

**CITY OF CLAREMONT, NEW HAMPSHIRE**

**Financial Statements**

**June 30, 2018**

**and**

**Independent Auditor's Report**

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**FINANCIAL STATEMENTS**  
**June 30, 2018**

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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, 2018, 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, 2018, 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 the 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.



Manchester, New Hampshire  
February 1, 2019

## **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, 2018. This analysis compares the fiscal year ending June 30, 2018 to the fiscal year ending June 30, 2017. We encourage readers to consider the information here in conjunction with additional information that we have furnished in our letter of transmittal.

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

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains 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 and the Permanent Funds, both of which are considered to be major funds.

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

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

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

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

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

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

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

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$45,806,511, presented as "net position" shown on the Statement of Net Position for the Total Primary Government. The City's Net Position decreased by \$146,426.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$10,653,625, a change of \$188,035 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 \$326,075. However, unassigned fund balance on a tax rate setting basis was \$2,650,423. 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 \$22,654,040, a change of (\$2,202,286) 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**

|                                     | Governmental        |                     | Business-Type       |                     | Total               |                     |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                     | Activities          |                     | Activities          |                     |                     |                     |
|                                     | (Restated)          |                     | (Restated)          |                     |                     |                     |
|                                     | 2018                | 2017                | 2018                | 2017                | 2018                | 2017                |
| Current and Other Assets            | \$18,460,841        | \$20,565,504        | \$10,716,649        | \$10,207,430        | \$29,177,490        | \$30,772,934        |
| Capital Assets                      | 36,296,192          | 38,266,419          | 26,923,841          | 27,285,509          | 63,220,033          | 65,551,928          |
| <b>Total Assets</b>                 | <b>54,757,033</b>   | <b>58,831,923</b>   | <b>37,640,490</b>   | <b>37,492,939</b>   | <b>92,397,523</b>   | <b>96,324,862</b>   |
| Total Deferred Outflow of Resources | 4,471,834           | 4,392,781           | 160,627             | 236,306             | 4,632,461           | 4,629,087           |
| Long-term Liabilities outstanding   | 31,962,080          | 34,815,392          | 8,677,168           | 9,338,562           | 40,639,248          | 44,153,954          |
| Other Liabilities                   | 3,183,119           | 3,261,251           | 1,333,235           | 1,111,771           | 4,516,354           | 4,373,022           |
| <b>Total Liabilities</b>            | <b>35,145,199</b>   | <b>38,076,643</b>   | <b>10,010,403</b>   | <b>10,450,333</b>   | <b>45,155,602</b>   | <b>48,526,976</b>   |
| Total Deferred Inflow of Resources  | 6,046,992           | 6,464,315           | 20,879              | 9,721               | 6,067,871           | 6,474,036           |
| <b>Net Position:</b>                |                     |                     |                     |                     |                     |                     |
| Net investment in capital assets    | 20,405,982          | 21,712,665          | 18,493,106          | 19,172,378          | 38,899,088          | 40,885,043          |
| Restricted                          | 5,251,283           | 4,390,938           | -                   | -                   | 5,251,283           | 4,390,938           |
| Unrestricted (Deficit)              | (7,620,589)         | (7,419,857)         | 9,276,729           | 8,096,813           | 1,656,140           | 676,956             |
| <b>Total Net Position</b>           | <b>\$18,036,676</b> | <b>\$18,683,746</b> | <b>\$27,769,835</b> | <b>\$27,269,191</b> | <b>\$45,806,511</b> | <b>\$45,952,937</b> |

## CHANGES IN NET POSITION

|  | Governmental         |                      | Business-Type        |                      | Total                |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | <u>Activities</u>    |                      | <u>Activities</u>    |                      |                      |                      |
|  | <u>2018</u>          | <u>2017</u>          | <u>2018</u>          | <u>2017</u>          | <u>2018</u>          | <u>2017</u>          |
| <b>Revenues:</b>   |                      |                      |                      |                      |                      |                      |
| <b>Program revenues:</b>   |                      |                      |                      |                      |                      |                      |
| Charges for services   | \$ 1,343,616         | \$ 1,718,245         | \$ 4,700,196         | \$ 4,483,333         | \$ 6,043,812         | \$ 6,201,578         |
| Operating grants and contributions   | 746,537              | 369,102              |                      |                      | 746,537              | 369,102              |
| Capital grants and contributions   | 240,939              | 396,227              | 264,253              | 286,070              | 505,192              | 682,297              |
| <b>General revenues:</b>   |                      |                      |                      |                      |                      |                      |
| Taxes  | 10,976,500           | 10,679,894           |                      |                      | 10,976,500           | 10,679,894           |
| Licenses and permits   | 2,393,602            | 2,404,239            |                      |                      | 2,393,602            | 2,404,239            |
| Intergovernmental  | 688,036              | 692,235              |                      |                      | 688,036              | 692,235              |
| Interest   | 377,572              | 334,086              | 100,113              | 40,110               | 477,685              | 374,196              |
| Miscellaneous  | 99,476               | 209,559              |                      |                      | 99,476               | 209,559              |
| <b>Total revenues</b>  | <b>16,866,278</b>    | <b>16,803,587</b>    | <b>5,064,562</b>     | <b>4,809,513</b>     | <b>21,930,840</b>    | <b>21,613,100</b>    |
| <b>Expenses:</b>   |                      |                      |                      |                      |                      |                      |
| General government   | 3,686,676            | 3,606,509            |                      |                      | 3,686,676            | 3,606,509            |
| Public safety  | 5,936,781            | 6,249,767            |                      |                      | 5,936,781            | 6,249,767            |
| Airport/aviation center  | 709,675              | 762,235              |                      |                      | 709,675              | 762,235              |
| Highways and streets   | 3,650,628            | 4,055,236            |                      |                      | 3,650,628            | 4,055,236            |
| Sanitation   | 90,435               | 162,671              |                      |                      | 90,435               | 162,671              |
| Health and welfare   | 359,564              | 429,758              |                      |                      | 359,564              | 429,758              |
| Culture and recreation   | 2,435,102            | 2,385,293            |                      |                      | 2,435,102            | 2,385,293            |
| Conservation   | 8,240                | 1,208                |                      |                      | 8,240                | 1,208                |
| Economic development   | -                    | -                    | 63,417               | 79,183               | 63,417               | 79,183               |
| Debt service   | 636,796              | 645,052              |                      |                      | 636,796              | 645,052              |
| Water  |                      |                      | 1,901,644            | 1,853,801            | 1,901,644            | 1,853,801            |
| Sewer  |                      |                      | 2,602,573            | 2,374,628            | 2,602,573            | 2,374,628            |
|  | <b>17,513,897</b>    | <b>18,297,729</b>    | <b>4,567,634</b>     | <b>4,307,612</b>     | <b>22,081,531</b>    | <b>22,605,341</b>    |
| <b>Changes in net position before transfers and permanent fund contributions</b> |                      |                      |                      |                      |                      |                      |
|  | (647,619)            | (1,494,142)          | 496,928              | 501,901              | (150,691)            | (992,241)            |
| <b>Transfers, net</b>  | <b>(3,716)</b>       |                      | <b>3,716</b>         |                      | <b>-</b>             | <b>-</b>             |
| <b>Permanent fund contributions</b>  | <b>4,265</b>         | <b>2,283</b>         |                      |                      | <b>4,265</b>         | <b>2,283</b>         |
| <b>Changes in net position</b>   | <b>(647,070)</b>     | <b>(1,491,859)</b>   | <b>500,644</b>       | <b>501,901</b>       | <b>(146,426)</b>     | <b>(989,958)</b>     |
| <b>Net Position - beginning of year</b>  |                      |                      |                      |                      |                      |                      |
|  | 18,683,746           | 22,465,660           | 27,269,191           | 27,054,177           | 45,952,937           | 49,519,837           |
| <b>Restatement due to implementation of GASB Statement #75</b>                   |                      |                      |                      |                      |                      |                      |
|  |                      | (2,290,055)          |                      | (286,887)            | -                    | (2,576,942)          |
| <b>Net Position - end of year</b>  |                      |                      |                      |                      |                      |                      |
|  | <b>\$ 18,036,676</b> | <b>\$ 18,683,746</b> | <b>\$ 27,769,835</b> | <b>\$ 27,269,191</b> | <b>\$ 45,806,511</b> | <b>\$ 45,952,937</b> |

Please note that the 2017 columns reflect the restated figures due to the implementation of GASB Statement #75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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 \$45,806,511, a change of (\$146,426) from the prior year.

The largest portion of the City's net position, \$39,965,564 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, \$5,251,283 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$589,664 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 (\$647,070). Key elements of this change are as follows:

|   |                     |
|---|---------------------|
| General Fund operating results (per Exhibit D)    | \$ (1,132,643)      |
| Permanent Funds operating results (per Exhibit D) | 201,640             |
| Nonmajor funds operating results (per Exhibit D)  | 1,119,038           |
| Capital asset additions                           | 531,047             |
| Depreciation on capital assets                    | (2,428,152)         |
| Issuance of capital leases                        | (132,000)           |
| Issuance of other long-term obligations           | (15,013)            |
| Principal paid on capital leases                  | 328,686             |
| Principal paid on bonds payable                   | 1,273,959           |
| Principal paid on notes payable                   | 50,821              |
| Net changes in the OPEB                           | 40,872              |
| Net changes in pension                            | (516,155)           |
| Other GAAP accruals                               | 30,830              |
|   | <u>\$ (647,070)</u> |

**Business-Type Activities.** Business-type activities for the year resulted in a change in net position of \$500,644. Key elements of this change are as follows:

|                                      |                   |
|--------------------------------------|-------------------|
| Water Fund                           | \$ 60,823         |
| Sewer Fund                           | 464,017           |
| Claremont Development Authority Fund | (24,196)          |
|                                      | <u>\$ 500,644</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 \$10,653,625, a change of \$188,035 in comparison with the prior year. Key elements of this change are as follows:

|                                   |                   |
|-----------------------------------|-------------------|
| General Fund operations           | \$ (1,132,643)    |
| Permanent Funds operating results | 201,640           |
| Nonmajor funds operating results  | 1,119,038         |
|                                   | <u>\$ 188,035</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 \$326,075 while total fund balance was \$4,415,602. However, for tax rate setting purposes, unassigned fund balance was \$3,790,987 while the total fund balance was \$2,650,423 (see the Notes to the Required Supplementary Information on page 53 for more information).

The fund balance of the general fund changed by (\$1,132,643) during the current fiscal year. Key factors in this change are as follows:

|  |                       |
|--|-----------------------|
| Revenue and other financing sources<br>in excess of budget                             | \$ 19,292             |
| Expenditures and other financing uses<br>less than budget                              | 601,764               |
| Use of fund balance  | (1,495,656)           |
| Tax collections as compared to budget  | 34,005                |
| Expenditures of current year net encumbrances<br>less than prior year net encumbrances | (203,197)             |
| Change in capital reserve funds  | (88,851)              |
|  | <u>\$ (1,132,643)</u> |

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

Permanent funds account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the City's programs. At June 30, 2018, the balance of \$3,565,225 was nonspendable and \$115,562 was restricted for income earned on the principal balance.

The total fund balance of \$2,557,236 in the other governmental funds is restricted or committed for the purposes of the individually established funds. The unassigned balance of (\$1,081,019) is applicable to the deficit balance in the Downtown Tax Increment Financing Fund. During the year ending June 30, 2018, fund balance in the other governmental funds increased by \$1,119,038. The majority of this increase is the result of a transfer in of \$833,500 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 \$8,248,349.

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 2018 budget as presented by the City Manager was approved by the City Council on June 14, 2017. The original budget increased by \$583,680. During the fiscal year ending June 30, 2018, the City Council amended the overall budget by issuing supplemental resolutions after the State set the tax rate in the fall of 2017.

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

##### **Capital assets.**

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$63,220,033 (net of accumulated depreciation), a change of (\$2,331,895) 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 \$22,654,040, 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**

2018 continued to be busy, with renewed activity particularly in the national retail sector. Hobby Lobby moved to Claremont and invested in existing space at the old K-Mart building of approximately 50,000 sf. Across the street, VIP purchased an old Ford dealership and moved their operations into that space. Harbor Freight also opened a business in Claremont. They signed a lease and fit-up the former Staples building on Washington Street. O'Reilly then expanded their existing business to be the sole tenant in their own

building. The K-Mart, Ford and Staples buildings on Washington Street had all been vacant for 3-4 years.

Construction is complete for the expansion of Red River Computer into another 10,000 sf in the Mill District, bringing them to approximately 40,000 sf total. They have added jobs this year, as have most of the businesses in Claremont.

Twin State MakerSpace is an adaptive reuse project in the Mill district. The project repurposed 11,000 sf of space in the former Joy Manufacturing Forge for shared workspace. Tools include CNC machines, 3D printers, woodworking, welding, technology, fiber arts and metal and have become a focal point for entrepreneurship and small business programming.

A new Ford dealership was constructed on Charlestown Road, and land was purchased across the street to build a new expanded Toyota dealership.

Approvals and financing were approved for renovation of an existing building in the City Center for 36 units of housing. Construction has begun on this project and is anticipated to take approximately 12 months.

### **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, 2018

| ASSETS   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| <b>Current Assets:</b>   |                            |                             |                      |
| Cash and cash equivalents  | \$ 4,989,340               | \$ 986,697                  | \$ 5,976,037         |
| Investments  | 9,802,887                  | 7,518,025                   | 17,320,912           |
| Taxes receivable, net  | 2,578,553                  |                             | 2,578,553            |
| Accounts receivable, net   | 152,347                    | 1,510,707                   | 1,663,054            |
| Due from other governments   | 221,211                    | 96,178                      | 317,389              |
| Internal balances  | 470,013                    | (470,013)                   | -                    |
| Prepaid expenses   | 66,872                     |                             | 66,872               |
| Inventory  |                            | 143,837                     | 143,837              |
| Total Current Assets   | <u>18,281,223</u>          | <u>9,785,431</u>            | <u>28,066,654</u>    |
| <b>Noncurrent Assets:</b>  |                            |                             |                      |
| Due from other governments   | 179,618                    | 931,218                     | 1,110,836            |
| <b>Capital assets:</b>   |                            |                             |                      |
| Non-depreciable capital assets   | 2,638,180                  | 1,680,314                   | 4,318,494            |
| Depreciable capital assets, net  | 33,658,012                 | 25,243,527                  | 58,901,539           |
| Total Noncurrent Assets  | <u>36,475,810</u>          | <u>27,855,059</u>           | <u>64,330,869</u>    |
| Total Assets   | <u>54,757,033</u>          | <u>37,640,490</u>           | <u>92,397,523</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                      |                            |                             |                      |
| School taxes paid in advance   | 1,500,000                  |                             | 1,500,000            |
| Deferred outflows related to OPEB  | 137,669                    | 9,303                       | 146,972              |
| Deferred outflows related to pension                                       | 2,834,165                  | 151,324                     | 2,985,489            |
| Total Deferred Outflows of Resources                                       | <u>4,471,834</u>           | <u>160,627</u>              | <u>4,632,461</u>     |
| <b>LIABILITIES</b>   |                            |                             |                      |
| <b>Current Liabilities:</b>  |                            |                             |                      |
| Accounts payable   | 678,405                    | 370,761                     | 1,049,166            |
| Accrued expenses   | 514,942                    | 134,718                     | 649,660              |
| Retainage payable  | 38,096                     | 984                         | 39,080               |
| Unearned revenue   | 225,427                    |                             | 225,427              |
| Deposits   | 6,832                      |                             | 6,832                |
| Current portion of bonds payable   | 767,184                    | 758,855                     | 1,526,039            |
| Current portion of tax increment financing bonds payable                   | 520,000                    |                             | 520,000              |
| Current portion of notes payable   | 51,837                     |                             | 51,837               |
| Current portion of capital leases payable                                  | 307,711                    | 64,009                      | 371,720              |
| Current portion of compensated absences payable                            | 62,685                     | 3,908                       | 66,593               |
| Current portion of estimated liability for landfill postclosure care costs | 10,000                     |                             | 10,000               |
| Total Current Liabilities  | <u>3,183,119</u>           | <u>1,333,235</u>            | <u>4,516,354</u>     |
| <b>Noncurrent Liabilities:</b>   |                            |                             |                      |
| Bonds payable  | 8,801,558                  | 7,101,647                   | 15,903,205           |
| Tax increment financing bonds payable                                      | 4,704,796                  |                             | 4,704,796            |
| Notes payable  | 106,299                    |                             | 106,299              |
| Capital leases payable   | 1,626,670                  | 227,613                     | 1,854,283            |
| State of New Hampshire revolving loan                                      | 15,013                     | 277,627                     | 292,640              |
| Compensated absences payable   | 564,165                    | 35,171                      | 599,336              |
| OPEB liability   | 2,848,603                  | 331,657                     | 3,180,260            |
| Net pension liability  | 13,174,976                 | 703,453                     | 13,878,429           |
| Estimated liability for landfill postclosure care costs                    | 120,000                    |                             | 120,000              |
| Total Noncurrent Liabilities   | <u>31,962,080</u>          | <u>8,677,168</u>            | <u>40,639,248</u>    |
| Total Liabilities  | <u>35,145,199</u>          | <u>10,010,403</u>           | <u>45,155,602</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                       |                            |                             |                      |
| Property taxes collected in advance  | 5,655,933                  |                             | 5,655,933            |
| Deferred inflows related to OPEB   | 9,368                      | 500                         | 9,868                |
| Deferred inflows related to pension  | 381,691                    | 20,379                      | 402,070              |
| Total Deferred Inflows of Resources  | <u>6,046,992</u>           | <u>20,879</u>               | <u>6,067,871</u>     |
| <b>NET POSITION</b>  |                            |                             |                      |
| Net investment in capital assets   | 20,405,982                 | 18,493,106                  | 38,899,088           |
| Restricted   | 5,251,283                  |                             | 5,251,283            |
| Unrestricted (Deficit)   | (7,620,589)                | 9,276,729                   | 1,656,140            |
| Total Net Position   | <u>\$ 18,036,676</u>       | <u>\$ 27,769,835</u>        | <u>\$ 45,806,511</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, 2018

| Functions/Programs   | Program Revenues  |                      |                                    | Net (Expense) Revenue and Changes in Net Position |                     |
|--|-------------------|----------------------|------------------------------------|---|---------------------|
|  | Expenses          | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                  | Total               |
|  |                   |                      |                                    |   |                     |
| <b>Governmental Activities:</b>  |                   |                      |                                    |   |                     |
| General government   | \$ 3,686,676      | \$ 286,539           | \$ 17,000                          |   | \$ (3,383,137)      |
| Public safety  | 5,936,781         | 207,750              | 42,546                             |   | (5,686,485)         |
| Airport/Aviation center  | 709,675           | 103,908              |                                    | \$ 122,261  | (483,506)           |
| Highways and streets   | 3,650,628         | 63,407               | 679,639                            | 82,428  | (2,825,154)         |
| Sanitation   | 90,435            |                      |                                    |   | (90,435)            |
| Health and welfare   | 359,564           | 28,400               |                                    |   | (331,164)           |
| Culture and recreation   | 2,435,102         | 653,612              | 320                                | 36,250  | (1,744,920)         |
| Conservation   | 8,240             |                      |                                    |   | (8,240)             |
| Debt service   | 636,796           |                      | 7,032                              |   | (629,764)           |
| <b>Total governmental activities</b>   | <b>17,513,897</b> | <b>1,343,616</b>     | <b>746,537</b>                     | <b>240,939</b>                                    | <b>(15,182,805)</b> |
| <b>Business-type activities:</b>   |                   |                      |                                    |   |                     |
| Water  | 1,901,644         | 1,930,178            |                                    |   | 28,534              |
| Sewer  | 2,602,573         | 2,733,602            |                                    | 264,253   | 395,282             |
| Nonmajor fund  | 63,417            | 36,416               |                                    |   | (27,001)            |
| <b>Total business-type activities</b>  | <b>4,567,634</b>  | <b>4,700,196</b>     | <b>-</b>                           | <b>264,253</b>                                    | <b>396,815</b>      |
| <b>Total primary government</b>  | <b>22,081,531</b> | <b>6,043,812</b>     | <b>746,537</b>                     | <b>505,192</b>                                    | <b>(14,785,990)</b> |
| <b>General revenues:</b>   |                   |                      |                                    |   |                     |
| Property and other taxes   |                   |                      |                                    |   | 10,976,500          |
| Licenses and permits   |                   |                      |                                    |   | 2,393,602           |
| Grants and contributions:  |                   |                      |                                    |   |                     |
| Rooms and meals tax distribution   |                   |                      |                                    |   | 682,125             |
| Miscellaneous grants   |                   |                      |                                    |   | 5,911               |
| Interest and investment earnings   |                   |                      |                                    |   | 377,572             |
| Miscellaneous  |                   |                      |                                    |   | 99,476              |
| Transfers, net   |                   |                      |                                    |   | (3,716)             |
| Contributions to permanent fund principal  |                   |                      |                                    |   | 4,265               |
| <b>Total general revenues, transfers and contributions to permanent fund principal</b> |                   |                      |                                    |   | <b>14,535,735</b>   |
| Change in net position   |                   |                      |                                    |   | (647,070)           |
| Net position - beginning, as restated  |                   |                      |                                    |   | 18,683,746          |
| Net position - ending  |                   |                      |                                    |   | \$ 18,036,676       |

See accompanying notes to the basic financial statements

EXHIBIT C  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2018

|  | General<br>Fund      | Permanent<br>Funds  | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>  |                      |                     |                                   |                                |
| Cash and cash equivalents  | \$ 4,988,369         |                     | \$ 971                            | \$ 4,989,340                   |
| Investments  | 5,017,330            | \$ 3,710,787        | 1,074,770                         | 9,802,887                      |
| Taxes receivable, net  | 2,578,553            |                     |                                   | 2,578,553                      |
| Accounts receivable, net   | 52,358               |                     | 99,989                            | 152,347                        |
| Due from other governments   |                      |                     | 180,244                           | 180,244                        |
| Due from other funds   | 818,934              |                     | 2,724,317                         | 3,543,251                      |
| Advance to other funds   | 880,160              |                     |                                   | 880,160                        |
| Prepaid expenses   | 163,097              |                     |                                   | 163,097                        |
| <b>Total Assets</b>  | <u>14,498,801</u>    | <u>3,710,787</u>    | <u>4,080,291</u>                  | <u>22,289,879</u>              |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                      |                     |                                   |                                |
| School taxes paid in advance   | 1,500,000            |                     |                                   | 1,500,000                      |
| <b>Total Deferred Outflows of Resources</b>                                    | <u>1,500,000</u>     | <u>-</u>            | <u>-</u>                          | <u>1,500,000</u>               |
| <b>Total Assets and Deferred Outflows of Resources</b>                         | <u>\$ 15,998,801</u> | <u>\$ 3,710,787</u> | <u>\$ 4,080,291</u>               | <u>\$ 23,789,879</u>           |
| <b>LIABILITIES</b>   |                      |                     |                                   |                                |
| Accounts payable   | \$ 573,553           |                     | \$ 104,852                        | \$ 678,405                     |
| Accrued expenses   | 253,815              |                     |                                   | 253,815                        |
| Retainage payable  | 38,096               |                     |                                   | 38,096                         |
| Due to other funds   | 2,505,195            | \$ 30,000           | 538,043                           | 3,073,238                      |
| Advance from other funds   |                      |                     | 880,160                           | 880,160                        |
| Unearned revenue   | 225,427              |                     |                                   | 225,427                        |
| Deposits   | 6,832                |                     |                                   | 6,832                          |
| <b>Total Liabilities</b>   | <u>3,602,918</u>     | <u>30,000</u>       | <u>1,523,055</u>                  | <u>5,155,973</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                      |                     |                                   |                                |
| Property taxes collected in advance  | 5,655,933            |                     |                                   | 5,655,933                      |
| Uncollected property taxes   | 2,324,348            |                     |                                   | 2,324,348                      |
| <b>Total Deferred Inflows of Resources</b>                                     | <u>7,980,281</u>     | <u>-</u>            | <u>-</u>                          | <u>7,980,281</u>               |
| <b>FUND BALANCES</b>   |                      |                     |                                   |                                |
| Nonspendable   | 1,043,257            | 3,565,225           |                                   | 4,608,482                      |
| Restricted   | 24,967               | 115,562             | 1,545,529                         | 1,686,058                      |
| Committed  | 961,552              |                     | 2,092,726                         | 3,054,278                      |
| Assigned   | 2,059,751            |                     |                                   | 2,059,751                      |
| Unassigned (deficit)   | 326,075              |                     | (1,081,019)                       | (754,944)                      |
| <b>Total Fund Balances</b>   | <u>4,415,602</u>     | <u>3,680,787</u>    | <u>2,557,236</u>                  | <u>10,653,625</u>              |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b> | <u>\$ 15,998,801</u> | <u>\$ 3,710,787</u> | <u>\$ 4,080,291</u>               | <u>\$ 23,789,879</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, 2018

|  |                      |
|--|----------------------|
| Total Fund Balances - Governmental Funds (Exhibit C)   | \$ 10,653,625        |
| 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   | 36,296,192           |
| Other long-term assets are not available to pay current period expenditures, and therefore, are not reported in governmental funds   | 220,585              |
| Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis   | 2,324,348            |
| 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   | 137,669              |
| Deferred outflows of resources related to net pension liability  | 2,834,165            |
| Deferred inflows of resources related to OPEB liability  | (9,368)              |
| Deferred inflows of resources related to net pension liability   | (381,691)            |
| Debt service payments are recognized as expenditures when due within the funds. Prepaid debt service payments represent a reduction of the long-term liabilities at year end as follows: |                      |
| Capital leases payable   | (75,248)             |
| Accrued interest on long-term obligations  | (20,977)             |
| 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  | (9,568,742)          |
| Tax increment financing bonds payable  | (5,224,796)          |
| Notes payable  | (158,136)            |
| Capital leases payable   | (1,934,381)          |
| State of New Hampshire revolving loan  | (15,013)             |
| Accrued interest on long-term obligations  | (261,127)            |
| Compensated absences payable   | (626,850)            |
| OPEB liability   | (2,848,603)          |
| Net pension liability  | (13,174,976)         |
| Estimated liability for landfill postclosure care costs  | (130,000)            |
| Net Position of Governmental Activities (Exhibit A)  | <u>\$ 18,036,676</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, 2018

|   | General<br><u>Fund</u> | Permanent<br><u>Funds</u> | Nonmajor<br>Governmental<br><u>Funds</u> | Total<br>Governmental<br><u>Funds</u> |
|---|------------------------|---------------------------|--|---------------------------------------|
| <b>Revenues:</b>                          |                        |                           |  |                                       |
| Taxes                                     | \$ 10,483,936          |                           | \$ 526,569                               | \$ 11,010,505                         |
| Licenses and permits                      | 2,257,897              |                           | 135,705                                  | 2,393,602                             |
| Intergovernmental                         | 1,339,622              |                           | 375,395                                  | 1,715,017                             |
| Charges for services                      | 981,051                |                           | 96,065                                   | 1,077,116                             |
| Interest and investment income            | 102,237                | \$ 262,037                | 13,298                                   | 377,572                               |
| Miscellaneous                             | 113,676                | 4,265                     | 266,500                                  | 384,441                               |
| Total Revenues                            | <u>15,278,419</u>      | <u>266,302</u>            | <u>1,413,532</u>                         | <u>16,958,253</u>                     |
| <b>Expenditures:</b>                      |                        |                           |  |                                       |
| <b>Current operations:</b>                |                        |                           |  |                                       |
| General government                        | 3,457,253              | 24,112                    | 20,340                                   | 3,501,705                             |
| Public safety                             | 5,692,288              |                           | 53,305                                   | 5,745,593                             |
| Airport/Aviation center                   | 75,078                 |                           | 142,742                                  | 217,820                               |
| Highways and streets                      | 2,665,713              |                           | 216,799                                  | 2,882,512                             |
| Sanitation                                | 168,787                |                           |  | 168,787                               |
| Health and welfare                        | 346,837                | 2,184                     | 6,460                                    | 355,481                               |
| Culture and recreation                    | 1,805,857              | 1,948                     | 38,286                                   | 1,846,091                             |
| Conservation                              |                        |                           | 8,240                                    | 8,240                                 |
| Capital outlay                            |                        |                           | 226,620                                  | 226,620                               |
| <b>Debt service:</b>                      |                        |                           |  |                                       |
| Principal retirement                      | 809,780                |                           | 515,000                                  | 1,324,780                             |
| Interest and fiscal charges               | 376,452                |                           | 263,150                                  | 639,602                               |
| Total Expenditures                        | <u>15,398,045</u>      | <u>28,244</u>             | <u>1,490,942</u>                         | <u>16,917,231</u>                     |
| Excess revenues over (under) expenditures | <u>(119,626)</u>       | <u>238,058</u>            | <u>(77,410)</u>                          | <u>41,022</u>                         |
| <b>Other financing sources (uses):</b>    |                        |                           |  |                                       |
| Proceeds from capital lease               | 132,000                |                           |  | 132,000                               |
| Proceeds from State revolving loan funds  |                        |                           | 15,013                                   | 15,013                                |
| Transfers in                              | 67,532                 |                           | 1,247,007                                | 1,314,539                             |
| Transfers out                             | (1,212,549)            | (36,418)                  | (65,572)                                 | (1,314,539)                           |
| Total other financing sources (uses)      | <u>(1,013,017)</u>     | <u>(36,418)</u>           | <u>1,196,448</u>                         | <u>147,013</u>                        |
| Net change in fund balances               | (1,132,643)            | 201,640                   | 1,119,038                                | 188,035                               |
| Fund balances at beginning of year        | <u>5,548,245</u>       | <u>3,479,147</u>          | <u>1,438,198</u>                         | <u>10,465,590</u>                     |
| Fund balances at end of year              | <u>\$ 4,415,602</u>    | <u>\$ 3,680,787</u>       | <u>\$ 2,557,236</u>                      | <u>\$ 10,653,625</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, 2018

|   |                     |
|---|---------------------|
| Net Change in Fund Balances - Governmental Funds (Exhibit D)  | \$ 188,035          |
| Amounts reported for governmental activities in the statement of activities are different because:  |                     |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.   | (1,897,105)         |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  | (34,005)            |
| 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  | 758,959             |
| Principal paid on tax increment financing bonds   | 515,000             |
| Principal paid on notes payable   | 50,821              |
| Principal paid on capital leases payable  | 328,686             |
| 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 capital leases  | (132,000)           |
| Proceeds from State revolving loan funds  | (15,013)            |
| 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.  | (73,122)            |
| 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.   | 20,511              |
| In the statement of activities, interest is accrued on outstanding long-term obligations whereas in governmental funds, an interest expenditure is reported when due.   | 47,158              |
| 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.  | (39,505)            |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These expenses are from the following activities:   |                     |
| Compensated absences  | 29,793              |
| Landfill postclosure care costs   | 80,000              |
| 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   | 40,872              |
| Net changes in pension  | (516,155)           |
| Change in Net Position of Governmental Activities (Exhibit B)   | <u>\$ (647,070)</u> |

*See accompanying notes to the basic financial statements*

EXHIBIT E  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Statement of Net Position**  
**Proprietary Funds**  
June 30, 2018

|   | Business-type Activities |                      |                                 | Totals               |
|---|--------------------------|----------------------|---------------------------------|----------------------|
|   | Water<br>Fund            | Sewer<br>Fund        | Nonmajor<br>Proprietary<br>Fund |                      |
| <b>ASSETS</b>                                   |                          |                      |                                 |                      |
| Current Assets:                                 |                          |                      |                                 |                      |
| Cash and cash equivalents                       | \$ 488,075               | \$ 490,673           | \$ 7,949                        | \$ 986,697           |
| Investments                                     | 2,128,087                | 5,186,886            | 203,052                         | 7,518,025            |
| Accounts receivable, net                        | 697,844                  | 812,688              | 175                             | 1,510,707            |
| Due from other governments                      | 21,229                   | 74,949               |                                 | 96,178               |
| Due from other funds                            | 23,695                   | 3,445                |                                 | 27,140               |
| Inventory                                       | 129,102                  | 14,735               |                                 | 143,837              |
| Total Current Assets                            | <u>3,488,032</u>         | <u>6,583,376</u>     | <u>211,176</u>                  | <u>10,282,584</u>    |
| Noncurrent Assets:                              |                          |                      |                                 |                      |
| Due from other governments                      | 169,833                  | 761,385              |                                 | 931,218              |
| Capital assets:                                 |                          |                      |                                 |                      |
| Non-depreciable capital assets                  | 286,141                  | 486,583              | 907,590                         | 1,680,314            |
| Depreciable capital assets, net                 | 9,412,446                | 15,705,015           | 126,066                         | 25,243,527           |
| Total Noncurrent Assets                         | <u>9,868,420</u>         | <u>16,952,983</u>    | <u>1,033,656</u>                | <u>27,855,059</u>    |
| Total Assets                                    | <u>13,356,452</u>        | <u>23,536,359</u>    | <u>1,244,832</u>                | <u>38,137,643</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                          |                      |                                 |                      |
| Deferred outflows related to OPEB               | 4,791                    | 4,512                |                                 | 9,303                |
| Deferred outflows related to pension            | 79,325                   | 71,999               |                                 | 151,324              |
| Total Deferred Outflows of Resources            | <u>84,116</u>            | <u>76,511</u>        | <u>-</u>                        | <u>160,627</u>       |
| <b>LIABILITIES</b>                              |                          |                      |                                 |                      |
| Current Liabilities:                            |                          |                      |                                 |                      |
| Accounts payable                                | 53,816                   | 315,033              | 1,912                           | 370,761              |
| Accrued expenses                                | 56,680                   | 68,038               | 10,000                          | 134,718              |
| Retainage payable                               |                          | 984                  |                                 | 984                  |
| Due to other funds                              | 260,309                  | 236,844              |                                 | 497,153              |
| Current portion of bonds payable                | 210,981                  | 547,874              |                                 | 758,855              |
| Current portion of capital leases payable       | 28,395                   | 35,614               |                                 | 64,009               |
| Current portion of compensated absences payable | 2,388                    | 1,520                |                                 | 3,908                |
| Total Current Liabilities                       | <u>612,569</u>           | <u>1,205,907</u>     | <u>11,912</u>                   | <u>1,830,388</u>     |
| Noncurrent Liabilities:                         |                          |                      |                                 |                      |
| Bonds payable                                   | 3,187,607                | 3,914,040            |                                 | 7,101,647            |
| Capital leases payable                          | 91,520                   | 136,093              |                                 | 227,613              |
| State of New Hampshire revolving loan           | 139,592                  | 138,035              |                                 | 277,627              |
| Compensated absences payable                    | 21,488                   | 13,683               |                                 | 35,171               |
| OPEB liability                                  | 165,928                  | 165,729              |                                 | 331,657              |
| Net pension liability                           | 368,756                  | 334,697              |                                 | 703,453              |
| Total Noncurrent Liabilities                    | <u>3,974,891</u>         | <u>4,702,277</u>     | <u>-</u>                        | <u>8,677,168</u>     |
| Total Liabilities                               | <u>4,587,460</u>         | <u>5,908,184</u>     | <u>11,912</u>                   | <u>10,507,556</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                          |                      |                                 |                      |
| Deferred inflows related to OPEB                | 262                      | 238                  |                                 | 500                  |
| Deferred inflows related to pension             | 10,683                   | 9,696                |                                 | 20,379               |
| Total Deferred Inflows of Resources             | <u>10,945</u>            | <u>9,934</u>         | <u>-</u>                        | <u>20,879</u>        |
| <b>NET POSITION</b>                             |                          |                      |                                 |                      |
| Net investment in capital assets                | 6,040,492                | 11,418,958           | 1,033,656                       | 18,493,106           |
| Unrestricted                                    | 2,801,671                | 6,275,794            | 199,264                         | 9,276,729            |
| Total Net Position                              | <u>\$ 8,842,163</u>      | <u>\$ 17,694,752</u> | <u>\$ 1,232,920</u>             | <u>\$ 27,769,835</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, 2018

|  | Business-type Activities |                      |                                 | Totals               |
|--|--------------------------|----------------------|---------------------------------|----------------------|
|  | Water<br>Fund            | Sewer<br>Fund        | Nonmajor<br>Proprietary<br>Fund |                      |
| Operating revenues:                                      |                          |                      |                                 |                      |
| Charges for services                                     | \$ 1,827,887             | \$ 2,585,600         | \$ 36,416                       | \$ 4,449,903         |
| Miscellaneous  | <u>102,291</u>           | <u>148,002</u>       |                                 | <u>250,293</u>       |
| Total operating revenues                                 | <u>1,930,178</u>         | <u>2,733,602</u>     | <u>36,416</u>                   | <u>4,700,196</u>     |
| Operating expenses:                                      |                          |                      |                                 |                      |
| Personnel services                                       | 447,269                  | 487,707              |                                 | 934,976              |
| Contractual services                                     | 553,251                  | 893,656              |                                 | 1,446,907            |
| Repairs and maintenance                                  | 154,230                  | 121,916              | 13,354                          | 289,500              |
| Administration   | 110,355                  | 112,099              | 33,926                          | 256,380              |
| Utilities  | 6,762                    | 6,073                | 12,937                          | 25,772               |
| Depreciation   | 373,956                  | 688,701              | 3,200                           | 1,065,857            |
| Miscellaneous  | <u>110,728</u>           | <u>170,365</u>       |                                 | <u>281,093</u>       |
| Total operating expenses                                 | <u>1,756,551</u>         | <u>2,480,517</u>     | <u>63,417</u>                   | <u>4,300,485</u>     |
| Operating income (loss)                                  | <u>173,627</u>           | <u>253,085</u>       | <u>(27,001)</u>                 | <u>399,711</u>       |
| Non-operating income (expenses):                         |                          |                      |                                 |                      |
| Interest revenue   | 30,431                   | 66,877               | 2,805                           | 100,113              |
| Interest expense   | (125,670)                | (95,583)             |                                 | (221,253)            |
| Loss on disposal of capital assets                       | <u>(19,423)</u>          | <u>(26,473)</u>      |                                 | <u>(45,896)</u>      |
| Total non-operating income (expenses)                    | <u>(114,662)</u>         | <u>(55,179)</u>      | <u>2,805</u>                    | <u>(167,036)</u>     |
| Income (loss) before transfers and capital contributions | 58,965                   | 197,906              | (24,196)                        | 232,675              |
| Transfers in   | 1,858                    | 1,858                |                                 | 3,716                |
| Capital contributions                                    | <u>-</u>                 | <u>264,253</u>       |                                 | <u>264,253</u>       |
| Change in net position                                   | 60,823                   | 464,017              | (24,196)                        | 500,644              |
| Total net position at beginning of year, as restated     | <u>8,781,340</u>         | <u>17,230,735</u>    | <u>1,257,116</u>                | <u>27,269,191</u>    |
| Total net position at end of year                        | <u>\$ 8,842,163</u>      | <u>\$ 17,694,752</u> | <u>\$ 1,232,920</u>             | <u>\$ 27,769,835</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, 2018

|   | Business-type Activities |                     |                           | Totals              |
|---|--------------------------|---------------------|---------------------------|---------------------|
|   | Water Fund               | Sewer Fund          | Nonmajor Proprietary Fund |                     |
| <b>Cash flows from operating activities:</b>  |                          |                     |                           |                     |
| Cash received from customers  | \$ 1,852,425             | \$ 2,773,182        | \$ 36,764                 | \$ 4,662,371        |
| Other operating cash receipts   | 4,808                    |                     |                           | 4,808               |
| Cash paid to suppliers  | (1,162,494)              | (1,512,778)         | (60,090)                  | (2,735,362)         |
| Cash paid to employees  | (260,168)                | (276,270)           |                           | (536,438)           |
| Net cash provided (used) by operating activities  | <u>434,571</u>           | <u>984,134</u>      | <u>(23,326)</u>           | <u>1,395,379</u>    |
| <b>Cash flows from capital financing activities:</b>  |                          |                     |                           |                     |
| Purchases of capital assets   | (215,520)                | (292,828)           |                           | (508,348)           |
| Capital contributions   |                          | 94,427              |                           | 94,427              |
| Proceeds from State revolving loan funds  | 109,830                  | 138,035             |                           | 247,865             |
| Principal paid on bonds payable   | (323,819)                | (562,768)           |                           | (886,587)           |
| Proceeds from capital leases issued   |                          | 139,187             |                           | 139,187             |
| Principal paid on capital leases payable  | (27,605)                 | (13,810)            |                           | (41,415)            |
| Interest paid on long-term debt   | (129,838)                | (102,735)           |                           | (232,573)           |
| Net cash provided (used) for capital financing activities   | <u>(586,952)</u>         | <u>(600,492)</u>    | <u>-</u>                  | <u>(1,187,444)</u>  |
| <b>Cash Flows from Investing Activities:</b>  |                          |                     |                           |                     |
| Interest on investments   | 30,431                   | 66,877              | 2,805                     | 100,113             |
| Net cash provided by investing activities   | <u>30,431</u>            | <u>66,877</u>       | <u>2,805</u>              | <u>100,113</u>      |
| Net increase (decrease) in cash and cash equivalents  | (121,950)                | 450,519             | (20,521)                  | 308,048             |
| Cash and cash equivalents at beginning of year  | 2,501,498                | 4,993,641           | 231,522                   | 7,726,661           |
| Cash and cash equivalents at end of year  | <u>\$ 2,379,548</u>      | <u>\$ 5,444,160</u> | <u>\$ 211,001</u>         | <u>\$ 8,034,709</u> |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |                          |                     |                           |                     |
| Operating income (loss)   | \$ 173,627               | \$ 253,085          | \$ (27,001)               | \$ 399,711          |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                          |                     |                           |                     |
| Depreciation expense  | 373,956                  | 688,701             | 3,200                     | 1,065,857           |
| Change in deferred outflows related to OPEB   | (1,620)                  | (1,861)             |                           | (3,481)             |
| Change in deferred outflows related to pension  | 46,214                   | 32,946              |                           | 79,160              |
| Change in deferred inflows related to OPEB  | 262                      | 238                 |                           | 500                 |
| Change in deferred inflows related to pension   | 5,388                    | 5,270               |                           | 10,658              |
| Changes in assets and liabilities:  |                          |                     |                           |                     |
| Accounts receivable, net  | (72,945)                 | 39,580              | 348                       | (33,017)            |
| Inventory   | (15,071)                 | (4,486)             |                           | (19,557)            |
| Accounts payable  | (23,801)                 | (19,924)            | 127                       | (43,598)            |
| Accrued expenses  | (1,289)                  | 3,764               |                           | 2,475               |
| OPEB liability  | 388                      | 2,634               |                           | 3,022               |
| Net pension liability   | (50,538)                 | (15,813)            |                           | (66,351)            |
| Net cash provided (used) by operating activities  | <u>\$ 434,571</u>        | <u>\$ 984,134</u>   | <u>\$ (23,326)</u>        | <u>\$ 1,395,379</u> |
| <b>Supplemental disclosure of non-cash transactions:</b>  |                          |                     |                           |                     |
| Forgiveness of long-term debt principal   | \$ 21,229                |                     |                           | \$ 21,229           |
| Transfer of capital assets from governmental activities   | 1,858                    | \$ 1,858            |                           | 3,716               |
| Net book value of disposed capital assets   | 19,423                   | 26,473              |                           | 45,896              |
| Capital asset additions included in year end liabilities  |                          | 288,021             |                           | 288,021             |
|   | <u>\$ 42,510</u>         | <u>\$ 316,352</u>   | <u>\$ -</u>               | <u>\$ 358,862</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, 2018

|                                       | <u>Private-<br/>Purpose<br/>Trust Funds</u> | <u>Agency<br/>Funds</u> |
|---------------------------------------|---|-------------------------|
| <b>ASSETS</b>                         |   |                         |
| Cash and cash equivalents             |   | \$ 74,971               |
| Investments                           | \$ 18,032,138                               | <u>1,145</u>            |
| Total Assets                          | <u>18,032,138</u>                           | <u>\$ 76,116</u>        |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |   |                         |
| Total Deferred Outflows of Resources  | <u>-</u>                                    |                         |
| <b>LIABILITIES</b>                    |   |                         |
| Due to other governments              |   | \$ 32,488               |
| Deposits                              |   | <u>43,628</u>           |
| Total Liabilities                     | <u>-</u>                                    | <u>\$ 76,116</u>        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |   |                         |
| Total Deferred Inflows of Resources   | <u>-</u>                                    |                         |
| <b>NET POSITION</b>                   |   |                         |
| Held in trust                         | <u>18,032,138</u>                           |                         |
| Total Net Position                    | <u>\$ 18,032,138</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, 2018

|   | <u>Private-<br/>Purpose<br/>Trust Funds</u> |
|---|---|
| <b>ADDITIONS:</b>                             |   |
| Contributions:                                |   |
| Private donations                             | \$ 2,271                                    |
| Total Contributions                           | <u>2,271</u>                                |
| Investment earnings:                          |   |
| Interest                                      | 363,624                                     |
| Realized gains on investments                 | 545,420                                     |
| Net increase in the fair value of investments | <u>388,307</u>                              |
| Total Investment Earnings                     | <u>1,297,351</u>                            |
| Total Additions                               | <u>1,299,622</u>                            |
| <b>DEDUCTIONS:</b>                            |   |
| Benefits                                      | 242,278                                     |
| Administrative expenses                       | <u>98,244</u>                               |
| Total Deductions                              | <u>340,522</u>                              |
| Change in net position                        | 959,100                                     |
| Net position - beginning of year              | <u>17,073,038</u>                           |
| Net position - end of year                    | <u>\$ 18,032,138</u>                        |

*See accompanying notes to the basic financial statements*

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

***Financial Reporting Entity***

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

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

***Basis of Presentation***

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

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

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

**2. Fund Financial Statements:**

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

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

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

***Fund Accounting***

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

**1. Governmental Funds:**

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

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

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

**2. Proprietary Funds:**

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

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

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

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

**3. Fiduciary Funds:**

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

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

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

***Measurement Focus***

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

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

**2. Fund Financial Statements:**

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

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

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

***Basis of Accounting***

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

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

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

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

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 \$901,355 from fund balance to offset appropriations. An additional \$118,000 of fund balance was applied to reduce the tax rate. Supplemental appropriations passed during the year were also partially funded from fund balance in the amount of \$575,226. Unexpended supplemental appropriations of \$98,925 were carried forward to the fiscal year ending June 30, 2019 for a net combined use of fund balance of \$1,495,656.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

***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, 2018 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, 2018 are recorded as receivables net of reserves for estimated uncollectibles of \$456,000.

***Prepaid Expenses***

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid items.

***Inventory***

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

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

***Capital Assets***

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

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their 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

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

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

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

***Compensated Absences and Retirement Benefits***

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

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

***Bond Premium***

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

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

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

***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)**  
**June 30, 2018**

***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)**  
**June 30, 2018**

- 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)**  
**June 30, 2018**

*Estimates*

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

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

At June 30, 2018, the following nonmajor governmental fund was in a deficit financial position:

Downtown Tax Increment Financing Fund                    \$ 1,081,019

**NOTE 3—CASH AND CASH EQUIVALENTS**

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

|  | Water<br><u>Fund</u> | Sewer<br><u>Fund</u> | Nonmajor<br>Proprietary<br><u>Fund</u> | <u>Totals</u>       |
|--|----------------------|----------------------|--|---------------------|
| Cash   | \$ 488,075           | \$ 490,673           | \$ 7,949                               | \$ 986,697          |
| Investments in New Hampshire Public<br>Deposit Investment Pool | 2,128,087            | 5,186,886            | 203,052                                | 7,518,025           |
| Due from other funds   | 23,695               | 3,445                |  | 27,140              |
| Due to other funds   | <u>(260,309)</u>     | <u>(236,844)</u>     |  | <u>(497,153)</u>    |
| Totals   | <u>\$ 2,379,548</u>  | <u>\$ 5,444,160</u>  | <u>\$ 211,001</u>                      | <u>\$ 8,034,709</u> |

**NOTE 4—DEPOSITS AND INVESTMENTS**

Deposits and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

|                                      |                      |
|--------------------------------------|----------------------|
| Statement of net position:           |                      |
| Cash and cash equivalents            | \$ 5,976,037         |
| Investments                          | 17,320,912           |
| Statement of fiduciary net position: |                      |
| Cash and cash equivalents            | 74,971               |
| Investments                          | <u>18,033,283</u>    |
| Total deposits and investments       | <u>\$ 41,405,203</u> |

Deposits and investments as of June 30, 2018 consist of the following:

|                                      |                      |
|--------------------------------------|----------------------|
| Cash on hand                         | \$ 3,950             |
| Deposits with financial institutions | 6,047,058            |
| Investments                          | <u>35,354,195</u>    |
| Total deposits and investments       | <u>\$ 41,405,203</u> |

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

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

***Credit Risk***

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

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

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

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

| <u>Investment Type</u>    | <u>Fair Value</u>    | <u>Rating as of Year End</u> |                      |                   |                     |                     |
|---------------------------|----------------------|------------------------------|----------------------|-------------------|---------------------|---------------------|
|                           |                      | <u>Aaa</u>                   | <u>Aaa-m</u>         | <u>Aa</u>         | <u>A</u>            | <u>Not Rated</u>    |
| Corporate bonds           | \$ 3,708,171         | \$ 1,135,804                 |                      | \$ 400,842        | \$ 2,171,525        |                     |
| Bond mutual funds         | 3,139,125            |                              |                      |                   |                     | \$ 3,139,125        |
| Money market mutual funds | 352,908              |                              |                      |                   |                     | 352,908             |
| State investment pool     | <u>13,611,270</u>    |                              | <u>\$ 13,611,270</u> |                   |                     |                     |
|                           | <u>\$ 20,811,474</u> | <u>\$ 1,135,804</u>          | <u>\$ 13,611,270</u> | <u>\$ 400,842</u> | <u>\$ 2,171,525</u> | <u>\$ 3,492,033</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.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

The Trustees of Trust Funds investment policy states that maturities of fixed income investments should generally be no longer than 10 years from the date of purchase, except for selected mortgage backed securities. Equity securities selected for investment shall be of high quality and be liquid. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

| <u>Investment Type</u> | <u>Remaining Maturity (In Years)</u> |                     |                     |                     |
|------------------------|--------------------------------------|---------------------|---------------------|---------------------|
|                        | <u>Fair Value</u>                    | <u>0-1 Years</u>    | <u>1-5 Years</u>    | <u>&gt; 5 Years</u> |
| Corporate bonds        | \$ 3,708,171                         | \$ 748,381          | \$ 2,517,256        | \$ 442,534          |
| U.S. Treasury notes    | 2,139,238                            | 497,218             | 679,468             | 962,552             |
| Bond mutual funds      | 3,139,125                            |                     | 254,828             | 2,884,297           |
|                        | <u>\$ 8,986,534</u>                  | <u>\$ 1,245,599</u> | <u>\$ 3,451,552</u> | <u>\$ 4,289,383</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, \$649,083 was collateralized by securities held by the bank in the bank's name. As of June 30, 2018, 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         | \$ 12,403,483          |
| Corporate bonds           | 3,708,171              |
| U.S. Treasury notes       | 2,139,238              |
| Bond mutual funds         | 3,139,125              |
| Money market mutual funds | 352,908                |
|                           | <u>\$ 21,742,925</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](http://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.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

**Fair Value**

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

The City has the following recurring fair value measurements as of June 30, 2018:

| Description                      | Fair Value Measurements Using:   |  |  |
|----------------------------------|--|--|--|
|                                  | Quoted prices<br>in active<br>markets for<br>identical assets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |
| Investments by fair value level: |  |  |  |
| Debt securities:                 |  |  |  |
| Corporate bonds                  | \$ 3,708,171   | \$ 3,708,171                                     |  |
| U.S. Treasury notes              | 2,139,238  | 2,139,238  |  |
| Bond mutual funds                | 3,139,125  | \$ 3,139,125                                     |  |
| Equity securities                | 12,403,483   | 12,403,483                                       |  |
|                                  | <u>\$ 21,390,017</u>   | <u>\$ 15,542,608</u>                             | <u>\$ 5,847,409</u>                                |
|                                  |  |  | <u>\$ -</u>  |

**NOTE 5—CAPITAL ASSETS**

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

|   | Balance<br>7/1/2017  | Additions             | Reductions         | Balance<br>6/30/2018 |
|---|----------------------|-----------------------|--------------------|----------------------|
| Governmental activities:                      |                      |                       |                    |                      |
| Capital assets not depreciated:               |                      |                       |                    |                      |
| Land  | \$ 1,752,174         |                       | \$ (69,405)        | \$ 1,682,769         |
| Intangible assets                             | 10,000               |                       |                    | 10,000               |
| Construction in process                       | 507,593              | \$ 437,818            |                    | 945,411              |
| Total capital assets not being depreciated    | <u>2,269,767</u>     | <u>437,818</u>        | <u>(69,405)</u>    | <u>2,638,180</u>     |
| Other capital assets:                         |                      |                       |                    |                      |
| Infrastructure                                | 29,538,108           |                       |                    | 29,538,108           |
| Buildings and improvements                    | 11,519,624           | 66,944                |                    | 11,586,568           |
| Vehicles, equipment and furnishings           | 12,706,665           | 26,285                | (69,411)           | 12,663,539           |
| Intangible assets                             | 35,600               |                       |                    | 35,600               |
| Total other capital assets at historical cost | <u>53,799,997</u>    | <u>93,229</u>         | <u>(69,411)</u>    | <u>53,823,815</u>    |
| Less accumulated depreciation for:            |                      |                       |                    |                      |
| Infrastructure                                | (7,030,793)          | (865,926)             |                    | (7,896,719)          |
| Buildings and improvements                    | (2,636,637)          | (499,543)             |                    | (3,136,180)          |
| Vehicles, equipment and furnishings           | (8,131,168)          | (1,055,563)           | 65,694             | (9,121,037)          |
| Intangible assets                             | (4,747)              | (7,120)               |                    | (11,867)             |
| Total accumulated depreciation                | <u>(17,803,345)</u>  | <u>(2,428,152)</u>    | <u>65,694</u>      | <u>(20,165,803)</u>  |
| Total other capital assets, net               | <u>35,996,652</u>    | <u>(2,334,923)</u>    | <u>(3,717)</u>     | <u>33,658,012</u>    |
| Total capital assets, net                     | <u>\$ 38,266,419</u> | <u>\$ (1,897,105)</u> | <u>\$ (73,122)</u> | <u>\$ 36,296,192</u> |

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

Depreciation was charged to governmental functions as follows:

|  |                     |
|--|---------------------|
| General government                                 | \$ 79,271           |
| Public safety                                      | 125,813             |
| Airport/Aviation center                            | 623,768             |
| Highways and streets                               | 1,080,711           |
| Culture and recreation                             | <u>518,589</u>      |
| Total governmental activities depreciation expense | <u>\$ 2,428,152</u> |

The balance of the assets acquired through capital leases for governmental activities as of June 30, 2018 is as follows:

|                                     |                     |
|-------------------------------------|---------------------|
| Vehicles, equipment and furnishings | \$ 3,525,539        |
| Less accumulated depreciation:      |                     |
| Vehicles, equipment and furnishings | <u>(1,140,230)</u>  |
|                                     | <u>\$ 2,385,309</u> |

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

|   | Balance<br><u>7/1/2017</u> | <u>Additions</u>    | <u>Reductions</u>  | Balance<br><u>6/30/2018</u> |
|---|----------------------------|---------------------|--------------------|-----------------------------|
| Business-type activities:                     |                            |                     |                    |                             |
| Capital asset not depreciated:                |                            |                     |                    |                             |
| Land  | \$ 1,006,899               |                     |                    | \$ 1,006,899                |
| Construction in process                       | <u>78,070</u>              | \$ 595,345          |                    | <u>673,415</u>              |
| Total capital assets not being depreciated    | <u>1,084,969</u>           | <u>595,345</u>      | \$ -               | <u>1,680,314</u>            |
| Other capital assets:                         |                            |                     |                    |                             |
| Infrastructure                                | 42,263,220                 |                     | (513,925)          | 41,749,295                  |
| Buildings and improvements                    | 5,011,017                  |                     | (27,051)           | 4,983,966                   |
| Vehicles and equipment                        | <u>4,723,774</u>           | <u>154,740</u>      | <u>(1,347,453)</u> | <u>3,531,061</u>            |
| Total other capital assets at historical cost | <u>51,998,011</u>          | <u>154,740</u>      | <u>(1,888,429)</u> | <u>50,264,322</u>           |
| Less accumulated depreciation for:            |                            |                     |                    |                             |
| Infrastructure                                | (20,669,351)               | (857,564)           | 479,795            | (21,047,120)                |
| Buildings and improvements                    | (967,076)                  | (100,859)           | 19,151             | (1,048,784)                 |
| Vehicles and equipment                        | <u>(4,161,044)</u>         | <u>(107,434)</u>    | <u>1,343,587</u>   | <u>(2,924,891)</u>          |
| Total accumulated depreciation                | <u>(25,797,471)</u>        | <u>(1,065,857)</u>  | <u>1,842,533</u>   | <u>(25,020,795)</u>         |
| Total other capital assets, net               | <u>26,200,540</u>          | <u>(911,117)</u>    | <u>(45,896)</u>    | <u>25,243,527</u>           |
| Total capital assets, net                     | <u>\$ 27,285,509</u>       | <u>\$ (315,772)</u> | <u>\$ (45,896)</u> | <u>\$ 26,923,841</u>        |

Depreciation was charged to proprietary funds as follows:

|   |                     |
|---|---------------------|
| Water fund  | \$ 373,956          |
| Sewer fund  | 688,701             |
| Nonmajor proprietary fund                           | <u>3,200</u>        |
| Total Business-type activities depreciation expense | <u>\$ 1,065,857</u> |

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

The balance of the assets acquired through capital leases in the proprietary funds as of June 30, 2018 is as follows:

|                                |                   |
|--------------------------------|-------------------|
| Vehicles and equipment         | \$ 515,628        |
| Less accumulated depreciation: |                   |
| Vehicles and equipment         | <u>(223,694)</u>  |
|                                | <u>\$ 291,934</u> |

**NOTE 6—LONG-TERM OBLIGATIONS**

*General Long-term Obligations*

The changes in the City's long-term obligations for the year ended June 30, 2018 are as follows:

|   | Balance<br>7/1/2017  | Additions         | Reductions            | Balance<br>6/30/2018 | Due Within<br>One Year |
|---|----------------------|-------------------|-----------------------|----------------------|------------------------|
| Governmental activities:                    |                      |                   |                       |                      |                        |
| Bonds payable                               | \$ 10,222,947        |                   | \$ (758,959)          | \$ 9,463,988         | \$ 767,184             |
| Unamortized bond premium                    | <u>120,062</u>       |                   | <u>(15,308)</u>       | <u>104,754</u>       |                        |
| Total Bonds payable                         | <u>10,343,009</u>    | <u>\$ -</u>       | <u>(774,267)</u>      | <u>9,568,742</u>     | <u>767,184</u>         |
| Tax increment financing bonds payable       | 5,715,000            |                   | (515,000)             | 5,200,000            | 520,000                |
| Unamortized bond premium                    | <u>29,999</u>        |                   | <u>(5,203)</u>        | <u>24,796</u>        |                        |
| Total tax increment financing bonds payable | <u>5,744,999</u>     | <u>-</u>          | <u>(520,203)</u>      | <u>5,224,796</u>     | <u>520,000</u>         |
| Notes payable                               | 208,957              |                   | (50,821)              | 158,136              | 51,837                 |
| Capital leases payable                      | 2,206,315            | 132,000           | (403,934)             | 1,934,381            | 307,711                |
| State of New Hampshire revolving loan       |                      | 15,013            |                       | 15,013               |                        |
| Compensated absences                        | <u>656,643</u>       | <u>80,505</u>     | <u>(110,298)</u>      | <u>626,850</u>       | <u>62,685</u>          |
| Total governmental activities               | <u>\$ 19,159,923</u> | <u>\$ 212,505</u> | <u>\$ (1,859,523)</u> | <u>\$ 17,512,905</u> | <u>\$ 1,709,417</u>    |
| Business-type activities:                   |                      |                   |                       |                      |                        |
| Bonds payable                               | \$ 8,556,027         |                   | \$ (886,587)          | \$ 7,669,440         | \$ 758,855             |
| Principal forgiveness                       | <u>212,291</u>       |                   | <u>(21,229)</u>       | <u>191,062</u>       |                        |
| Total Bonds payable                         | <u>8,768,318</u>     | <u>\$ -</u>       | <u>(907,816)</u>      | <u>7,860,502</u>     | <u>758,855</u>         |
| Capital leases payable                      | 193,850              | 139,187           | (41,415)              | 291,622              | 64,009                 |
| State of New Hampshire revolving loan       | 29,762               | 247,865           |                       | 277,627              |                        |
| Compensated absences                        | <u>39,079</u>        |                   |                       | <u>39,079</u>        | <u>3,908</u>           |
| Total business-type activities              | <u>\$ 9,031,009</u>  | <u>\$ 387,052</u> | <u>\$ (949,231)</u>   | <u>\$ 8,468,830</u>  | <u>\$ 826,772</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 (a nonmajor governmental fund). Payments on the remaining bonds and capital leases of the business-type activities are paid out of the Water and Sewer Funds. Compensated absences will be paid from the fund where the employee's salary is paid.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

***General Obligation Bonds***

Governmental Activities

Bonds payable at June 30, 2018 are comprised of the following individual issues:

|  | Original<br>Issue<br><u>Amount</u> | Interest<br>Rate | Final<br>Maturity<br><u>Date</u> | Balance<br>at<br><u>6/30/2018</u> |
|--|------------------------------------|------------------|----------------------------------|-----------------------------------|
| Landfill closure   | \$3,468,368                        | 3.70%            | July 2022                        | \$ 875,805                        |
| Street project   | 3,000,000                          | 3.75%            | September 2020                   | 600,000                           |
| Public improvements - refunding                            | 775,625                            | 2.00-4.00%       | July 2020                        | 243,183                           |
| North/Main Streets, Community Center<br>and Drapers Corner | 7,452,400                          | 3.00-4.125%      | January 2041                     | 6,535,000                         |
| Infrastructure improvements                                | 1,400,000                          | 2.00-4.00%       | February 2031                    | 1,210,000                         |
| Totals   |                                    |                  |                                  | <u>9,463,988</u>                  |
|  | Add: Unamortized bond premium      |                  |                                  | 104,754                           |
|  |                                    |                  |                                  | <u>\$ 9,568,742</u>               |

Debt service requirements to retire general obligation bonds outstanding at June 30, 2018 are as follows:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|--------------------------------|---------------------|---------------------|----------------------|
| 2019                           | \$ 767,184          | \$ 347,872          | \$ 1,115,056         |
| 2020                           | 777,258             | 320,220             | 1,097,478            |
| 2021                           | 790,583             | 291,970             | 1,082,553            |
| 2022                           | 518,963             | 269,420             | 788,383              |
| 2023                           | 305,000             | 256,194             | 561,194              |
| 2024-2028                      | 1,640,000           | 1,104,469           | 2,744,469            |
| 2029-2033                      | 1,700,000           | 793,181             | 2,493,181            |
| 2034-2038                      | 1,735,000           | 471,431             | 2,206,431            |
| 2039-2041                      | 1,230,000           | 102,713             | 1,332,713            |
| Total                          | <u>9,463,988</u>    | <u>3,957,470</u>    | <u>13,421,458</u>    |
| Add: <i>Bond Premium</i>       | 104,754             |                     | 104,754              |
| Total                          | <u>\$ 9,568,742</u> | <u>\$ 3,957,470</u> | <u>\$ 13,526,212</u> |

Business-type Activities

Bonds payable at June 30, 2018 are comprised of the following individual issues:

|                           | Original<br>Issue<br><u>Amount</u> | Interest<br>Rate | Maturity<br><u>Date</u> | Balance<br>at<br><u>6/30/2018</u> |
|---------------------------|------------------------------------|------------------|-------------------------|-----------------------------------|
| <u>Water Fund:</u>        |                                    |                  |                         |                                   |
| 2006 State Revolving Loan | \$4,050,000                        | 3.488%           | December 2026           | \$ 2,112,143                      |
| 2005 State Revolving Loan | 2,298,361                          | 3.488%           | July 2027               | 1,286,445                         |
|                           |                                    |                  |                         | <u>3,398,588</u>                  |

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

|                                     | Original<br>Issue<br><u>Amount</u> | Interest<br>Rate<br><u>Rate</u> | Maturity<br>Date<br><u>Date</u> | Balance<br>at<br><u>6/30/2018</u> |
|-------------------------------------|------------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| <u>Sewer Fund:</u>                  |                                    |                                 |                                 |                                   |
| 2008 State Revolving Loan           | 336,000                            | 3.688%                          | December 2027                   | 197,722                           |
| 2009 State Revolving Loan           | 108,261                            | 3.488%                          | January 2028                    | 62,196                            |
| 2008 State Revolving Loan           | 2,707,734                          | 3.488%                          | August 2027                     | 1,560,680                         |
| 2009 State Revolving Loan           | 422,540                            | 3.488%                          | July 2028                       | 242,689                           |
| 2012 State Revolving Loan           | 810,751                            | 1.940%                          | November 2021                   | 340,046                           |
| 2014 State Revolving Loan           | 767,757                            | 1.940%                          | September 2023                  | 419,076                           |
| 2017 State Revolving Loan           | 2,146,698                          | 1.940%                          | April 2026                      | 1,502,688                         |
| Wastewater improvements - refunding | 436,375                            | 2.00-4.00%                      | July 2020                       | 136,817                           |
|                                     |                                    |                                 |                                 | <u>4,461,914</u>                  |
|                                     |                                    |                                 |                                 | <u>\$ 7,860,502</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 \$191,062, for business-type activities at June 30, 2018 are as follows:

| Year Ending<br><u>June 30,</u>    | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|-----------------------------------|---------------------|---------------------|---------------------|
| 2019                              | \$ 758,855          | \$ 159,031          | \$ 917,886          |
| 2020                              | 914,424             | 191,912             | 1,106,336           |
| 2021                              | 930,949             | 168,657             | 1,099,606           |
| 2022                              | 902,567             | 144,920             | 1,047,487           |
| 2023                              | 831,240             | 120,698             | 951,938             |
| 2024-2028                         | 3,304,295           | 257,395             | 3,561,690           |
| 2029                              | <u>27,110</u>       | <u>691</u>          | <u>27,801</u>       |
| Total                             | 7,669,440           | 1,043,304           | 8,712,744           |
| Add: <i>Principal forgiveness</i> | <u>191,062</u>      |                     | <u>191,062</u>      |
| Total                             | <u>\$ 7,860,502</u> | <u>\$ 1,043,304</u> | <u>\$ 8,903,806</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, 2018, the reimbursement was \$94,427 in the Sewer Fund.

***Tax Increment Financing Bonds***

The City has pledged a portion of future tax increment financing revenues to repay \$9,906,000 in tax increment bonds issued in July 2007 to finance infrastructure improvements within the Downtown District and the Mill District. The bonds are payable solely from the tax increment financing taxes. Incremental taxes were 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 \$778,150 and \$524,569, respectively. During the year ended June 30, 2018, \$318,355 was transferred from the General Fund to the nonmajor governmental fund to assist with the debt service payments.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

Tax increment financing bonds payable at June 30, 2018 are comprised of the following individual issues:

|               | Original<br>Issue<br><u>Amount</u> | Interest<br>Rate | Final<br>Maturity<br>Date | Balance<br>at<br>6/30/2018 |
|---------------|------------------------------------|------------------|---------------------------|----------------------------|
| Mill District | \$2,722,000                        | 4.00-5.00%       | August 2027               | \$ 2,600,000               |
| Mill District | 4,939,000                          | 4.00-5.00%       | August 2027               | 2,600,000                  |
|               |                                    |                  |                           | <u>5,200,000</u>           |
|               | Add: Unamortized bond premium      |                  |                           | 24,796                     |
|               |                                    |                  |                           | <u>\$ 5,224,796</u>        |

Debt service requirements to retire tax increment financing bonds outstanding at June 30, 2018 are as follows:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|--------------------------------|---------------------|---------------------|---------------------|
| 2019                           | \$ 520,000          | \$ 236,600          | \$ 756,600          |
| 2020                           | 520,000             | 210,600             | 730,600             |
| 2021                           | 520,000             | 185,250             | 705,250             |
| 2022                           | 520,000             | 160,550             | 680,550             |
| 2023                           | 520,000             | 135,850             | 655,850             |
| 2024-2028                      | <u>2,600,000</u>    | <u>308,750</u>      | <u>2,908,750</u>    |
|                                | 5,200,000           | 1,237,600           | 6,437,600           |
| Add: <i>Bond Premium</i>       | 24,796              |                     | 24,796              |
| Total                          | <u>\$ 5,224,796</u> | <u>\$ 1,237,600</u> | <u>\$ 6,462,396</u> |

***Notes Payable***

Notes payable at June 30, 2018 is comprised of the following individual issue:

|                     | Original<br>Issue<br><u>Amount</u> | Interest<br>Rate | Final<br>Maturity<br>Date | Balance<br>at<br>6/30/2018 |
|---------------------|------------------------------------|------------------|---------------------------|----------------------------|
| Energy improvements | \$ 263,810                         | 2.00%            | June 2021                 | <u>\$ 158,136</u>          |

Debt service requirements to retire notes payable outstanding at June 30, 2018 are as follows:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>  | <u>Interest</u> | <u>Total</u>      |
|--------------------------------|-------------------|-----------------|-------------------|
| 2019                           | \$ 51,837         | \$ 3,163        | \$ 55,000         |
| 2020                           | 52,874            | 2,126           | 55,000            |
| 2021                           | <u>53,425</u>     | <u>1,068</u>    | <u>54,493</u>     |
| Total                          | <u>\$ 158,136</u> | <u>\$ 6,357</u> | <u>\$ 164,493</u> |

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

***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, 2018:

|  |                     |
|--|---------------------|
| Vehicles and equipment due in annual installments of \$64,904, including interest at 3.71%, through May 2020   | \$ 122,926          |
| 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      | 682,822             |
| Vehicles and equipment due in annual installments of \$102,265, including interest at 1.49%, through September 2018 then reduced to annual installments of \$54,791, including interest at 1.49%, through September 2021 | 243,110             |
| Vehicle due in annual installments of \$5,103, including interest at 4.69%, through January 2019   | 4,874               |
| Vehicles and equipment due in annual installments of \$76,477, including interest at 2.89%, through September 2024   | 478,453             |
| Equipment due in annual installments of \$38,151, including interest at 2.97%, through January 2026  | 270,196             |
| Vehicles due in annual installments of \$45,823, including interest at 3.69%, through August 2019  | <u>132,000</u>      |
|  | <u>\$ 1,934,381</u> |

Debt service requirements to retire capital lease obligations outstanding for governmental activities at June 30, 2018 are as follows:

| Year Ending     | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>       |
|-----------------|---------------------|-------------------|--------------------|
| <u>June 30,</u> |                     |                   |                    |
| 2019            | \$ 307,711          | \$ 31,243         | \$ 338,954         |
| 2020            | 324,191             | 47,521            | 371,712            |
| 2021            | 269,106             | 37,701            | 306,807            |
| 2022            | 231,003             | 29,980            | 260,983            |
| 2023            | 189,217             | 23,721            | 212,938            |
| 2024-2028       | 613,153             | 45,833            | 658,986            |
| Total           | <u>\$ 1,934,381</u> | <u>\$ 215,999</u> | <u>\$2,150,380</u> |

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

Business-type Activities

The following are the individual capital lease obligations of the business-type activities at June 30, 2018:

|  |                   |
|--|-------------------|
| Vehicles and equipment due in annual installments of \$17,719, including interest at 3.71%, through May 2020   | \$ 33,559         |
| Vehicles and equipment due in annual installments of \$16,402, including interest at 1.49%, through September 2018 then reduced to annual installments of \$8,164, including interest at 1.49%, through September 2021 | 39,203            |
| Vehicles due in annual installments of \$12,735, including interest at 2.89%, through September 2024   | 79,673            |
| Equipment due in annual installments of \$25,813, including interest at 3.14%, through February 2024   | <u>139,187</u>    |
|  | <u>\$ 291,622</u> |

Debt service requirements to retire capital lease obligations outstanding for business-type activities at June 30, 2018 are as follows:

| Year Ending<br>June 30, | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-------------------------|-------------------|------------------|-------------------|
| 2019                    | \$ 64,009         | \$ 8,661         | \$ 72,670         |
| 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            |
| 2024-2025               | <u>49,434</u>     | <u>1,849</u>     | <u>51,283</u>     |
| Total                   | <u>\$ 291,622</u> | <u>\$ 28,732</u> | <u>\$ 320,354</u> |

***State of New Hampshire Revolving Loan***

The City has drawn \$139,592 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 \$123,555 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.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

The City has also drawn \$29,493 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 may be provided federal financial assistance whereby a portion of the borrowed funds is forgiven, not to exceed \$60,000.

**NOTE 7—OTHER POST-EMPLOYMENT BENEFITS**

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

|                                     | <u>Deferred<br/>Outflows</u> | <u>OPEB<br/>Liability</u> | <u>Deferred<br/>Inflows</u> | <u>OPEB<br/>Expense</u> |
|-------------------------------------|------------------------------|---------------------------|-----------------------------|-------------------------|
| Cost-Sharing Multiple Employer Plan | \$ 121,967                   | \$ 879,968                | \$ 9,868                    | \$ 48,625               |
| Single Employer Plan                | <u>25,005</u>                | <u>2,300,292</u>          | <u>-</u>                    | <u>163,198</u>          |
| Total                               | <u>\$ 146,972</u>            | <u>\$ 3,180,260</u>       | <u>\$ 9,868</u>             | <u>\$ 211,823</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 \$137,104.

**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](http://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

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

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.

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, 2018. Contributions to the OPEB plan for the City were \$121,967 for the year ended June 30, 2018. 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, 2018, the City reported a liability of \$879,968 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, 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, 2016. 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, 2017, the City's proportion was approximately 0.1925 percent, which was a decrease of 0.0049 percentage points from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized an OPEB expense of \$48,625. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows of<br><u>Resources</u> | Deferred<br>Inflows of<br><u>Resources</u> |
|---|---|--|
| Net difference between projected and actual earnings on OPEB plan investments                             |   | \$ 2,777                                   |
| Changes in proportion and differences between City contributions and proportionate share of contributions |   | 7,091                                      |
| City contributions subsequent to the measurement date   | <u>\$ 121,967</u>                           |  |
| Totals  | <u>\$ 121,967</u>                           | <u>\$ 9,868</u>                            |

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

The City reported \$121,967 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, 2018. 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> |                   |
|-----------------|-------------------|
| 2018            | \$ (7,785)        |
| 2019            | (694)             |
| 2020            | (694)             |
| 2021            | (695)             |
|                 | <u>\$ (9,868)</u> |

***Actuarial Assumptions***

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5 percent  |
| Wage inflation            | 3.25 percent   |
| Salary increases          | 5.6 percent, average, including inflation                              |
| Investment rate of return | 7.25 percent, net of 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, 2016 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 determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of weighted average long-term expected real rates of return for each major asset class are summarized in the following table:

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Weighted Average Long-Term<br/>Expected Real Rate of Return</u> |
|----------------------|--------------------------|--|
| Fixed income         | 25%                      | (0.25)-2.11%   |
| Domestic equity      | 30%                      | 4.25-4.50%   |
| International equity | 20%                      | 4.50-6.25%   |
| Real estate          | 10%                      | 3.25%  |
| Private equity       | 5%                       | 6.25%  |
| Private debt         | 5%                       | 4.75%  |
| Opportunistic        | 5%                       | 2.84%  |
| Total                | <u>100%</u>              |  |

The discount rate used to measure the collective total OPEB liability as of June 30, 2017 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:

|                    | <u>1% Decrease<br/>(6.25%)</u> | <u>Current<br/>Discount Rate<br/>(7.25%)</u> | <u>1% Increase<br/>(8.25%)</u> |
|--------------------|--------------------------------|--|--------------------------------|
| Net OPEB Liability | \$ 957,667                     | \$ 879,968                                   | \$ 812,648                     |

**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

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

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.

***Employees Covered By Benefit Terms***

At June 30, 2018, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 53         |
| Active employees   | <u>107</u> |
|  | <u>160</u> |

***Total OPEB Liability***

The City's total OPEB liability of \$2,300,292 was measured as of June 30, 2018, and was determined by a rollforward of the actuarial valuation as of July 1, 2017.

***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               | 3.58 percent   |
| Healthcare cost trend rates | 9.00% for 2018, 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 July 1, 2017.

Mortality rates were based on the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017. The RPH-2017 table was created based on the RPH-2014 table with 8 years of MP-2014 mortality improvement removed, projected to 2017 using scale MP-2017. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial valuation date of July 1, 2015 project to July 1, 2017 on a "no loss/no gain" basis.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

***Changes in the Total OPEB Liability***

|  | Total OPEB<br><u>Liability</u> |
|--|--------------------------------|
| Balance at June 30, 2017                           | \$ 2,242,777                   |
| Changes for the year:                              |                                |
| Service Cost                                       | 78,256                         |
| Interest   | 80,774                         |
| Changes of benefit terms                           | -                              |
| Changes in assumptions or other inputs             | 10,024                         |
| Differences between expected and actual experience | 19,149                         |
| Benefit payments                                   | <u>(130,688)</u>               |
| Net changes  | <u>57,515</u>                  |
| Balance at June 30, 2018                           | <u>\$ 2,300,292</u>            |

Changes of assumptions and other inputs reflect an increase in the discount rate from 3.58% at June 30, 2017 to 3.87% at June 30, 2018. Mortality tables were changed from the RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015 to RPH-2017 using Scale MP-2017. The health care trend rates have been reset to an initial trend of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0%. In addition, the actuarial cost method has been updated from the Projected Unit Credit with linear proration to decrement the Entry Age Normal Level as a percentage of Salary.

***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<br><u>(2.87%)</u> | Current<br>Discount Rate<br><u>(3.87%)</u> | 1% Increase<br><u>(4.87%)</u> |
|----------------------|-------------------------------|--|-------------------------------|
| Total OPEB Liability | \$ 2,498,260                  | \$ 2,300,292                               | \$ 2,123,533                  |

***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 (8.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (10.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rate:

|                      | 1% Decrease<br>(8.00%<br>decreasing<br><u>to 4.00%</u> ) | Healthcare<br>Cost Trend<br>Rates<br>(9.00%<br>decreasing<br><u>to 5.00%</u> ) | 1% Increase<br>(10.00%<br>decreasing<br><u>to 6.00%</u> ) |
|----------------------|--|--|---|
| Total OPEB Liability | \$ 2,063,880   | \$ 2,300,292   | \$ 2,579,606  |

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$163,198. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 16,413                                     |  |
| Changes of assumptions                             | <u>8,592</u>                                  |  |
| Totals   | <u>\$ 25,005</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:

|                 |                  |
|-----------------|------------------|
| <u>June 30,</u> |                  |
| 2019            | \$ 4,168         |
| 2020            | 4,168            |
| 2021            | 4,168            |
| 2022            | 4,168            |
| 2023            | 4,168            |
| Thereafter      | <u>4,165</u>     |
|                 | <u>\$ 25,005</u> |

**NOTE 8—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](http://www.nhrs.org).

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

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

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

***Benefits Provided***

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

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

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

Members 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, 2018 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 \$1,100,823 for the year ending June 30, 2018.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

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

At June 30, 2018, the City reported a liability of \$13,878,429 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016. 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, 2017, the City's proportion was approximately 0.2822 percent, which was a decrease of 0.0014 percentage points from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$1,658,714. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 31,468                                     | \$ 176,633                                   |
| Net difference between projected and actual earnings on pension plan investments                          |   | 176,749                                      |
| Changes of assumptions  | 1,393,577                                     |  |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 459,621                                       | 48,688                                       |
| City contributions subsequent to the measurement date   | <u>1,100,823</u>                              |  |
| Totals  | <u>\$ 2,985,489</u>                           | <u>\$ 402,070</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 \$2,583,419. The City reported \$1,100,823 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense in the measurement periods as follows:

| <u>June 30,</u> |                     |
|-----------------|---------------------|
| 2018            | \$ 442,007          |
| 2019            | 771,247             |
| 2020            | 508,266             |
| 2021            | <u>(238,924)</u>    |
|                 | <u>\$ 1,482,596</u> |

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

*Actuarial Assumptions*

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions:

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

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

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

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Weighted Average Long-Term<br/>Expected Real Rate of Return</u> |
|----------------------|--------------------------|--|
| Fixed income         | 25%                      | (0.25)-2.11%   |
| Domestic equity      | 30%                      | 4.25-4.50%   |
| International equity | 20%                      | 4.50-6.25%   |
| Real estate          | 10%                      | 3.25%  |
| Private equity       | 5%                       | 6.25%  |
| Private debt         | 5%                       | 4.75%  |
| Opportunistic        | 5%                       | 2.84%  |
| 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.

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

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

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

|   | 1% Decrease<br><u>(6.25%)</u> | Current<br>Discount Rate<br><u>(7.25%)</u> | 1% Increase<br><u>(8.25%)</u> |
|---|-------------------------------|--|-------------------------------|
| City's proportionate share of the net pension liability | \$ 18,284,134                 | \$ 13,878,429                              | \$ 10,268,129                 |

**NOTE 9—LANDFILL POSTCLOSURE CARE COSTS**

The City closed its landfill in 2002. State and federal laws and regulations required that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. An estimated liability has been recorded based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$130,000 as of June 30, 2018. 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, 2018:

|  |                   |
|--|-------------------|
| Balance - July 1, 2017   | \$ 210,000        |
| Expenditures recognized in the General Fund                      | (10,512)          |
| Net change in the estimated liability for postclosure care costs | <u>(69,488)</u>   |
| Balance - June 30, 2018  | <u>\$ 130,000</u> |

**NOTE 10—INTERFUND BALANCES AND TRANSFERS**

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

Interfund balances at June 30, 2018 are as follows:

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

|        |                             | Due from            |                  |                   |                   |                   |                     |
|--------|-----------------------------|---------------------|------------------|-------------------|-------------------|-------------------|---------------------|
|        |                             | Nonmajor            |                  |                   |                   |                   |                     |
|        |                             | General             | Permanent        | Governmental      | Water             | Sewer             | Totals              |
|        |                             | Fund                | Funds            | Funds             | Fund              | Fund              |                     |
| Due to | General Fund                |                     | \$ 30,000        | \$ 415,704        | \$ 172,579        | \$ 200,651        | \$ 818,934          |
|        | Nonmajor Governmental Funds | \$ 2,505,195        |                  | 118,894           | 87,730            | 12,498            | 2,724,317           |
|        | Water Fund                  |                     |                  |                   |                   | 23,695            | 23,695              |
|        | Sewer Fund                  |                     |                  | 3,445             |                   |                   | 3,445               |
|        |                             | <u>\$ 2,505,195</u> | <u>\$ 30,000</u> | <u>\$ 538,043</u> | <u>\$ 260,309</u> | <u>\$ 236,844</u> | <u>\$ 3,570,391</u> |

In addition to the short-term interfunds noted above, the City's General Fund advanced monies to the Downtown Tax Increment Financing Fund (a nonmajor governmental fund). These advances were to assist in funding the operations and are not expected to be repaid within one year. As of June 30, 2018, the Downtown Tax Increment Financing Fund owed the General Fund for advances in the amount of \$880,160.

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, 2018 are as follows:

|             |                             | Transfer from       |                  |                  |                     |
|-------------|-----------------------------|---------------------|------------------|------------------|---------------------|
|             |                             | Nonmajor            |                  |                  |                     |
|             |                             | General             | Permanent        | Governmental     | Totals              |
|             |                             | Fund                | Funds            | Funds            |                     |
| Transfer to | General Fund                |                     | \$ 30,000        | \$ 37,532        | \$ 67,532           |
|             | Nonmajor Governmental Funds | \$ 1,212,549        | 6,418            | 28,040           | 1,247,007           |
|             |                             | <u>\$ 1,212,549</u> | <u>\$ 36,418</u> | <u>\$ 65,572</u> | <u>\$ 1,314,539</u> |

In addition to the above interfund transfers, the City transferred a capital asset from its Governmental Activities to the Business-type Activities. The net book value \$3,716 has been recognized as a transfer to the Business-type Activities from the Governmental Activities.

**NOTE 11—RESTRICTED NET POSITION**

Net position is restricted for specific purposes as follows:

|  |                     |
|--|---------------------|
|  | Governmental        |
|  | <u>Activities</u>   |
| Permanent Funds - Principal                    | \$ 3,565,225        |
| Permanent Funds - Income                       | 115,562             |
| State of NH SB38 - Highway Block Grant funding | 24,967              |
| Grants Fund                                    | 498,094             |
| Police Grants Fund                             | 11,136              |
| Disaster Fund                                  | 113,895             |
| Public Works Projects Fund                     | 910,417             |
| Airport and Fire Grants Fund                   | 11,236              |
| Library Historic Preservation Fund             | 751                 |
|  | <u>\$ 5,251,283</u> |

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

**NOTE 12—COMPONENTS OF FUND BALANCE**

The components of the City's fund balance for its governmental funds at June 30, 2018 are as follows:

|   | General<br><u>Fund</u> | Permanent<br><u>Funds</u> | Nonmajor<br>Governmental<br><u>Funds</u> | Total<br>Governmental<br><u>Funds</u> |
|---|------------------------|---------------------------|--|---------------------------------------|
| <b>Nonspendable for:</b>                                      |                        |                           |  |                                       |
| Advances to other funds                                       | \$ 880,160             |                           |  | \$ 880,160                            |
| Prepaid expenses  | 163,097                |                           |  | 163,097                               |
| Permanent Funds - principal                                   |                        | \$ 3,565,225              |  | 3,565,225                             |
| <b>Restricted for:</b>  |                        |                           |  |                                       |
| Permanent Funds - income                                      |                        | 115,562                   |  | 115,562                               |
| State of NH SB38 - Highway Block Grant funding<br>Grants Fund | 24,967                 |                           | \$ 498,094                               | 24,967<br>498,094                     |
| Police Grants Fund  |                        |                           | 11,136                                   | 11,136                                |
| Disaster Fund   |                        |                           | 113,895                                  | 113,895                               |
| Public Works Projects Fund                                    |                        |                           | 910,417                                  | 910,417                               |
| Airport and Fire Grants Fund                                  |                        |                           | 11,236                                   | 11,236                                |
| Library Historic Preservation Fund                            |                        |                           | 751                                      | 751                                   |
| <b>Committed for:</b>   |                        |                           |  |                                       |
| Capital Reserve Funds   | 594,687                |                           |  | 594,687                               |
| Expendable Trust Funds  |                        |                           | 1,248,775                                | 1,248,775                             |
| Public Works Projects Fund                                    |                        |                           | 833,500                                  | 833,500                               |
| Playground Project Fund                                       |                        |                           | 194                                      | 194                                   |
| Encumbrances  | 366,865                |                           |  | 366,865                               |
| Conservation Fund   |                        |                           | 10,257                                   | 10,257                                |
| <b>Assigned for:</b>  |                        |                           |  |                                       |
| Encumbrances  | 646,251                |                           |  | 646,251                               |
| Contingency for abatements                                    | 350,000                |                           |  | 350,000                               |
| Designated to offset subsequent year's tax rate               | 1,063,500              |                           |  | 1,063,500                             |
| <b>Unassigned for:</b>  |                        |                           |  |                                       |
| General Fund  | 326,075                |                           |  | 326,075                               |
| Downtown Tax Increment Financing Fund                         |                        |                           | (1,081,019)                              | (1,081,019)                           |
|   | <u>\$4,415,602</u>     | <u>\$3,680,787</u>        | <u>\$ 2,557,236</u>                      | <u>\$ 10,653,625</u>                  |

**NOTE 13—PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$701,320,857 as of April 1, 2017) and are due in four installments on July 3, 2017, October 2, 2017, January 2, 2018 and April 2, 2018. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year-end).

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

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

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 \$17,422,927 and \$2,061,153 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, 2018, 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, 2018.

***Property and Liability Insurance***

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

***Worker's Compensation***

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

**NOTE 15—CONTINGENT LIABILITIES**

***Litigation***

Certain tax assessments are the subject of appeal to the New Hampshire Board of Land and Tax Appeals. During December 2017, the City's assessment on a property was not upheld, and a refund is due to the

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

taxpayer for the tax levies of 2015, 2016, and 2017. A liability has been included in these financial statements for this tax appeal settlement. An additional amount for pending tax appeals has been classified within the City's fund balance as assigned for abatement contingencies.

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

***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, 2018, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

***Government-Wide Statements***

The impact on net position of the Governmental Activities and Business-type Activities as of July 1, 2017 is as follows:

|   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> |
|---|------------------------------------|-------------------------------------|
| Net Position, July 1, 2017 (as previously reported) | \$ 20,973,801                      | \$ 27,556,078                       |
| Amount of restatement due to:                       |                                    |                                     |
| Deferred outflows of resources related to OPEB      | 108,246                            | 5,822                               |
| OPEB liability                                      | <u>(2,398,301)</u>                 | <u>(292,709)</u>                    |
| Net Position, July 1, 2017 - as restated            | <u>\$ 18,683,746</u>               | <u>\$ 27,269,191</u>                |

***Proprietary Funds***

The impact on net position of the Water and Sewer Funds as of July 1, 2017 is as follows:

|   | <u>Water<br/>Fund</u> | <u>Sewer<br/>Fund</u> |
|---|-----------------------|-----------------------|
| Net Position, July 1, 2017 (as previously reported) | \$ 8,922,088          | \$ 17,376,874         |
| Amount of restatement due to:                       |                       |                       |
| Deferred outflows of resources related to OPEB      | 3,171                 | 2,651                 |
| OPEB liability                                      | <u>(143,919)</u>      | <u>(148,790)</u>      |
| Net Position, July 1, 2017 - as restated            | <u>\$ 8,781,340</u>   | <u>\$ 17,230,735</u>  |

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2018**

**NOTE 17—SUBSEQUENT EVENT**

**Note Payable**

During August 2018, the City approved a \$300,000 loan with an interest rate of 2.0% to be used in the renovation of the Opera House Square project. Monthly interest payments will be paid during the construction phase. Once completed, principal and interest will be paid on a monthly basis for a period of 20 years.

**State of New Hampshire Revolving Loan**

Through February 1, 2019, the City has drawn down an additional \$478,350 on its existing Water Pollution Control Revolving Loan Fund Program for the Main Street Utility project.

SCHEDULE 1  
**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis) - General Fund**  
June 30, 2018

|   | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|---|---------------------|---------------------|---------------------|---|
|   | Original            | Final               |                     |   |
| Revenues:                                 |                     |                     |                     |   |
| Taxes                                     | \$ 10,717,329       | \$ 10,717,329       | \$ 10,449,931       | \$ (267,398)  |
| Licenses and permits                      | 1,878,235           | 1,878,235           | 2,257,897           | 379,662   |
| Intergovernmental                         | 1,058,062           | 1,335,441           | 1,339,622           | 4,181   |
| Charges for services                      | 1,162,022           | 1,162,022           | 983,051             | (178,971)   |
| Interest income                           | 6,000               | 6,000               | 93,408              | 87,408  |
| Miscellaneous                             | 110,566             | 110,566             | 113,676             | 3,110   |
| Total Revenues                            | <u>14,932,214</u>   | <u>15,209,593</u>   | <u>15,237,585</u>   | <u>27,992</u>   |
| Expenditures:                             |                     |                     |                     |   |
| Current operations:                       |                     |                     |                     |   |
| General government                        | 3,740,640           | 3,724,790           | 3,415,579           | 309,211   |
| Public safety                             | 5,904,054           | 5,846,054           | 5,756,687           | 89,367  |
| Airport/Aviation center                   | 89,778              | 89,778              | 75,078              | 14,700  |
| Highways and streets                      | 2,650,577           | 2,975,956           | 2,949,936           | 26,020  |
| Sanitation                                | 180,430             | 180,430             | 176,457             | 3,973   |
| Health and welfare                        | 371,642             | 371,642             | 350,193             | 21,449  |
| Culture and recreation                    | 1,898,285           | 1,923,285           | 1,787,424           | 135,861   |
| Debt service:                             |                     |                     |                     |   |
| Principal retirement                      | 810,233             | 810,233             | 809,780             | 453   |
| Interest and fiscal charges               | <u>382,575</u>      | <u>382,575</u>      | <u>376,452</u>      | <u>6,123</u>  |
| Total Expenditures                        | <u>16,028,214</u>   | <u>16,304,743</u>   | <u>15,697,586</u>   | <u>607,157</u>  |
| Excess revenues over (under) expenditures | <u>(1,096,000)</u>  | <u>(1,095,150)</u>  | <u>(460,001)</u>    | <u>635,149</u>  |
| Other financing sources (uses):           |                     |                     |                     |   |
| Transfers in                              | 247,500             | 247,500             | 238,800             | (8,700)   |
| Transfers out                             | <u>(340,855)</u>    | <u>(648,006)</u>    | <u>(653,399)</u>    | <u>(5,393)</u>  |
| Total other financing sources (uses)      | <u>(93,355)</u>     | <u>(400,506)</u>    | <u>(414,599)</u>    | <u>(14,093)</u>   |
| Net change in fund balance                | (1,189,355)         | (1,495,656)         | (874,600)           | 621,056   |
| Fund balance at beginning of year         |                     |                     |                     |   |
| - Budgetary Basis                         | <u>6,006,747</u>    | <u>6,006,747</u>    | <u>6,006,747</u>    | <u>-</u>  |
| Fund balance at end of year               |                     |                     |                     |   |
| - Budgetary Basis                         | <u>\$ 4,817,392</u> | <u>\$ 4,511,091</u> | <u>\$ 5,132,147</u> | <u>\$ 621,056</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, 2018

| Measurement<br>Period Ended | Cost-Sharing Multiple Employer Plan Information Only        |   |                                     |  |  |
|-----------------------------|---|---|-------------------------------------|--|--|
|                             | City's<br>Proportion of<br>the Net OPEB<br><u>Liability</u> | City's<br>Proportionate<br>Share of the<br>Net OPEB<br><u>Liability</u> | City's<br>Covered<br><u>Payroll</u> | City's Proportionate<br>Share of the Net<br>OPEB Liability<br>as a Percentage of<br><u>Covered Payroll</u> | Plan Fiduciary<br>Net Position<br>as a Percentage<br>of the Total<br><u>OPEB Liability</u> |
| 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, 2018

| <b>Cost-Sharing Multiple Employer Plan Information Only</b> |  |   |   |                                       |   |
|---|--|---|---|---------------------------------------|---|
| <u>Year Ended</u>   | <u>Contractually<br/>Required<br/>Contribution</u> | <u>Contributions in<br/>Relation to the<br/>Contractually<br/>Required<br/>Contribution</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>City's<br/>Covered<br/>Payroll</u> | <u>Contributions<br/>as a Percentage<br/>of Covered<br/>Payroll</u> |
| June 30, 2018   | \$ 121,967   | \$ (121,967)  | \$ -  | \$ 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, 2018

| <u>Single Employer Plan Information Only</u>                        |    | <u>2018</u>      |
|---|----|------------------|
| Total OPEB Liability:   |    |                  |
| Service cost  | \$ | 78,256           |
| Interest  |    | 80,774           |
| Changes of benefit terms  |    | -                |
| Changes of assumptions or other inputs                              |    | 10,024           |
| Differences between expected and actual experience                  |    | 19,149           |
| Benefit payments  |    | <u>(130,688)</u> |
| Net change in total OPEB liability                                  |    | 57,515           |
| Total OPEB liability - beginning                                    |    | <u>2,242,777</u> |
| Total OPEB liability - ending                                       | \$ | <u>2,300,292</u> |
| <br>  |    |                  |
| Covered employee payroll  | \$ | 5,472,469        |
| <br>  |    |                  |
| Total OPEB liability as a percentage<br>of covered employee payroll |    | 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, 2018

| <u>Measurement<br/>Period Ended</u> | <u>City's<br/>Proportion of<br/>the Net Pension<br/>Liability</u> | <u>City's<br/>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability</u> | <u>City's<br/>Covered<br/>Payroll</u> | <u>City's Proportionate<br/>Share of the Net<br/>Pension Liability (Asset)<br/>as a Percentage of<br/>Covered Payroll</u> | <u>Plan Fiduciary<br/>Net Position<br/>as a Percentage<br/>of the Total<br/>Pension Liability</u> |
|-------------------------------------|---|--|---------------------------------------|---|---|
| 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, 2018

| <u>Year Ended</u> | <u>Contractually<br/>Required<br/>Contribution</u> | <u>Contributions in<br/>Relation to the<br/>Contractually<br/>Required<br/>Contribution</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>City's<br/>Covered<br/>Payroll</u> | <u>Contributions<br/>as a Percentage<br/>of Covered<br/>Payroll</u> |
|-------------------|--|---|---|---------------------------------------|---|
| June 30, 2018     | \$ 1,100,823                                       | \$ (1,100,823)  | \$ -  | \$ 6,132,474                          | 17.95%  |
| 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**  
**June 30, 2018**

**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 expenditures were adjusted for encumbrances, capital lease activity, non-budgetary activity and budgetary transfers as follows:

|   | Revenues<br>and Other<br>Financing<br><u>Sources</u> | Expenditures<br>and Other<br>Financing<br><u>Uses</u> |
|---|--|---|
| Per Exhibit D   | \$ 15,477,951  | \$ 16,610,594   |
| Difference in property taxes meeting<br>susceptible to accrual criteria | (34,005)   |   |
| Encumbrances - June 30, 2018  | 64,738   | 1,077,854   |
| Encumbrances - June 30, 2017  |  | (1,216,313)   |
| Capital lease activity  | (132,000)  | (132,000)   |
| Non-budgetary activity  | (8,829)  |   |
| Budgetary transfers   | <u>108,530</u>                                       | <u>10,850</u>   |
| Per Schedule 1  | <u>\$ 15,476,385</u>                                 | <u>\$ 16,350,985</u>                                  |

**NOTE 2—BUDGETARY FUND BALANCE**

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

|   |                     |
|---|---------------------|
| <b>Nonspendable for:</b>                        |                     |
| Advances to other funds                         | \$ 880,160          |
| Prepaid expenses                                | 163,097             |
| <b>Restricted for:</b>                          |                     |
| State of NH SB38 - Highway Block Grant funding  | 24,967              |
| <b>Assigned for:</b>                            |                     |
| Contingency for abatements                      | 350,000             |
| Designated to offset subsequent year's tax rate | 1,063,500           |
| <b>Unassigned for:</b>                          |                     |
| General operations                              | <u>2,650,423</u>    |
|   | <u>\$ 5,132,147</u> |

**CITY OF CLAREMONT, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**June 30, 2018**

**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 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 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%.

**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)**  
**June 30, 2018**

*Change in Actuarial Assumptions*

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