

March 23, 2020

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremont, New Hampshire for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 23, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Claremont, New Hampshire are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2019. We noted no transactions entered into by the City of Claremont, New Hampshire during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements of the Governmental Activities, Business-type Activities, and major Proprietary Funds were:

Management's estimates of the useful lives of depreciable capital assets are based on historical utilization of assets, necessary improvements and replacements. We evaluated the key factors and assumptions used to develop the useful lives of depreciable capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for the liability for landfill postclosure care costs is based on anticipated future monitoring and maintenance costs provided by the City's engineering firm which appear reasonable in relation to the financial statements taken as a whole.

Significant estimates also include actuarial assumptions used in determining pension and other post-employment benefits costs which are based on plan audited financial statements and a plan actuarial valuation report, respectively. We evaluated the assumptions used in the plan audited financial statements and the plan actuarial valuation report to determine that they are reasonable in relation to the financial statements as a whole.

The most sensitive estimate affecting the financial statements of the Governmental Activities, Business-type Activities, General Fund, Water Fund, Sewer Fund and the aggregate remaining information was:

Management's estimate of the allowance for uncollectible receivables is based on the likelihood of the City to collect monies owed to it. We evaluated the key factors and assumptions used to develop the estimate for uncollectible receivables in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Please see the attached schedule of material misstatements detected as a result of audit procedures and corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 23, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Claremont, New Hampshire's financial statements or

a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Claremont, New Hampshire's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, schedule of changes in the City's proportionate share of the net OPEB liability, schedule of City OPEB contributions, schedule of changes in the City's total OPEB liability and related ratios, schedule of changes in the City's proportionate share of the net pension liability, and schedule of City pension contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Mayor, City Council, and management of the City of Claremont, New Hampshire and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Vashon Clukay & Company PC

City of Claremont, New Hampshire
For the year ended June 30, 2019
Material Audit Adjustments

The following is a listing of the material audit adjustments made for the year ended June 30, 2019 and have been corrected by management:

General Fund:

- To record the unexpended balance of the capital lease obligation of \$107,924 as restricted cash.
- To increase the allowance for estimated uncollected taxes by \$156,000.
- To reduce the recorded tax refund payable of \$334,934 as the amount was paid during the fiscal year.

Downtown Tax Increment Financing Fund:

- To restore the prior year fund balance and reduce the interfund payable balance by \$1,133,175.

Permanent Funds:

- To restate the beginning fund balance for investments held on behalf of the school district in the amount of \$285,890.

Water Fund:

- To reduce recognized revenue and investments in the amount of \$138,114 for a transfer of funds from the expendable trust funds.
- To reduce the long-term debt balance by principal payments made of \$330,931.
- To reduce revenue and increase the other long-term obligations by \$174,746 representing drawdowns on the State Revolving Loan.
- To reduce expenses by the current year capital asset additions of \$332,754.
- To record the current year depreciation expense of \$370,327.

Sewer Fund:

- To reduce the long-term debt balance by principal payments made of \$568,949.
- To reduce revenue and increase the other long-term obligations by \$685,499 representing drawdowns on the State Revolving Loans.
- To reduce expenses by the current year capital asset additions of \$726,696.
- To record the current year depreciation expense of \$701,188.

Aggregate Remaining Funds:

- To restate the beginning net position of the Private Purpose Trust Funds for investments held on behalf of the school district in the amount of \$7,319,093.