

CITY OF CLAREMONT

Financial Statements, Supplementary Schedules, and Independent Auditors' Report

**For the Year Ended
June 30, 2012**

City Officials

Mayor

David Morrow

City Council

Shawn Brown

Timothy A. Lowrance

D.B. Setzer

Nicky E. Setzer

Dale Sherrill

Other City Officials

Doug Barrick, City Manager

Stephanie Corn, Finance Director

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INTRODUCTORY SECTION





CITY OF CLAREMONT

October 31, 2012

Mayor, Members of the City Council and
Citizens of Claremont, North Carolina

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Claremont, North Carolina (City) for the fiscal year ended June 30, 2012. The City Manager and the Financial Director are responsible for the accuracy, completeness, and clarity of the CAFR.

The CAFR has been prepared in accordance with generally accepted accounting principles. We believe the data presented is accurate in all material respects and that it is presented in a manner designed to fairly reflect the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain a maximum understanding of the City's financial activity have been included. Additionally, the report contains Management's Discussion and Analysis (MD&A), a narrative introduction, overview and analysis of the basic financial statements beginning on page 3 of the Financial Section of the report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. There have been no policy changes that have had a significant impact on the City's current financial statements.

REPORTING ENTITY

The City Council consists of a mayor and five members elected for staggered terms of four years. The City Clerk serves as secretary to the City Council. The City has the power to levy taxes, authority to borrowing as needed and is required to maintain accounting records in accordance with generally accepted accounting principles. The City receives local, state, and federal government funding and must comply with the legal requirements of each source entity.

REPORT FORMAT

This Comprehensive Annual Financial Report is divided into three major sections: (1) Introductory Section, (2) Financial Section, and (3) Statistical Section. The Introductory Section includes this letter of transmittal and information about the City's principal officials. The Financial Section includes the management's discussion and analysis, the independent auditor's opinion, basic financial statements including government wide and fund statements, and notes to the financial statements. The Statistical Section contains selected fiscal, economic, and demographic data to help the reader better understand the City and its financial operations.

ECONOMIC CONDITIONS AND OUTLOOK

Over the next several years, the City of Claremont will be challenged to provide high quality services to the citizens with the City facing the probability of continued declining resources. The City is beginning to see some signs of economic improvement. The latest unemployment number for Catawba County is 11.1 percent, down from 12.2 percent this time last year. Although down, this rate remains one of the highest in the state. The City continues to be poised for growth thru the securement of land for the now master planned Phase II of the industrial park and the commitment to local recruitment efforts. Over the past year the City has been fortunate to expand businesses impacts both along Main Street and in the industrial park. We have also seen growth in personal and business property as our businesses begin to recover and expand operations. While the overall outlook for this region is still challenging, Claremont is actively making plans to continue growth and is committed to our businesses partners and long term financial planning.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

In order to compensate for lower revenues during fiscal year 2013 staff recommended paying off some outstanding debt at the end of fiscal year 2012 using fund balance to do so. This early payoff saved the City over \$9,000 in interest payments. This early payoff also freed up additional funds to help recover from the loss of the transitional hold harmless funds. The City has also completed a grant lease agreement with AdvancedPierre Foods for the installation of sewage pretreatment at their facility. This seven year lease agreement will provide the city with additional funds to be used on future economic development. Along that same line the City has secured land to ensure the long term viability of a Phase II of the industrial park.

FINANCIAL AND BUDGETARY CONTROL

The City's accounting system is organized and operated on a "fund basis." A fund is defined as a fiscal accounting entity with a self-balancing set of accounts, recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Two major fund classifications are used by the City: governmental and proprietary. Governmental fund types include general, special revenue, and capital projects. The water and sewer fund is a proprietary fund type. The City's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board. Thus, the accounting records for the general fund, special revenue funds, and capital projects fund are maintained on a modified accrual basis while the water and sewer fund is maintained on a full accrual basis. The fund financial statements are prepared using the same accounting rules that guide the recording of day-to-day transactions and that are used to budget the fund.

The government-wide statements apply a “business-like” accounting standard to all activities, showing governmental activities and business activities separately as well as a grand total.

The management of the City is responsible for establishing and maintaining an internal control structure. Internal controls are designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss from unauthorized user disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived, and that the evaluation of cost and benefits requires estimates and judgments by management. All internal control evaluations occur within the framework just described. We believe that the City’s internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

North Carolina General Statutes require all governmental units in the state to adopt a balanced budget by July 1 of each year. The City’s annual Budget Ordinance authorizes expenditures by purpose on a modified accrual basis. The NC Local Government Budget and Fiscal Control Act requires a pre-audit procedure to ensure availability of funds prior to issuance of purchase orders or payment of claims.

COMPARISON OF BUDGET TO ACTUAL PERFORMANCE

Comparisons of budget to actual performance are provided for all major funds in the financial statement section that follows this introduction section in the CAFR. As is more fully explained in the management discussion and analysis section included in the basic financial statements, there were several budget amendments during the year. There were no material violations of legal budgetary requirements during the year, and all variances from the initial and final budgets were expected.

CASH MANAGEMENT

Investments, primarily time deposits, and funds deposited into the North Carolina Cash Management Trust are protected against loss through the FDIC and stringent collateralization requirements. Outstanding debts are paid on a current basis, and no receivable collection problems have been encountered. Additional cash and investment data is provided in the Basic Financial Statements.

RISK MANAGEMENT

The City carries various forms of insurance including, but not limited to, general and professional liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and blanket finance and forgery bonds. The automobile insurance, professional liability, an umbrella policy, workers compensation, and blanket bonds are handled by a local

insurance agency. The City contracts with an insurance management firm to oversee all insurance policies.

INDEPENDENT AUDIT

North Carolina's Local Government Budget and Fiscal Control Act mandate that financial statements be audited at the end of each fiscal year. Bowman, Pegg & Starr, a firm of certified public accountants, has audited the basic financial statements and the accompanying individual fund statements. These statements, as well as the auditor's unqualified opinion on the statements, appear in the Financial Section.

ACKNOWLEDGEMENTS

The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

This comprehensive annual financial report reflects the commitment to the citizens of the City of Claremont, and the financial community to provide information in conformance with the highest standards of financial accountability.

Respectfully Submitted,

Doug Barrick

Doug Barrick
City Manager

Stephanie Corn

Stephanie Corn
Financial Director

CITY OF CLAREMONT
North Carolina

June 30, 2012

City Officials

Mayor

David Morrow

City Council

Shawn Brown

Timothy A. Lowrance

D.B. Setzer

Nicky E. Setzer

Dale Sherrill

Other City Officials

Doug Barrick, City Manager

Stephanie Corn, Finance Director

Gerald Tolbert, Police Chief

Gary Sigmon, Fire Chief

Tom Winkler, Public Works Director



FINANCIAL SECTION





**BOWMAN
PEGG &
STARR**

CERTIFIED PUBLIC ACCOUNTANTS

ROGER C. BOWMAN, CPA

ROBERT M. PEGG, CPA

MELANIE M. STARR, CPA

INDEPENDENT AUDITORS' REPORT

October 31, 2012

To the Honorable Mayor and
Members of the City Council
Claremont, North Carolina

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 City of Claremont, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 City of Claremont as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 to 13 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 the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Claremont's financial statements as a whole. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements budgetary schedules, other schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Bowman, Pegg & Starr

Certified Public Accountants

Management's Discussion and Analysis

As management of the City of Claremont, we offer readers of the City of Claremont's financial statements this narrative overview and analysis of the financial activities of the City of Claremont for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

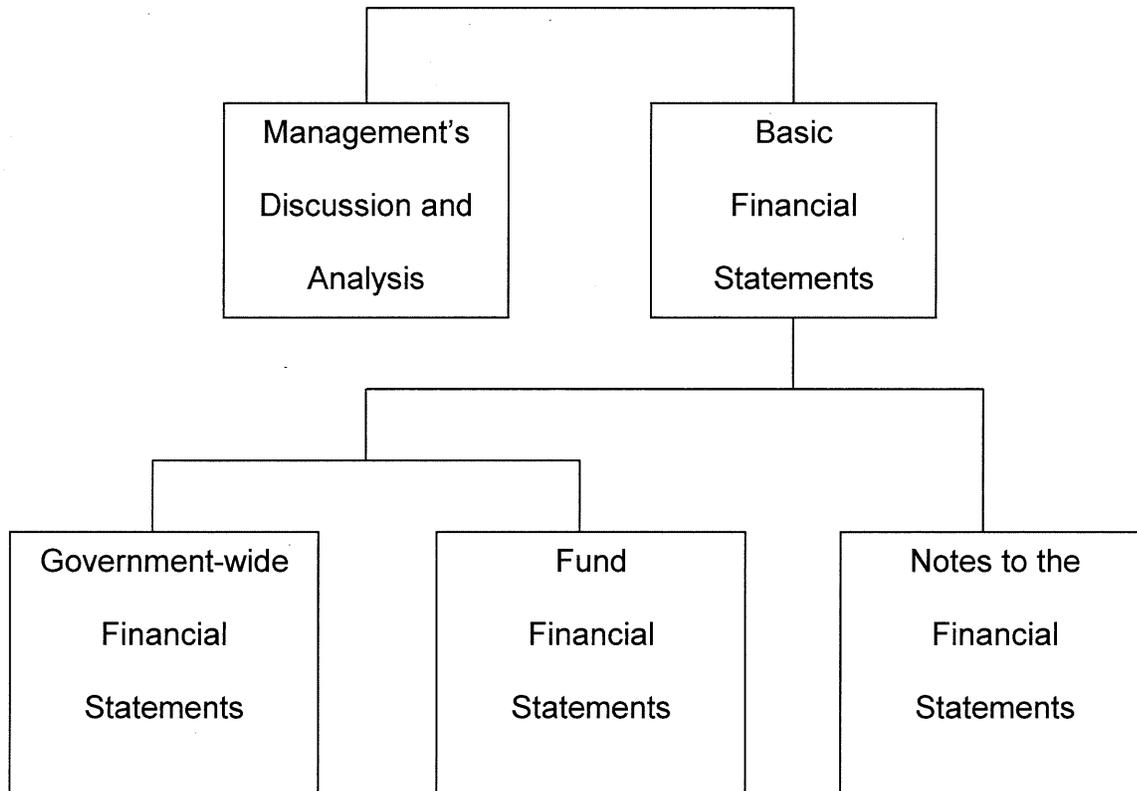
- The assets of the City of Claremont exceeded its liabilities at the close of the fiscal year by \$14,051,755 (net assets).
- The government's total net assets increased by \$203,214 primarily due to increases in both the governmental and business type activities net assets.
- As of the close of the current fiscal year, the City of Claremont's governmental funds reported combined ending fund balances of \$2,117,404, a decrease of \$234,988 in comparison with the prior year. Approximately 76.87 percent of this total amount, or \$1,627,629, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,627,629, or 56.85 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Claremont's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Claremont.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gage the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Claremont.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. 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. The City of Claremont, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Claremont can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Claremont adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to

provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – City of Claremont has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Claremont uses enterprise funds to account for its water and sewer operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the 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. The notes to the financial statements begin on page 31 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of City of Claremont, assets exceed liabilities by \$14,051,755 at the close of the most recent fiscal year.

Table 1
Condensed Statement of Net Assets
as of June 30, 2012

	Governmental Activities 06/30/2012	Governmental Activities 06/30/2011	Business-type Activities 06/30/2012	Business-type Activities 06/30/2011	Total Primary Government 06/30/2012	Total Primary Government 06/30/2011
Current assets	\$ 2,278,929	\$ 2,487,647	\$ 794,792	\$ 793,356	\$ 3,073,721	\$ 3,281,003
Capital assets	7,408,392	7,583,398	5,347,922	5,470,217	12,756,314	13,053,615
Total assets	\$ 9,687,321	\$ 10,071,045	\$ 6,142,714	\$ 6,263,573	\$ 15,830,035	\$ 16,334,618
Current liabilities	\$ 244,293	\$ 125,527	\$ 217,244	\$ 70,943	\$ 461,537	\$ 196,470
Long-term liabilities	1,169,484	1,776,497	147,259	513,110	1,316,743	2,289,607
Total liabilities	\$ 1,413,777	\$ 1,902,024	\$ 364,503	\$ 584,053	\$ 1,778,280	\$ 2,486,077
Invested in capital assets, net of related debt	\$ 6,208,392	\$ 5,869,268	\$ 5,053,404	\$ 4,957,107	\$ 11,261,796	\$ 10,826,375
Restricted net assets	352,890	164,629	0	0	352,890	164,629
Unrestricted net assets	1,712,262	2,135,124	724,807	722,413	2,437,069	2,857,537
Total net assets	\$ 8,273,544	\$ 8,169,021	\$ 5,778,211	\$ 5,679,520	\$ 14,051,755	\$ 13,848,541

The largest portion of City of Claremont's net assets (80.2 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. City of Claremont used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although City of Claremont's investment in its 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.

The government's net assets increased by \$203,214 during the current fiscal year.

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
as of June 30, 2012

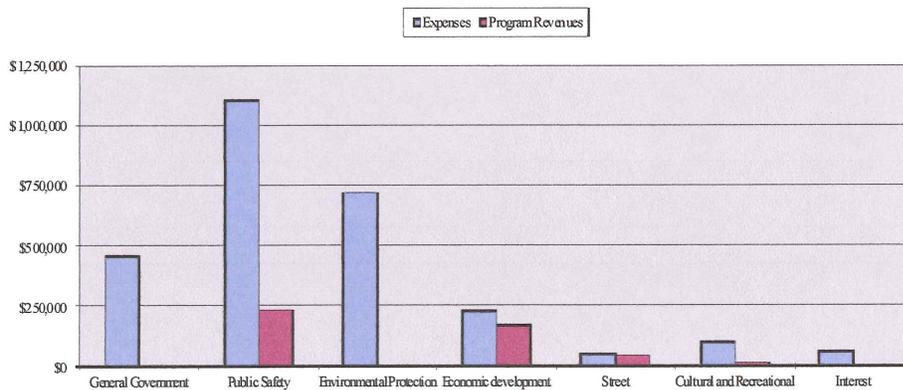
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total Primary Government	Total Primary Government
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ 232,176	\$ 222,819	\$ 1,052,141	\$ 888,116	\$ 1,284,317	\$ 1,110,935
Operating grants and contributions	229,436	105,885	0	(20,000)	229,436	85,885
Capital grants and contributions	0	199,847	0	0	0	199,847
General revenues						
Property taxes	1,628,866	1,673,981	0	0	1,628,866	1,673,981
Local option sales tax	224,573	176,721	0	0	224,573	176,721
Other taxes and licenses	12,059	12,673	0	0	12,059	12,673
Unrestricted						
intergovernmental	489,330	451,252	0	0	489,330	451,252
Investment earnings	1,730	3,238	153	321	1,883	3,559
Miscellaneous	21,943	47,305	0	0	21,943	47,305
Total revenues	\$ 2,840,113	\$ 2,893,721	\$ 1,052,294	\$ 868,437	\$ 3,892,407	\$ 3,762,158

Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
as of June 30, 2012

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total Primary Government	Total Primary Government
	2012	2011	2012	2011	2012	2011
Expenses:						
Governmental activities						
General government	\$ 461,060	\$ 460,013	\$ 0	\$ 0	\$ 461,060	\$ 460,013
Public safety	1,106,640	1,168,044	0	0	1,106,640	1,168,044
Environmental protection	724,631	566,850	0	0	724,631	566,850
Transportation	232,213	133,962	0	0	232,213	133,962
Cultural and recreational	51,604	85,882	0	0	51,604	85,882
Economic development	100,457	25,268	0	0	100,457	25,268
Interest	58,985	73,001	0	0	58,985	73,001
Business-type activities						
Water and Sewer Fund	0	0	953,603	848,509	953,603	848,509
Total expenses	\$ 2,735,590	\$ 2,513,020	\$ 953,603	\$ 848,509	\$ 3,689,193	\$ 3,361,529
Increase in net assets before transfers	\$ 104,523	\$ 380,701	\$ 98,691	\$ 19,928	\$ 203,214	\$ 400,629
Transfers in (out)	0	0	0	0	0	0
Increase in net assets	\$ 104,523	\$ 380,701	\$ 98,691	\$ 19,928	\$ 203,214	\$ 400,629
Beginning net assets	8,169,021	7,788,320	5,679,520	5,659,592	13,848,541	13,447,912
Ending net assets	\$ 8,273,544	\$ 8,169,021	\$ 5,778,211	\$ 5,679,520	\$ 14,051,755	\$ 13,848,541

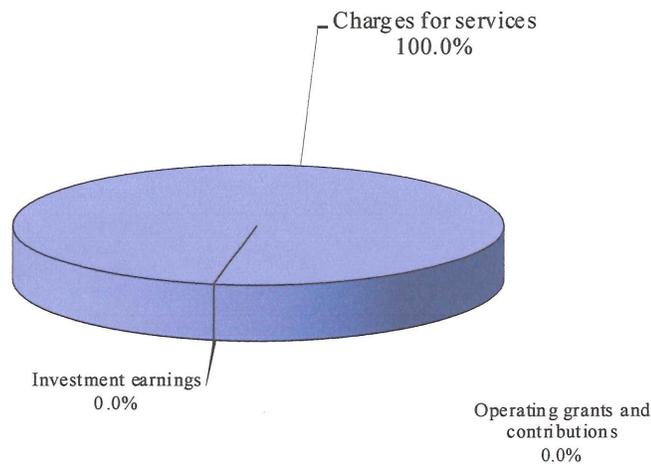
Governmental activities: Governmental activities increased City of Claremont's net assets by \$104,523.

Expenses and Program Revenue

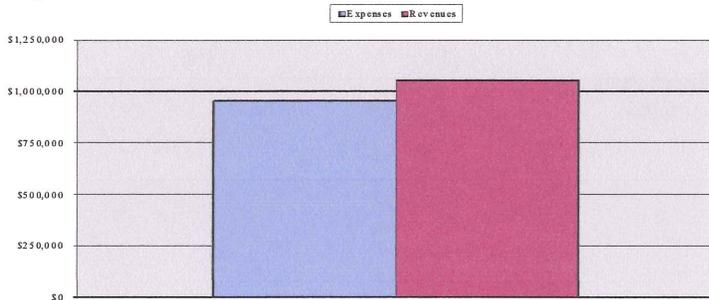


Business-type activities. Business-type activities increased City of Claremont’s net assets by \$98,691. The increase was attributed to the Water and Sewer Fund reporting mainly activities that were operational in nature. The Water and Sewer Fund in recent prior years has been receiving transfers from the General Fund to help cover the excess cost of sewer services. During fiscal year 2011, rates were increased to allow for the reduction of the transfer from the General Fund. Additional measures were put in place to cut cost in various areas. The City of Claremont has been working to make this fund total self sufficient.

Revenues by Source – Business-type activities



Expenses and Revenues

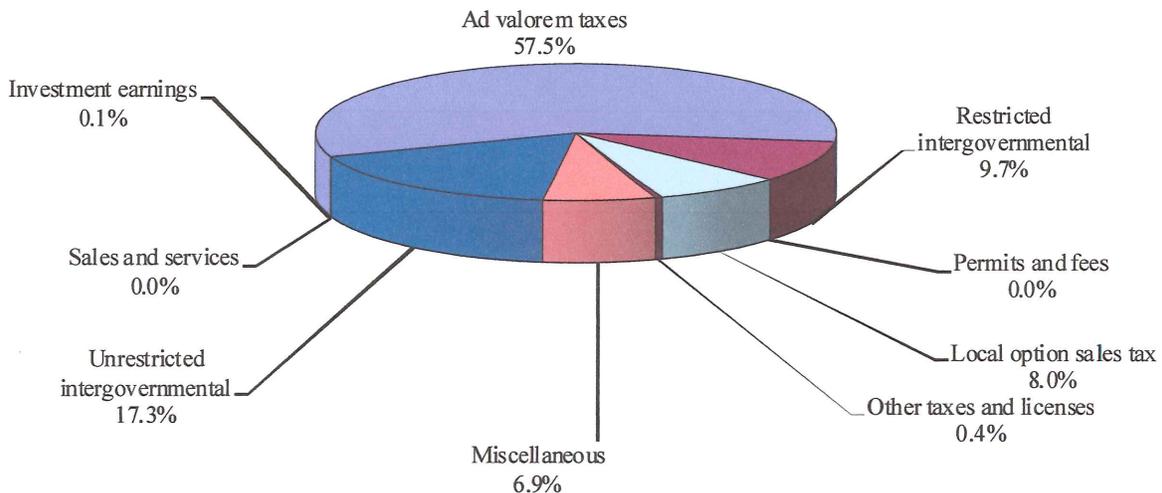


Financial Analysis of the Government's Funds

As noted earlier, City of Claremont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Revenues by Source – Governmental Funds



As of the end of the current fiscal year, City of Claremont's governmental funds reported combined ending fund balances of \$2,117,404, a decrease of \$234,988 in comparison with the prior year. Approximately seventy-three percent (76.87%) of this total amount, \$1,627,629, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been restricted 1) by North Carolina state statute (\$194,693), 2) for Powell Bill (\$126,461), 3) for public safety (\$7,842), 4) for scholarships, and 5) for economic

development (\$13,680). Additionally the Council has assigned \$35,000, which was assigned for subsequent year's expenditures and has committed \$109,664 for future capital projects.

The general fund is the chief operating fund of City of Claremont. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,627,629 while total fund balance reached \$1,988,878. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 56.85 percent of total general fund expenditures, while total fund balance represents 69.47 percent of that same amount.

The fund balance of City of Claremont's general fund decreased by \$200,594 during the current fiscal year. However, this was a planned decrease in fund balance. During the year, the Council amended the budget to payoff some of the debt in both the governmental and business type activities since the rate of interest on the debt was much higher than interest earnings rate. This resulted in reduced expenditures for future years of approximately \$9,000 of interest expense.

Proprietary funds. City of Claremont's propriety funds provide the same type of information found in government-wide financial statements, but in more detail.

Budgetary Highlights

Differences in the General Fund between the original budget and the final amended budget reflected an increase in expenditure appropriations of \$163,655, an increase in fund balance appropriations by \$383,100 and a reduction in projected revenues of \$219,445. These changes were primarily attributable to the additional debt reduction as noted above and a change in the proper reporting for an economic development project as a special revenue fund and not as a part of the General Fund.

Capital Asset and Debt Administration

Capital Assets. City of Claremont's investment in capital assets for its governmental and business type activities as of June 30, 2012, amounts to \$11,261,796. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, net of related debt. The total increase in City of Claremont's investment in capital assets for the current fiscal year was 4.02% (a 5.78% increase for governmental and a 1.94% increase for business-type activities). This was due to both new investments for capital and the debt reduction.

For Governmental activities –

- The City purchased two police cars with new camera systems, radios and computers totaling \$71,998.
- The City purchased one vehicle for \$18,974 which will be shared 50% with the water and sewer department.
- The City purchased land for \$149,800.
- The City purchased additional fire hose for \$5,700.

For Business-type activities –

- Two vehicles were purchased costing \$54,400.
- A snow plow was purchased for \$15,794.
- A bushwhacker was purchased for \$12,005.
- The City purchased one vehicle for \$18,974 which will be shared 50% with the administrative department.

Additional information on City of Claremont’s capital assets can be found in note 4.

Long-term debt. At the end of the current fiscal year, City of Claremont had no bonded debt outstanding. The City currently does not have outstanding revenue bonds.

Table 4
General Obligation Bonds Outstanding
as of June 30, 2011

	Governmental Activities		Business-Type Activities		Total Primary Government	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
General obligation bonds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

City of Claremont’s total debt, excluding compensated absences, decreased by \$732,722 (approximately 42.75 percent) during the current fiscal year. This decrease was due to the planned increase in debt payments made on existing borrowings and no new borrowings were incurred.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for City of Claremont is \$29,100,956, which is significantly in excess of City of Claremont’s outstanding governmental debt of \$1,200,000.

Additional information on City of Claremont’s long-term debt can be found in note 6.

Economic Factors and Next Year’s Budgets and Rates

Both the State of North Carolina and the United States are still operating in one of the worst economic environments in recent history. Claremont has fared very well with respect to the housing market. Since the City never experienced rapid growth, it has not seen a rapid decline. The City, however, has not been completely unaffected by the economic conditions. While property tax remains stable, the City had seen a decrease in tax revenue for the past number of years. This included a loss in the ad valorem real property tax base as result of the reevaluation process. Claremont has not been as impacted as some other cities because of our existing strong

financial position including, a strong and healthy fund balance, low debt burden and commitment to solid financial planning. While expenses will continue to rise, the City will receive less revenue from the Federal, State, and County levels. This includes a loss of hold harmless funds from the State and lower ad valorem taxes due to the reevaluation process; however recent successes in local economic development have stabilized this loss. Due to this economic scenario, the City must continue to operate as cost effective as possible while delivering sound public services. Claremont continues to position itself for growth and expansion and has seen growth with new businesses in the downtown and additional growth in the Business Park with Williams-Sonoma, Centro, Bed Bath & Beyond, and GKN. The City has taken advantage of available grants and assistance from the State of North Carolina to help fund necessary projects of the City. Plans are to continue our efforts to improve and diversify the tax base and attract businesses to vacant buildings and storefronts. Our industrial park continues to be a great asset in attracting new industries to the City and the recently adopted master plan for Phase II will further these efforts.

In preparing the budget for the 2012-2013 fiscal year, most revenue sources are projected to increase, to reflect the uptick in economy as seen in the fiscal year 2012 budget numbers. It is important to note that given the current economic climate all revenue projections even those with growth have been estimated conservatively to ensure stability during the fiscal year. Utility and sales taxes are on the rise but have not reached levels from prior to 2007. Even though the City had lost tax base in the reevaluation process, we have seen growth in personal and business property as our businesses begin to recover and expand operations. The City has also been fortunate to fill some vacant buildings and add residential units over the last year. In order to compensate for lower revenues during fiscal year 2013, the staff recommended paying off some outstanding debt at the end of fiscal year 2012 using existing fund balance. This early payoff saved the City over \$9,000 in interest payments. This early payoff also freed up additional funds to help recover from the loss of the transitional hold harmless funds.

Significant changes in the proposed budget for fiscal year 2013 include an increase in local economic development spending that focuses on small business growth, funding the expansion of Claremont Day to Claremont Daze, featuring a band on Friday night, a pay per call incentive for the volunteer fire department members, and offering a 5% employer contribution to a 401(k) for all full time employees. The proposed budget incorporates a reduction in personnel costs by 0.5% even with the addition of a 401(k) incentive, an increase in operating costs by 2.6%, capital spending is also up by 28%, however this budget still achieves total reduction in spending by 5.6% over last year's budget. The fiscal year 2012 budget included for the first time a five year capital improvement plan for both the general and water and sewer funds, and this budget has updated that plan. In doing so the City is able to evaluate and plan for future needs.

Requests for Information

This financial report is designed to provide a general overview of 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 the Office of the Finance Director, City of Claremont, PO Box 446, Claremont, NC 28610.



BASIC FINANCIAL STATEMENTS



CITY OF CLAREMONT
Statement of Net Assets
June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,889,101	\$ 614,921	\$ 2,504,022
Receivables (net)	43,451	106,467	149,918
Due from other governments	190,933	0	190,933
Inventories	0	73,404	73,404
Restricted cash and cash equivalents	<u>155,444</u>	<u>0</u>	<u>155,444</u>
Total current assets	<u>\$ 2,278,929</u>	<u>\$ 794,792</u>	<u>\$ 3,073,721</u>
Non-current assets			
Capital assets			
Land and construction in progress	\$ 1,105,177	\$ 101,870	\$ 1,207,047
Other capital assets, net of depreciation	<u>6,303,215</u>	<u>5,246,052</u>	<u>11,549,267</u>
Total capital assets	<u>\$ 7,408,392</u>	<u>\$ 5,347,922</u>	<u>\$12,756,314</u>
Total assets	<u>\$ 9,687,321</u>	<u>\$ 6,142,714</u>	<u>\$15,830,035</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	\$ 113,585	\$ 44,981	\$ 158,566
Unearned revenues	11,678	0	11,678
Customer deposits	0	23,342	23,342
Accrued interest payable	19,030	1,662	20,692
Current portion of long term liabilities	<u>100,000</u>	<u>147,259</u>	<u>247,259</u>
Total current liabilities	\$ 244,293	\$ 217,244	\$ 461,537
Long-term liabilities			
Due in more than one year	<u>1,169,484</u>	<u>147,259</u>	<u>1,316,743</u>
Total liabilities	<u>\$ 1,413,777</u>	<u>\$ 364,503</u>	<u>\$ 1,778,280</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 6,208,392	\$ 5,053,404	\$11,261,796
Restricted for:			
Streets	131,503	0	131,503
Public safety	7,842	0	7,842
Economic development	16,417	0	16,417
Scholarships	2,435	0	2,435
Stabilization by State statute	194,693	0	194,693
Unrestricted	<u>1,712,262</u>	<u>724,807</u>	<u>2,437,069</u>
Total net assets	<u>\$ 8,273,544</u>	<u>\$ 5,778,211</u>	<u>\$14,051,755</u>

The accompanying notes are an integral part of the basic financial statements

CITY OF CLAREMONT
Statement of Activities
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government				
Governmental Activities:				
General government	\$ 461,060	\$ 0	\$ 55	\$ 0
Public safety	1,106,640	231,408	1,487	0
Environmental protection	724,631	768	925	0
Economic development	232,213	0	170,156	0
Streets	51,604	0	42,822	0
Cultural and recreational	100,457	0	13,991	0
Interest	<u>58,985</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total governmental activities	\$ 2,735,590	\$ 232,176	\$ 229,436	\$ 0
Business-type activities:				
Water	<u>953,603</u>	<u>1,052,141</u>	<u>0</u>	<u>0</u>
Total government	<u>\$ 3,689,193</u>	<u>\$ 1,284,317</u>	<u>\$ 229,436</u>	<u>\$ 0</u>

General revenues:

Taxes

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Unrestricted intergovernmental

Investment earnings, unrestricted

Miscellaneous, unrestricted

Total general revenues

Change in net assets

Net assets - beginning of year

Net assets - end of year

The accompanying notes are an integral part of the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (461,005)	\$ 0	\$ (461,005)
(873,745)	0	(873,745)
(722,938)	0	(722,938)
(62,057)	0	(62,057)
(8,782)	0	(8,782)
(86,466)	0	(86,466)
(58,985)	0	(58,985)
<u>\$ (2,273,978)</u>	<u>\$ 0</u>	<u>\$ (2,273,978)</u>
<u>0</u>	<u>98,538</u>	<u>98,538</u>
<u><u>\$ (2,273,978)</u></u>	<u><u>\$ 98,538</u></u>	<u><u>\$ (2,175,440)</u></u>
\$ 1,628,866	\$ 0	\$ 1,628,866
224,573	0	224,573
12,059	0	12,059
489,330	0	489,330
1,730	153	1,883
21,943	0	21,943
<u>\$ 2,378,501</u>	<u>\$ 153</u>	<u>\$ 2,378,654</u>
\$ 104,523	\$ 98,691	\$ 203,214
<u>8,169,021</u>	<u>5,679,520</u>	<u>13,848,541</u>
<u><u>\$ 8,273,544</u></u>	<u><u>\$ 5,778,211</u></u>	<u><u>\$ 14,051,755</u></u>

The accompanying notes are an integral part of the basic financial statements

CITY OF CLAREMONT
Balance Sheet
Governmental Funds
June 30, 2012

	<u>Major Fund</u>		
	General	Total	Total
	Fund	Nonmajor	Governmental
	<u>Fund</u>	Governmental	Governmental
		Funds	Funds
ASSETS			
Cash and cash equivalents	\$ 1,779,437	\$ 109,664	\$ 1,889,101
Taxes receivable (net)	36,979	0	36,979
Accounts receivable (net)	1,099	2,747	3,846
Due from other governments	190,933	0	190,933
Restricted cash and cash equivalents	139,329	16,115	155,444
Total assets	<u>\$ 2,147,777</u>	<u>\$ 128,526</u>	<u>\$ 2,276,303</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ 113,585	\$ 0	\$ 113,585
Deferred revenue	45,314	0	45,314
Total liabilities	<u>\$ 158,899</u>	<u>\$ 0</u>	<u>\$ 158,899</u>
Fund balances			
Restricted			
Stabilization by State statute	\$ 191,946	\$ 2,747	\$ 194,693
Streets	126,461	0	126,461
Public safety	7,842	0	7,842
Scholarships	0	2,435	2,435
Economic development	0	13,680	13,680
Assigned			
Designated for subsequent year's expenditures	35,000	0	35,000
Capital projects	0	109,664	109,664
Unassigned	<u>1,627,629</u>	<u>0</u>	<u>1,627,629</u>
Total fund balances	<u>\$ 1,988,878</u>	<u>\$ 128,526</u>	<u>\$ 2,117,404</u>
Total liabilities and fund balances	<u>\$ 2,147,777</u>	<u>\$ 128,526</u>	<u>\$ 2,276,303</u>

The accompanying notes are an integral part of the basic financial statements

CITY OF CLAREMONT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012

Total fund balances for governmental funds (Exhibit 3)	\$ 2,117,404
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.	7,408,392
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,626
Liabilities for earned but deferred revenues in funds.	33,636
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,288,514)</u>
Net assets of governmental activities	<u><u>\$ 8,273,544</u></u>

The accompanying notes are an integral part of the basic financial statements

CITY OF CLAREMONT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>Major Fund</u>		Total Governmental Funds
	<u>General Fund</u>	<u>Total Nonmajor Governmental Funds</u>	
Revenues			Total Governmental Funds
Ad valorem taxes	\$ 1,623,616	\$ 0	\$ 1,623,616
Local option sales taxes	225,498	0	225,498
Other taxes and licenses	12,059	0	12,059
Unrestricted intergovernmental	489,330	0	489,330
Restricted intergovernmental	273,418	0	273,418
Permits and fees	864	0	864
Sales and services	768	0	768
Investment earnings	1,650	80	1,730
Miscellaneous	24,414	171,591	196,005
Total revenues	<u>\$ 2,651,617</u>	<u>\$ 171,671</u>	<u>\$ 2,823,288</u>
Expenditures			
Current			
General government	\$ 450,543	\$ 0	\$ 450,543
Public safety	1,040,354	0	1,040,354
Environmental protection	661,976	0	661,976
Economic development	27,737	207,065	234,802
Transportation	20,000	0	20,000
Cultural and recreational	86,807	0	86,807
Debt service			
Principal retirement	514,130	0	514,130
Interest and fees	61,239	0	61,239
Total expenditures	<u>\$ 2,862,786</u>	<u>\$ 207,065</u>	<u>\$ 3,069,851</u>
Revenues over(under) expenditures	<u>\$ (211,169)</u>	<u>\$ (35,394)</u>	<u>\$ (246,563)</u>

The accompanying notes are an integral part of the basic financial statements

CITY OF CLAREMONT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>Major Fund</u>	Total Nonmajor	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
	<u> </u>	<u> </u>	<u> </u>
Other financing sources(uses)			
Transfers from other funds	\$ 0	\$ 1,000	\$ 1,000
Transfers to other funds	(1,000)	0	(1,000)
Sale of capital assets	<u> 11,575</u>	<u> 0</u>	<u> 11,575</u>
Total other financing sources(uses)	<u>\$ 10,575</u>	<u>\$ 1,000</u>	<u>\$ 11,575</u>
Net change in fund balance	\$ (200,594)	\$ (34,394)	\$ (234,988)
Fund balance, beginning of year	<u> 2,189,472</u>	<u> 162,920</u>	<u> 2,352,392</u>
Fund balance, end of year	<u><u>\$ 1,988,878</u></u>	<u><u>\$ 128,526</u></u>	<u><u>\$ 2,117,404</u></u>

The accompanying notes are an integral part of the basic financial statements

CITY OF CLAREMONT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statements of activities are different because

Net change in fund balances - total governmental funds	\$ (234,988)
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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(175,006)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.	514,130
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 the governmental funds.	(4,863)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	<u>5,250</u>
Total changes in net assets of governmental activities	<u>\$ 104,523</u>

The accompanying notes are an integral part of the basic financial statements

CITY OF CLAREMONT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Ad valorem taxes	\$ 1,657,739	\$ 1,657,739	\$ 1,623,616	\$ (34,123)
Local option sales taxes	170,500	170,500	225,498	54,998
Other taxes and licenses	15,000	15,500	12,059	(3,441)
Unrestricted intergovernmental	299,500	299,000	489,330	190,330
Restricted intergovernmental	472,143	247,143	273,418	26,275
Permits and fees	1,000	1,000	864	(136)
Sales and services	1,000	1,000	768	(232)
Investment earnings	3,000	3,000	1,650	(1,350)
Miscellaneous	14,700	20,255	24,414	4,159
Total revenues	<u>\$ 2,634,582</u>	<u>\$ 2,415,137</u>	<u>\$ 2,651,617</u>	<u>\$ 236,480</u>
Expenditures				
Current				
General government	\$ 676,967	\$ 458,082	\$ 450,543	\$ 7,539
Public safety	1,078,402	1,080,772	1,040,354	40,418
Environmental protection	510,205	671,773	661,976	9,797
Economic development	29,250	27,750	27,737	13
Transportation	20,000	20,000	20,000	0
Cultural and recreational	88,640	88,264	86,807	1,457
Debt service				
Principal retirement	291,136	575,371	514,130	61,241
Interest and fees	63,757	0	61,239	(61,239)
Total expenditures	<u>\$ 2,758,357</u>	<u>\$ 2,922,012</u>	<u>\$ 2,862,786</u>	<u>\$ 59,226</u>
Revenues over(under) expenditures	<u>\$ (123,775)</u>	<u>\$ (506,875)</u>	<u>\$ (211,169)</u>	<u>\$ 295,706</u>

The accompanying notes are an integral part of the basic financial statements

CITY OF CLAREMONT
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other financing sources(uses)				
Transfers to other funds	\$ 0	\$ 0	\$ (1,000)	\$ (1,000)
Sale of capital assets	3,000	3,000	11,575	8,575
Fund balance appropriated	<u>120,775</u>	<u>503,875</u>	<u>0</u>	<u>(503,875)</u>
Total other financing sources(uses)	<u>\$ 123,775</u>	<u>\$ 506,875</u>	<u>\$ 10,575</u>	<u>\$ (496,300)</u>
Net change in fund balance	<u>\$ 0</u>	<u>\$ 0</u>	\$ (200,594)	<u>\$ (200,594)</u>
Fund balance, beginning of year			<u>2,189,472</u>	
Fund balance, end of year			<u>\$ 1,988,878</u>	

The accompanying notes are an integral part of the basic financial statements

CITY OF CLAREMONT
Statement of Net Assets
Water and Sewer Fund
June 30, 2012

Assets	
Current assets	
Cash and cash equivalents	\$ 614,921
Accounts receivable (net)	106,467
Inventories	<u>73,404</u>
Total current assets	<u>\$ 794,792</u>
Noncurrent assets	
Capital assets (net of depreciation)	<u>\$ 5,347,922</u>
Total noncurrent assets	<u>\$ 5,347,922</u>
Total assets	<u>\$ 6,142,714</u>
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	\$ 44,981
Accrued interest payable	1,662
Customer deposits	23,342
Current portion of long-term debt	<u>147,259</u>
Total current liabilities	<u>\$ 217,244</u>
Noncurrent liabilities	
Long-term obligations	<u>\$ 147,259</u>
Total noncurrent liabilities	<u>\$ 147,259</u>
Total liabilities	<u>\$ 364,503</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 5,053,404
Unrestricted	<u>724,807</u>
Total net assets	<u><u>\$ 5,778,211</u></u>

The accompanying notes are an integral part of the basic financial statements

CITY OF CLAREMONT
Statement of Revenues, Expenses, and Changes in Net Assets
Water and Sewer Fund
For the Year Ended June 30, 2012

Operating revenues	
Charges for services	\$ 1,048,928
Water taps	2,863
Other operating revenues	<u>350</u>
Total operating revenues	<u>\$ 1,052,141</u>
Operating expenses	
Water distribution	\$ 223,904
Sewage treatment	497,788
Depreciation	<u>213,892</u>
Total operating expenses	<u>\$ 935,584</u>
Operating income (loss)	<u>\$ 116,557</u>
Nonoperating revenues (expenses)	
Investment earnings	\$ 153
Interest and fees	<u>(18,019)</u>
Net nonoperating revenues (expenses)	<u>\$ (17,866)</u>
Change in net assets	\$ 98,691
Net assets, beginning of year	<u>5,679,520</u>
Net assets, end of year	<u><u>\$ 5,778,211</u></u>

The accompanying notes are an integral part of the basic financial statements

CITY OF CLAREMONT
Statement of Cash Flows
Water and Sewer Fund
For the Year Ended June 30, 2012

Cash flows from operating activities	
Cash received from customers	\$ 1,025,884
Cash paid for goods and services	<u>(744,279)</u>
Net cash provided(used) by operating activities	<u>\$ 281,605</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	\$ (91,597)
Debt principal paid	(218,592)
Interest and fees paid	<u>(18,965)</u>
Net cash provided(used) by capital and related financing activities	<u>\$ (329,154)</u>
Cash flows provided by investing activities	
Interest on investments	<u>\$ 143</u>
Net increase(decrease) in cash and cash equivalents	\$ (47,406)
Cash and cash equivalents, beginning of year	<u>662,327</u>
Cash and cash equivalents, end of year	<u><u>\$ 614,921</u></u>

(continued on next page)

CITY OF CLAREMONT
Statement of Cash Flows
Water and Sewer Fund
For the Year Ended June 30, 2012

Reconciliation of operating income to net cash
provided (used) by operating activities

Operating income(loss)	\$ <u>116,557</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	\$ 213,892
(Increase)Decrease in accounts receivable	(27,826)
(Increase)Decrease in inventory	(21,006)
Increase(Decrease) in accounts payable and accrued liabilities	(1,581)
Increase(Decrease) in customer deposits	<u>1,569</u>
Total adjustments	\$ <u>165,048</u>
Net cash provided(used) by operating activities	<u><u>\$ 281,605</u></u>

The accompanying notes are an integral part of the basic financial statements

CITY OF CLAREMONT
Notes to the Basic Financial Statements
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Claremont is a municipal corporation which is governed by an elected mayor and a five-member council.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus - Basis of Accounting

Government-wide Statements. The statement of net assets and the statement of activities display information about the government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other nonoperating revenues are ancillary activities such as investment earnings.

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The City reports the following major governmental fund:

General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, Federal and State grants, and various other taxes and licenses. The primary expenditures are for human services, public safety, environmental protection, cultural and recreational projects, and general government services.

The City reports the following nonmajor governmental funds:

PJ Stanley Scholarship Fund - This fund accounts for contribution restricted for providing scholarships for local students attending Catawba Valley Community College or Mitchell Community College in a police, fire or EMS related field of study. This fund is reported as a special revenue fund.

Economic Development Fund - This fund accounts for a contribution restricted for providing economic incentive agreements for new businesses. This fund is reported as a special revenue fund.

General Capital Projects Fund - This fund accounts for the funds committed for future capital projects. This fund is reported as a capital project fund.

The City reports the following major enterprise fund:

Water and Sewer Fund - This fund accounts for the operation, maintenance, and capital improvements to the City's water and sewer system.

Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, 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. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Catawba County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Claremont. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Catawba County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, are collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations..

C. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Water and Sewer Operations, and the Water and Sewer Capital Reserve Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Funds and the Water Capital Projects Enterprise Funds, which are consolidated with the enterprise operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. Transfers of appropriations between funds as well as any revisions that alter total appropriations of any fund require the approval of the City Council. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by G.S. 159-31. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT), an SEC-registered money market mutual fund.

The City's investments are reported at fair value at June 30, 2012 as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

2. Cash and Cash Equivalents

The City pools moneys from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

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3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Law enforcement funds are also classified as restricted cash because it is restricted for that purpose. Money for Economic Development is classified as restricted assets because its use is restricted for Economic Development by the contributor for future economic development expenditures. Scholarship funds are also classified as restricted cash because it can only be expended for the purpose of providing scholarships for local students attending Catawba Valley Community College or Mitchell Community College in a police, fire or EMS related field of study.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2011.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventories

The inventories of the City are valued at cost, which approximates market, using the first-in, first-out method. The inventory of the City's enterprise fund consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the City's enterprise fund is recorded as an expense as it is consumed or sold.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$20,000; furniture and equipment, \$5,000; and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior July 1, 2002, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF CLAREMONT
Notes to the Basic Financial Statements
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Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	50 years
Buildings & Improvements	50 years
Vehicles, furniture and equipment	5 years
Distribution system - water and wastewater	40 years

8. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

9. Compensated Absences

The vacation policies of the City provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. Compensated absences of the City have typically been liquidated in the governmental funds and are accounted for on the LIFO basis, assuming that employees are taking leave time as it is earned and, therefore, no current portion for compensated absences is reported.

The City's sick leave policy provides for an accumulation of up to sixty (60) days earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

CITY OF CLAREMONT
Notes to the Basic Financial Statements
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Fund Balances

In the governmental fund financial statements, fund balance is composed of five classification designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund types as follows:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditor or imposed by law.

Restricted for State Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unspent Powell Bill funds.

Restricted for Public Safety - portion of fund balance that is restricted by revenue source for certain public safety expenditures.

Restricted for Economic Development - portion of fund balance that is restricted by the contributor for future economic development expenditures.

Restricted for Scholarships - portion of fund balance that is restricted for scholarships for local students attending Catawba Valley Community College or Mitchell Community College in a police, fire or EMS related field of study.

Assigned Fund Balance - portion of fund balance that the City of Claremont intends to use for specific purposes.

Subsequent year's expenditures - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

CITY OF CLAREMONT
Notes to the Basic Financial Statements
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Unassigned Fund Balance - the portion of fund balance that has not been restricted, committed or assigned to a specific purpose or other funds.

The City of Claremont has not formally adopted a revenue spending policy that provides guidance for programs with multiple revenue sources. However, the Finance Officer currently uses resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-City funds, and City funds. For purposes of fund balances classifications, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

E. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balances - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$6,156,140 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 11,081,788
Less accumulated depreciation on above capital assets	(3,673,396)
Accrued interest receivable less the amount claimed as unearned revenue in the government wide statements as these funds are not available and, therefore, deferred in the fund statements	2,626
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	33,636
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements	
Bonds and installment purchases	(1,200,000)
Compensated absences	(69,484)
Accrued interest payable	<u>(19,030)</u>
Total adjustment	<u><u>\$ 6,156,140</u></u>

CITY OF CLAREMONT
Notes to the Basic Financial Statements
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2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$339,511 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 236,895
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(411,901)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affects only the statement of net assets in the government-wide statements	514,130
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	2,254
Compensated absences, accrued postclosure care and net pension obligation are accrued in the government-wide statements but not in the fund statements	(7,117)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Reversal of deferred tax revenue recorded at July 1, 2011	(28,527)
Recording of tax receipts deferred in the fund statements as of June 30, 2012	33,636
Increase(Decrease) in accrued taxes receivable for the year ended June 30, 2012	141
Total adjustment	<u>\$ 339,511</u>

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Expenditures in Excess of Appropriations

In the General Fund, the expenditures for a transfer to the PJ Stanley Scholarship Fund was not budgeted as a transfer from the General Fund. The board approved the transfer from the General Fund to the PJ Scholarship Fund, but the budget amendment was never officially approved. Care should be taken in the future to ensure that all expenditures and transfers are properly appropriated in the budget.

CITY OF CLAREMONT
Notes to the Basic Financial Statements
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III. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the City's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the City's agents in its units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by its agents in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2012, the City's deposits had a carrying amount of \$340,276 and a bank balance of \$362,627. Of the bank balance, \$285,157 was covered by federal depository insurance, and \$77,470 was covered by collateral held under the Pooling Method.

At June 30, 2012, the City had \$150 cash on hand.

2. Investments

At June 30, 2012, the City had \$2,319,040 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy for managing interest rate or credit risk.

CITY OF CLAREMONT
Notes to the Basic Financial Statements
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3. Receivables

Receivables at the government-wide level at June 30, 2012, were as follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from other Governments</u>	<u>Total</u>
Governmental activities				
General	\$ 1,099	\$ 66,305	\$ 190,933	\$ 258,337
Other governmental funds	<u>2,747</u>	<u>0</u>	<u>0</u>	<u>2,747</u>
Total receivables	\$ 3,846	\$ 66,305	\$ 190,933	\$ 261,084
Allowance for doubtful accounts	<u>0</u>	<u>(26,700)</u>	<u>0</u>	<u>(26,700)</u>
Total governmental activities	<u>\$ 3,846</u>	<u>\$ 39,605</u>	<u>\$ 190,933</u>	<u>\$ 234,384</u>
Business-type activities				
Water and sewer	\$ 106,467	\$ 0	\$ 0	\$ 106,467
Allowance for doubtful accounts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total business-type activities	<u>\$ 106,467</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 106,467</u>

The due from other governments that is owed to the City consists of the following:

Local option sales tax	\$ 70,281
Utility franchise, video, telecommunication and piped natural gas taxes	96,181
Solid waste disposal tax	212
Refundable sales tax	<u>24,259</u>
Total	<u>\$ 190,933</u>

4. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 955,377	\$ 149,800	\$ 0	\$ 1,105,177
Total capital assets not being depreciated	<u>\$ 955,377</u>	<u>\$ 149,800</u>	<u>\$ 0</u>	<u>\$ 1,105,177</u>

CITY OF CLAREMONT
Notes to the Basic Financial Statements
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	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities (continued)				
Capital assets being depreciated				
Buildings	\$ 1,976,486	\$ 0	\$ 0	\$ 1,976,486
Other improvements	2,696,696	0	0	2,696,696
Equipment and furniture	1,089,647	5,700	11,104	1,084,243
Vehicles	1,369,015	81,395	60,580	1,389,830
Infrastructure	2,829,356	0	0	2,829,356
Total capital assets being depreciated	\$ 9,961,200	\$ 87,095	\$ 71,684	\$ 9,976,611
Less accumulated depreciation for				
Buildings	\$ 452,481	\$ 44,281	\$ 0	\$ 496,762
Other improvements	186,765	163,108	0	349,873
Equipment and furniture	949,260	30,335	11,104	968,491
Vehicles	1,063,550	116,611	60,580	1,119,581
Infrastructure	681,123	57,566	0	738,689
Total accumulated depreciation	\$ 3,333,179	\$ 411,901	\$ 71,684	\$ 3,673,396
 Total capital assets being depreciated, net	 \$ 6,628,021	 \$ (324,806)	 \$ 0	 \$ 6,303,215
 Governmental activity capital assets, net	 \$ 7,583,398			 \$ 7,408,392

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 17,587
Public safety	144,284
Environmental protection	57,565
Transportation	31,604
Economic and physical development	147,211
Cultural and recreation	13,650
Total depreciation expense	\$ 411,901

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Notes to the Basic Financial Statements
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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 101,870	\$ 0	\$ 0	\$ 101,870
Total capital assets not being depreciated	<u>\$ 101,870</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 101,870</u>
Capital assets being depreciated				
Equipment	\$ 326,915	\$ 91,597	\$ 0	\$ 418,512
Plant and distribution system	<u>9,277,037</u>	<u>0</u>	<u>0</u>	<u>9,277,037</u>
Total capital assets being depreciated	<u>\$ 9,603,952</u>	<u>\$ 91,597</u>	<u>\$ 0</u>	<u>\$ 9,695,549</u>
Less accumulated depreciation for				
Equipment	\$ 281,399	\$ 13,281	\$ 0	\$ 294,680
Plant and distribution system	<u>3,954,206</u>	<u>200,611</u>	<u>0</u>	<u>4,154,817</u>
Total accumulated depreciation	<u>\$ 4,235,605</u>	<u>\$ 213,892</u>	<u>\$ 0</u>	<u>\$ 4,449,497</u>
Total capital assets being depreciated, net	<u>\$ 5,368,347</u>	<u>\$ (122,295)</u>	<u>\$ 0</u>	<u>\$ 5,246,052</u>
Business-type activity capital assets, net	<u>\$ 5,470,217</u>			<u>\$ 5,347,922</u>

Commitments

During the year, the City entered into a lease agreement to provide financing for Pierre Foods as an economic incentive. Under the agreement with Pierre Foods, the City will receive 84 monthly payments in the amount of \$2,736 which includes interest at a rate of 3%. The money use to provide this lease financing came from the Golden Leaf Foundation and the terms of their agreement allows for the repayment by Pierre Foods to be restricted for future economic development expenditures by the City.

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2012, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Others</u>	<u>Total</u>
Governmental activities					
General	\$ 83,726	\$ 29,859	\$ 19,030	\$ 0	\$ 132,615
Other governmental	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total governmental activities	<u>\$ 83,726</u>	<u>\$ 29,859</u>	<u>\$ 19,030</u>	<u>\$ 0</u>	<u>\$ 132,615</u>
Business-type activities					
Water	<u>\$ 44,981</u>	<u>\$ 0</u>	<u>\$ 1,662</u>	<u>\$ 0</u>	<u>\$ 46,643</u>

CITY OF CLAREMONT
Notes to the Basic Financial Statements
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2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.88% and 7.35%, respectively, of annual covered payroll. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$54,037, \$31,918, and \$31,238, respectively. The contributions made by the City equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

The City administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for this plan.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	8
Total	<u>9</u>

A separate report was not issued for this plan.

CITY OF CLAREMONT
Notes to the Basic Financial Statements
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2. Summary of Significant Accounting Policies:

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has, at the present, chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The City has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. All law enforcement officers employed by the City participate in the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. Participation begins at the date of employment, and benefits are provided to all law enforcement officers employed by the City. In a defined contribution plan, benefits depend solely on the amounts contributed to the plan plus investment earnings. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, or by calling (919)981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Total contributions for the year ended June 30, 2012 were \$31,294, which consisted of \$15,538 from the City and \$15,756 from the law enforcement officers.

CITY OF CLAREMONT
Notes to the Basic Financial Statements
June 30, 2012

d. Firemen's and Rescue Squad Workers' Pension Fund

Plan Description - The State of North Carolina contributes, on behalf of the City of Claremont to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigned the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919)981-5454.

Funding Policy - Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

e. Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

3. Deferred/Unearned Revenues

The balance in deferred revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Taxes receivable, net	\$ 36,979	\$ 3,343
Assessments receivables	86	86
Prepaid taxes not yet earned	8,249	8,249
	<u>\$ 45,314</u>	<u>\$ 11,678</u>

CITY OF CLAREMONT
Notes to the Basic Financial Statements
June 30, 2012

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property liability in excess of \$500,000 and \$300,000 statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values. This property coverage includes flood insurance coverage up to the same limits as other losses with a \$50,000 deductible.

In accordance with G.S. 159-29, the finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

5. Claims, Judgements and Contingent Liabilities

At June 30, 2012, the City was unaware of any pending or threatened litigation, claims or contingent liabilities which could have a material adverse effect on the City's financial position.

6. Long-Term Obligations

a. Installment Purchases

As authorized by State law (G.S. 160A-20 and 153A-158.1), the City financed various property and equipment acquisitions by installment purchase.

Installment purchase contracts at June 30, 2012, are comprised of the following:

Serviced by the General Fund

\$1,500,000 contract for construction of a railroad spur to Poppelmann,
due in annual installment of \$100,000 plus interest at 3.96%, through
February 2024 \$ 1,200,000

Serviced by Water and Sewer Fund

\$2,945,176 promissory note with the State of North Carolina for the
construction of wastewater treatment facilities, due in annual installments
of \$147,259, including interest at 3.385%, through August 2014. 294,518

Total \$ 1,494,518

CITY OF CLAREMONT
Notes to the Basic Financial Statements
June 30, 2012

Annual debt service requirements to maturity for the City's installment purchases are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 100,000	\$ 47,520	\$ 147,259	\$ 9,969
2014	100,000	43,560	147,259	4,985
2015	100,000	39,600	0	0
2016	100,000	35,640	0	0
2017	100,000	31,680	0	0
2017-2021	500,000	99,000	0	0
2022-2026	200,000	11,880	0	0
Total	\$ 1,200,000	\$ 308,880	\$ 294,518	\$ 14,954

At June 30, 2012, City of Claremont had a legal debt margin of \$27,065,428.

b. Long-Term Obligation Activity

The following is a summary of changes in the City's long-term obligations for the fiscal year ended June 30, 2012:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Governmental activities					
Installment purchases	\$ 1,714,130	\$ 0	\$ 514,130	\$ 1,200,000	\$ 100,000
Compensated absences	62,367	42,735	35,618	69,484	0
Total governmental activities	\$ 1,776,497	\$ 42,735	\$ 549,748	\$ 1,269,484	\$ 100,000
Business-type activities					
Installment purchases	\$ 513,110	\$ 0	\$ 218,592	\$ 294,518	\$ 147,259

Compensated absences typically have been liquidated in the general fund and enterprise fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it as earned.

C. Interfund Balances and Activity

Transfers to/from other funds

Transfer From	Transfer To	Purpose	Amount
General Fund	PJ Stanley Scholarship Fund	Funding for scholarships	\$ 1,000

CITY OF CLAREMONT
Notes to the Basic Financial Statements
June 30, 2012

D. Fund Balance

The following schedule provide management and citizens with information of General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 1,988,878
Less:	
Stabilization by State Statute	191,946
Streets - Powell Bill	126,461
Public Safety	7,842
Appropriated Fund Balance in 2013 budget	<u>35,000</u>
Remaining Fund Balance	<u>\$ 1,627,629</u>

IV. JOINTLY GOVERNED ORGANIZATION

The Western Piedmont Council of Governments ("Council") was established in November, 1968 by the the City in conjunction with three counties and twenty-two other municipalities. Each participating government appoints one member to the Council's governing board. The Council's financing is derived from voluntary annual dues paid by member governments and from federal and state grants. The City paid dues of \$1,843 to the Council during the fiscal year ended June 30, 2012.

V. SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Federal and State Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Based upon prior experience, management believes that any required refunds, if any, will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

V. SUBSEQUENT EVENTS

For the year ended June 30, 2012, the City of Claremont has evaluated subsequent events for potential disclosure through October 31, 2012, the date of the financial statements were available to be issued.

The City has purchased a used ladder fire truck at a cost of \$310,006 in September of 2012, and in addition, the City has purchased a new police vehicle and has upfitted it with upgraded video capabilities at a cost of \$36,805.



COMBINING AND INDIVIDUAL FUND STATEMENTS



THE GENERAL FUND

The General Fund accounts for resources traditionally associated with the government that are not required legally or by sound fiscal management to be accounted for in other funds.



CITY OF CLAREMONT
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes	\$ 1,657,739	\$ 1,623,616	\$ (34,123)
Local option sales taxes			
Article 39 one percent	\$ 95,000	\$ 116,945	\$ 21,945
Article 40 one-half of one percent	35,500	52,092	16,592
Article 42 one-half of one percent	40,000	56,298	16,298
Article 44 one-half of one percent	<u>0</u>	<u>163</u>	<u>163</u>
	\$ 170,500	\$ 225,498	\$ 54,998
Other taxes and licenses			
Local occupancy tax	\$ 15,000	\$ 11,134	\$ (3,866)
Solid waste disposal tax	<u>500</u>	<u>925</u>	<u>425</u>
	\$ 15,500	\$ 12,059	\$ (3,441)
Unrestricted intergovernmental			
Utility franchise tax	\$ 175,000	\$ 257,245	\$ 82,245
Telecommunication tax	0	46,410	46,410
Piped natural gas tax	5,000	11,723	6,723
Beer and wine tax	1,000	5,871	4,871
State holdharmless reimbursement	95,000	90,691	(4,309)
City holdharmless reimbursement	0	42,943	42,943
Video programming tax	22,000	34,447	12,447
Cable franchise tax	<u>1,000</u>	<u>0</u>	<u>(1,000)</u>
	\$ 299,000	\$ 489,330	\$ 190,330
Restricted intergovernmental			
Powell Bill allocation	\$ 20,000	\$ 42,822	\$ 22,822
Special fire district fees	224,743	230,544	5,801
Mutual aid fees	2,400	0	(2,400)
Seizure funds	<u>0</u>	<u>52</u>	<u>52</u>
	\$ 247,143	\$ 273,418	\$ 26,275
Permits and fees			
Civil fees	\$ 1,000	\$ 864	\$ (136)

CITY OF CLAREMONT
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and services			
Refuse collection fees	\$ 1,000	\$ 768	\$ (232)
Investment earnings	\$ 3,000	\$ 1,650	\$ (1,350)
Miscellaneous			
Contributions	\$ 10,400	\$ 14,046	\$ 3,646
Other	9,855	10,368	513
	<u>\$ 20,255</u>	<u>\$ 24,414</u>	<u>\$ 4,159</u>
Total revenues	<u>\$ 2,415,137</u>	<u>\$ 2,651,617</u>	<u>\$ 236,480</u>
Expenditures			
General Government			
Governing Board			
Elected and appointed officials		\$ 6,950	
Salaries		1,425	
Employee benefits		12,154	
Professional services		21,472	
Travel and training		9,443	
Other operating expenditures		17,478	
	<u>\$ 69,265</u>	<u>\$ 68,922</u>	<u>\$ 343</u>
Administrative			
Salaries		\$ 165,651	
Employee benefits		51,378	
Professional services		15,200	
Travel and training		3,027	
Engineering		4,464	
Contractual services		91,108	
Other operating expenditures		41,396	
Capital outlay		9,397	
	<u>\$ 388,817</u>	<u>\$ 381,621</u>	<u>\$ 7,196</u>
Total general government	<u>\$ 458,082</u>	<u>\$ 450,543</u>	<u>\$ 7,539</u>

CITY OF CLAREMONT
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety			
Police			
Salaries		\$ 390,669	
Employee benefits		128,503	
Travel and training		6,920	
Contractual services		18,526	
Vehicle maintenance		38,322	
Other operating expenditures		83,581	
Capital outlay		71,998	
	<u>\$ 763,527</u>	<u>\$ 738,519</u>	<u>\$ 25,008</u>
Fire protection			
Salaries		\$ 130,316	
Employee benefits		38,372	
Travel and training		9,042	
Contractual services		9,120	
Vehicle maintenance		23,784	
Other operating expenditures		85,501	
Capital outlay		5,700	
	<u>\$ 317,245</u>	<u>\$ 301,835</u>	<u>\$ 15,410</u>
Total public safety	<u>\$ 1,080,772</u>	<u>\$ 1,040,354</u>	<u>\$ 40,418</u>
Environmental protection			
Public works			
Salaries		\$ 195,076	
Employee benefits		66,419	
Travel and training		660	
Contractual services		96,770	
Vehicle maintenance		29,879	
Other operating expenditures		123,372	
Capital outlay		149,800	
Total public works	<u>\$ 671,773</u>	<u>\$ 661,976</u>	<u>\$ 9,797</u>

CITY OF CLAREMONT
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Economic development			
Other operating expenditures	\$ 27,750	\$ 27,737	\$ 13
Transportation			
Powell bill			
Contractual services		\$ 12,112	
Vehicle maintenance		226	
Other operating expenditures		<u>7,662</u>	
	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 0</u>
Cultural and recreational			
Library			
Contractual services		\$ 17,000	
Other operating expenditures		<u>3,576</u>	
	<u>\$ 20,630</u>	<u>\$ 20,576</u>	<u>\$ 54</u>
Recreation			
Salaries		\$ 8,663	
Employee benefits		473	
Contractual services		8,000	
Other operating expenditures		<u>49,095</u>	
	<u>\$ 67,634</u>	<u>\$ 66,231</u>	<u>\$ 1,403</u>
Total cultural and recreational	<u>\$ 88,264</u>	<u>\$ 86,807</u>	<u>\$ 1,457</u>
Debt service			
Principal retirement		\$ 514,130	
Interest and fees		<u>61,239</u>	
Total debt service	<u>\$ 575,371</u>	<u>\$ 575,369</u>	<u>\$ 2</u>
Total expenditures	<u>\$ 2,922,012</u>	<u>\$ 2,862,786</u>	<u>\$ 59,226</u>
Revenues over(under) expenditures	<u>\$ (506,875)</u>	<u>\$ (211,169)</u>	<u>\$ 295,706</u>

CITY OF CLAREMONT
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses)			
Transfers			
To Special Revenue Funds	\$ 0	\$ (1,000)	\$ (1,000)
Sale of capital assets	3,000	11,575	8,575
Fund balance appropriated	<u>503,875</u>	<u>0</u>	<u>(503,875)</u>
Total other financing sources(uses)	<u>\$ 506,875</u>	<u>\$ 10,575</u>	<u>\$ (496,300)</u>
Net change in fund balance	<u>\$ 0</u>	\$ (200,594)	<u>\$ (200,594)</u>
Fund balance, beginning of year		<u>2,189,472</u>	
Fund balance, end of year		<u>\$ 1,988,878</u>	



SPECIAL REVENUE AND CAPITAL PROJECTS FUNDS

Special Revenue Funds are used to account revenues that are restricted for a specific use.

Nonmajor Special Revenue Funds

PJ Stanley Scholarship Fund - accounts for contributions and transfers from other fund that will be used to provide scholarships for local student who are pursuing a degree in the field of law enforcement, fire or EMS.

Economic Development Fund - accounts for the proceeds from a grantor for future economic development incentives.

Capital Project Funds are used to account for acquisitions or construction of major capital facilities or infrastructure other than those financed by the Enterprise Fund.

Nonmajor Capital Project Fund

General Capital Projects Fund - accounts for the amounts designated by Council for future capital projects.

CITY OF CLAREMONT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Nonmajor Special Revenue Funds		Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
	PJ Stanley Scholarship Fund	Economic Development Incentive Fund		
Assets				
Cash and cash equivalents	\$ 0	\$ 0	\$ 109,664	\$ 109,664
Restricted cash and cash equivalents	2,435	13,680	0	16,115
Accounts receivable	0	2,737	10	2,747
Total assets	\$ 2,435	\$ 16,417	\$ 109,674	\$ 128,526
Liabilities and fund balances				
Liabilities				
Accounts payable and accrued liabilities	\$ 0	\$ 0	\$ 0	\$ 0
Fund balances				
Restricted				
Stabilization by State statute	\$ 0	\$ 2,737	\$ 10	\$ 2,747
Economic development	0	13,680	0	13,680
Scholarships	2,435	0	0	2,435
Assigned				
Capital projects	0	0	109,664	109,664
Unassigned	0	0	0	0
Total fund balances	\$ 2,435	\$ 16,417	\$ 109,674	\$ 128,526
Total liabilities and fund balances	\$ 2,435	\$ 16,417	\$ 109,674	\$ 128,526

CITY OF CLAREMONT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2012

	Nonmajor Special Revenue Funds		Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
	PJ Stanley Scholarship Fund	Economic Development Incentive Fund		
Revenues				
Investment earnings	\$ 0	\$ 0	\$ 80	\$ 80
Miscellaneous	<u>1,435</u>	<u>170,156</u>	<u>0</u>	<u>171,591</u>
Total revenues	\$ 1,435	\$ 170,156	\$ 80	\$ 171,671
Expenditures				
Economic and physical development	<u>0</u>	<u>207,065</u>	<u>0</u>	<u>207,065</u>
Revenues over(under) expenditures	\$ 1,435	\$ (36,909)	\$ 80	\$ (35,394)
Other financing sources (uses)				
Transfers				
From General Fund	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>1,000</u>
Net change in fund balance	\$ 2,435	\$ (36,909)	\$ 80	\$ (34,394)
Fund balance, beginning of year	<u>0</u>	<u>53,326</u>	<u>109,594</u>	<u>162,920</u>
Fund balance, end of year	<u><u>\$ 2,435</u></u>	<u><u>\$ 16,417</u></u>	<u><u>\$ 109,674</u></u>	<u><u>\$ 128,526</u></u>

CITY OF CLAREMONT
PJ Stanley Scholarship Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2012

	Budget	Actual	Variance Positive (Negative)
Revenues			
Miscellaneous			
Contributions	\$ 5,000	\$ 1,435	\$ (3,565)
Expenditures			
General government			
Scholarships	\$ 4,500	\$ 0	\$ 4,500
Supplies	500	0	500
Total expenditures	\$ 5,000	\$ 0	\$ 5,000
Revenues over(under) expenditures	\$ 0	\$ 1,435	1,435
Other financing sources (uses)			
Transfer from General Fund	0	1,000	1,000
Net change in fund balance	\$ 0	\$ 2,435	\$ 2,435
Fund balance, beginning of year		0	
Fund balance, end of year		\$ 2,435	

CITY OF CLAREMONT
Economic Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and for the Year Ended June 30, 2012

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>
Revenues				
Miscellaneous				
Golden Leaf contribution	\$ 207,065	\$ 53,326	\$ 153,739	\$ 207,065
Lease payments - principal	207,065	0	13,394	13,394
Lease payments - interest	<u>22,760</u>	<u>0</u>	<u>3,023</u>	<u>3,023</u>
Total revenues	\$ 436,890	\$ 53,326	\$ 170,156	\$ 223,482
Expenditures				
Economic Development Incentives	<u>436,890</u>	<u>0</u>	<u>207,065</u>	<u>207,065</u>
Net change in fund balance	<u>\$ 0</u>	<u>\$ 53,326</u>	\$ (36,909)	<u>\$ 16,417</u>
Fund balance, beginning of year			<u>53,326</u>	
Fund balance, end of year			<u>\$ 16,417</u>	

CITY OF CLAREMONT
General Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and for the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Investment earnings	\$ 0	\$ 80	\$ 80
Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	<u>\$ 0</u>	\$ 80	<u>\$ 80</u>
Fund balance, beginning of year		<u>109,594</u>	
Fund balance, end of year		<u>\$ 109,674</u>	

ENTERPRISE FUND

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Individual Fund Descriptions

Water and Sewer Fund - accounts for the City's Water and Sewer operations.

Water and Sewer Capital Reserve Fund - accounts for reserves for future expansion of water and sewer system.

CITY OF CLAREMONT
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non- GAAP)
For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues			
Charges for services			
Water and sewer charges/ fees	\$ 1,000,693	\$ 1,011,452	\$ 10,759
Sprinkler and hydrant charges	23,350	22,150	(1,200)
Reconnection fees	9,000	15,326	6,326
Water and sewer taps	10,000	2,863	(7,137)
Other operating revenues	<u>450</u>	<u>350</u>	<u>(100)</u>
	\$ 1,043,493	\$ 1,052,141	\$ 8,648
Nonoperating revenues			
Investment earnings	<u>1,000</u>	<u>2</u>	<u>(998)</u>
Total revenues	<u>\$ 1,044,493</u>	<u>\$ 1,052,143</u>	<u>\$ 7,650</u>
Expenditures			
Water Distribution			
Water purchases		\$ 123,049	
Utilities		1,706	
Contractual services		56,987	
Other operating expenditures		42,162	
Capital outlay		<u>51,551</u>	
	<u>\$ 300,436</u>	<u>\$ 275,455</u>	<u>\$ 24,981</u>
Sewage Treatment			
Travel and training		\$ 866	
Contractual services		440,199	
Other operating expenditures		56,723	
Capital outlay		<u>40,046</u>	
	<u>\$ 543,421</u>	<u>\$ 537,834</u>	<u>\$ 5,587</u>
Debt Service			
Principal		\$ 218,592	
Interest and fees		<u>18,966</u>	
	<u>\$ 239,136</u>	<u>\$ 237,558</u>	<u>\$ 1,578</u>
Total expenditures	<u>\$ 1,082,993</u>	<u>\$ 1,050,847</u>	<u>\$ 32,146</u>

CITY OF CLAREMONT
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non- GAAP)
For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues over(under) expenditures	\$ (38,500)	\$ 1,296	\$ 39,796
Other financing source(uses)			
Fund balance appropriated	<u>38,500</u>	<u>0</u>	<u>(38,500)</u>
Revenues and other financing sources over(under) expenditures and other uses	<u>\$ 0</u>	<u>\$ 1,296</u>	<u>\$ 1,296</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Water and Sewer Fund - Revenues and other financing sources over(under) expenditures and other uses		\$ 1,296	
Water and Sewer Reserve Fund - Revenues and other financing sources over(under) expenditures and other uses		<u>151</u>	
		<u>\$ 1,447</u>	
Reconciling items:			
Debt principal		\$ 218,592	
Depreciation		(213,892)	
Capital outlay		91,597	
(Increase)decrease in accrued interest payable		<u>947</u>	
Total reconciling items		<u>\$ 97,244</u>	
Change in net assets		<u>\$ 98,691</u>	

CITY OF CLAREMONT
Water and Sewer Capital Reserve Fund
Schedule of Revenues and Expenditures and
Budget and Actual (Non- GAAP)
For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Nonoperating revenues			
Investment earnings	\$ 0	\$ 151	\$ 151
Expenditures			
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>
Revenues over(under) expenditures	<u>\$ 0</u>	\$ 151	<u>\$ 151</u>
Fund balance, beginning of year		<u>305,637</u>	
Fund balance, end of year		<u>\$ 305,788</u>	

ADDITIONAL FINANCIAL DATA

This section contains additional information on property taxes.

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy



CITY OF CLAREMONT
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2012

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2011</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2012</u>
2011-2012	\$ 0	\$ 1,625,262	\$ 1,596,371	\$ 28,891
2010-2011	23,131	0	10,783	12,348
2009-2010	10,453	0	4,396	6,057
2008-2009	8,556	0	4,542	4,014
2007-2008	4,816	0	2,441	2,375
2006-2007	2,135	0	8	2,127
2005-2006	2,009	0	0	2,009
2004-2005	825	0	4	821
2003-2004	858	0	0	858
2002-2003	837	0	0	837
2001-2002	<u>1,607</u>	<u>0</u>	<u>1,607</u>	<u>0</u>
	<u>\$ 55,227</u>	<u>\$ 1,625,262</u>	<u>\$ 1,620,152</u>	<u>\$ 60,337</u>
Uncollected 2012-2013 ad valorem taxes receivable				3,342
Allowance for doubtful receivables				<u>(26,700)</u>
Ad valorem taxes receivable - net				<u>\$ 36,979</u>
Reconciliation with revenues:				
Ad valorem taxes				\$ 1,623,616
Reconciling items				
Interest collected				(5,337)
Adjustments allowed				266
Amount written off for tax year 2001-2002 per statute of limitations				<u>1,607</u>
Total collections and credits				<u>\$ 1,620,152</u>

CITY OF CLAREMONT
Analysis of Current Tax Levy
City-Wide Levy
For the Fiscal Year Ended June 30, 2012

	<u>City - wide</u>			<u>Total Levy</u>	<u>Total Levy</u>
	<u>Property</u>		<u>Amount of</u>	<u>Property</u>	
	<u>Valuation</u>	<u>Rate</u>	<u>of Levy</u>	<u>Excluding</u>	<u>Registered</u>
				<u>Registered</u>	<u>Motor</u>
				<u>Motor</u>	<u>Vehicles</u>
				<u>Vehicles</u>	<u>Vehicles</u>
Original levy					
Property taxed at current					
year's rate	\$ 354,093,043	0.4600	\$ 1,628,828	\$ 1,567,278	\$ 61,550
Abatements	<u>(775,188)</u>		<u>(3,566)</u>	<u>0</u>	<u>(3,566)</u>
Total property valuation	<u>\$ 353,317,855</u>				
Net levy			\$ 1,625,262	\$ 1,567,278	\$ 57,984
Uncollected tax at June 30, 2012			<u>(28,891)</u>	<u>(17,401)</u>	<u>(11,490)</u>
Current year's taxes collected			<u>\$ 1,596,371</u>	<u>\$ 1,549,877</u>	<u>\$ 46,494</u>
Current levy collection percentage			<u>98.22</u> %	<u>98.89</u> %	<u>80.18</u> %

STATISTICAL SECTION

CITY OF CLAREMONT

Net Assets by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2012	2011	2010	2009
Governmental activities				
Invested in capital assets, net of related debt	\$ 6,208,392	\$ 5,869,268	\$ 5,728,899	\$ 4,678,368
Restricted	352,890	326,782	178,436	830,412
Unrestricted	1,712,262	1,972,971	1,880,985	2,061,151
Total governmental activities net assets	\$ 8,273,544	\$ 8,169,021	\$ 7,788,320	\$ 7,569,931
Business-type activities				
Invested in capital assets, net of related debt	\$ 5,053,404	\$ 4,957,107	\$ 4,932,737	\$ 4,951,849
Restricted	0	0	0	0
Unrestricted	724,807	722,413	726,855	723,943
Total business-type activities net assets	\$ 5,778,211	\$ 5,679,520	\$ 5,659,592	\$ 5,675,792
Primary government				
Invested in capital assets, net of related debt	\$ 11,261,796	\$ 10,826,375	\$ 10,661,636	\$ 9,630,217
Restricted	352,890	326,782	178,436	830,412
Unrestricted	2,437,069	2,695,384	2,607,840	2,785,094
Total primary government net assets	\$ 14,051,755	\$ 13,848,541	\$ 13,447,912	\$ 13,245,723

Source: City of Claremont Audit Report from years ended June 30, 2003 to June 30, 2012.

N/A - Not applicable (GASB 34 implemented in 2004)

Table 1

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 4,409,190	\$ 4,055,036	\$ 3,951,763	\$ 3,994,044	\$ 3,849,185	N/A
116,736	303,921	316,539	84,955	(19,703)	N/A
2,679,042	2,062,150	1,869,105	2,221,815	2,291,986	N/A
<u>\$ 7,204,968</u>	<u>\$ 6,421,107</u>	<u>\$ 6,137,407</u>	<u>\$ 6,300,814</u>	<u>\$ 6,121,468</u>	N/A
\$ 4,956,430	\$ 4,450,131	\$ 3,921,682	\$ 3,459,551	\$ 3,377,611	N/A
0	0	0	0	0	N/A
607,952	836,404	764,230	662,327	541,362	N/A
<u>\$ 5,564,382</u>	<u>\$ 5,286,535</u>	<u>\$ 4,685,912</u>	<u>\$ 4,121,878</u>	<u>\$ 3,918,973</u>	N/A
\$ 9,365,620	\$ 8,505,167	\$ 7,873,445	\$ 7,453,595	\$ 7,226,796	N/A
116,736	303,921	316,539	84,955	(19,703)	N/A
3,286,994	2,898,554	2,633,335	2,884,142	2,833,348	N/A
<u>\$ 12,769,350</u>	<u>\$ 11,707,642</u>	<u>\$ 10,823,319</u>	<u>\$ 10,422,692</u>	<u>\$ 10,040,441</u>	N/A

CITY OF CLAREMONT

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2012	2011	2010	2009
Expenses				
Governmental activities				
General government	\$ 461,060	\$ 460,013	\$ 478,917	\$ 641,090
Public safety	1,106,640	1,168,044	1,106,317	949,373
Environmental protection	724,631	566,850	524,483	473,937
Economic and physical development	232,213	25,268	25,451	25,284
Streets	51,604	133,962	46,383	61,707
Culture and recreation	100,457	85,882	94,741	99,462
Interest on long-term debt	58,985	73,001	84,147	57,279
Total governmental activities expenses	<u>\$ 2,735,590</u>	<u>\$ 2,513,020</u>	<u>\$ 2,360,439</u>	<u>\$ 2,308,132</u>
Business-type activities				
Water and Sewer	\$ 953,603	\$ 848,509	\$ 827,058	\$ 871,423
Total business-type activities expenses	<u>\$ 953,603</u>	<u>\$ 848,509</u>	<u>\$ 827,058</u>	<u>\$ 871,423</u>
 Total primary government expenses	 <u>\$ 3,689,193</u>	 <u>\$ 3,361,529</u>	 <u>\$ 3,187,497</u>	 <u>\$ 3,179,555</u>
Program Revenues				
Governmental activities				
Charges for services	\$ 232,176	\$ 222,819	\$ 240,017	\$ 229,616
Operating grants and contributions	229,436	105,885	65,133	263,844
Capital grants and contributions	0	199,847	0	17,518
Total governmental activities program revenues	<u>\$ 461,612</u>	<u>\$ 528,551</u>	<u>\$ 305,150</u>	<u>\$ 510,978</u>
Business-type activities				
Charges for services	\$ 1,052,141	\$ 888,116	\$ 810,388	\$ 753,267
Operating grants and contributions	0	(20,000)	0	140,000
Capital grants and contributions	0	0	0	0
Total business-type activities program revenues	<u>\$ 1,052,141</u>	<u>\$ 868,116</u>	<u>\$ 810,388</u>	<u>\$ 893,267</u>
 Total primary government program revenues	 <u>\$ 1,513,753</u>	 <u>\$ 1,396,667</u>	 <u>\$ 1,115,538</u>	 <u>\$ 1,404,245</u>

Table 2

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 445,795	\$ 406,036	\$ 688,047	\$ 629,941	\$ 679,953	N/A
992,786	883,969	947,893	920,192	923,039	N/A
499,824	517,690	456,584	428,105	447,853	N/A
35,281	35,252	27,633	0	22,783	N/A
60,430	110,897	534,588	201,327	61,895	N/A
103,656	95,499	101,242	107,144	78,717	N/A
40,705	74,381	69,542	77,771	88,073	N/A
<u>\$ 2,178,477</u>	<u>\$ 2,123,724</u>	<u>\$ 2,825,529</u>	<u>\$ 2,364,480</u>	<u>\$ 2,302,313</u>	N/A
<u>\$ 871,791</u>	<u>\$ 806,461</u>	<u>\$ 739,588</u>	<u>\$ 667,304</u>	<u>\$ 787,317</u>	N/A
<u>\$ 871,791</u>	<u>\$ 806,461</u>	<u>\$ 739,588</u>	<u>\$ 667,304</u>	<u>\$ 787,317</u>	N/A
<u>\$ 3,050,268</u>	<u>\$ 2,930,185</u>	<u>\$ 3,565,117</u>	<u>\$ 3,031,784</u>	<u>\$ 3,089,630</u>	N/A
\$ 240,648	\$ 4,765	\$ 9,063	\$ 219,412	\$ 15,757	N/A
124,467	264,700	317,600	43,932	227,524	N/A
309,159	36,566	421,942	110,785	412,792	N/A
<u>\$ 674,274</u>	<u>\$ 306,031</u>	<u>\$ 748,605</u>	<u>\$ 374,129</u>	<u>\$ 656,073</u>	N/A
\$ 736,475	\$ 654,609	\$ 617,125	\$ 587,821	\$ 533,937	N/A
0	0	0	0	0	N/A
394,631	507,396	405,030	58,649	458,416	N/A
<u>\$ 1,131,106</u>	<u>\$ 1,162,005</u>	<u>\$ 1,022,155</u>	<u>\$ 646,470</u>	<u>\$ 992,353</u>	N/A
<u>\$ 1,805,380</u>	<u>\$ 1,468,036</u>	<u>\$ 1,770,760</u>	<u>\$ 1,020,599</u>	<u>\$ 1,648,426</u>	N/A

CITY OF CLAREMONT

Changes in Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2012	2011	2010	2009
Net (Expenses) Revenues				
Governemetal activities	\$ (2,273,978)	\$ (1,984,469)	\$ (2,055,289)	\$ (1,797,154)
Business-type activities	98,538	19,607	(16,670)	21,844
Total primary government net expense	\$ (2,175,440)	\$ (1,964,862)	\$ (2,071,959)	\$ (1,775,310)
General Revenues and Other				
Changes in Net Assets				
Governemetal activities				
Taxes				
Property taxes	\$ 1,628,866	\$ 1,673,981	\$ 1,641,711	\$ 1,590,921
Local option sales taxes	224,573	176,721	174,018	200,296
Other taxes and licenses	12,059	12,673	15,243	18,691
Unrestricted intergovernmental	489,330	451,252	434,706	386,508
Investment earnings	1,730	3,238	5,617	48,316
Miscellaneous, unrestricted	21,943	47,305	2,383	2,417
Transfers	0	0	0	(85,032)
Prior Period Adjustment	0	0	0	0
Total governmental activities	\$ 2,378,501	\$ 2,365,170	\$ 2,273,678	\$ 2,162,117
Business-type activities				
Other taxes and licenses	\$ 0	\$ 0	\$ 0	\$ 0
Investment earnings	153	321	470	4,534
Transfers	0	0	0	85,032
Total business-type activities	\$ 153	\$ 321	\$ 470	\$ 89,566
Total primary government	\$ 2,378,654	\$ 2,365,491	\$ 2,274,148	\$ 2,251,683
Change in Net Assets				
Governemetal activities	\$ 104,523	\$ 380,701	\$ 218,389	\$ 364,963
Business-type activities	98,691	19,928	(16,200)	111,410
Total primary government	\$ 203,214	\$ 400,629	\$ 202,189	\$ 476,373

Source: City of Claremont Audit Report from years ended June 30, 2003 to June 30, 2012.

N/A - Not applicable (GASB 34 implemented in 2004)

Table 2 (continued)

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ (1,504,203)	\$ (1,817,693)	\$ (2,076,924)	\$ (1,990,351)	\$ (1,646,240)	N/A
259,315	355,544	282,567	(20,834)	205,036	N/A
<u>\$ (1,244,888)</u>	<u>\$ (1,462,149)</u>	<u>\$ (1,794,357)</u>	<u>\$ (2,011,185)</u>	<u>\$ (1,441,204)</u>	N/A
\$ 1,528,001	\$ 1,543,309	\$ 1,514,660	\$ 1,670,711	\$ 1,805,466	N/A
250,188	240,645	221,534	211,086	244,419	N/A
20,874	25,170	21,613	15,804	13,738	N/A
392,873	352,549	315,085	294,718	305,325	N/A
87,680	94,489	73,591	44,581	21,153	N/A
8,448	60,231	22,034	17,833	2,891	N/A
0	(215,000)	(255,000)	(212,304)	(236,489)	N/A
0	0	0	127,268	0	N/A
<u>\$ 2,288,064</u>	<u>\$ 2,101,393</u>	<u>\$ 1,913,517</u>	<u>\$ 2,169,697</u>	<u>\$ 2,156,503</u>	N/A
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	N/A
18,532	30,079	26,467	11,435	5,466	N/A
0	215,000	255,000	212,304	236,489	N/A
<u>\$ 18,532</u>	<u>\$ 245,079</u>	<u>\$ 281,467</u>	<u>\$ 223,739</u>	<u>\$ 241,955</u>	N/A
<u>\$ 2,306,596</u>	<u>\$ 2,346,472</u>	<u>\$ 2,194,984</u>	<u>\$ 2,393,436</u>	<u>\$ 2,398,458</u>	N/A
\$ 783,861	\$ 283,700	\$ (163,407)	\$ 179,346	\$ 510,263	N/A
277,847	600,623	564,034	202,905	446,991	N/A
<u>\$ 1,061,708</u>	<u>\$ 884,323</u>	<u>\$ 400,627</u>	<u>\$ 382,251</u>	<u>\$ 957,254</u>	N/A

CITY OF CLAREMONT
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2012	2011	2010	2009
General Fund				
Reserved			\$ 636,339	\$ 284,525
Unreserved			1,774,167	1,982,361
Nonspendable	\$ 0	\$ 0		
Restricted	326,249	273,451		
Committed	0	0		
Assigned	35,000	197,775		
Unassigned	1,627,629	1,718,246		
Total General Fund	<u>\$ 1,988,878</u>	<u>\$ 2,189,472</u>	<u>\$ 2,410,506</u>	<u>\$ 2,266,886</u>
All other governmental funds				
Reserved			\$ 0	\$ 2,088
Unreserved, reported in:				
Special revenue funds			0	0
Capital project funds			(305,945)	671,876
Nonspendable	\$ 0	\$ 0		
Restricted	18,862	53,331		
Committed	109,664	109,589		
Assigned	0	0		
Unassigned				
Special revenue funds	0	0		
Capital project funds	0	0		
Total all other governmental funds	<u>\$ 128,526</u>	<u>\$ 162,920</u>	<u>\$ (305,945)</u>	<u>\$ 673,964</u>

Source: City of Claremont Audit Report from years ended June 30, 2003 to June 30, 2012.

Fund balance classifications were changed in 2011 as a result of implementation of GASB 54.

Table 3

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 296,253	\$ 578,489	\$ 540,314	\$ 399,106	\$ 92,946	\$ 18,395
2,157,077	1,579,379	1,445,525	2,068,663	2,219,924	2,213,512
<u>\$ 2,453,330</u>	<u>\$ 2,157,868</u>	<u>\$ 1,985,839</u>	<u>\$ 2,467,769</u>	<u>\$ 2,312,870</u>	<u>\$ 2,231,907</u>
\$ 1,920	\$ 345,023	\$ 340,000	\$ 37,997	\$ 0	\$ 0
0	0	0	(151,355)	0	0
320,127	(115,898)	(118,084)	(21,142)	(19,703)	10,573
<u>\$ 322,047</u>	<u>\$ 229,125</u>	<u>\$ 221,916</u>	<u>\$ (134,500)</u>	<u>\$ (19,703)</u>	<u>\$ 10,573</u>

CITY OF CLAREMONT
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Year
(modified accrual basis of accounting)

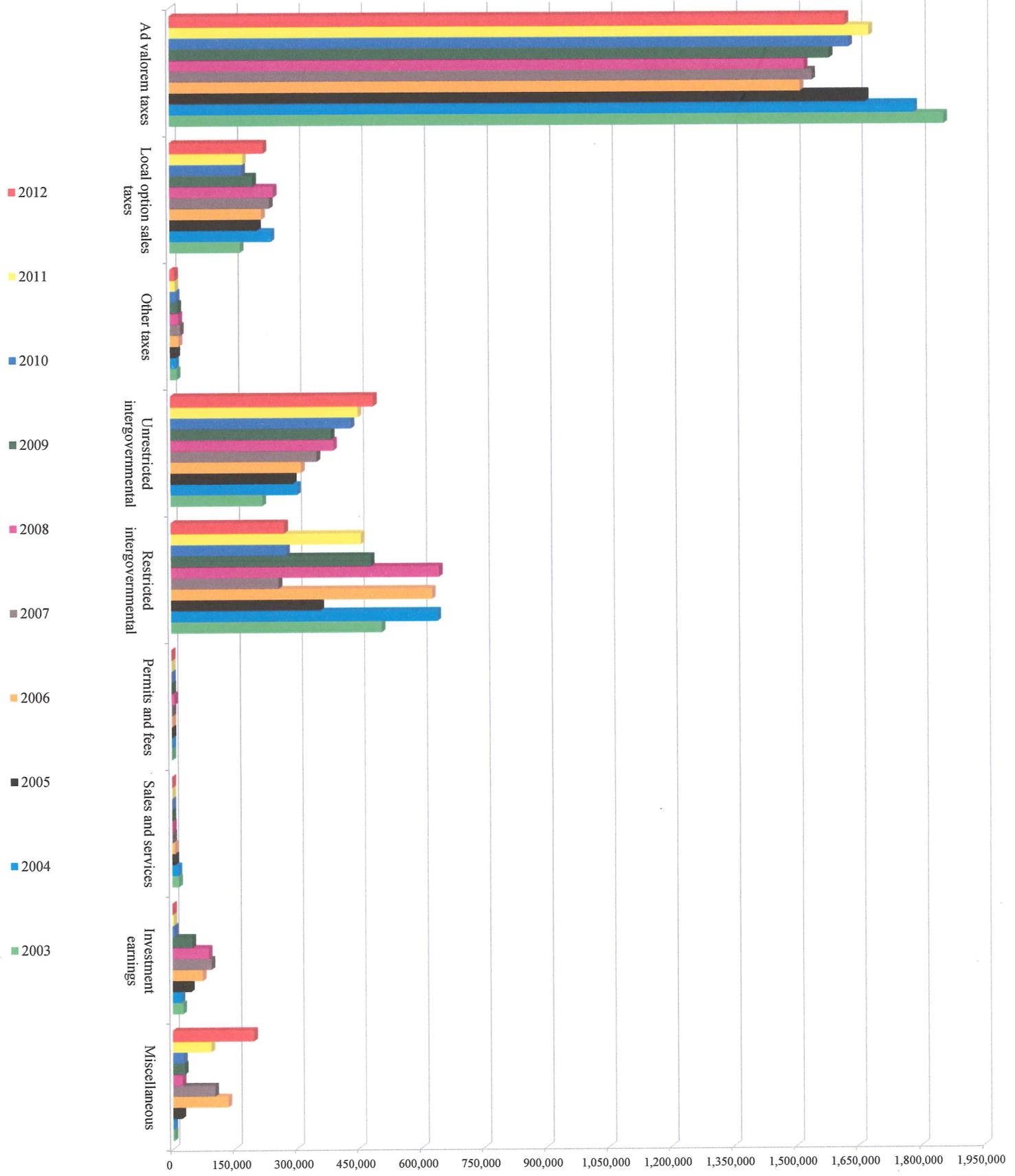
	Fiscal Year			
	2012	2011	2010	2009
Revenues:				
Ad valorem taxes	\$ 1,623,616	\$ 1,680,291	\$ 1,632,290	\$ 1,585,199
Local option sales taxes	225,498	176,721	174,018	200,296
Other taxes	12,059	12,673	15,243	18,691
Unrestricted intergovernmental	489,330	452,013	435,147	387,023
Restricted intergovernmental	273,418	458,360	278,223	481,405
Permits and fees	864	995	1,373	1,640
Sales and services	768	768	778	768
Investment earnings	1,730	3,238	5,617	48,316
Miscellaneous	196,005	93,261	26,718	29,067
Total revenues	\$ 2,823,288	\$ 2,878,320	\$ 2,569,407	\$ 2,752,405
Expenditures				
Current				
General government	\$ 450,543	\$ 444,927	\$ 461,093	\$ 638,692
Public safety	1,040,354	1,068,897	954,134	1,293,972
Environmental protection	661,976	531,000	507,803	446,963
Economic and physical development	234,802	25,268	25,451	25,284
Streets	20,000	141,050	13,888	4,142
Culture and recreation	86,807	75,018	83,877	88,599
Capital outlay		0	982,263	1,329,274
Debt service				
Principal retirement	514,130	291,136	291,136	191,136
Interest and fees	61,239	74,904	86,051	33,838
Total expenditures	\$ 3,069,851	\$ 2,652,200	\$ 3,405,696	\$ 4,051,900
Excess(deficiency) of Revenues over(under) Expenditures	\$ (246,563)	\$ 226,120	\$ (836,289)	\$ (1,299,495)
Other financing sources(uses)				
Transfers-in	\$ 1,000	\$ 162,076	\$ 138,002	\$ 110,536
Transfers-out	(1,000)	(162,076)	(138,002)	(195,568)
Issuance of debt	0	0	0	1,500,000
Current refunding financing issued	0	0	0	0
Payment to refinance installment agreeme	0	0	0	0
Sale of capital assets	11,575	21,711	0	0
Payment to escrow agent	0	0	0	0
Total other financing sources(uses)	\$ 11,575	\$ 21,711	\$ 0	\$ 1,414,968
Net change in fund balance	\$ (234,988)	\$ 247,831	\$ (836,289)	\$ 115,473
Debt service as percentage of noncapital expenditures	18.74%	13.80%	15.56%	8.26%

Source: City of Claremont Audit Report from years ended June 30, 2003 to June 30, 2012.

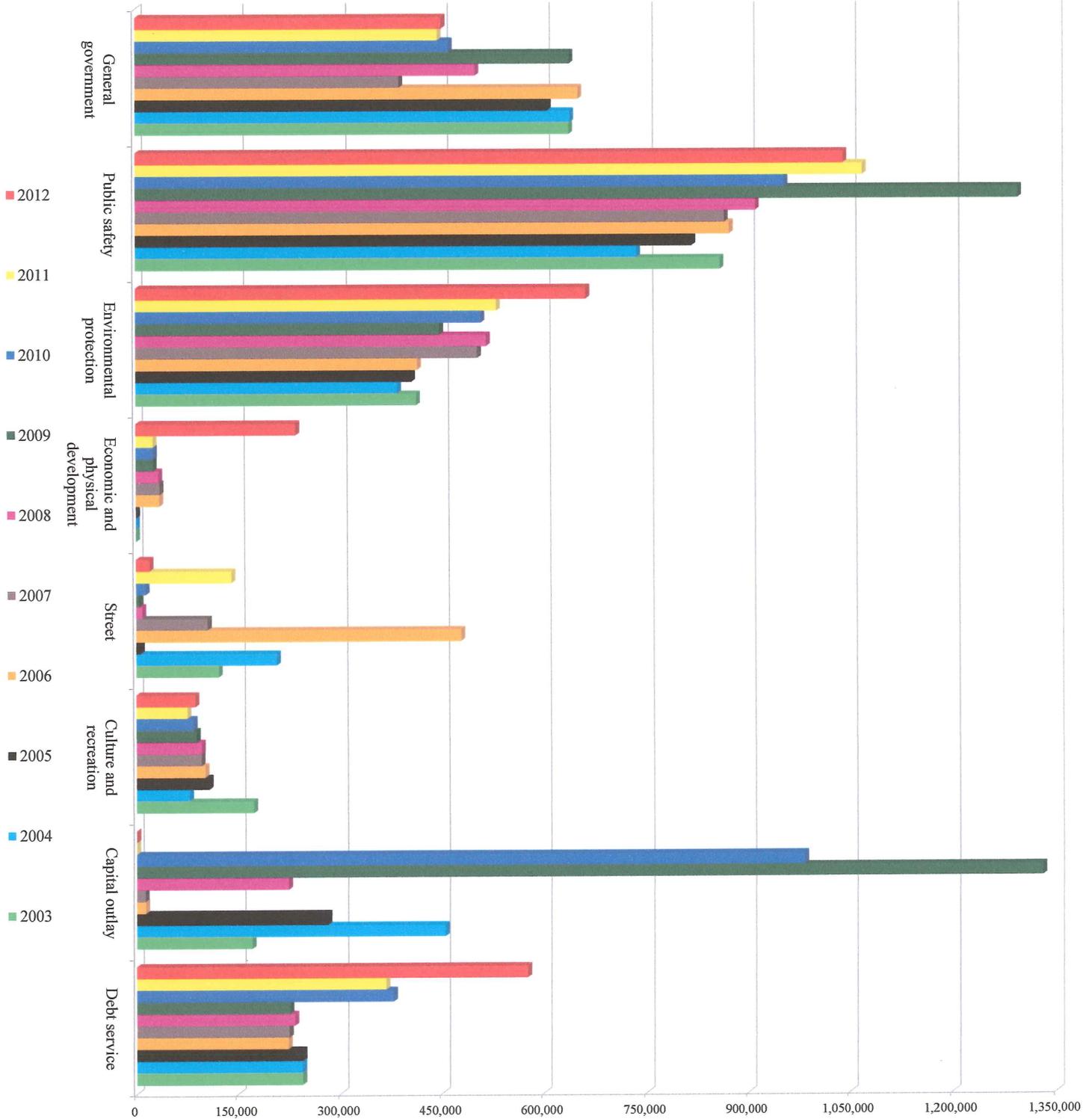
Table 4

Fiscal Year						
2008	2007	2006	2005	2004	2003	
\$ 1,525,405	\$ 1,543,464	\$ 1,514,819	\$ 1,670,691	\$ 1,786,520	\$ 1,858,253	
250,188	240,645	221,534	211,086	244,419	169,902	
20,874	25,170	21,613	15,804	13,737	16,501	
392,784	352,549	315,085	294,718	305,325	221,105	
644,647	259,280	627,915	359,686	640,317	507,782	
7,037	2,212	1,687	1,203	939	1,333	
1,567	2,553	7,376	7,547	14,818	16,585	
87,680	94,489	73,591	44,581	21,153	25,533	
23,650	102,150	133,661	21,976	2,891	3,376	
<u>\$ 2,953,832</u>	<u>\$ 2,622,512</u>	<u>\$ 2,917,281</u>	<u>\$ 2,627,292</u>	<u>\$ 3,030,119</u>	<u>\$ 2,820,370</u>	
\$ 500,393	\$ 387,926	\$ 651,473	\$ 606,361	\$ 639,714	\$ 638,077	
911,380	865,023	872,409	816,773	736,059	858,271	
515,824	502,736	414,282	405,559	384,653	412,763	
33,651	35,252	34,772	0	0	0	
8,927	105,327	477,749	6,457	206,659	121,485	
96,018	95,499	101,242	107,017	78,208	172,670	
223,005	12,610	13,324	280,703	453,962	170,046	
191,135	150,060	152,815	165,700	157,515	149,735	
41,025	73,908	69,729	77,987	86,171	93,952	
<u>\$ 2,521,358</u>	<u>\$ 2,228,341</u>	<u>\$ 2,787,795</u>	<u>\$ 2,466,557</u>	<u>\$ 2,742,941</u>	<u>\$ 2,616,999</u>	
<u>\$ 432,474</u>	<u>\$ 394,171</u>	<u>\$ 129,486</u>	<u>\$ 160,735</u>	<u>\$ 287,178</u>	<u>\$ 203,371</u>	
\$ 56,511	\$ 21,200	\$ 375,987	\$ 42,663	\$ 75,199	\$ 0	
(56,511)	(236,200)	(630,987)	(254,967)	(311,689)	(152,500)	
0	0	0	0	0	0	
0	1,242,386	0	0	0	0	
0	(1,242,386)	0	0	0	0	
5,910	67	0	1,550	0	0	
0	0	0	0	0	0	
<u>\$ 5,910</u>	<u>\$ (214,933)</u>	<u>\$ (255,000)</u>	<u>\$ (210,754)</u>	<u>\$ (236,490)</u>	<u>\$ (152,500)</u>	
<u>\$ 438,384</u>	<u>\$ 179,238</u>	<u>\$ (125,514)</u>	<u>\$ (50,019)</u>	<u>\$ 50,688</u>	<u>\$ 50,871</u>	
10.10%	10.11%	8.02%	11.15%	10.65%	9.96%	

Governmental Funds Revenues



Governmental Funds Expenditures



CITY OF CLAREMONT

Outstanding Debt by Type

Last Ten Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009
Governmental Long-Term Debt				
General Obligation Bonds	\$ 0	\$ 0	\$ 0	\$ 0
Loans from County	0	0	0	0
Installment purchases	1,200,000	1,714,130	2,005,266	2,296,402
Total governmental activities net assets	<u>\$ 1,200,000</u>	<u>\$ 1,714,130</u>	<u>\$ 2,005,266</u>	<u>\$ 2,296,402</u>
Water and Sewer Long-Term Debt				
General Obligation Bonds	\$ 0	\$ 0	\$ 0	\$ 0
Loans from County	0	0	0	3,761
Installment purchases	294,518	513,110	693,292	873,474
Total business-type activities net assets	<u>\$ 294,518</u>	<u>\$ 513,110</u>	<u>\$ 693,292</u>	<u>\$ 877,235</u>
Total Long-Term Debt				
General Obligation Bonds	\$ 0	\$ 0	\$ 0	\$ 0
Loans from County	0	0	0	3,761
Installment purchases	1,494,518	2,227,240	2,698,558	3,169,876
Total primary government net assets	<u>\$ 1,494,518</u>	<u>\$ 2,227,240</u>	<u>\$ 2,698,558</u>	<u>\$ 3,173,637</u>

Source: City of Claremont Audit Report from years ended June 30, 2003 to June 30, 2012.

Table 7

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
987,538	1,178,673	1,328,733	1,481,548	1,647,248	1,804,763
<u>\$ 987,538</u>	<u>\$ 1,178,673</u>	<u>\$ 1,328,733</u>	<u>\$ 1,481,548</u>	<u>\$ 1,647,248</u>	<u>\$ 1,804,763</u>
\$ 0	\$ 0	\$ 214,000	\$ 227,000	\$ 239,500	\$ 251,502
23,034	51,209	87,374	128,509	170,108	211,706
1,053,655	1,233,837	1,178,070	1,325,329	1,472,588	1,619,846
<u>\$ 1,076,689</u>	<u>\$ 1,285,046</u>	<u>\$ 1,479,444</u>	<u>\$ 1,680,838</u>	<u>\$ 1,882,196</u>	<u>\$ 2,083,054</u>
\$ 0	\$ 0	\$ 214,000	\$ 227,000	\$ 239,500	\$ 251,502
23,034	51,209	87,374	128,509	170,108	211,706
2,041,193	2,412,510	2,506,803	2,806,877	3,119,836	3,424,609
<u>\$ 2,064,227</u>	<u>\$ 2,463,719</u>	<u>\$ 2,808,177</u>	<u>\$ 3,162,386</u>	<u>\$ 3,529,444</u>	<u>\$ 3,887,817</u>

CITY OF CLAREMONT
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2012	2011	2010	2009
Assessed value (after exemptions)	\$ 353,317,855	\$ 363,761,956	\$ 358,797,609	\$ 346,447,411
Debt limit rate	8%	8%	8%	8%
Debt limit	\$ 28,265,428	\$ 29,100,956	\$ 28,703,809	\$ 27,715,793
Less: Total net debt applicable to limit	1,200,000	1,714,130	2,005,266	2,296,402
Legal Debt Margin	\$ 27,065,428	\$ 27,386,826	\$ 26,698,543	\$ 25,419,391
 Total net debt applicable to the limit as a percentage of debt limit	 4.43%	 6.26%	 7.51%	 9.03%

Source: City of Claremont Audit Report from years ended June 30, 2003 to June 30, 2012.

Table 8

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 332,032,399	\$ 334,685,092	\$ 338,769,309	\$ 370,278,288	\$ 399,586,180	\$ 462,729,383
8%	8%	8%	8%	8%	8%
\$ 26,562,592	\$ 26,774,807	\$ 27,101,545	\$ 29,622,263	\$ 31,966,894	\$ 37,018,351
987,538	1,178,673	1,328,733	1,481,548	1,647,248	1804763
\$ 25,575,054	\$ 25,596,134	\$ 25,772,812	\$ 28,140,715	\$ 30,319,646	\$ 35,213,588
3.86%	4.60%	5.16%	5.26%	5.43%	5.13%

Legal Debt Margin Calculation for fiscal Year 2012

Assessed value of taxable property	\$ 353,317,855
Debt limit - 8 percent of assessed value	\$ 28,265,428
Debt applicable to limit	
Gross debt	\$ 1,494,518
Less- water and sewer debt	(294,518)
Total net debt applicable to limit	1,200,000
Legal debt margin	\$ 27,065,428

CITY OF CLAREMONT
Assessed Values and Levies
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real & Personal Property Assessed Value	Motor Vehicles Assessed Value	Total Taxable Assessed Value
2012	\$ 340,712,543	\$ 12,605,312	353,317,855
2011	351,871,956	11,890,000	363,761,956
2010	347,895,000	10,902,609	358,797,609
2009	335,241,976	11,205,435	346,447,411
2008	319,576,312	12,456,087	332,032,399
2007	323,965,527	10,719,565	334,685,092
2006	325,896,420	12,872,889	338,769,309
2005	356,506,066	13,772,222	370,278,288
2004	386,671,069	12,915,111	399,586,180
2003	449,060,939	13,668,444	462,729,383

Source: City of Claremont Audit Report from years ended June 30, 2003 to June 30, 2012.

Table 9

<u>Total Direct Tax Rate</u>	<u>Real & Personal Property Net Levy</u>	<u>Motor Vehicles Net Levy</u>	<u>Total Net Levy</u>
0.46	\$ 1,567,278	\$ 57,984	\$ 1,625,262
0.46	1,618,611	54,694	1,673,305
0.46	1,601,270	50,152	1,651,422
0.46	1,542,331	51,545	1,593,876
0.46	1,470,337	57,298	1,527,635
0.46	1,490,318	49,310	1,539,628
0.45	1,455,364	57,928	1,513,292
0.45	1,611,437	61,975	1,673,412
0.45	1,740,792	58,118	1,798,910
0.45	2,019,047	61,508	2,080,555

CITY OF CLAREMONT
Property Tax Levies and Current Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected
2012	\$ 1,625,262	\$ 1,596,371	98.22%
2011	1,673,305	1,650,174	98.62%
2010	1,651,422	1,621,567	98.19%
2009	1,593,876	1,570,297	98.52%
2008	1,527,635	1,507,114	98.66%
2007	1,539,628	1,520,523	98.76%
2006	1,513,292	1,496,344	98.88%
2005	1,673,412	1,655,956	98.96%
2004	1,798,910	1,775,798	98.72%
2003	2,080,555	2,067,864	99.39%

Source: City of Claremont Audit Report from years ended June 30, 2003 to June 30, 2012.