

CITY OF CLAREMONT, NEW HAMPSHIRE
Financial Statements
With Schedule of Expenditures of Federal Awards
June 30, 2021
and
Independent Auditor's Report

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

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

Schedule of Findings and Questioned Costs

CITY OF CLAREMONT, NEW HAMPSHIRE
FINANCIAL STATEMENTS
June 30, 2021

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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 (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Claremont, New Hampshire's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremont, New Hampshire, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the City's proportionate share of the net OPEB liability, schedule of City OPEB contributions, schedule of changes in the City's total OPEB liability and related ratios, schedule of changes in the City's proportionate share of the net pension liability, and schedule of City pension contributions on pages i-viii and 49-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2022 on our consideration of the City of Claremont, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Claremont, New Hampshire's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Claremont, New Hampshire's internal control over financial reporting and compliance.

Vachon Clukay & Company PC

Manchester, New Hampshire
July 15, 2022

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, 2021. This analysis compares the fiscal year ending June 30, 2021 to the fiscal year ending June 30, 2020. We encourage readers to consider the information here in conjunction with additional information that is included within the City's financial statements.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53,414,129, presented as “net position” shown on the Statement of Net Position for the Total Primary Government. The City’s Net Position increased by \$4,274,921.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$17,843,348, a change of \$6,289,421 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 \$2,042,752. However, unassigned fund balance on a tax rate setting basis was \$3,876,302. See the Notes to Required Supplementary Information on page 55 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 \$22,281,538, a change of \$3,771,292 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			
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$23,400,422	\$18,681,187	\$13,186,291	\$11,128,375	\$36,586,713	\$29,809,562
Capital Assets	36,193,931	35,297,363	27,243,245	27,704,927	63,437,176	63,002,290
Total Assets	59,594,353	53,978,550	40,429,536	38,833,302	100,023,889	92,811,852
Total Deferred Outflow of Resources	3,913,819	3,748,637	239,233	113,870	4,153,052	3,862,507
Long-term Liabilities outstanding	34,112,812	27,478,712	7,540,071	7,378,096	41,652,883	34,856,808
Other Liabilities	3,125,165	3,398,595	1,540,305	1,240,491	4,665,470	4,639,086
Total Liabilities	37,237,977	30,877,307	9,080,376	8,618,587	46,318,353	39,495,894
Total Deferred Inflow of Resources	4,301,707	7,896,604	142,752	142,653	4,444,459	8,039,257
Net Position:						
Net investment in capital assets	23,314,165	21,915,507	19,685,951	20,437,631	43,000,116	42,353,138
Restricted	5,261,031	4,535,023	-	-	5,261,031	4,535,023
Unrestricted (Deficit)	(6,606,708)	(7,497,254)	11,759,690	9,748,301	5,152,982	2,251,047
Total Net Position	\$21,968,488	\$18,953,276	\$31,445,641	\$30,185,932	\$53,414,129	\$49,139,208

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 773,147	\$ 1,004,400	\$ 4,824,920	\$ 4,756,328	\$ 5,598,067	\$ 5,760,728
Operating grants and contributions	1,153,641	618,298			1,153,641	618,298
Capital grants and contributions	1,425,119	1,585,796	760,251	455,688	2,185,370	2,041,484
General revenues:						
Taxes	12,185,255	11,756,822			12,185,255	11,756,822
Licenses and permits	2,713,382	2,600,669			2,713,382	2,600,669
Intergovernmental	988,624	1,024,874			988,624	1,024,874
Interest	893,016	374,816	32,822	130,964	925,838	505,780
Miscellaneous	538,737	343,212			538,737	343,212
Total revenues	20,670,921	19,308,887	5,617,993	5,342,980	26,288,914	24,651,867
Expenses:						
General government	4,237,239	3,735,450			4,237,239	3,735,450
Public safety	6,092,263	5,953,424			6,092,263	5,953,424
Airport/aviation center	146,812	219,042			146,812	219,042
Highways and streets	3,988,648	4,432,068			3,988,648	4,432,068
Sanitation	136,234	371,667			136,234	371,667
Health and welfare	421,048	455,748			421,048	455,748
Culture and recreation	2,240,139	1,852,278			2,240,139	1,852,278
Conservation	595	937			595	937
Economic development	-	-	48,216	40,449	48,216	40,449
Interest and fiscal charges	553,623	466,166			553,623	466,166
Water			1,910,575	1,650,101	1,910,575	1,650,101
Sewer			2,407,657	2,427,189	2,407,657	2,427,189
Total expenses	17,816,601	17,486,780	4,366,448	4,117,739	22,183,049	21,604,519
Changes in net position before transfers, permanent fund contributions, and gain on disposal of capital assets						
	2,854,320	1,822,107	1,251,545	1,225,241	4,105,865	3,047,348
Transfers, net	(8,164)	(481,057)	8,164	481,057	-	-
Permanent fund contributions	5,241	3,669			5,241	3,669
Gain on disposal of capital assets	163,815				163,815	-
Changes in net position	3,015,212	1,344,719	1,259,709	1,706,298	4,274,921	3,051,017
Net Position -						
beginning of year	18,953,276	17,608,557	30,185,932	28,479,634	49,139,208	46,088,191
Net Position -						
end of year	\$ 21,968,488	\$ 18,953,276	\$ 31,445,641	\$ 30,185,932	\$ 53,414,129	\$ 49,139,208

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 \$53,414,129, a change of \$4,274,921 from the prior year.

The largest portion of the City's net position, \$43,000,116 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, \$5,261,031 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$5,152,982 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 \$3,015,212. Key elements of this change are as follows:

General Fund operating results (per Exhibit D)	\$ 423,304
Public Works Projects Fund operating results (per Exhibit D)	5,049,457
Permanent Funds operating results (per Exhibit D)	783,982
Nonmajor funds operating results (per Exhibit D)	32,678
Capital asset additions	2,785,925
Depreciation on capital assets	(1,889,357)
Issuance of bonds payable	(4,387,000)
Issuance of bond premium	(713,000)
Issuance of capital leases	(395,641)
Principal paid on bonds payable	1,010,000
Principal paid on notes payable	70,771
Principal paid on capital leases	389,685
Net changes in the OPEB	131,249
Net changes in pension	(666,383)
Other GAAP accruals	389,542
	<u>\$ 3,015,212</u>

Business-Type Activities. Business-type activities for the year resulted in a change in net position of \$1,259,709. Key elements of this change are as follows:

Water Fund	\$ 165,850
Sewer Fund	1,086,698
Claremont Development Authority Fund	7,161
	<u>\$ 1,259,709</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 \$17,843,348, a change of \$6,289,421 in comparison with the prior year. Key elements of this change are as follows:

General Fund operations	\$ 423,304
Public Works Projects Fund operations	5,049,457
Permanent Funds operating results	783,982
Nonmajor funds operating results	<u>32,678</u>
	<u>\$ 6,289,421</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 \$2,042,752 while total fund balance was \$5,535,459. However, for tax rate setting purposes, unassigned fund balance was \$3,876,302 while the total fund balance was \$5,654,691 (see the Notes to the Required Supplementary Information on page 55 for more information).

The fund balance of the general fund changed by \$423,304 during the current fiscal year. Key factors in this change are as follows:

Revenue and other financing sources greater than budget	\$ 480,146
Expenditures and other financing uses less than budget	1,386,829
Use of fund balance	(771,430)
Tax collections as compared to budget	(784)
Capital lease activity	(432,587)
Non-budgeted activity of interest on capital lease escrow account	666
Expenditures of current year encumbrances less than prior year encumbrances	(339,914)
Change in capital reserve funds	<u>100,378</u>
	<u>\$ 423,304</u>

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

The Public Works Projects Fund accounts for the financial transactions related to the improvements to the City's infrastructure. During the year ending June 30, 2021, bonds were issued to fund the infrastructure improvements. The unexpended bond proceeds of \$5,017,259 are restricted and the balance of \$1,189,514 is committed at year end.

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, 2021, the balance of \$4,486,684 was nonspendable and \$136,458 was restricted for income earned on the principal balance.

The total fund balance of \$1,477,974 in the other governmental funds is restricted or committed for the purposes of the individually established funds, except for the deficit balance in the Airport and Fire Grants Fund and Downtown Tax Increment Financing Fund that is unassigned. During the year ending June 30, 2021, fund balance in the other governmental funds increased by \$32,678.

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 is \$11,759,690.

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 2021 budget as presented by the City Manager was approved by the City Council on June 24, 2020. The original budget increased by \$137,326. During the fiscal year ending June 30, 2021, the City Council amended the overall budget by issuing supplemental resolutions after the State set the tax rate in the fall of 2020.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets.

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$63,437,176 (net of accumulated depreciation), a change of \$434,886 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 \$22,281,538, all of which was backed by the full faith and credit of the government.

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

G. ECONOMIC CONDITIONS

In 2021 economic conditions, despite the continued pandemic, have been strong. Vacancy rates in our business, commercial, and industrial zones are low and hiring continues with most employers across the city. Construction in the city center and on Pleasant Street has spurred development activity. The former Peterson Mill was redeveloped by Chinburg Properties turning the vacant space into 83 new apartments, all rented within a month. The Union Block located on Pleasant Street has 32,635 square feet of apartments with commercial space recently sold and is planned for significant renovations. The Claremont Apartments on Winter Street was sold, and major renovations are being made to that rental stock. The Claremont Creative Center at 56 Opera House Square has secured funding and is in the final planning and engineering phase with construction slated to begin late 2022. Other new construction and expansions include Matrix Aerospace, Fulling Mill, the new Mazda dealership, and Blackbeard's Cove Adventure Golf.

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, 2021

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 16,448,539	\$ 779,410	\$ 17,227,949
Investments	6,804,229	7,470,442	14,274,671
Taxes receivable, net	2,079,537		2,079,537
Accounts receivable, net	152,143	976,482	1,128,625
Due from other governments	214,842	205,384	420,226
Internal balances	(2,400,879)	2,400,879	-
Prepaid items	54,628	3,754	58,382
Inventory		123,205	123,205
Total Current Assets	<u>23,353,039</u>	<u>11,959,556</u>	<u>35,312,595</u>
Noncurrent Assets:			
Due from other governments	47,383	1,226,735	1,274,118
Capital assets:			
Non-depreciable capital assets	4,073,141	3,235,133	7,308,274
Depreciable capital assets, net	<u>32,120,790</u>	<u>24,008,112</u>	<u>56,128,902</u>
Total Noncurrent Assets	<u>36,241,314</u>	<u>28,469,980</u>	<u>64,711,294</u>
Total Assets	<u>59,594,353</u>	<u>40,429,536</u>	<u>100,023,889</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	316,722	36,973	353,695
Deferred outflows related to pension	<u>3,597,097</u>	<u>202,260</u>	<u>3,799,357</u>
Total Deferred Outflows of Resources	<u>3,913,819</u>	<u>239,233</u>	<u>4,153,052</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	675,139	258,059	933,198
Accrued liabilities	342,618	119,796	462,414
Retainage payable	69,041	34,440	103,481
Due to other governments	18,632		18,632
Unearned revenue	111,742		111,742
Deposits	6,683		6,683
Current portion of bonds payable	896,770	998,865	1,895,635
Current portion of tax increment financing bonds payable	520,000		520,000
Current portion of notes payable	13,332	56,182	69,514
Current portion of capital leases payable	398,536	69,072	467,608
Current portion of compensated absences payable	63,172	3,891	67,063
Current portion of estimated liability for landfill postclosure care costs	9,500		9,500
Total Current Liabilities	<u>3,125,165</u>	<u>1,540,305</u>	<u>4,665,470</u>
Noncurrent Liabilities:			
Bonds payable	11,618,663	5,119,457	16,738,120
Tax increment financing bonds payable	3,127,783		3,127,783
Notes payable		291,501	291,501
Capital leases payable	1,928,017	201,036	2,129,053
State of New Hampshire revolving loan		786,741	786,741
Compensated absences payable	568,553	35,016	603,569
OPEB liability	2,766,358	326,124	3,092,482
Net pension liability	13,875,438	780,196	14,655,634
Estimated liability for landfill postclosure care costs	228,000		228,000
Total Noncurrent Liabilities	<u>34,112,812</u>	<u>7,540,071</u>	<u>41,652,883</u>
Total Liabilities	<u>37,237,977</u>	<u>9,080,376</u>	<u>46,318,353</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes collected in advance	2,467,416		2,467,416
Deferred inflows related to OPEB	445,382	64,656	510,038
Deferred inflows related to pension	<u>1,388,909</u>	<u>78,096</u>	<u>1,467,005</u>
Total Deferred Inflows of Resources	<u>4,301,707</u>	<u>142,752</u>	<u>4,444,459</u>
NET POSITION			
Net investment in capital assets	23,314,165	19,685,951	43,000,116
Restricted	5,261,031		5,261,031
Unrestricted (deficit)	<u>(6,606,708)</u>	<u>11,759,690</u>	<u>5,152,982</u>
Total Net Position	<u>\$ 21,968,488</u>	<u>\$ 31,445,641</u>	<u>\$ 53,414,129</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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 4,237,239	\$ 163,869	\$ 322,948		\$ (3,750,422)		\$ (3,750,422)
Public safety	6,092,263	223,938	271,738	\$ 70,697	(5,525,890)		(5,525,890)
Airport/Aviation center	146,812	25,273	57,364	1,317,362	1,253,187		1,253,187
Highways and streets	3,988,648	2,398	394,245	37,060	(3,554,945)		(3,554,945)
Sanitation	136,234	4,028			(132,206)		(132,206)
Health and welfare	421,048	14,386	75,798		(330,864)		(330,864)
Culture and recreation	2,240,139	339,255	27,840		(1,873,044)		(1,873,044)
Conservation	595				(595)		(595)
Interest and fiscal charges	553,623		3,708		(549,915)		(549,915)
Total governmental activities	<u>17,816,601</u>	<u>773,147</u>	<u>1,153,641</u>	<u>1,425,119</u>	<u>(14,464,694)</u>	<u>\$ -</u>	<u>(14,464,694)</u>
Business-type Activities:							
Water	1,910,575	2,057,169				146,594	146,594
Sewer	2,407,657	2,712,465		760,251		1,065,059	1,065,059
Nonmajor enterprise fund	48,216	55,286				7,070	7,070
Total business-type activities	<u>4,366,448</u>	<u>4,824,920</u>	<u>-</u>	<u>760,251</u>	<u>-</u>	<u>1,218,723</u>	<u>1,218,723</u>
Total primary government	<u>\$ 22,183,049</u>	<u>\$ 5,598,067</u>	<u>\$ 1,153,641</u>	<u>\$ 2,185,370</u>	<u>(14,464,694)</u>	<u>1,218,723</u>	<u>(13,245,971)</u>
General revenues:							
Property and other taxes					12,185,255		12,185,255
Licenses and permits					2,713,382		2,713,382
Grants and contributions:							
Municipal aid					308,480		308,480
Rooms and meals tax distribution					670,283		670,283
Miscellaneous grants					9,861		9,861
Interest and investment earnings					893,016	32,822	925,838
Miscellaneous					538,737		538,737
Transfers, net					(8,164)	8,164	-
Contributions to permanent fund principal					5,241		5,241
Gain on disposal of capital assets					163,815		163,815
Total general revenues, transfers, contributions to permanent fund principal, and gain on disposal of capital assets					<u>17,479,906</u>	<u>40,986</u>	<u>17,520,892</u>
Change in net position					3,015,212	1,259,709	4,274,921
Net Position at beginning of year					<u>18,953,276</u>	<u>30,185,932</u>	<u>49,139,208</u>
Net Position at end of year					<u>\$ 21,968,488</u>	<u>\$ 31,445,641</u>	<u>\$ 53,414,129</u>

See accompanying notes to the basic financial statements

EXHIBIT C
CITY OF CLAREMONT, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2021

	General <u>Fund</u>	Public Works Projects <u>Fund</u>	Permanent <u>Funds</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 16,442,417		\$ 4,800	\$ 1,322	\$ 16,448,539
Investments	599,252		4,648,342	1,556,635	6,804,229
Taxes receivable, net	2,079,537				2,079,537
Accounts receivable, net	142,072			10,071	152,143
Due from other governments				169,151	169,151
Due from other funds	447,238	\$ 6,206,960		1,009,832	7,664,030
Advance to other funds	635,826				635,826
Prepaid items	163,193				163,193
Total Assets	<u>20,509,535</u>	<u>6,206,960</u>	<u>4,653,142</u>	<u>2,747,011</u>	<u>34,116,648</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 20,509,535</u>	<u>\$ 6,206,960</u>	<u>\$ 4,653,142</u>	<u>\$ 2,747,011</u>	<u>\$ 34,116,648</u>
LIABILITIES					
Accounts payable	\$ 865,502	\$ 187		\$ 36,840	\$ 902,529
Accrued liabilities	162,972				162,972
Retainage payable	21,915			47,126	69,041
Due to other governments				18,632	18,632
Due to other funds	9,505,771		\$ 30,000	529,138	10,064,909
Advance from other funds				635,826	635,826
Unearned revenue	110,267			1,475	111,742
Deposits	6,683				6,683
Total Liabilities	<u>10,673,110</u>	<u>187</u>	<u>30,000</u>	<u>1,269,037</u>	<u>11,972,334</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes collected in advance	2,467,416				2,467,416
Uncollected property taxes	1,833,550				1,833,550
Total Deferred Inflows of Resources	<u>4,300,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,300,966</u>
FUND BALANCES					
Nonspendable	799,019		4,486,684		5,285,703
Restricted	217,234	5,017,259	136,458	637,889	6,008,840
Committed	1,108,607	1,189,514		1,784,849	4,082,970
Assigned	1,367,847				1,367,847
Unassigned (deficit)	2,042,752			(944,764)	1,097,988
Total Fund Balances	<u>5,535,459</u>	<u>6,206,773</u>	<u>4,623,142</u>	<u>1,477,974</u>	<u>17,843,348</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 20,509,535</u>	<u>\$ 6,206,960</u>	<u>\$ 4,653,142</u>	<u>\$ 2,747,011</u>	<u>\$ 34,116,648</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, 2021

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 17,843,348
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.	36,193,931
Other long-term assets are not available to pay current period expenditures, and therefore, are not reported in governmental funds.	93,074
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	1,833,550
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.	
Deferred outflows of resources related to OPEB liability	316,722
Deferred outflows of resources related to net pension liability	3,597,097
Deferred inflows of resources related to OPEB liability	(445,382)
Deferred inflows of resources related to net pension liability	(1,388,909)
Debt service payments are recognized as expenditures when due within the funds. Prepaid debt service payments represent a reduction of the long-term liabilities in the statement of net position whereas debt service expenditures included in accounts payable do not reduce the long-term liabilities in the statement of activities as follows:	
Accounts payable for the principal retirement of bonds payable	220,588
Accounts payable for the interest due on bonds payable	6,802
Prepaid interest on long-term obligations	(108,565)
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	(12,515,433)
Tax increment financing bonds payable	(3,647,783)
Notes payable	(13,332)
Capital leases payable	(2,326,553)
Accrued interest on long-term obligations	(179,646)
Compensated absences payable	(631,725)
OPEB liability	(2,766,358)
Net pension liability	(13,875,438)
Estimated liability for landfill postclosure care costs	<u>(237,500)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 21,968,488</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, 2021

	General Fund	Public Works Projects Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 11,579,810			\$ 604,661	\$ 12,184,471
Licenses and permits	2,612,050			101,332	2,713,382
Intergovernmental	1,787,899	\$ 37,060		1,715,787	3,540,746
Charges for services	718,930			54,217	773,147
Interest and investment income	37,704	5,545	\$ 848,508	1,259	893,016
Miscellaneous	410,901		5,241	286,651	702,793
Total Revenues	<u>17,147,294</u>	<u>42,605</u>	<u>853,749</u>	<u>2,763,907</u>	<u>20,807,555</u>
Expenditures:					
Current operations:					
General government	3,783,365		14,674	415,756	4,213,795
Public safety	6,300,846			62,284	6,363,130
Airport/Aviation center	66,235			1,512,945	1,579,180
Highways and streets	3,417,985	174,565		39,397	3,631,947
Sanitation	201,622				201,622
Health and welfare	405,272		7,194	6,219	418,685
Culture and recreation	1,700,632		4,241	11,422	1,716,295
Conservation				595	595
Capital outlay				48,150	48,150
Debt service:					
Principal retirement	861,353			520,000	1,381,353
Interest and fiscal charges	293,609	7,000		150,250	450,859
Total Expenditures	<u>17,030,919</u>	<u>181,565</u>	<u>26,109</u>	<u>2,767,018</u>	<u>20,005,611</u>
Excess revenues over (under) expenditures	<u>116,375</u>	<u>(138,960)</u>	<u>827,640</u>	<u>(3,111)</u>	<u>801,944</u>
Other financing sources (uses):					
Bond issuances		4,387,000			4,387,000
Bond premium issuances		713,000			713,000
Capital lease issuances	395,641				395,641
Transfers in	50,382	88,417		411,912	550,711
Transfers out	(139,094)		(43,658)	(376,123)	(558,875)
Total Other financing sources (uses)	<u>306,929</u>	<u>5,188,417</u>	<u>(43,658)</u>	<u>35,789</u>	<u>5,487,477</u>
Net change in fund balances	423,304	5,049,457	783,982	32,678	6,289,421
Fund Balances at beginning of year	<u>5,112,155</u>	<u>1,157,316</u>	<u>3,839,160</u>	<u>1,445,296</u>	<u>11,553,927</u>
Fund Balances at end of year	<u>\$ 5,535,459</u>	<u>\$ 6,206,773</u>	<u>\$ 4,623,142</u>	<u>\$ 1,477,974</u>	<u>\$ 17,843,348</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, 2021

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 6,289,421
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 as follows	
Capital outlay	2,710,228
Depreciation expense	(1,889,357)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds as follows:	
Property tax revenue	784
Donation of capital assets	70,697
Intergovernmental revenue	(44,059)
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	490,000
Principal paid on tax increment financing bonds	520,000
Principal paid on notes payable	70,771
Principal paid on capital leases payable	389,685
Debt service amounts are recognized as expenditures when due within the governmental funds. Amounts reported as accounts payable or prepayments in the governmental funds are as follows	
Accounts payable at year end for the principal retirement on bonds payable	220,588
Prepaid principal on bonds payable in the prior fiscal year	79,994
Proceeds from long-term debt issuance are an other financing source in the funds, but long-term debt issuance increases liabilities in the statement of net position. Current year proceeds are as follows	
Bond payable issuance	(4,387,000)
Capital lease issuances	(395,641)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the net gain on disposal of capital assets reduced by the actual proceeds received from the disposal.	
	5,000
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. Amortization recognized in the current year is as follows:	
Bond premium issuances	(713,000)
Amortization of bond issuance premium	11,770
Amortization of tax increment financing bond issuance premium	3,226
In the statement of activities, interest is accrued on outstanding long-term debt whereas in governmental funds an interest expenditure is reported when due.	
	(51,025)
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	98,264
Landfill postclosure care costs	70,000
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	131,249
Net changes in pension	(666,383)
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 3,015,212</u>

See accompanying notes to the basic financial statements

EXHIBIT E
CITY OF CLAREMONT, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-type Activities			Totals
	Water Fund	Sewer Fund	Nonmajor Proprietary Fund	
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 375,004	\$ 382,280	\$ 22,126	\$ 779,410
Investments	2,065,363	5,286,505	118,574	7,470,442
Accounts receivable, net	480,320	496,162		976,482
Due from other governments	21,229	184,155		205,384
Due from other funds	830,704	1,570,175		2,400,879
Prepaid items			3,754	3,754
Inventory	111,842	11,363		123,205
Total Current Assets	<u>3,884,462</u>	<u>7,930,640</u>	<u>144,454</u>	<u>11,959,556</u>
Noncurrent Assets:				
Due from other governments	106,146	1,120,589		1,226,735
Capital assets:				
Non-depreciable capital assets	720,373	617,082	1,897,678	3,235,133
Depreciable capital assets, net	8,961,068	14,896,871	150,173	24,008,112
Total Noncurrent Assets	<u>9,787,587</u>	<u>16,634,542</u>	<u>2,047,851</u>	<u>28,469,980</u>
Total Assets	<u>13,672,049</u>	<u>24,565,182</u>	<u>2,192,305</u>	<u>40,429,536</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to OPEB	18,143	18,830		36,973
Deferred outflows related to pension	105,081	97,179		202,260
Total Deferred Outflows of Resources	<u>123,224</u>	<u>116,009</u>	<u>-</u>	<u>239,233</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	207,087	49,080	1,892	258,059
Accrued liabilities	49,300	67,895	2,601	119,796
Retainage payable	22,781	7,575	4,084	34,440
Current portion of bonds payable	288,389	710,476		998,865
Current portion of notes payable			56,182	56,182
Current portion of capital leases payable	25,445	43,627		69,072
Current portion of compensated absences payable	1,415	2,476		3,891
Total Current Liabilities	<u>594,417</u>	<u>881,129</u>	<u>64,759</u>	<u>1,540,305</u>
Noncurrent Liabilities:				
Bonds payable	2,419,559	2,699,898		5,119,457
Notes payable			291,501	291,501
Capital leases payable	91,202	109,834		201,036
State of New Hampshire revolving loan	269,683	517,058		786,741
Compensated absences payable	12,732	22,284		35,016
OPEB liability	159,947	166,177		326,124
Net pension liability	405,336	374,860		780,196
Total Noncurrent Liabilities	<u>3,358,459</u>	<u>3,890,111</u>	<u>291,501</u>	<u>7,540,071</u>
Total Liabilities	<u>3,952,876</u>	<u>4,771,240</u>	<u>356,260</u>	<u>9,080,376</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to OPEB	31,388	33,268		64,656
Deferred inflows related to pension	40,573	37,523		78,096
Total Deferred Inflows of Resources	<u>71,961</u>	<u>70,791</u>	<u>-</u>	<u>142,752</u>
NET POSITION				
Net investment in capital assets	6,564,382	11,425,485	1,696,084	19,685,951
Unrestricted	3,206,054	8,413,675	139,961	11,759,690
Total Net Position	<u>\$ 9,770,436</u>	<u>\$ 19,839,160</u>	<u>\$ 1,836,045</u>	<u>\$ 31,445,641</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, 2021

	Business-type Activities			<u>Totals</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Proprietary Fund</u>	
Operating revenues:				
Charges for services	\$ 1,994,434	\$ 2,564,040	\$ 55,286	\$ 4,613,760
Miscellaneous	62,735	148,425		211,160
Total Operating revenues	<u>2,057,169</u>	<u>2,712,465</u>	<u>55,286</u>	<u>4,824,920</u>
Operating expenses:				
Personnel services	520,431	466,743		987,174
Contractual services	615,611	755,392		1,371,003
Repairs and maintenance	162,631	171,773	4,032	338,436
Administration	110,398	106,666	23,435	240,499
Utilities	30,791	99,033	12,340	142,164
Depreciation	375,794	718,508	4,655	1,098,957
Miscellaneous	390	390		780
Total Operating expenses	<u>1,816,046</u>	<u>2,318,505</u>	<u>44,462</u>	<u>4,179,013</u>
Operating income	<u>241,123</u>	<u>393,960</u>	<u>10,824</u>	<u>645,907</u>
Non-operating income (expenses):				
Interest revenue	15,174	17,557	91	32,822
Interest expense	(94,529)	(89,152)	(3,754)	(187,435)
Total Non-operating income (expenses)	<u>(79,355)</u>	<u>(71,595)</u>	<u>(3,663)</u>	<u>(154,613)</u>
Income before transfers and capital contributions	161,768	322,365	7,161	491,294
Capital contributions		760,251		760,251
Transfers in	<u>4,082</u>	<u>4,082</u>		<u>8,164</u>
Change in net position	165,850	1,086,698	7,161	1,259,709
Net Position at beginning of year	<u>9,604,586</u>	<u>18,752,462</u>	<u>1,828,884</u>	<u>30,185,932</u>
Net Position at end of year	<u>\$ 9,770,436</u>	<u>\$ 19,839,160</u>	<u>\$ 1,836,045</u>	<u>\$ 31,445,641</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, 2021

	Business-type Activities:			Totals
	Water Fund	Sewer Fund	Nonmajor Proprietary Fund	
Cash flows from operating activities				
Cash received from customers	\$ 2,078,280	\$ 2,685,027	\$ 54,950	\$ 4,818,257
Cash paid to suppliers	(953,207)	(1,346,174)	(37,764)	(2,337,145)
Cash paid to employees	(290,165)	(269,618)		(559,783)
Net cash provided by operating activities	<u>834,908</u>	<u>1,069,235</u>	<u>17,186</u>	<u>1,921,329</u>
Cash flows from capital financing activities				
Purchases of capital assets	(74,864)	(526,628)	(42,178)	(643,670)
Capital contributions		323,603		323,603
Transfer from other funds	4,082	4,082		8,164
Proceeds from bonds issued	400,000	300,000		700,000
Proceeds from notes payable issued			20,531	20,531
Proceeds from State revolving loan funds	68,260	454,967		523,227
Principal paid on bonds payable	(351,548)	(630,935)		(982,483)
Principal paid on notes payable			(2,317)	(2,317)
Principal paid on capital leases payable	(24,754)	(40,333)		(65,087)
Interest paid on long-term debt	(96,856)	(89,152)	(3,754)	(189,762)
Net cash used for capital financing activities	<u>(75,680)</u>	<u>(204,396)</u>	<u>(27,718)</u>	<u>(307,794)</u>
Cash flows from investing activities				
Interest on investments	15,174	17,557	91	32,822
Net cash provided by investing activities	<u>15,174</u>	<u>17,557</u>	<u>91</u>	<u>32,822</u>
Net increase (decrease) in cash and cash equivalents	774,402	882,396	(10,441)	1,646,357
Cash and cash equivalents at beginning of year	2,496,669	6,356,564	151,141	9,004,374
Cash and cash equivalents at end of year	<u>\$ 3,271,071</u>	<u>\$ 7,238,960</u>	<u>\$ 140,700</u>	<u>\$ 10,650,731</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 241,123	\$ 393,960	\$ 10,824	\$ 645,907
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	375,794	718,508	4,655	1,098,957
Change in deferred outflows related to OPEB	(6,180)	(2,098)		(8,278)
Change in deferred outflows related to pension	(59,837)	(57,248)		(117,085)
Change in deferred inflows related to OPEB	14,202	6,679		20,881
Change in deferred inflows related to pension	(11,950)	(8,832)		(20,782)
Changes in assets and liabilities				
Accounts receivable, net	21,111	(27,438)	52	(6,275)
Prepaid items			(26)	(26)
Inventory	11,610	(1,449)		10,161
Accounts payable	146,646	(20,373)	(532)	125,741
Accrued liabilities	(329)	288	2,601	2,560
Unearned revenue			(388)	(388)
Compensated absences payable	(2,654)	(219)		(2,873)
OPEB liability	30,244	(15,978)		14,266
Net pension liability	75,128	83,435		158,563
Net cash provided by operating activities	<u>\$ 834,908</u>	<u>\$ 1,069,235</u>	<u>\$ 17,186</u>	<u>\$ 1,921,329</u>
Supplemental disclosure of non-cash transactions				
Forgiveness of long-term debt principal	\$ 21,229			\$ 21,229
Capital asset additions included in year end liabilities	22,781	\$ 7,575		30,356
	<u>\$ 44,010</u>	<u>\$ 7,575</u>	<u>\$ -</u>	<u>\$ 51,585</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, 2021

	<u>Private- Purpose Trust Funds</u>	<u>Custodial Funds</u>
ASSETS		
Cash and cash equivalents		\$ 4,230,758
Investments	\$ 14,255,230	<u>11,682,610</u>
Total Assets	<u>14,255,230</u>	<u>15,913,368</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>
LIABILITIES		
Total Liabilities	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes collected in advance		<u>4,155,735</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>4,155,735</u>
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	<u>14,255,230</u>	<u>11,757,633</u>
Total Net Position	<u>\$ 14,255,230</u>	<u>\$ 11,757,633</u>

See accompanying notes to the basic financial statements

EXHIBIT I
CITY OF CLAREMONT, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	Private- Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
ADDITIONS:		
Contributions:		
Private donations	\$ 169	\$ 5,401
Total Contributions	<u>169</u>	<u>5,401</u>
Investment earnings:		
Interest income	218,268	157,427
Realized gains on investments	429,158	307,979
Net increase in the fair value of investments	<u>1,970,478</u>	<u>1,422,683</u>
Total Investment Earnings	<u>2,617,904</u>	<u>1,888,089</u>
Property tax collections for other governments		19,083,224
Motor vehicle fee collections for other governments		741,597
Custodial receipts from other governments		<u>1,650,000</u>
Total Additions	<u>2,618,073</u>	<u>23,368,311</u>
DEDUCTIONS:		
Beneficiary payments to individuals	183,057	
Beneficiary payments to other governments		360,463
Payments of property taxes to other governments		19,083,224
Payments of motor vehicle fees to other governments		741,597
Administrative expenses	<u>64,266</u>	<u>47,474</u>
Total Deductions	<u>247,323</u>	<u>20,232,758</u>
Change in net position	2,370,750	3,135,553
Net Position at beginning of year, as restated	<u>11,884,480</u>	<u>8,622,080</u>
Net Position at end of year	<u>\$ 14,255,230</u>	<u>\$ 11,757,633</u>

See accompanying notes to the basic financial statements

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

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

Basis of Presentation

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

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

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

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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. The City utilizes 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 *Public Works Projects Fund* accounts for the financial resources related to the improvements to the City's infrastructure.

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

2. Proprietary Funds:

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

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

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

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

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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 custodial funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City maintains numerous private-purpose trusts which account for monies designated to benefit individuals within the City. Custodial funds are used to account for monies collected by the City and remitted to other individuals or governments. These amounts are therefore not available to support the City's own programs.

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 fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

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

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

1. Revenues – Exchange and Non-Exchange Transactions:

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

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

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

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

Grants received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, property taxes receivable 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.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Proprietary Fund</u>	<u>Totals</u>
Cash	\$ 375,004	\$ 382,280	\$ 22,126	\$ 779,410
Investments in New Hampshire Public Deposit Investment Pool	2,065,363	5,286,505	118,574	7,470,442
Due from other funds	<u>830,704</u>	<u>1,570,175</u>	<u> </u>	<u>2,400,879</u>
Totals	<u>\$ 3,271,071</u>	<u>\$ 7,238,960</u>	<u>\$ 140,700</u>	<u>\$ 10,650,731</u>

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.

Taxes Receivable

Taxes levied during the current fiscal year and prior and uncollected at June 30, 2021 are recorded as receivables net of reserves for estimated uncollectibles of \$612,000.

Accounts Receivable

Charges for services billed during the current fiscal year and prior and uncollected at June 30, 2021 are recorded as receivables net of reserves for estimated uncollectibles of \$27,955 and \$47,576 in the Water Fund and Sewer Fund, respectively.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021 are recorded as prepaid items.

Inventory

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

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the governmental fund financial statements. In the government-wide financial statements, capital assets are reported in the applicable governmental or business-type activities column.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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 value 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.

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

	<u>Description</u>	<u>Years</u>
	Infrastructure	10-100
	Buildings and improvements	5-50
	Vehicles, equipment and furnishings	5-30
	Intangible assets	5

Compensated Absences

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

For governmental fund financial statements, compensated absences 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 and proprietary fund financial statements.

Bond Premiums

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

Accrued Liabilities and Long-Term Obligations

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

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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.

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

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

constraint originally. Any committed funds would go back to the General Fund if the commitment is dissolved. The City Council's actions must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

- Assigned Fund Balance: Amounts that the City intends to be used for specific purposes. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as "assigned". The City Council expressly delegates this authority to the City Manager or his designee.
- Unassigned Fund Balance: Amounts that are the residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Any deficit fund balance of another governmental fund is also classified as "unassigned".

Spending Prioritization

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

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.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Operating Revenues and Expenses

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

Estimates

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

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At June 30, 2021, the following nonmajor governmental funds had a deficit fund balance:

Downtown Tax Increment Financing Fund	\$ 942,858
Airport and Fire Grants Fund	<u>1,906</u>
	<u>\$ 944,764</u>

NOTE 3—DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 17,227,949
Investments	14,274,671
Statement of fiduciary net position:	
Cash and cash equivalents	4,230,758
Investments	<u>25,937,840</u>
Total deposits and investments	<u>\$ 61,671,218</u>

Deposits and investments as of June 30, 2021 consist of the following:

Cash on hand	\$ 3,707
Deposits with financial institutions	21,455,000
Investments	<u>40,212,511</u>
Total deposits and investments	<u>\$ 61,671,218</u>

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

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

(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:

Investment Type	Fair Value	Rating as of Year End					
		Aaa	Aaa-m	Aa	A	Baa	Not Rated
Corporate bonds	\$ 1,938,985			\$ 101,824	\$ 1,624,127	\$ 213,034	
Federal agency securities	1,426,191	\$ 1,426,191					
Bond mutual funds	5,698,226						\$ 5,698,226
Money market mutual funds	841,468						841,468
State investment pool	11,039,701		\$ 11,039,701				
	<u>\$ 20,944,571</u>	<u>\$ 1,426,191</u>	<u>\$ 11,039,701</u>	<u>\$ 101,824</u>	<u>\$ 1,624,127</u>	<u>\$ 213,034</u>	<u>\$ 6,539,694</u>

Interest Rate Risk

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

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

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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>> 5 Years</u>
Corporate bonds	\$ 1,938,985	\$ 303,831	\$ 1,362,165	\$ 272,989
U.S. Treasury notes	1,562,617		1,562,617	
Federal agency securities	1,426,191	304,395	871,793	250,003
Bond mutual funds	5,698,226		1,354,071	4,344,155
	<u>\$ 10,626,019</u>	<u>\$ 608,226</u>	<u>\$ 5,150,646</u>	<u>\$ 4,867,147</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, \$941,632 was collateralized by securities held by the bank in the bank's name. As of June 30, 2021, City investments in the following investment types were held by the same counterparty that was used to buy the securities.

<u>Investment Type</u>	<u>Reported Amount</u>
Equity securities	\$ 13,957,023
Corporate bonds	1,938,985
U.S. Treasury notes	1,562,617
Federal agency securities	1,426,191
Equity mutual funds	3,748,300
Bond mutual funds	5,698,226
Money market mutual funds	841,468
	<u>\$ 29,172,810</u>

Investment in NHPDIP

The City is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials. Financial statements for the NHPDIP can be accessed through the NHPDIP's website at www.NHPDIP.com.

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

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Fair Value Measurements of Investments

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

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

As of June 30, 2021, the City's investments measured at fair value, by type, were as follows:

<u>Investment Type</u>	<u>Totals</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Equity securities	\$ 13,957,023	\$ 13,957,023		
Corporate bonds	1,938,985		\$ 1,938,985	
U.S. Treasury notes	1,562,617		1,562,617	
Federal agency securities	1,426,191		1,426,191	
Equity mutual funds	3,748,300	3,748,300		
Bond mutual funds	5,698,226	5,698,226		
	<u>\$ 14,374,319</u>	<u>\$ 9,446,526</u>	<u>\$ 4,927,793</u>	<u>\$ -</u>

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

NOTE 4—CAPITAL ASSETS

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

	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2021</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,672,469			\$ 1,672,469
Intangible assets	10,000			10,000
Construction in process	<u>768,751</u>	<u>\$ 1,621,921</u>		<u>2,390,672</u>
Total capital assets not being depreciated	<u>2,451,220</u>	<u>1,621,921</u>	<u>\$ -</u>	<u>4,073,141</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

	<u>Balance</u> <u>7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2021</u>
Other capital assets:				
Infrastructure	30,894,227	48,150		30,942,377
Buildings and improvements	12,620,897			12,620,897
Vehicles, equipment and furnishings	13,213,133	1,115,854	(449,026)	13,879,961
Intangible assets	<u>35,600</u>			<u>35,600</u>
Total other capital assets at historical cost	<u>56,763,857</u>	<u>1,164,004</u>	<u>(449,026)</u>	<u>57,478,835</u>
Less accumulated depreciation for:				
Infrastructure	(9,660,055)	(894,454)		(10,554,509)
Buildings and improvements	(4,101,610)	(548,718)		(4,650,328)
Vehicles, equipment and furnishings	(10,129,942)	(439,065)	449,026	(10,119,981)
Intangible assets	<u>(26,107)</u>	<u>(7,120)</u>		<u>(33,227)</u>
Total accumulated depreciation	<u>(23,917,714)</u>	<u>(1,889,357)</u>	<u>449,026</u>	<u>(25,358,045)</u>
Total other capital assets, net	<u>32,846,143</u>	<u>(725,353)</u>	<u>-</u>	<u>32,120,790</u>
Total capital assets, net	<u>\$ 35,297,363</u>	<u>\$ 896,568</u>	<u>\$ -</u>	<u>\$ 36,193,931</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 58,202
Public safety	170,119
Airport/Aviation center	14,988
Highways and streets	1,127,752
Culture and recreation	<u>518,296</u>
Total governmental activities depreciation expense	<u>\$ 1,889,357</u>

The balance of the assets acquired through capital leases for governmental activities as of June 30, 2021 is as follows:

Vehicles, equipment and furnishings	\$ 4,142,456
Less accumulated depreciation:	
Vehicles, equipment and furnishings	<u>(1,165,060)</u>
	<u>\$ 2,977,396</u>

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

	<u>Balance</u> <u>7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2021</u>
Business-type activities:				
Capital asset not depreciated:				
Land	\$ 1,017,199			\$ 1,017,199
Construction in process	<u>1,714,274</u>	\$ 503,660		<u>2,217,934</u>
Total capital assets not being depreciated	<u>2,731,473</u>	<u>503,660</u>	\$ -	<u>3,235,133</u>
Other capital assets:				
Infrastructure	43,147,083			43,147,083
Buildings and improvements	5,020,340			5,020,340
Vehicles and equipment	<u>3,996,499</u>	<u>133,615</u>		<u>4,130,114</u>
Total other capital assets at historical cost	<u>52,163,922</u>	<u>133,615</u>	<u>-</u>	<u>52,297,537</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

	Balance <u>7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2021</u>
Less accumulated depreciation for:				
Infrastructure	(22,788,205)	(889,888)		(23,678,093)
Buildings and improvements	(1,251,169)	(102,040)		(1,353,209)
Vehicles and equipment	<u>(3,151,094)</u>	<u>(107,029)</u>		<u>(3,258,123)</u>
Total accumulated depreciation	<u>(27,190,468)</u>	<u>(1,098,957)</u>	-	<u>(28,289,425)</u>
Total other capital assets, net	<u>24,973,454</u>	<u>(965,342)</u>	-	<u>24,008,112</u>
Total capital assets, net	<u>\$ 27,704,927</u>	<u>\$ (461,682)</u>	<u>\$ -</u>	<u>\$ 27,243,245</u>

Depreciation was charged to proprietary funds as follows:

Water fund	\$ 375,794
Sewer fund	718,508
Nonmajor proprietary fund	<u>4,655</u>
Total Business-type activities depreciation expense	<u>\$ 1,098,957</u>

The balance of the assets acquired through capital leases in the proprietary funds as of June 30, 2021 is as follows:

Vehicles and equipment	\$ 510,419
Less accumulated depreciation:	
Vehicles and equipment	<u>(171,553)</u>
	<u>\$ 338,866</u>

NOTE 5—LONG-TERM OBLIGATIONS

General Long-term Obligations

The changes in the City's long-term obligations for the year ended June 30, 2021 are as follows:

	Balance <u>7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2021</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 7,839,551	\$ 4,387,000	\$ (490,000)	\$ 11,736,551	\$ 896,770
Unamortized bond premium	<u>77,652</u>	<u>713,000</u>	<u>(11,770)</u>	<u>778,882</u>	
Total Bonds payable	<u>7,917,203</u>	<u>5,100,000</u>	<u>(501,770)</u>	<u>12,515,433</u>	<u>896,770</u>
Tax increment financing bonds payable	4,160,000		(520,000)	3,640,000	520,000
Unamortized bond premium	<u>11,009</u>		<u>(3,226)</u>	<u>7,783</u>	
Total tax increment financing bonds payable	<u>4,171,009</u>	-	<u>(523,226)</u>	<u>3,647,783</u>	<u>520,000</u>
Notes payable	84,103		(70,771)	13,332	13,332
Capital leases payable	2,320,597	395,641	(389,685)	2,326,553	398,536
Compensated absences payable	<u>729,989</u>	<u>22,371</u>	<u>(120,635)</u>	<u>631,725</u>	<u>63,172</u>
Total governmental activities	<u>\$ 15,222,901</u>	<u>\$ 5,518,012</u>	<u>\$ (1,606,087)</u>	<u>\$ 19,134,826</u>	<u>\$ 1,891,810</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Due Within One Year
Business-type activities:					
Bonds payable	\$ 6,273,430	\$ 700,000	\$ (982,483)	\$ 5,990,947	\$ 998,865
Principal forgiveness	148,604		(21,229)	127,375	
Total Bonds payable	6,422,034	700,000	(1,003,712)	6,118,322	998,865
Notes payable	329,469	20,531	(2,317)	347,683	56,182
Capital leases payable	335,195		(65,087)	270,108	69,072
State of New Hampshire revolving loan	263,514	523,227		786,741	
Compensated absences payable	41,780		(2,873)	38,907	3,891
Total business-type activities	<u>\$ 7,391,992</u>	<u>\$ 1,243,758</u>	<u>\$ (1,073,989)</u>	<u>\$ 7,561,761</u>	<u>\$ 1,128,010</u>

Payments on bonds payable, notes payable, and capital leases of the governmental activities are paid out of the General Fund. Payments on tax increment financing bonds of the governmental activities are paid out of the Downtown Tax Increment Financing Fund (a Nonmajor Governmental Fund). A portion of the borrowed funds from the State of New Hampshire revolving loan was forgiven in the amount of \$21,229 in business-type activities. Payments on the remaining bonds and capital leases of the business-type activities are paid out of the Water and Sewer Funds, as applicable. Payments on notes payable of the business-type activities are paid out of the Nonmajor Proprietary Fund. Compensated absences will be paid from the fund where the employee’s salary is paid.

Bonds Payable

Governmental Activities

Bonds payable at June 30, 2021 are comprised of the following individual issues:

	Original Issue <u>Amount</u>	Interest <u>Rate</u>	Final Maturity <u>Date</u>	Balance at <u>6/30/2021</u>
<i>Direct Borrowings:</i>				
Landfill closure	\$ 3,468,368	3.70%	July 2022	<u>\$ 444,551</u>
<i>General Obligation Bonds:</i>				
Infrastructure improvements	3,512,000	2.10-5.10%	February 2041	3,512,000
Communications Dispatch Center	875,000	2.10-5.10%	February 2041	875,000
North/Main Streets, Community Center and Drapers Corner	7,452,400	3.00-4.125%	January 2041	5,980,000
Infrastructure improvements	1,400,000	2.00-4.00%	February 2031	925,000
				11,292,000
Add: Unamortized bond premium				778,882
				<u>12,070,882</u>
Total Bonds Payable				<u>\$ 12,515,433</u>

General obligation bonds are direct obligations of the City, for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the City’s boundaries. The bonds issued from direct borrowings are also direct obligations of the City and contain a pledge of the full faith and credit of the City for the payment of the principal and interest thereon.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Debt service requirements to retire bonds outstanding at June 30, 2021 are as follows:

Year Ending June 30,	Direct Borrowings			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 444,551	\$ 10,228	\$ 454,779	\$ 452,219	\$ 445,900	\$ 898,119
2023			-	476,553	422,305	898,858
2024			-	487,179	400,421	887,600
2025			-	509,457	372,303	881,760
2026			-	522,607	351,245	873,852
2027-2031			-	2,816,727	1,387,889	4,204,616
2032-2036			-	2,812,258	837,931	3,650,189
2037-2041			-	3,215,000	328,725	3,543,725
	<u>444,551</u>	<u>10,228</u>	<u>454,779</u>	<u>11,292,000</u>	<u>4,546,719</u>	<u>15,838,719</u>
Add: Unamortized bond premium			-	<u>778,882</u>		<u>778,882</u>
Total	<u>\$ 444,551</u>	<u>\$ 10,228</u>	<u>\$ 454,779</u>	<u>\$ 12,070,882</u>	<u>\$ 4,546,719</u>	<u>\$ 16,617,601</u>

Business-type Activities

Bonds payable at June 30, 2021 are comprised of the following individual issues:

	Original Issue Amount	Interest Rate	Maturity Date	Balance at 6/30/2021
<i>Direct Borrowings:</i>				
<u>Water Fund:</u>				
2006 State Revolving Loan	\$ 4,050,000	3.488%	December 2026	\$ 1,456,864
2005 State Revolving Loan	2,298,361	3.488%	July 2027	851,084
				<u>2,307,948</u>
<u>Sewer Fund:</u>				
2008 State Revolving Loan	336,000	3.688%	December 2027	143,207
2009 State Revolving Loan	108,261	3.488%	January 2028	45,048
2008 State Revolving Loan	2,707,734	3.488%	August 2027	1,130,380
2009 State Revolving Loan	422,540	3.488%	July 2028	198,913
2012 State Revolving Loan	810,751	1.940%	November 2021	86,742
2014 State Revolving Loan	767,757	1.940%	September 2023	215,576
2017 State Revolving Loan	2,146,698	1.940%	April 2026	939,180
2019 State Revolving Loan	721,551	2.000%	November 2023	351,328
				<u>3,110,374</u>
				<u>5,418,322</u>
<i>General Obligation Bonds:</i>				
Infrastructure improvements	700,000	2.10-5.10%	February 2033	700,000
Total Bonds Payable				<u>\$ 6,118,322</u>

Debt service requirements to retire the direct borrowings, 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 \$127,375, for business-type activities at June 30, 2021 are as follows:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Year Ending June 30,	Direct Borrowings			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 894,084	\$ 117,879	\$ 1,011,963	\$ 104,781	\$ 11,130	\$ 115,911
2023	948,349	125,383	1,073,732	86,447	9,464	95,911
2024	963,512	99,534	1,063,046	82,822	8,089	90,911
2025	786,276	73,231	859,507	67,543	10,548	78,091
2026	798,000	50,288	848,288	62,393	5,699	68,092
2027-2031	900,726	37,375	938,101	233,272	15,542	248,814
2032-2033			-	62,742	1,501	64,243
	<u>5,290,947</u>	<u>503,690</u>	<u>5,794,637</u>	<u>700,000</u>	<u>61,973</u>	<u>761,973</u>
Add: Principal forgiveness	<u>127,375</u>		<u>127,375</u>			<u>-</u>
Total	<u>\$ 5,418,322</u>	<u>\$ 503,690</u>	<u>\$ 5,922,012</u>	<u>\$ 700,000</u>	<u>\$ 61,973</u>	<u>\$ 761,973</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, 2021, the reimbursement was \$323,603 in the Sewer Fund.

General obligation bonds are direct obligations of the City, for which its full faith and credit are pledged. The bonds issued from direct borrowings are also direct obligations of the City and contain a pledge of the full faith and credit of the City for the payment of the principal and interest thereon. In the event of a default in the full and timely remittance of any payment, any State aid grant funds payable to the City under RSA 486:1 may be offset against and applied to the payment of any obligations that are due.

Tax Increment Financing Bonds

The City has pledged a portion of future tax increment financing revenues to repay \$7,661,000 in tax increment bonds issued in July 2007 to finance infrastructure improvements within the Downtown District. The bonds are payable solely from the tax increment financing taxes. Incremental taxes were projected to produce in excess of 100% of the debt service requirements over the life of the bonds. For the current fiscal year, principal and interest paid and total tax increment finance revenues were \$520,000 and \$150,250, respectively. During the year ended June 30, 2021, \$130,930 was transferred from the General Fund to the Downtown Tax Increment Financing Fund (a Nonmajor Governmental Fund) to assist with the debt service payments.

Tax increment financing bonds payable at June 30, 2021 are comprised of the following individual issues:

	Original Issue Amount	Interest Rate	Final Maturity Date	Balance at 6/30/2021
<i>General Obligation Bonds:</i>				
Mill District	\$ 2,722,000	4.00-5.00%	August 2027	\$ 1,820,000
Mill District	4,939,000	4.00-5.00%	August 2027	<u>1,820,000</u>
				3,640,000
Add: Unamortized bond premium				<u>7,783</u>
				<u>\$ 3,647,783</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Debt service requirements to retire tax increment financing bonds outstanding at June 30, 2021 are as follows:

Year Ending <u>June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 520,000	\$ 126,550	\$ 646,550
2023	520,000	80,850	600,850
2024	520,000	56,150	576,150
2025	520,000	37,450	557,450
2026	520,000	24,750	544,750
2027-2028	1,040,000	36,800	1,076,800
	<u>3,640,000</u>	<u>362,550</u>	<u>4,002,550</u>
Add: Unamortized bond premium	7,783		7,783
Total	<u>\$ 3,647,783</u>	<u>\$ 362,550</u>	<u>\$ 4,010,333</u>

Notes Payable

Governmental Activities

Notes payable at June 30, 2021 is comprised of the following individual issue:

	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance at 6/30/2021</u>
<i>Direct Borrowings:</i>				
Energy improvements	\$ 51,730	2.50%	March 2022	<u>\$ 13,332</u>

Debt service requirements to retire notes payable outstanding at June 30, 2021 are as follows:

Year Ending <u>June 30,</u>	<u>Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$ 13,332</u>	<u>\$ 140</u>	<u>\$ 13,472</u>

The City's outstanding notes from direct borrowings related to governmental activities of \$13,332 contain provisions that in the event of default, all principal and accrued interest thereon shall immediately become due and payable. The full faith and credit of the City is pledged for the payment on the notes.

Business-type Activities

Notes payable at June 30, 2021 is comprised of the following individual issues:

	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance at 6/30/2021</u>
<i>Direct Borrowings:</i>				
Farwell Block renovations	\$ 50,000	2.50%	July 2021	\$ 50,000
Renovations of 46-54 Opera House Square	300,000	2.00%	January 2041	297,683
				<u>\$ 347,683</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Debt service requirements to retire notes payable outstanding at June 30, 2021 are as follows:

Year Ending June 30,	Direct Borrowings		
	Principal	Interest	Total
2022	\$ 56,182	\$ 13,385	\$ 69,567
2023	6,439	11,774	18,213
2024	6,689	11,524	18,213
2025	7,002	11,211	18,213
2026	7,275	10,938	18,213
2027-2031	41,174	49,892	91,066
2032-2036	50,463	40,603	91,066
2037-2041	172,459	27,257	199,716
Total	<u>\$ 347,683</u>	<u>\$ 176,584</u>	<u>\$ 524,267</u>

The Farwell Block renovations note payable is secured by a second mortgage lien on nine tracts of land in the Syd Clarke Industrial Park, situated in the City of Claremont. The City is not deemed to be in default on the note if payment is received within seven days of the due date. However, the City will be assessed a 5% late charge based on the payment that is due.

The City's outstanding notes from the renovations at 46-54 Opera House Square contain provisions that in the event of default, the lender may take possession of the property and continue the construction project or accelerate maturity of the note and demand payment of all sums due under the note. The note agreement also contains a prepayment penalty whereby a penalty up to 5.0% of the outstanding principal balance will be imposed if the City pays off the loan in full with another financial institution during the first five-year term.

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, 2021:

Vehicles and equipment due in annual installments, including interest at 2.99%, of \$95,420 through September 2023, reduced to annual installments of \$69,710 through September 2026, then reduced to annual installments of \$44,702 through September 2033	\$ 678,602
Vehicles and equipment due in annual installments of \$63,359, including interest at 2.94%, through September 2027	395,641
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	525,389

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Vehicles and equipment due in annual installments of \$54,791, including interest at 1.49%, through September 2021	47,191
Vehicles and equipment due in annual installments of \$76,477, including interest at 2.89%, through September 2024	285,021
Equipment due in annual installments of \$38,151, including interest at 2.97%, through January 2026	175,772
Vehicles due in annual installments of \$48,477, including interest at 3.49%, through November 2025	<u>218,937</u>
	<u>\$ 2,326,553</u>

Debt service requirements to retire capital lease obligations outstanding for governmental activities at June 30, 2021 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 398,536	\$ 69,704	\$ 468,240
2023	361,937	58,256	420,193
2024	353,766	47,344	401,110
2025	337,780	39,709	377,489
2026	271,490	26,522	298,012
2027-2031	482,802	49,024	531,826
2032-2034	<u>120,242</u>	<u>7,637</u>	<u>127,879</u>
Total	<u>\$ 2,326,553</u>	<u>\$ 298,196</u>	<u>\$ 2,624,749</u>

Business-type Activities

The following are the individual capital lease obligations of the business-type activities at June 30, 2021:

Vehicles and equipment due in annual installments, including interest at 2.99%, of \$30,447 through September 2023, reduced to annual installments of \$21,863 through September 2026	\$ 141,824
Vehicles and equipment due in annual installments of \$8,164, including interest at 1.49%, through September 2021	8,004
Vehicles due in annual installments of \$12,735, including interest at 2.89%, through September 2024	47,462
Equipment due in annual installments of \$25,813, including interest at 3.14%, through February 2024	<u>72,818</u>
	<u>\$ 270,108</u>

Debt service requirements to retire capital lease obligations outstanding for business-type activities at June 30, 2021 are as follows:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 69,072	\$ 8,087	\$ 77,159
2023	62,918	6,077	68,995
2024	64,878	4,171	69,049
2025	32,391	2,207	34,598
2026	20,612	1,251	21,863
2027	20,237	635	20,872
Total	<u>\$ 270,108</u>	<u>\$ 22,428</u>	<u>\$ 292,536</u>

State of New Hampshire Revolving Loans

The City has drawn \$269,683 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 also drawn \$517,058 of approximately \$689,000 in funds under the State of New Hampshire, Water Pollution Control Revolving Loan Fund Program for the wastewater aeration blower replacement 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 \$243,350.

During May 2021, the City entered into an agreement with the State of New Hampshire Drinking Water State Revolving Loan Fund Program to borrow \$1,500,000 for the water distribution pipe replacement project. The City may be provided federal financial assistance whereby a portion of the borrowed funds is forgiven. No funds have been drawn down as of June 30, 2021.

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS

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

	<u>Deferred Outflows</u>	<u>OPEB Liability</u>	<u>Deferred Inflows</u>	<u>OPEB Expense</u>
Cost-Sharing Multiple Employer Plan	\$ 114,609	\$ 964,347	\$ 15,811	\$ (16,361)
Single Employer Plan	<u>239,086</u>	<u>2,128,135</u>	<u>494,227</u>	<u>127,721</u>
Total	<u>\$ 353,695</u>	<u>\$ 3,092,482</u>	<u>\$ 510,038</u>	<u>\$ 111,360</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as a decrease to unrestricted net position in the amount of (\$156,343).

COST-SHARING MULTIPLE EMPLOYER PLAN

Plan Description

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

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

The OPEB Plan is divided into four membership types. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees, and Group I State Employees. The OPEB plan is closed to new entrants.

Benefits Provided

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

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 3.66% and 0.29%, respectively, for the year ended June 30, 2021. Contributions to the OPEB plan for the City were \$104,801 for the year ended June 30, 2021. Employees are not required to contribute to the OPEB plan.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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

At June 30, 2021, the City reported a liability of \$964,347 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019. 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, 2020, the City's proportion was approximately 0.2203 percent, which was a decrease of 0.0239 percentage points from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized negative OPEB expense of (\$16,361). At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 2,794
Net difference between projected and actual earnings on OPEB plan investments	\$ 3,608	
Changes of assumptions	6,200	
Changes in proportion and differences between City contributions and proportionate share of contributions		13,017
City contributions subsequent to the measurement date	<u>104,801</u>	
Totals	<u>\$ 114,609</u>	<u>\$ 15,811</u>

The City reported \$104,801 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, 2021. 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>	
2021	\$ (9,337)
2022	1,068
2023	1,273
2024	<u>993</u>
	<u>\$ (6,003)</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Wage inflation	2.75% (2.25% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	6.75% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using scale MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the discount rate from 7.25% to 6.75%
- Reduced wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables)
- Increased the medical subsidy margin for teachers from 0.20% to 0.50%

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	3.71-4.15%
International equity	20%	3.96-6.20%
Fixed income	25%	0.42-1.66%
Alternative investments	15%	4.81-7.71%
Real estate	10%	2.95%
Total	<u>100%</u>	

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

The discount rate used to measure the collective total OPEB liability as of June 30, 2020 was 6.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and RSA 100-A:53. 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 6.75 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Net OPEB liability	\$ 1,047,181	\$ 964,347	\$ 892,432

SINGLE EMPLOYER PLAN

Plan Description

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

Benefits Provided

Per RSA 100-A:50, any political subdivision of the state that provides for its active employees to receive medical, life and dental insurance shall permit its employees upon retirement to participate in the same plan as its active members. Accordingly, in addition to providing pension benefits, the City provides medical, life insurance, and dental benefits to its eligible retirees and their dependents. General employees hired before July 1, 2011 must meet one of the following eligibility requirements: age 60 or older with no minimum service requirement, age 50 with 10 years of service, or age plus service equals 70 with a minimum of 20 years of service. General employees hired on or after July 1, 2011 must meet the following eligibility requirements: age 65 regardless of years of creditable service or age 60 with a minimum of 30 years of service. Police officers and firefighters hired before July 1, 2011 must meet the following eligibility requirements: age 45 with 20 years of service or age 60 with no minimum service requirement. Police officers and firefighters hired on or after July 1, 2011 must meet the following eligibility requirements: age 50 with a minimum of 25 years of service, age 52.5 with a minimum of 25 years of service or age 60 with no minimum service requirement. Retirees and their covered spouses pay the full cost of the medical premiums.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Employees Covered By Benefit Terms

At June 30, 2020, the valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	47
Active employees	<u>106</u>
	<u><u>153</u></u>

Total OPEB Liability

The City’s total OPEB liability of \$2,128,135 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2020 with results actuarially projected on a “no gain/no loss” basis to get to the June 30, 2021 measurement date.

Actuarial Assumptions and Other Inputs for OPEB

The total OPEB liability in the June 30, 2020 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	2.19 percent
Healthcare cost trend rates	8.0% initial rate, decreasing 0.50% per year to an ultimate rate of 4.50% for 2027 and later years

The discount rate was based on the Bond Buyer 20-Year General Obligation Municipal Bond Index as of June 30, 2021.

Mortality rates were based on the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 for general participants, SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2019 for public safety participants, and SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 for surviving spouses. The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial valuation date of June 30, 2020.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2020	\$ 2,196,157
Changes for the year:	
Service cost	104,442
Interest	59,731
Changes in assumptions or other inputs	80,489
Differences between expected and actual experience	(201,783)
Benefit payments	(110,901)
Net changes	<u>(68,022)</u>
Balance at June 30, 2021	<u>\$ 2,128,135</u>

Changes of assumptions and other inputs reflect a decrease in the discount rate from 2.66% at June 30, 2020 to 2.19% at June 30, 2021.

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:

	<u>1% Decrease</u>	Current <u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,313,279	\$ 2,128,135	\$ 1,961,578

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 or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	Healthcare Cost Trend <u>Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1,890,687	\$ 2,128,135	\$ 2,412,386

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$127,721. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 8,205	\$ 494,227
Changes of assumptions	<u>230,881</u>	<u> </u>
Totals	<u>\$ 239,086</u>	<u>\$ 494,227</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>	
2022	\$ (36,452)
2023	(36,452)
2024	(36,455)
2025	(40,620)
2026	(40,621)
Thereafter	<u>(64,541)</u>
	<u>\$ (255,141)</u>

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

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

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

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

Benefits Provided

Benefit formulas and eligibility requirements for the pension plan are set by State law (RSA 100-A).

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Group II benefits are provided based on age, years of creditable service and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012, the benefit is calculated the same way but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

Years of Creditable Service as of <u>January 1, 2012</u>	Minimum <u>Age</u>	Minimum <u>Service</u>	Benefit <u>Multiplier</u>
At least 8 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%

Changes in Benefits

Ch 340 laws of 2019 (HB 616) grants a one-time, 1.5% COLA on the first \$50,000 of an annual pension benefit to members who retired on or before July 1, 2014, or any beneficiaries of such member who is receiving a survivorship pension benefit. The COLA will take effect on the retired member's first anniversary date of retirement occurring after July 1, 2020. The adjustment shall become a permanent addition to the member's base retirement allowance.

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 covered payroll of police officers, fire employees, and general employees were 24.77%, 26.43%, and 10.88%, respectively, for the year ended June 30, 2021. The City contributes 100% of the employer cost for police officers, fire employees, and general employees of the City.

Per RSA-100-A: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 contributions to the NHRS for the year ending June 30, 2021 were \$1,047,011.

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

At June 30, 2021, the City reported a liability of \$14,655,634 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019. 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, 2020, the City's proportion was approximately 0.2291 percent, which was a decrease of 0.0075 percentage points from its proportion measured as of June 30, 2019.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

For the year ended June 30, 2021, the City recognized pension expense of \$1,735,476. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 395,773	\$ 157,360
Net difference between projected and actual earnings on pension plan investments	906,467	
Changes of assumptions	1,449,733	
Changes in proportion and differences between City contributions and proportionate share of contributions	373	1,309,645
City contributions subsequent to the measurement date	<u>1,047,011</u>	
Totals	<u>\$ 3,799,357</u>	<u>\$ 1,467,005</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$2,332,352. The City reported \$1,047,011 as deferred outflows of resources related to pension 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in the measurement periods as follows:

<u>June 30,</u>	
2021	\$ (18,054)
2022	219,809
2023	471,939
2024	<u>611,647</u>
	<u>\$ 1,285,341</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

Inflation	2.00%
Wage inflation	2.75% (2.25% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

Mortality rates were based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the discount rate from 7.25% to 6.75%
- Reduced wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	3.71-4.15%
International equity	20%	3.96-6.20%
Fixed income	25%	0.42-1.66%
Alternative investments	15%	4.81-7.71%
Real estate	<u>10%</u>	2.95%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 6.75%. 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)
For the Year Ended June 30, 2021

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

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
City's proportionate share of the net pension liability	\$ 18,973,081	\$ 14,655,634	\$ 11,127,708

NOTE 8—LANDFILL POSTCLOSURE CARE COSTS

The City closed its landfill in 2002. State and federal laws and regulations require 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 \$237,500 as of June 30, 2021. 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, 2021:

Balance - July 1, 2020	\$ 307,500
Expenditures recognized in the General Fund	(16,698)
Net change in the estimated liability for postclosure care costs	<u>(53,302)</u>
Balance - June 30, 2021	<u>\$ 237,500</u>

NOTE 9—INTERFUND BALANCES AND TRANSFERS

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

Interfund balances at June 30, 2021 are as follows:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

		Due from			
		General	Permanent	Nonmajor	
		Fund	Funds	Governmental	Totals
Due to	General Fund		\$ 30,000	\$ 417,238	\$ 447,238
	Public Works Projects Fund	\$ 6,206,960			6,206,960
	Nonmajor Governmental Funds	897,932		111,900	1,009,832
	Water Fund	830,704			830,704
	Sewer Fund	<u>1,570,175</u>			<u>1,570,175</u>
		<u>\$ 9,505,771</u>	<u>\$ 30,000</u>	<u>\$ 529,138</u>	<u>\$ 10,064,909</u>

In addition to the short-term interfunds noted above, the City's General Fund advanced monies to 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, 2021, the Nonmajor Governmental Funds owed the General Fund for advances in the amount of \$635,826.

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, 2021 are as follows:

		Transfer from			
		General	Permanent	Nonmajor	
		Fund	Funds	Governmental	Totals
Transfer to	General Fund		\$ 34,882	\$ 15,500	\$ 50,382
	Public Works Projects Fund			88,417	88,417
	Nonmajor Governmental Funds	\$ 130,930	8,776	272,206	411,912
	Water Fund	4,082			4,082
	Sewer Fund	<u>4,082</u>			<u>4,082</u>
		<u>\$ 139,094</u>	<u>\$ 43,658</u>	<u>\$ 376,123</u>	<u>\$ 558,875</u>

NOTE 10—RESTRICTED NET POSITION

Net position of the governmental activities is restricted for specific purposes as follows:

Permanent Funds - Principal	\$ 4,486,684
Permanent Funds - Income	136,458
Grants Fund	503,891
CDBG Fund	84,380
Police Grants Fund	26,782
Disaster Fund	22,085
Library Historic Preservation Fund	<u>751</u>
	<u>\$ 5,261,031</u>

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

NOTE 11—COMPONENTS OF FUND BALANCE

The components of the City’s fund balance for its governmental funds at June 30, 2021 are as follows:

	General	Public Works	Permanent	Nonmajor	Total
	Fund	Projects	Funds	Governmental	Governmental
	Fund	Fund	Funds	Funds	Funds
Nonspendable:					
Advances to other funds	\$ 635,826				\$ 635,826
Prepaid items	163,193				163,193
Permanent Funds - principal			\$ 4,486,684		4,486,684
Restricted for:					
Permanent Funds - income			136,458		136,458
Public Works Projects Fund		\$ 5,017,259			5,017,259
Grants Fund				\$ 503,891	503,891
CDBG Fund				84,380	84,380
Police Grants Fund				26,782	26,782
Disaster Fund				22,085	22,085
Library Historic Preservation Fund				751	751
Capital Leases	217,234				217,234
Committed for:					
Capital Reserve Funds	679,711				679,711
Expendable Trust Funds				1,766,500	1,766,500
Public Works Projects Fund		1,189,514			1,189,514
Encumbrances	428,896				428,896
Conservation Fund				18,349	18,349
Assigned for:					
Encumbrances	388,477				388,477
Contingency for abatements	350,000				350,000
Designated to offset subsequent year's tax rate	629,370				629,370
Unassigned:					
General Fund	2,042,752				2,042,752
Airport and Fire Grants Fund (deficit)				(1,906)	(1,906)
Downtown Tax Increment					
Financing Fund (deficit)				(942,858)	(942,858)
	<u>\$ 5,535,459</u>	<u>\$ 6,206,773</u>	<u>\$ 4,623,142</u>	<u>\$ 1,477,974</u>	<u>\$ 17,843,348</u>

NOTE 12—ENCUMBRANCES

The encumbrances of the General Fund as of June 30, 2021, by function, are as follows:

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

<u>Function</u>	<u>Committed</u>	<u>Assigned</u>
General government	\$ 129,250	\$ 107,086
Public safety	193,146	17,246
Highways and streets	83,000	238,690
Sanitation	3,500	1,084
Culture and recreation	20,000	24,371
	<u>\$ 428,896</u>	<u>\$ 388,477</u>

NOTE 13—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$750,284,384 as of April 1, 2020) and are due in four installments on July 1, 2020, October 1, 2020, January 8, 2021 and March 31, 2021. Taxes paid after the due dates accrue interest at 8% 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. Priority tax liens obtained prior to April 1, 2019 accrue interest at 18% per annum. Priority tax liens obtained after April 1, 2019 accrued interest at 14% per annum. If the property is not redeemed within a two year redemption period, the property may be tax deeded to the City.

In accordance with State law, the City collects taxes for the Claremont School District and Sullivan County, both independent governmental units, which are remitted to them as required by law. The City also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$17,059,773 and \$2,023,451 for the Claremont School District and Sullivan County, respectively. These taxes are recognized in these financial statements within the fiduciary funds only. 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, 2021, 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, 2021.

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

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 \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

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

NOTE 15—CONTINGENT LIABILITIES

Litigation

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

Federal Grants

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

NOTE 16—SUBSEQUENT EVENTS

Capital Lease Payable

During March 2022, the City entered into a capital lease agreement for the acquisition of vehicles and equipment in the amount of \$564,900. This lease is due in annual installments of \$59,276, including interest at 2.409%, through March 2026 then decreasing to annual installments of \$48,710, including interest at 2.409%, through March 2033. The contract is subject to cancellation should funds not be appropriated to meet payment obligations.

State of New Hampshire Revolving Loans

Water Fund:

Subsequent to year end, the City has drawn down the remaining \$230,317 in funding from the State of New Hampshire, Drinking Water State Revolving Loan Fund Program for the lead service removal

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2021

project. During December 2021, the City converted the outstanding \$500,000 long-term obligation into long-term debt. The City will receive a principal forgiveness subsidy of \$55,157 in August 2022. The balance of \$444,843 is to be repaid in annual installments through August 2026 at 0.3925%.

Subsequent to year end, the City has drawn down a portion of the available \$1,500,000 in funds under the State of New Hampshire Drinking Water State Revolving Loan Fund Program for the water distribution pipe replacement project. The outstanding balance as of July 15, 2022 is \$168,244.

Sewer Fund:

Subsequent to year end, the City has drawn down the remaining \$133,866 in funding from the State of New Hampshire, Water Pollution Control Revolving Loan Fund Program for the wastewater aeration blower replacement project. During March 2022, the City converted the outstanding \$651,635 long-term obligation into long-term debt. The City will receive a principal forgiveness subsidy of \$237,639 in April 2022. The balance of \$413,997 is to be repaid in annual installments through April 2031 at 2.0%.

During December 2021, the City entered into a \$3,469,000 loan agreement with the State of New Hampshire Water Pollution Control Revolving Loan Fund Program for electrical upgrades at the wastewater treatment facility. 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% on the borrowed funds during the period of the project. The City may be provided federal financial assistance whereby a portion of the borrowed funds is forgiven, not to exceed \$346,900. The outstanding balance as of July 15, 2022 is \$140,325.

NOTE 17—RESTATEMENT OF NET POSITION

During the year ended June 30, 2021, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 84 – *Fiduciary Activities*. The impact on net position of the Fiduciary Funds as of July 1, 2020 is as follows:

	Custodial Funds
Net position - July 1, 2020 (as previously reported)	\$ -
Amount of restatement due to:	
Implementation of GASB Statement No. 84	8,622,080
Net position - July 1, 2020, as restated	<u>\$ 8,622,080</u>

NOTE 18—IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, which the City is required to implement in the fiscal year ending June 30, 2022. Management believes that this pronouncement will have a potentially significant impact on the City’s financial statements, wherein the City will be required to recognize a lease liability and an intangible right-to-use lease asset for all leases which are not short-term or where ownership of the underlying asset does not transfer to the City.

SCHEDULE 1
CITY OF CLAREMONT, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 11,705,407	\$ 11,705,407	\$ 11,580,594	\$ (124,813)
Licenses and permits	2,204,820	2,204,820	2,612,050	407,230
Intergovernmental	1,440,558	1,450,074	1,787,899	337,825
Charges for services	1,044,669	1,044,669	718,930	(325,739)
Interest income	93,704	93,704	36,660	(57,044)
Miscellaneous	100,388	100,388	410,901	310,513
Total Revenues	<u>16,589,546</u>	<u>16,599,062</u>	<u>17,147,034</u>	<u>547,972</u>
Expenditures:				
Current operations:				
General government	3,890,252	3,910,268	3,427,891	482,377
Public safety	6,061,164	6,061,164	5,739,101	322,063
Airport/Aviation center	152,465	169,775	66,235	103,540
Highways and streets	3,396,723	3,396,723	3,195,131	201,592
Sanitation	196,124	196,124	194,425	1,699
Health and welfare	391,901	391,901	405,272	(13,371)
Culture and recreation	1,959,612	1,959,612	1,679,760	279,852
Debt service:				
Principal retirement	861,361	861,361	861,353	8
Interest and fiscal charges	293,642	293,642	293,609	33
Total Expenditures	<u>17,203,244</u>	<u>17,240,570</u>	<u>15,862,777</u>	<u>1,377,793</u>
Excess revenues over (under) expenditures	<u>(613,698)</u>	<u>(641,508)</u>	<u>1,284,257</u>	<u>1,925,765</u>
Other financing sources (uses):				
Transfers in	100,898	118,208	50,382	(67,826)
Transfers out	<u>(148,130)</u>	<u>(248,130)</u>	<u>(239,094)</u>	<u>9,036</u>
Total Other financing sources (uses)	<u>(47,232)</u>	<u>(129,922)</u>	<u>(188,712)</u>	<u>(58,790)</u>
Net change in fund balance	(660,930)	(771,430)	1,095,545	1,866,975
Fund Balance at beginning of year				
- Budgetary Basis	<u>4,559,146</u>	<u>4,559,146</u>	<u>4,559,146</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 3,898,216</u>	<u>\$ 3,787,716</u>	<u>\$ 5,654,691</u>	<u>\$ 1,866,975</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, 2021

<u>Measurement Period Ended</u>	Cost-Sharing Multiple Employer Plan Information Only				
	<u>City's Proportion of the Net OPEB Liability</u>	<u>City's Proportionate Share of the Net OPEB Liability</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
June 30, 2020	0.22031701%	\$ 964,347	\$ 5,951,021	16.20%	7.74%
June 30, 2019	0.24417154%	\$ 1,070,475	\$ 5,862,140	18.26%	7.75%
June 30, 2018	0.27588692%	\$ 1,263,137	\$ 6,132,474	20.60%	7.53%
June 30, 2017	0.19245460%	\$ 879,968	\$ 6,307,134	13.95%	7.91%
June 30, 2016	0.19732865%	\$ 955,278	\$ 6,104,210	15.65%	5.21%

Significant Actuarial Assumptions

<u>Measurement Periods</u>	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality Table</u>	<u>Mortality Scale</u>
June 30, 2020	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015

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, 2021

<u>Year Ended</u>	Cost-Sharing Multiple Employer Plan Information Only				
	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	\$ 104,801	\$ (104,801)	\$ -	\$ 6,146,802	1.70%
June 30, 2020	\$ 102,265	\$ (102,265)	\$ -	\$ 5,951,021	1.72%
June 30, 2019	\$ 111,430	\$ (111,430)	\$ -	\$ 5,862,140	1.90%
June 30, 2018	\$ 122,033	\$ (122,033)	\$ -	\$ 6,132,474	1.99%
June 30, 2017	\$ 114,068	\$ (114,068)	\$ -	\$ 6,307,134	1.81%
June 30, 2016	\$ 114,660	\$ (114,660)	\$ -	\$ 6,104,210	1.88%

See accompanying notes to the required supplementary information

SCHEDULE 4
CITY OF CLAREMONT, NEW HAMPSHIRE
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2021

Single Employer Plan Information Only				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:				
Service cost	\$ 104,442	\$ 112,966	\$ 102,308	\$ 78,256
Interest	59,731	86,337	90,273	80,774
Changes of assumptions or other inputs	80,489	149,831	70,055	10,024
Differences between expected and actual experience	(201,783)	(423,555)		19,149
Benefit payments	<u>(110,901)</u>	<u>(151,120)</u>	<u>(141,230)</u>	<u>(130,688)</u>
Net change in total OPEB liability	(68,022)	(225,541)	121,406	57,515
Total OPEB Liability at beginning of year	<u>2,196,157</u>	<u>2,421,698</u>	<u>2,300,292</u>	<u>2,242,777</u>
Total OPEB Liability at end of year	<u>\$ 2,128,135</u>	<u>\$ 2,196,157</u>	<u>\$ 2,421,698</u>	<u>\$ 2,300,292</u>
Covered employee payroll	\$ 5,786,560	\$ 5,604,416	\$ 5,812,146	\$ 5,472,469
Total OPEB liability as a percentage of covered employee payroll	36.78%	39.19%	41.67%	42.03%
Significant Actuarial Assumptions				
Discount rate	2.19%	2.66%	3.51%	3.87%
Health cost trend rates:				
Initial	8.00% - 2020	8.00% - 2020	9.00% - 2018	9.00% - 2018
Ultimate	4.50% - 2027	4.50% - 2027	5.00% - 2026	5.00% - 2026
Mortality data set	SOA Pub-2010	SOA Pub-2010	RPH-2017	RPH-2017
Mortality improvement scale	MP-2019	MP-2019	MP-2017	MP-2017

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, 2021

<u>Measurement Period Ended</u>	<u>City's Proportion of the Net Pension Liability</u>	<u>City's Proportionate Share of the Net Pension Liability</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2020	0.22913208%	\$ 14,655,634	\$ 5,951,021	246.27%	58.72%
June 30, 2019	0.23661753%	\$ 11,385,218	\$ 5,862,140	194.22%	65.59%
June 30, 2018	0.26135996%	\$ 12,585,011	\$ 6,132,474	205.22%	64.73%
June 30, 2017	0.28219702%	\$ 13,878,429	\$ 6,307,134	220.04%	62.66%
June 30, 2016	0.28358653%	\$ 15,079,984	\$ 6,104,210	247.04%	58.30%
June 30, 2015	0.28298298%	\$ 11,210,447	\$ 6,084,955	184.23%	65.47%
June 30, 2014	0.26142305%	\$ 9,812,738	\$ 5,439,299	180.40%	66.32%
June 30, 2013	0.25823893%	\$ 11,114,047	\$ 5,225,327	212.70%	59.81%

Significant Actuarial Assumptions

<u>Measurement Periods</u>	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality Table</u>	<u>Mortality Scale</u>
June 30, 2020	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015
June 30, 2013 - 2015	3.00%	3.75-5.80%	7.75%	RP-2000	Scale AA

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, 2021

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	\$ 1,047,011	\$ (1,047,011)	\$ -	\$ 6,146,802	17.03%
June 30, 2020	\$ 1,017,901	\$ (1,017,901)	\$ -	\$ 5,951,021	17.10%
June 30, 2019	\$ 1,029,716	\$ (1,029,716)	\$ -	\$ 5,862,140	17.57%
June 30, 2018	\$ 1,104,658	\$ (1,104,658)	\$ -	\$ 6,132,474	18.01%
June 30, 2017	\$ 1,033,810	\$ (1,033,810)	\$ -	\$ 6,307,134	16.39%
June 30, 2016	\$ 1,015,464	\$ (1,015,464)	\$ -	\$ 6,104,210	16.64%
June 30, 2015	\$ 949,374	\$ (949,374)	\$ -	\$ 6,084,955	15.60%
June 30, 2014	\$ 848,117	\$ (848,117)	\$ -	\$ 5,439,299	15.59%
June 30, 2013	\$ 642,120	\$ (642,120)	\$ -	\$ 5,225,327	12.29%

See accompanying notes to the required supplementary information

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 17,593,317	\$ 17,170,013
Difference in property taxes meeting susceptible to accrual criteria	784	
Encumbrances - June 30, 2021		817,373
Encumbrances - June 30, 2020		(1,157,287)
Capital lease issuance	(396,307)	(828,228)
Non-budgetary activity	(378)	
Budgetary transfers		100,000
Per Schedule 1	<u>\$ 17,197,416</u>	<u>\$ 16,101,871</u>

NOTE 2—BUDGETARY FUND BALANCE

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

Nonspendable:	
Advances to other funds	\$ 635,826
Prepaid items	163,193
Assigned for:	
Contingency for abatements	350,000
Designated to offset subsequent year's tax rate	629,370
Unassigned:	
General operations	<u>3,876,302</u>
	<u>\$ 5,654,691</u>

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

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the City is required to disclose historical information for each of the prior ten years within a schedule of changes in the City's proportionate share of the net OPEB liability and

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended June 30, 2021

schedule of City OPEB contributions. The City implemented the provisions of GASB Statement No. 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 No. 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 No. 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.

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 No. 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 No. 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.

SCHEDULE I
CITY OF CLAREMONT, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass Through Payments from the New Hampshire Community Development Finance Authority			
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	#19-222-CDPF	\$ 8,159
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	#20-222-FSPF	19,550
Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14.228	#20-222-EGHS	<u>243,626</u>
Total Department of Housing and Urban Development			<u>271,335</u>
DEPARTMENT OF JUSTICE			
Direct Award Program			
Bulletproof Vest Partnership Program	16.607	N/A	<u>1,494</u>
Total Department of Justice			<u>1,494</u>
DEPARTMENT OF TRANSPORTATION			
Pass Through Payments from the New Hampshire Department of Transportation			
COVID-19 Airport Improvement Program	20.106	#SBG-02-13-2020	<u>10,653</u>
Airport Improvement Program	20.106	#SBG-02-11-2019	498,194
Airport Improvement Program	20.106	#SBG-02-12-2019	49,940
Airport Improvement Program	20.106	#SBG-02-13-2020	75,624
Airport Improvement Program	20.106	#SBG-02-14-2020	634,033
Airport Improvement Program	20.106	#SBG-02-15-2020	4,622
Airport Improvement Program	20.106	#SBG-02-17-2021	<u>73,368</u>
			<u>1,335,781</u>
			<u>1,346,434</u>
Pass Through Payments from the New Hampshire Department of Transportation			
<i>Highway Planning and Construction Cluster:</i>			
Highway Planning and Construction	20.205	#X-0131(0389)	15,411
Highway Planning and Construction	20.205	#X-A004(736)	<u>21,649</u>
			<u>37,060</u>
Federal Lands Access Program	20.224	#20-19	<u>23,150</u>
Total Highway Planning and Construction Cluster			<u>60,210</u>
Total Department of Transportation			<u>1,406,644</u>
DEPARTMENT OF THE TREASURY			
Pass Through Payments from the State of New Hampshire Governor's Office			
COVID-19 Coronavirus Relief Fund	21.019	N/A	<u>286,971</u>
Total Department of the Treasury			<u>286,971</u>

See notes to schedule of expenditures of federal awards

SCHEDULE I
CITY OF CLAREMONT, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
ENVIRONMENTAL PROTECTION AGENCY			
Pass Through Payments from the New Hampshire Department of Environmental Services			
<i>Clean Water State Revolving Fund Cluster:</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	#CS-330114-20	<u>379,140</u>
Total Clean Water State Revolving Fund Cluster			<u>379,140</u>
Total Environmental Protection Agency			<u>379,140</u>
ELECTION ASSISTANCE COMMISSION			
Pass Through Payments from the New Hampshire Secretary of State			
COVID-19 2018 HAVA Election Security Grants	90.404	#DC20101CARES	<u>11,189</u>
Total Election Assistance Commission			<u>11,189</u>
DEPARTMENT OF HOMELAND SECURITY			
Pass Through Payments from the New Hampshire Department of Safety			
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	#FEMA-4516-DR-NH	<u>127,635</u>
Total Department of Homeland Security			<u>127,635</u>
Total Expenditures of Federal Awards			<u>\$ 2,484,408</u>

See notes to schedule of expenditures of federal awards

CITY OF CLAREMONT, NEW HAMPSHIRE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

NOTE 1—BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Claremont, New Hampshire (the City) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for federal programs accounted for in the governmental funds, and on the accrual basis of accounting for federal programs accounted for in the proprietary funds, which are described in Note 1 to the City's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3—INDIRECT COST RATE

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4—RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The recognition of expenditures of federal awards on the Schedule pertaining to the Coronavirus Relief Fund include \$54,910 of eligible expenditures which occurred in the prior year.

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremont, New Hampshire, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Claremont, New Hampshire's basic financial statements, and have issued our report thereon dated July 15, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Vachon Clukay & Company PC

Manchester, New Hampshire
July 15, 2022

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Claremont, New Hampshire's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Claremont, New Hampshire's major federal programs for the year ended June 30, 2021. The City of Claremont, New Hampshire's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Claremont, New Hampshire complied, in all material respects, with the types of compliance requirements referred to *above* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Vachon Clukay & Company PC

Manchester, New Hampshire
July 15, 2022

**City of Claremont, New Hampshire
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified - all reporting units

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

Section II—Financial Statement Findings

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

Section III—Federal Award Findings and Questioned Costs

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