than 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 total OPEB liability and related ratios. The City implemented the provisions of GASB Statement #75 during the year ended June 30, 2018. 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 additional information becomes available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Change in Actuarial Assumptions

For the City's June 30, 2018 actuarial valuation on its single-employer OPEB plan, there were several changes in the actuarial assumptions previously used in the June 30, 2017 actuarial valuation. The discount rate was reduced from 4.50% in the last full valuation at June 30, 2016 to 3.58% as of June 30, 2017 and to 3.87% as of June 30, 2018. In addition, the actuarial cost method has been updated from the Projected Unit Credit with linear proration to decrement to the Entry Age Normal Level as a percentage of Salary. In conjunction with the cost method change, the salary scale has been updated from a constant 3.0% to 3.25% plus merit increases based on the New Hampshire Retirement System actuarial valuation as of June 30, 2017. 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 was used in the June 30, 2017 actuarial valuation. The healthcare cost trend was changed in the June 30, 2018 actuarial valuation to an initial rate of 9.0% reduced by 0.5% decrements to an ultimate rate of 5.0%.

The actuarial assumptions used in the June 30, 2019 valuation reflects a decrease in the discount rate from 3.87% at June 30, 2018 to 3.51% at June 30, 2019.

NOTE 5—SCHEDULE OF CHANGES IN THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF CITY PENSION 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 pension 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.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended June 30, 2019

Change in Actuarial Assumptions

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System reduced its assumption for the investment rate of return from 7.75% to 7.25%, decreased the price inflation from 3.0% to 2.5%, decreased the wage inflation from 3.75% to 3.25%, and decreased the salary increases from 5.8% to 5.6%. Additionally, the mortality table was changed from the RP-2000 projected to 2020 with Scale AA to the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.