

***REVIEWED***

***By SLGFD at 2:54 pm, Sep 30, 2021***

# **CITY OF CLAREMONT NORTH CAROLINA**

## **ANNUAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2021**



**CITY OF CLAREMONT, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2021**

**Mayor**

Shawn R. Brown

**City Council**

Dale Sherrill

Lee Miller

Dayne Miller

Les Morrow

Chris Reese

**City Manager**

Jason Brown

**Finance Director**

Valerie McKenna



# CITY OF CLAREMONT, NORTH CAROLINA

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## **Financial Section**

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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremont, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremont, North Carolina, as of June 30, 2021, 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 accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Claremont's basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated in all material respects in relation to the basic financial statements as a whole

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2021 on our consideration of the City of Claremont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Claremont's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Claremont internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
September 8, 2021

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## **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, 2021. 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**

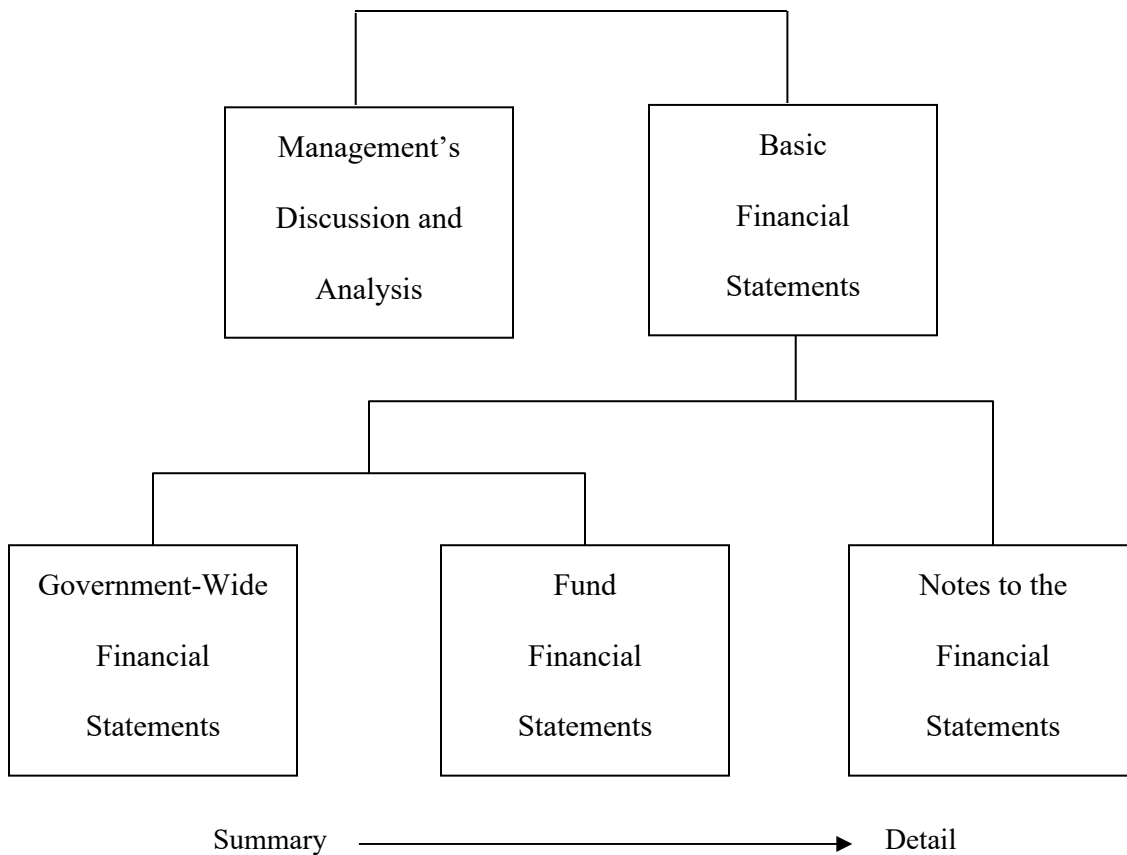
- The assets and deferred outflows of resources of the City of Claremont exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$20,279,812 (net position).
- The government's total net position increased by \$1,600,349, primarily due to extremely conservative revenue projections, based on Covid-19 unknowns, at the time the budget was passed being exceeded by actual revenues in FY 21, as well as aggressive investment in infrastructure based on low cost options.
- At the close of the current fiscal year, the City of Claremont's governmental funds reported combined ending fund balances of \$5,334,594, with an increase of \$81,170 in fund balance. Approximately 28.3% of this total amount, or \$1,507,022, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,539,847, or 85.3%, of total General Fund expenditures for the fiscal year.
- The City of Claremont's total installment debt decreased by \$124,010 during the current fiscal year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the 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 A and B) 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 C through I) 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 position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and the total liabilities, and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and federal and state grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the City of Claremont water and sewer services. The final category is the component unit. The City has no component units.

The government-wide financial statements are on Exhibits A and B 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 the 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 Position 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 Council 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 Council; 2) the final budget as amended by the Council; 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.

**Proprietary Funds.** The City of Claremont has one proprietary fund, the Water and Sewer Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Claremont uses enterprise funds to account for its water and sewer activity and operations. These funds are the same as the separate activity shown in the business-type activities in the Statement of Net Position 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 28 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Claremont's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 59 of this report.

**Interdependence with Other Entities.** The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to change in specific flows of intergovernmental revenues based on modifications to federal and state laws and appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Claremont exceeded liabilities and deferred inflows of resources by \$20,279,812 as of June 30, 2021.

## City of Claremont's Net Position

**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Assets:</b>						
Current and other assets	\$ 5,534,628	\$ 5,663,359	\$ 3,806,657	\$ 3,143,746	\$ 9,341,285	\$ 8,807,105
Capital assets, net	7,818,774	6,788,646	4,493,890	4,620,182	12,312,664	11,408,828
Total assets	<u>13,353,402</u>	<u>12,452,005</u>	<u>8,300,547</u>	<u>7,763,928</u>	<u>21,653,949</u>	<u>20,215,933</u>
<b>Deferred Outflows of Resources</b>	<u>329,762</u>	<u>215,765</u>	<u>74,692</u>	<u>67,297</u>	<u>404,454</u>	<u>283,062</u>
<b>Liabilities:</b>						
Current liabilities	200,199	386,073	151,279	109,748	351,478	495,821
Other liabilities	1,226,660	1,166,963	145,183	114,357	1,371,843	1,281,320
Total liabilities	<u>1,426,859</u>	<u>1,553,036</u>	<u>296,462</u>	<u>224,105</u>	<u>1,723,321</u>	<u>1,777,141</u>
<b>Deferred Inflows of Resources</b>	<u>47,877</u>	<u>40,160</u>	<u>7,393</u>	<u>2,231</u>	<u>55,270</u>	<u>42,391</u>
<b>Net Position:</b>						
Net investment in capital assets	7,416,631	6,262,493	4,493,890	4,620,182	11,910,521	10,882,675
Restricted	1,474,593	1,959,126	-	-	1,474,593	1,959,126
Unrestricted	<u>3,317,204</u>	<u>2,852,955</u>	<u>3,577,494</u>	<u>2,984,707</u>	<u>6,894,698</u>	<u>5,837,662</u>
Total net position	<u>\$ 12,208,428</u>	<u>\$ 11,074,574</u>	<u>\$ 8,071,384</u>	<u>\$ 7,604,889</u>	<u>\$ 20,279,812</u>	<u>\$ 18,679,463</u>

The City's net position increased by \$1,600,349 for the fiscal year ended June 30, 2021. Of the total net position, the largest portion of net position (58.7%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Claremont uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Claremont's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Claremont's net position (7.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,894,698 is unrestricted.

Several particular aspects of the City's financial operations positively influenced total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.84%
- Increased ad valorem and local option sales tax revenues of approximately \$444,000, primarily due to extremely conservative revenue projections, based on Covid-19 unknowns, at the time the budget was passed being exceeded by actual revenues in FY 21
- Conservative expenditures by City Department heads throughout the year

## City of Claremont's Changes in Net Position

**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 53,461	\$ 56,908	\$ 1,837,452	\$ 1,863,520	\$ 1,890,913	\$ 1,920,428
Operating grants and contributions	726,281	342,725	-	-	726,281	342,725
Capital grants and contributions	390,636	781,185	-	-	390,636	781,185
General revenues:						
Property taxes	2,780,152	2,401,521	-	-	2,780,152	2,401,521
Grant revenue	-	-	69,708	71,397	69,708	71,397
Local option sales tax	411,512	345,987	-	-	411,512	345,987
Unrestricted intergovernmental revenues	511,745	497,329	-	-	511,745	497,329
Investment earnings, unrestricted	1,752	83,683	486	8,530	2,238	92,213
Miscellaneous	99,124	33,513	68,765	48,414	167,889	81,927
Total revenues	<u>4,974,663</u>	<u>4,542,851</u>	<u>1,976,411</u>	<u>1,991,861</u>	<u>6,951,074</u>	<u>6,534,712</u>
<b>Expenses:</b>						
Governmental activities:						
General government	615,646	899,304	-	-	615,646	899,304
Public safety	1,639,416	1,243,874	-	-	1,639,416	1,243,874
Streets and public works	800,143	701,156	-	-	800,143	701,156
Transportation	-	-	-	-	-	-
Economic and physical development	584,989	554,176	-	-	584,989	554,176
Cultural and recreational	146,305	167,784	-	-	146,305	167,784
Interest on long-term debt	17,379	21,982	-	-	17,379	21,982
Business-type activities:						
Water and sewer	-	-	1,546,847	1,834,976	1,546,847	1,834,976
Transfers	36,931	149,727	(36,931)	(149,727)	-	-
Total expenses	<u>3,840,809</u>	<u>3,738,003</u>	<u>1,509,916</u>	<u>1,685,249</u>	<u>5,350,725</u>	<u>5,423,252</u>
Change in net position	1,133,854	804,848	466,495	306,612	1,600,349	1,111,460
<b>Net Position:</b>						
Beginning of year - July 1	<u>11,074,574</u>	<u>10,269,726</u>	<u>7,604,889</u>	<u>7,298,277</u>	<u>18,679,463</u>	<u>17,568,003</u>
End of year - June 30	<u>\$ 12,208,428</u>	<u>\$ 11,074,574</u>	<u>\$ 8,071,384</u>	<u>\$ 7,604,889</u>	<u>\$ 20,279,812</u>	<u>\$ 18,679,463</u>

**Governmental Activities.** Governmental activities increased the City's net position by \$1,133,854, thereby accounting for 70.9% of the total growth in the change in net position. This growth can be attributed to several different factors, such as an increase in realized sales and ad valorem tax revenue. Management believes healthy investment in the City will result in additional revenues, and in that vein added to the City's net position by investing in capital assets. Continued efforts to maximize tax collections also contributed to the favorable net position. City management acknowledges that 2021 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Key elements of this increase are as follows:

- Strong collection rates from property tax revenues, partially due to the change in collection of property taxes on motor vehicles by the state using the tax and tag together programs along with new development within the City tax base.
- Overall increase in unrestricted intergovernmental revenues, in particular with local option sales tax and ad valorem taxes.

**Business-Type Activities.** Business-type activities increased the City of Claremont's net position by \$466,495, accounting for 29.1% of the total growth in the government net position.

Key elements of this increase are as follows:

- Rate increases to better account for the cost of providing for both water and sewer services.
- Conservative use of departmental budgets.

### **Financial Analysis of the City's Funds**

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

**Governmental Funds.** The focus of the City of Claremont's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Claremont's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Claremont. At the end of the current fiscal year, available fund balance of the General Fund was \$4,186,099, while total fund balance reached \$4,967,319. The City currently has an available fund balance of 100.8% of General Fund expenditures and transfers out while total fund balance represents 119.7% of the same amount.

At June 30, 2021, the governmental funds of the City of Claremont reported a combined fund balance of \$5,334,594 with a net increase in fund balance of \$81,170.

**General Fund Budgetary Highlights.** During the year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services or to take advantage of unforeseen opportunities.

There are several reasons the City revised its budget throughout the year. Examples include: a mid-year expenditure to begin a financial software transition, a street paving project and acceptance of several federal grants for the fire department.

**Proprietary Funds.** The City of Claremont's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund totaled \$3,577,494 for the year ended June 30, 2021. The total change in net position for the Water and Sewer Fund was \$466,495.

## Capital Asset and Debt Administration

**Capital Assets.** The City of Claremont's capital assets for its governmental and business-type activities as of June 30, 2021 totals \$12,312,664 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, and vehicles.

Major governmental activities capital asset transactions during the year include the following:

• 2021 Chevrolet Tahoe	\$43,242
• 2021 Ford Interceptors	\$102,767
• AFG Exhaust Grant	\$79,946
• City Hall - Pavilion and Parking Lot	\$57,201
• City Phase 1 Paving	\$649,835
• Ferris Mower	\$12,500
• Tyler Software	\$43,011

Major business-type activities capital asset transactions during the year include the following:

• McLin Sewer Plant	\$15,780
• Meter Reading Unit	\$7,500

## City of Claremont's Capital Assets

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,141,445	\$ 1,141,445	\$ 83,327	\$ 83,327	\$ 1,224,772	\$ 1,224,772
Construction in progress	805,636	1,207,770	420,980	318,859	1,226,616	1,526,629
Buildings and systems	2,156,178	2,156,178	-	-	2,156,178	2,156,178
Improvements other than buildings	2,645,148	2,244,336	-	-	2,645,148	2,244,336
Substation, lines and related equipment	-	-	9,163,874	9,148,094	9,163,874	9,148,094
Equipment	915,157	843,926	510,346	510,346	1,425,503	1,354,272
Vehicles	2,374,832	2,366,041	116,100	116,100	2,490,932	2,482,141
Infrastructure	3,567,242	2,255,337	-	-	3,567,242	2,255,337
Total	13,605,638	12,215,033	10,294,627	10,176,726	23,900,265	22,391,759
Accumulated depreciation	(5,786,864)	(5,426,387)	(5,800,737)	(5,556,544)	(11,587,601)	(10,982,931)
Capital assets, net	<u>\$ 7,818,774</u>	<u>\$ 6,788,646</u>	<u>\$ 4,493,890</u>	<u>\$ 4,620,182</u>	<u>\$12,312,664</u>	<u>\$ 11,408,828</u>

Additional information on the City's capital assets can be found in Note 2 of the Basic Financial Statements.

**Long-Term Debt.** As of June 30, 2021, the City of Claremont had total installment purchases outstanding debt of \$402,143, all of which are secured by assets of the City.

### City of Claremont's Outstanding Debt

**Figure 5**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Installment debt	\$ 402,143	\$ 526,153	\$ -	\$ -	\$ 402,143	\$ 526,153
Net pension obligations (LGERS)	395,310	343,072	131,770	114,357	527,080	457,429
Total pension liability (LEO)	266,730	149,488	-	-	266,730	149,488
Total OPEB	67,768	56,555	-	-	67,768	56,555
Compensated absences	94,709	91,695	13,413	-	108,122	91,695
Total	<u>\$ 1,226,660</u>	<u>\$ 1,166,963</u>	<u>\$ 145,183</u>	<u>\$ 114,357</u>	<u>\$ 1,371,843</u>	<u>\$ 1,281,320</u>

The City of Claremont's total installment debt decreased by \$124,010 during the past fiscal year.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Claremont is approximately \$44,439,000. The City has outstanding debt of \$402,143 in installment financing at June 30, 2021.

Additional information regarding the City of Claremont's long-term debt can be found in Notes 1 and 2 of this audited financial report.

### **Economic Factors and Next Year's Budgets and Rates**

The City of Claremont, along with our neighboring communities, state, and nation, have faced unparalleled challenges in the past year in responding to the COVID-19 pandemic. An economy wide shut down and transition to more virtual ways of doing business and interacting with others, has changed the way we live and many of the ways our economy operates.

Last year we forecasted significant revenue decreases for the General Fund in the areas of Sales and Use Taxes and State Shared Revenues, projecting a \$75,955 and \$100,970 decrease respectively in these revenues that are most directly tied to the health of our economy. That forecast was based on NC League of Municipalities guidance stating that we could see up to a 25% decrease in these revenues. The City was fortunate that we had also seen a 12% increase in ad valorem tax values over the course of the year, mainly in business personal (BUS) and real estate (REI) valuations and believed that could provide a cushion for the expected losses. In an effort to be overly cautious, we still projected ad valorem collection rates at 95%.

Our ad valorem tax collections exceeded projections and our sales and state shared revenues not only met but exceeded forecast for FY21. The ad valorem revenues were budgeted at a 95% collection rate in FY2020-21, to account for possible increases in tax defaults during the economic downturn, but it appears we have collected at a 99.84% rate. Revenues in this category totaled \$2,755,743, a 12% increase over projections.

State shared revenues increased year over year in Quarter 1 (Q1) and were only 5% below year over year for Q2. It should be noted that the Q2 decrease is still approximately 15% better than projected.

It is believed that two factors played a part in the sales tax increase. The main component was that internet-based retailers were first required, by law, to collect and remit sales taxes on internet purchases in April of 2020. It is believed that this change, coupled with the increase in internet related sales during statewide lockdowns, fueled a great deal of the sales tax increase. This increase is also believed to have been further bolstered by the addition of two stimulus payments received during the same reporting period. Sales taxes increased year over year 7% in Q1, 17% in Q2 and 10% in Q3.

The City's Water and Sewer Fund has also weathered the current pandemic better than other municipalities. Most of our water and sewer users are commercial/industrial users, accounting for about 60% of our annual water sales. We were fortunate that our industrial base has continued to operate at pre pandemic levels. Further, we did not experience the large-scale failure to meet water and sewer monthly payments other systems saw in response to the Governor's Executive Order prohibiting cut off last spring/summer. All past due accounts under that order have been paid in full at this time. As a result, we are currently on target, in year-to-date totals, to meet revenue projections for this fund.

With that being said, there have been bright spots for the City in FY2020-21. The City invested \$649,835 in Roadway improvements throughout the City, the first major paving project in twelve years. Several projects were completed, to include the CMAQ sidewalks project and the City Hall Pavilion/Parking Lot project. Finally, the City saw a return and expansion of City sponsored events that had been previously shut down due to the pandemic. A strong unassigned fund balance and conservative spending over the course of this year, combined with planning based on several grant funded assessments, will also allow us to invest heavily in infrastructure going forward into FY2021-22 in street and sidewalk repairs, as well as water and sewer projects.

### **Budget Highlights for the Fiscal Year Ending June 30, 2022**

**Governmental Activities.** The adopted General Fund Budget totals \$4,417,785, representing an increase of 12% from the FY 2020-21 budget. This increase is a result of Council decision to fund the results of a salary study presented in April 2021, as well as a second round of the Claremont Roadway Improvements Project. The FY 2021-22 property tax rate remains at \$.49 cents per \$100 of assessed value. This year is projected to see a decrease of approximately 4% in property tax values within the City. Business personal property values (BUS) decreased by \$15,449,409 (5.3%), while real property values (REI) in the City remained stagnant at \$214,195,405. This is the first time in the last five years the City has seen a decrease in BUS valuation or failed to gain in REI assessments. Recent projections from the NC League of Municipalities indicate that the statewide projection to end FY21 is assumed to show a 13.5% increase in sales and use tax over FY20, with a further 2.5% increase assumed in FY22. This might bear out if most of the increase we have seen over the last quarter of FY20 and FY21 is significantly related to the internet sales tax transition. Without more than one year of actuals, especially in light of all the other differences the last year has seen, we were not comfortable with that positive a projection. The City's budget assumes a 3.5% increase from FY20 actuals.

**Business-Type Activities.** The adopted Water and Sewer Fund Budget totals \$1,782,014, representing a decrease of 2% from the FY 2020-21 budget. As such, the FY 2021-22 Water and Sewer Utility Rates remained at FY 2020-2021 levels. This also reflects flat projections in the "other charges" category and less reliance on fund balance. Historically, Water and Sewer Fund rates have not truly offset the expenses of the system. The City Council has taken a proactive approach over the past five years to attempt to make this fund self-sufficient and to invest in the future.



Bidding of the interconnection with the Hickory-Catawba WWTP is expected in FY22, with the beginning of construction hoped for by the end of the fiscal year. The City will also continue to utilize recently completed asset management plans to determine future capital improvement in the collections and distribution systems. At this time, it appears that the most critical needs in the system will include refurbishment of the existing lift stations (which have been designed) and line work to ensure minimization of infiltration of the collections system once connection is established with Hickory.

### **Requests for Information**

This report is designed to provide a general overview of the City's finances for those with an interest in this area. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Finance Director, Valerie McKenna, City of Claremont, 3288 East Main Street, Claremont, NC 28610. One can also call (828) 466-7255 or visit our website [www.cityofclaremont.org](http://www.cityofclaremont.org) or send an email to [vmckenna@claremont.org](mailto:vmckenna@claremont.org) for more information.

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## Basic Financial Statements

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The **Basic Financial Statements** present a condensed overview of the financial position and results of operations of the City as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

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# CITY OF CLAREMONT, NORTH CAROLINA

## STATEMENT OF NET POSITION JUNE 30, 2021

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and investments	\$ 4,462,737	\$ 3,426,393	\$ 7,889,130
Taxes receivable, net	4,529	-	4,529
Accounts receivable, net	32,705	172,748	205,453
Due from other governments	746,216	69,708	815,924
Inventory	-	98,524	98,524
Prepaid items	32,429	-	32,429
Restricted assets:			
Cash and investments	256,012	39,284	295,296
Total current assets	<u>5,534,628</u>	<u>3,806,657</u>	<u>9,341,285</u>
Non-current assets:			
Capital assets:			
Land and construction in progress	1,947,081	504,307	2,451,388
Other capital assets, net of depreciation	5,871,693	3,989,583	9,861,276
Total non-current assets	<u>7,818,774</u>	<u>4,493,890</u>	<u>12,312,664</u>
Total assets	<u>13,353,402</u>	<u>8,300,547</u>	<u>21,653,949</u>
<b>Deferred Outflows of Resources:</b>			
Pension deferrals	322,044	74,692	396,736
OPEB deferrals	7,718	-	7,718
Total deferred outflows of resources	<u>329,762</u>	<u>74,692</u>	<u>404,454</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	176,888	111,995	288,883
Unearned revenue	23,311	-	23,311
Liabilities payable from restricted assets:			
Customer deposits	-	39,284	39,284
Total current liabilities	<u>200,199</u>	<u>151,279</u>	<u>351,478</u>
Long-term liabilities:			
Due within one year	195,637	10,060	205,697
Net pension liability (LGERS)	395,310	131,770	527,080
Total pension liability (LEOSSA)	266,730	-	266,730
Total OPEB liability	67,768	-	67,768
Due in more than one year	301,215	3,353	304,568
Total long-term liabilities	<u>1,226,660</u>	<u>145,183</u>	<u>1,371,843</u>
Total liabilities	<u>1,426,859</u>	<u>296,462</u>	<u>1,723,321</u>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF CLAREMONT, NORTH CAROLINA**

**STATEMENT OF NET POSITION  
JUNE 30, 2021**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Deferred Inflows of Resources:</b>			
Pension deferrals	47,877	7,393	55,270
<b>Net Position:</b>			
Net investment in capital assets	7,416,631	4,493,890	11,910,521
Restricted for:			
Stabilization by state statute	1,218,581	-	1,218,581
Public safety	19,064	-	19,064
Streets - Powell Bill	39,936	-	39,936
Economic development	197,012	-	197,012
Unrestricted	3,317,204	3,577,494	6,894,698
Total net position	<u>\$ 12,208,428</u>	<u>\$ 8,071,384</u>	<u>\$ 20,279,812</u>

*The accompanying notes are an integral part of the financial statements.*

CITY OF CLAREMONT, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 615,646	\$ -	\$ -	\$ -
Public safety	1,639,416	52,986	582,150	-
Streets and public works	800,143	-	21,644	390,636
Economic and physical development	584,989	-	122,487	-
Cultural and recreation	146,305	475	-	-
Interest on long-term debt	17,379	-	-	-
Total governmental activities	<u>3,803,878</u>	<u>53,461</u>	<u>726,281</u>	<u>390,636</u>
<b>Business-Type Activities:</b>				
Water and sewer	<u>1,546,847</u>	<u>1,837,452</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 5,350,725</u>	<u>\$ 1,890,913</u>	<u>\$ 726,281</u>	<u>\$ 390,636</u>

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

**CITY OF CLAREMONT, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (615,646)	\$ -	\$ (615,646)
Public safety	(1,004,280)	-	(1,004,280)
Streets and public works	(387,863)	-	(387,863)
Economic and physical development	(462,502)	-	(462,502)
Cultural and recreation	(145,830)	-	(145,830)
Interest on long-term debt	(17,379)	-	(17,379)
Total governmental activities	<u>(2,633,500)</u>	<u>-</u>	<u>(2,633,500)</u>
<b>Business-Type Activities:</b>			
Water and sewer	<u>-</u>	<u>290,605</u>	<u>290,605</u>
Total primary government	<u>(2,633,500)</u>	<u>290,605</u>	<u>(2,342,895)</u>
<b>General Revenues:</b>			
Taxes:			
Ad valorem taxes	2,780,152	-	2,780,152
Grant revenue	-	69,708	69,708
Other taxes and licenses	411,512	-	411,512
Unrestricted intergovernmental revenues	511,745	-	511,745
Investment earnings	1,752	486	2,238
Miscellaneous, unrestricted	<u>99,124</u>	<u>68,765</u>	<u>167,889</u>
Total general revenues, excluding transfers	3,804,285	138,959	3,943,244
Transfers	<u>(36,931)</u>	<u>36,931</u>	<u>-</u>
Total general revenues and transfers	<u>3,767,354</u>	<u>175,890</u>	<u>3,943,244</u>
Change in net position	1,133,854	466,495	1,600,349
<b>Net Position:</b>			
Beginning of year - July 1	<u>11,074,574</u>	<u>7,604,889</u>	<u>18,679,463</u>
End of year - June 30	<u>\$ 12,208,428</u>	<u>\$ 8,071,384</u>	<u>\$ 20,279,812</u>

*The accompanying notes are an integral part of the financial statements.*

CITY OF CLAREMONT, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

	Major Funds			
	General Fund	CMAQ Sidewalk Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and investments	\$ 4,312,386	\$ -	\$ 150,351	\$ 4,462,737
Cash, restricted	44,154	-	211,858	256,012
Taxes receivable, net	4,529	-	-	4,529
Accounts receivable, net	32,705	-	-	32,705
Due from other governments	276,426	469,790	-	746,216
Due from other funds	439,660	-	-	439,660
Prepays	32,429	-	-	32,429
Total assets	<u>\$ 5,142,289</u>	<u>\$ 469,790</u>	<u>\$ 362,209</u>	<u>\$ 5,974,288</u>
<b>Liabilities, Deferred Inflows</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 147,130	\$ 25,064	\$ -	\$ 172,194
Due to other funds	-	439,660	-	439,660
Unearned revenue	23,311	-	-	23,311
Total liabilities	<u>170,441</u>	<u>464,724</u>	<u>-</u>	<u>635,165</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes receivable	<u>4,529</u>	<u>-</u>	<u>-</u>	<u>4,529</u>
<b>Fund Balances:</b>				
Non-spendable:				
Prepays	32,429	-	-	32,429
Restricted:				
Stabilization by state statute	748,791	469,790	-	1,218,581
Economic development	-	-	197,012	197,012
Public safety	4,218	-	14,846	19,064
Streets - Powell Bill	39,936	-	-	39,936
Committed:				
Capital projects	-	-	150,351	150,351
Assigned:				
Subsequent year's expenditures	553,885	-	-	553,885
Sidewalks	48,213	-	-	48,213
Unassigned	<u>3,539,847</u>	<u>(464,724)</u>	<u>-</u>	<u>3,075,123</u>
Total fund balances	<u>4,967,319</u>	<u>5,066</u>	<u>362,209</u>	<u>5,334,594</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,142,289</u>	<u>\$ 469,790</u>	<u>\$ 362,209</u>	<u>\$ 5,974,288</u>

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



**CITY OF CLAREMONT, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2021**

**Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position:**

Total fund balance, governmental funds	\$ 5,334,594
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,818,774
Net pension liability - LGERS	(395,310)
Total pension liability - LEOSA	(266,730)
Total OPEB liability	(67,768)
Deferred outflows of resources related to pensions are not reported in the funds.	322,044
Deferred outflows of resources related to OPEB are not reported in the funds.	7,718
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	(496,852)
Accrual of interest payable for debt reported in the Statement of Net Position does not require the use of current financial resources and, therefore, is not reported in the funds.	(4,694)
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 60 days of year-end. These receivables are a component of net position in the Statement of Net Position.	4,529
Pension related deferred inflows of resources	<u>(47,877)</u>
Net position of governmental activities	<u>\$ 12,208,428</u>

*The accompanying notes are an integral part of the financial statements.*

## CITY OF CLAREMONT, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Major Funds			
	General Fund	CMAQ Sidewalk Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,805,769	\$ -	\$ -	\$ 2,805,769
Other taxes and licenses	411,512	-	-	411,512
Unrestricted intergovernmental revenues	511,745	-	-	511,745
Restricted intergovernmental revenues	518,898	390,636	207,383	1,116,917
Permits and fees	2,850	-	-	2,850
Sales and services	50,611	-	-	50,611
Investment earnings	1,728	15	9	1,752
Miscellaneous	99,094	-	30	99,124
Total revenues	<u>4,402,207</u>	<u>390,651</u>	<u>207,422</u>	<u>5,000,280</u>
<b>Expenditures:</b>				
Current:				
General government	642,072	-	-	642,072
Public safety	1,520,582	-	93,087	1,613,669
Economic and physical development	462,431	-	122,558	584,989
Street and public works	849,100	-	-	849,100
Transportation	396,826	-	-	396,826
Cultural and recreation	135,249	-	-	135,249
Capital outlay	-	517,295	-	517,295
Debt service:				
Principal	124,010	-	-	124,010
Interest	18,969	-	-	18,969
Total expenditures	<u>4,149,239</u>	<u>517,295</u>	<u>215,645</u>	<u>4,882,179</u>
Revenues over (under) expenditures	<u>252,968</u>	<u>(126,644)</u>	<u>(8,223)</u>	<u>118,101</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	10,931	-	4,191	15,122
Transfers out	(4,191)	-	(47,862)	(52,053)
Total other financing sources (uses)	<u>6,740</u>	<u>-</u>	<u>(43,671)</u>	<u>(36,931)</u>
Net change in fund balances	259,708	(126,644)	(51,894)	81,170
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>4,707,611</u>	<u>131,710</u>	<u>414,103</u>	<u>5,253,424</u>
End of year - June 30	<u>\$ 4,967,319</u>	<u>\$ 5,066</u>	<u>\$ 362,209</u>	<u>\$ 5,334,594</u>

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

## CITY OF CLAREMONT, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Amounts reported for governmental activities in the Statement of Activities (Exhibit D) are different due to the following items:

Net change in fund balances - total governmental funds	\$ 81,170
Property tax revenues and assessments in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(25,617)
Capital outlay is reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	1,505,796
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(475,668)
Pension expense - LGERS	(45,539)
Pension expense - LEOSSA	(23,616)
OPEB plan expense	(5,258)
Expenses related to compensated absences that do not require current financial resources, are not reported as expenditures in the governmental fund statement.	(3,014)
Accrual of interest expense for debt reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	1,590
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>124,010</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 1,133,854</u>

*The accompanying notes are an integral part of the financial statements.*

## CITY OF CLAREMONT, NORTH CAROLINA

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Over/Under
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,484,000	\$ 2,484,000	\$ 2,805,769	\$ 321,769
Other taxes and licenses	246,775	246,775	411,512	164,737
Unrestricted intergovernmental revenues	379,100	379,100	511,745	132,645
Restricted intergovernmental revenues	508,650	542,774	518,898	(23,876)
Permits and fees	3,800	3,800	2,850	(950)
Sales and services	50,300	50,300	50,611	311
Investment earnings	16,200	16,200	1,728	(14,472)
Miscellaneous	21,300	76,695	99,094	22,399
Total revenues	<u>3,710,125</u>	<u>3,799,644</u>	<u>4,402,207</u>	<u>602,563</u>
<b>Expenditures:</b>				
Current:				
General government	469,460	726,018	642,072	83,946
Public safety - police	938,617	955,329	816,260	139,069
Public safety - fire	709,696	794,149	704,322	89,827
Street and public works	892,250	1,098,770	849,100	249,670
Economic development	136,850	146,400	134,016	12,384
Planning	270,150	363,135	328,415	34,720
Transportation	400,000	400,000	396,826	3,174
Cultural and recreational	189,015	148,115	135,249	12,866
Debt service:				
Principal retirement	124,100	124,100	124,010	90
Interest and fees	23,510	23,510	18,969	4,541
Total expenditures	<u>4,153,648</u>	<u>4,779,526</u>	<u>4,149,239</u>	<u>630,287</u>
Revenues over (under) expenditures	<u>(443,523)</u>	<u>(979,882)</u>	<u>252,968</u>	<u>1,232,850</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	(5,438)	(4,191)	1,247
Transfers in	-	10,931	10,931	-
Appropriated fund balance	<u>443,523</u>	<u>974,389</u>	<u>-</u>	<u>(974,389)</u>
Total other financing sources (uses)	<u>443,523</u>	<u>979,882</u>	<u>6,740</u>	<u>(973,142)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>259,708</u>	<u>\$ 259,708</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>4,707,611</u>	
End of year - June 30			<u>\$ 4,967,319</u>	

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

## CITY OF CLAREMONT, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2021

	<b>Major Enterprise Fund Water and Sewer Fund</b>
<b>Assets:</b>	
Current assets:	
Cash and investments	\$ 3,426,393
Accounts receivable, net	172,748
Due from other governments	69,708
Inventory	98,524
Cash and investments, restricted	39,284
Total current assets	<u>3,806,657</u>
Capital assets:	
Land and construction in progress	504,307
Other capital assets, net of depreciation	<u>3,989,583</u>
Total capital assets	<u>4,493,890</u>
Total assets	<u>8,300,547</u>
<b>Deferred Outflows of Resources:</b>	
Pension deferrals	<u>74,692</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable and accrued liabilities	111,995
Compensated absences	10,060
Liabilities payable from restricted assets:	
Customer deposits	<u>39,284</u>
Total current liabilities	<u>161,339</u>
Non-current liabilities:	
Net pension liability	131,770
Compensated absences	<u>3,353</u>
Total non-current liabilities	<u>135,123</u>
Total liabilities	<u>296,462</u>
<b>Deferred Inflows of Resources:</b>	
Pension deferrals	<u>7,393</u>
<b>Net Position:</b>	
Net investment in capital assets	4,493,890
Unrestricted	<u>3,577,494</u>
Total net position	<u>\$ 8,071,384</u>

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

## CITY OF CLAREMONT, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	<b>Major Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b>Operating Revenues:</b>	
Charges for services	\$ 1,798,606
Other operating revenue	38,846
Total operating revenues	<u>1,837,452</u>
<b>Operating Expenses:</b>	
Water and sewer operations	1,302,654
Depreciation	244,193
Total operating expenses	<u>1,546,847</u>
Operating income (loss)	<u>290,605</u>
<b>Non-Operating Revenues (Expenses):</b>	
Investment earnings	486
Grant revenue	69,708
Other non-operating income	68,765
Total non-operating revenues (expenses)	<u>138,959</u>
Income (loss) before transfers	429,564
Transfers in	<u>36,931</u>
Change in net position	466,495
<b>Net Position:</b>	
Beginning of year - July 1	<u>7,604,889</u>
End of year - June 30	<u>\$ 8,071,384</u>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF CLAREMONT, NORTH CAROLINA**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Major Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 1,785,037
Cash paid for goods and services	(1,148,931)
Cash paid to employees for services	(91,509)
Other operating revenues	38,846
Net cash provided (used) by operating activities	<u>583,443</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of capital assets and construction	(117,901)
Other non-operating revenues	138,484
Net cash provided (used) by capital and related financing activities	<u>20,583</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>	
Operating transfers in	<u>36,931</u>
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	<u>486</u>
Net increase (decrease) in cash and cash equivalents	641,443
<b>Cash and Cash Equivalents:</b>	
Beginning of year - July 1	<u>2,824,234</u>
End of year - June 30	<u>\$ 3,465,677</u>

*The accompanying notes are an integral part of the financial statements.*

# **CITY OF CLAREMONT, NORTH CAROLINA**

## **STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Major Enterprise Fund</b>
	<b>Water and Sewer Fund</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 290,605
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	244,193
(Increase) decrease in:	
Accounts receivable	(13,569)
Inventory	(7,910)
Deferred outflows of resources for pensions	(7,395)
Increase (decrease) in:	
Net pension liability	17,413
Deferred inflows of resources for pensions	5,162
Accounts payable	35,627
Customer deposits	5,904
Compensated absences	13,413
	<hr/>
Net cash provided (used) by operating activities	\$ <u>583,443</u>

*The accompanying notes are an integral part of the financial statements.*



# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 1. Summary of Significant Accounting Policies

The accounting policies of the City of Claremont (the "City") conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

#### A. Reporting Entity

The City is a municipal corporation, which is governed by an elected Mayor and a five-member Council that has appointment authority of the City's management. As required by generally accepted accounting principles, the City determined there to be no component units required to be presented with the financial statements. There are no separate legal entities for which the City controls the boards or memberships, requires financial accountability, or is fiscally dependent on the City.

#### B. Basis of Presentation

*Government-Wide Statements.* The Statement of Net Position and the Statement of Activities display information about the primary 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 activities* 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 City has no fiduciary funds to report. 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. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The City reports the following major governmental funds:

**General Fund** – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

**CMAQ Sidewalk Capital Project Fund** – This fund accounts for grant proceeds from the NC Department of Transportation and City contributions to this Sidewalk project.

The City reports the following nonmajor governmental funds:

**PJ Stanley Scholarship Fund** – This fund is to potentially benefit city employees in a police, fire, or EMS related field of study, or city employees pursuing job related degrees.

**Sutter Street Building Reuse Fund** – This special revenue fund accounts for grant proceeds from NC Department of Commerce for building reuse at Sutter Street Manufacturing, a subsidiary of Williams Sonoma.

**Miscellaneous Grant Project Fund** – This special revenue fund accounts for financial resources of various federal, state and local grants that span more than one fiscal year and are not accounted for by an individual fund.

**Economic Development Fund** – This fund accounts for contributions restricted for providing economic development programs or projects for new business. This fund is reported as a special revenue fund and accounts for grant funds that are restricted for use for a particular purpose.

**BGA Drive Capital Project Fund** – This account is used to account for grant revenue for street improvements.

**Centennial Sidewalk Capital Project Fund** – This fund accounts for construction and expansion of centennial sidewalk.

**General Capital Project Fund** – This fund account is used to account for acquisitions or construction of major capital facilities or infrastructure other than those financed by the Enterprise Fund.

**General Capital Reserve Fund** – This fund accounts for the funds committed for future capital projects. This fund is reported as a capital project fund.

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The City reports the following major enterprise fund:

**Water and Sewer Fund.** This fund is used to account for the City's water and sewer operations. The Water and Sewer Capital Reserve Fund, the Asset Investment and Assessment Grant, and the Wastewater Improvement Capital Project Fund have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Reserve Fund, the Asset Investment and Assessment Grant, and the Wastewater Improvement Capital Project Fund have been included in the supplemental information.

### C. 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 and 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.

Proprietary funds distinguish operating revenues and expenses from non-operating 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's 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 non-operating 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

# **CITY OF CLAREMONT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

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 are reported as expenditures in governmental funds.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as beer and wine tax, collected and held by the state at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Catawba County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

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 position 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.

### **D. 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, the PJ Stanley Scholarship Fund, the General Capital Reserve Fund, the Water and Sewer Operating Fund, and the Water and Sewer Capital Reserve Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the General Capital Project Fund, CMAQ Sidewalk Capital Project Fund, the Sutter Street Building Reuse Fund, the Economic Development Grant Fund, the Miscellaneous Grant Project Fund, the Centennial Sidewalk Capital Project Fund, the BGA Drive Capital Project Fund, the Water and Sewer Capital Project Asset Inventory and Assessment Grant Fund, and the Wastewater Improvements Capital Project Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

# **CITY OF CLAREMONT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board and the Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

### **E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity**

#### **Deposits and Investments**

All deposits of the City are made in Board-designated official depositories and are secured as required by state law [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).

The City's investments are generally reported at fair value. The North Carolina Capital Management Trust (NCCMT) is authorized by G.S. 159-30(c)(8). The Government Portfolio, is a SEC-registered 2a7 fund which invests in treasuries and government agencies and is rated AAAm by S&P and AAA-mf by Moody's Investor Services. The Government Portfolio is reported at fair value.

#### **Cash and Cash Equivalents**

The City pools money 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.

#### **Restricted Assets**

Customer deposits held by the City before any services are supplied are restricted to the purpose for which the deposit was collected. Powell Bill funds are classified as restricted cash because they can be expended only for the purpose outlined in G.S. 136-41.1 through 136-41.4. Federal and state seizure funds are also classified as restricted cash because its use is restricted to law enforcement expenditures. Money in the Economic Development Fund is classified as restricted assets because its use is restricted to the Economic Development Fund per NC G.S. Chapter 159, Article 3, Part 2. PJ Stanley Scholarship funds are also classified as restricted cash because it can only be expended for the purpose of providing scholarships and supplies to local students attending Catawba Valley Community College in a police, fire, or EMS-related field of study or for a city employee pursuing a job-related degree.

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The City's restricted cash at June 30, 2021 is as follows:

### **Governmental Activities:**

#### General Fund:

Streets - Powell Bill	\$	39,936
Public safety		4,218

#### Nonmajor governmental funds:

PJ Stanley Scholarship		14,846
Economic development		197,012
Total governmental activities		<u>256,012</u>

### **Business-Type Activities:**

#### Water and Sewer Fund:

Customer deposits and overpayments		<u>39,284</u>
Total business-type activities		<u>39,284</u>

Total restricted cash	\$	<u>295,296</u>
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### **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<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020.

### **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.

### **Inventory and Prepaid Items**

The inventories of the City are valued at cost (first-in, first-out), which approximates market.

The inventories of the City's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of one year. Minimum capitalization costs are as follows: land, \$5,000; buildings, improvements, substations, line and other plant and distribution systems, \$5,000; infrastructure, \$5,000; equipment and furniture, \$5,000; and vehicles, \$5,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial 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.

Capital assets are depreciated on a straight-line method over the following estimated useful lives:

<b>Asset</b>	<b>Estimated Useful Lives</b>
Buildings	50 years
Infrastructure	20-25 years
Distributions system - water and wastewater (i.e. ductile iron)	40 years
Distribution system - water and wastewater (i.e. PVC)	20 years
Asphalt and concrete	20-25 years
Improvements	15-20 years
Large vehicles - fire trucks	20 years
Turn-out gear	10 years
Small vehicles	5-7 years
Furniture and equipment	5-7 years
Computer software	5 years
Computer equipment	3 years

### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criteria – OPEB and pension deferrals.

# **CITY OF CLAREMONT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category - property taxes receivable and pension deferrals.

### **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 Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid issuance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

### **Compensated Absences**

The vacation policy of the City provides for the accumulation of up to thirty days (240 hours) 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. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited accumulation of 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.



# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Net Position/Fund Balances

#### Net Position

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through state statute.

#### Fund Balances

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

The governmental fund types classify fund balances as follows:

**Non-Spendable 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.

*Prepaid Items* – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items that are costs applicable to future accounting periods and are expensed when used, which are not spendable resources.

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

*Restricted for Stabilization by State Statute* – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by state statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

*Restricted for Economic Development* – portion of fund balance for economic development [G.S. Chapter 159, Article 3, Part 2].

*Restricted for Public Safety* – portion of fund balance that is restricted by revenue source for certain public safety expenditures from Seizure Funds and portion of fund balance that is restricted for police-related scholarships and related costs.

*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 unexpended Powell Bill funds.

**Committed Fund Balance.** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by majority vote by quorum of City of Claremont's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Committed for Capital Projects* – the portion of fund balance committed by the Council for capital development.

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

*Assigned for Subsequent Year's Expenditures* – the portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriation by resource or appropriation within funds up to \$100,000.

*Assigned for Sidewalks* – the portion of fund balance that is set aside, for various sidewalk projects that need attention through the City.

**Unassigned Fund Balance.** Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is restricted, committed, or assigned to specific purposes.

The City 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: federal funds, state funds, local non-City funds, and City funds. For purposes of fund balance classification, 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. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

The City has not officially adopted a minimum fund balance policy for the General Fund.

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriations.

Total fund balance - General Fund	\$ 4,967,319
<b>Less:</b>	
Prepays	32,429
Stabilization by state statute	<u>748,791</u>
Total available fund balance	<u><u>\$ 4,186,099</u></u>

### Defined Benefit Cost – Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City's employer contributions are recognized when due, and the City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

## 2. Detail Notes On All Funds

### A. Assets

#### Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in these unit's name. 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 the City's agents in its 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 the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, 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

# **CITY OF CLAREMONT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

Method. The City has no formal 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, 2021, the City's deposits had a carrying amount of \$249,978 and a bank balance of \$365,890. Of the bank balance, \$258,711 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the City's petty cash fund totaled \$150.

### **Investments**

As of June 30, 2021, the City of Claremont had \$7,934,298 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's and AAA-mf by Moody's Investors Service. The City has no policy regarding credit risk.

### **Receivables - Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position as of June 30, 2021 are net of the following allowance for doubtful accounts:

<b><u>Fund</u></b>	<b><u>Amount</u></b>
General Fund:	
Taxes receivable	\$ 7,602
Enterprise Fund	<u>2,779</u>
Total	<u><u>\$ 10,381</u></u>

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Capital Assets

Capital asset activity for the City for the year ended June 30, 2021 was as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2021</u>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Assets:</b>					
Construction in progress	\$ 1,207,770	\$ 660,748	\$ -	\$ (1,062,882)	\$ 805,636
Land	<u>1,141,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,141,445</u>
Total non-depreciable assets	<u>2,349,215</u>	<u>660,748</u>	<u>-</u>	<u>(1,062,882)</u>	<u>1,947,081</u>
<b>Depreciable Assets:</b>					
Buildings	2,156,178	-	-	-	2,156,178
Other improvements	2,244,336	-	-	400,812	2,645,148
Infrastructure	2,255,337	649,835	-	662,070	3,567,242
Equipment and furniture	843,926	92,446	(21,215)	-	915,157
Vehicles and motorized equipment	<u>2,366,041</u>	<u>102,767</u>	<u>(93,976)</u>	<u>-</u>	<u>2,374,832</u>
Total depreciable capital assets	<u>9,865,818</u>	<u>845,048</u>	<u>(115,191)</u>	<u>1,062,882</u>	<u>11,658,557</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	(872,000)	(51,266)	-	-	(923,266)
Other improvements	(1,335,277)	(151,054)	-	-	(1,486,331)
Infrastructure	(856,798)	(87,853)	-	-	(944,651)
Equipment and furniture	(634,971)	(82,772)	21,215	-	(696,528)
Vehicles and motorized equipment	<u>(1,727,341)</u>	<u>(102,723)</u>	<u>93,976</u>	<u>-</u>	<u>(1,736,088)</u>
Total accumulated depreciation	<u>(5,426,387)</u>	<u>\$ (475,668)</u>	<u>\$ 115,191</u>	<u>\$ -</u>	<u>(5,786,864)</u>
Total depreciable capital assets, net	<u>4,439,431</u>				<u>5,871,693</u>
Governmental activity capital assets, net	<u>\$ 6,788,646</u>				<u>\$ 7,818,774</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General government	\$ 78,730
Public safety	181,830
Transportation	202,442
Environmental protection	1,610
Cultural and recreational	<u>11,056</u>
Total	<u>\$ 475,668</u>

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Proprietary Capital Assets

The capital assets of the proprietary funds of the City at June 30, 2021 are as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2021</u>
<b>Business-Type Activities:</b>					
<b>Water and Sewer Fund:</b>					
<b>Non-Depreciable Assets:</b>					
Land	\$ 83,327	\$ -	\$ -	\$ -	\$ 83,327
Construction in progress	318,859	102,121	-	-	420,980
Total non-depreciable assets	<u>402,186</u>	<u>102,121</u>	<u>-</u>	<u>-</u>	<u>504,307</u>
<b>Depreciable Assets:</b>					
Plant and distribution systems	9,148,094	15,780	-	-	9,163,874
Vehicles	116,100	-	-	-	116,100
Equipment	<u>510,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>510,346</u>
Total depreciable capital assets	<u>9,774,540</u>	<u>15,780</u>	<u>-</u>	<u>-</u>	<u>9,790,320</u>
<b>Less Accumulated Depreciation:</b>					
Plant and distribution systems	(5,213,467)	(210,064)	-	-	(5,423,531)
Vehicles	(75,258)	(8,885)	-	-	(84,143)
Equipment	<u>(267,819)</u>	<u>(25,244)</u>	<u>-</u>	<u>-</u>	<u>(293,063)</u>
Accumulated depreciation	<u>(5,556,544)</u>	<u>\$ (244,193)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(5,800,737)</u>
Depreciable capital assets, net	<u>4,217,996</u>				<u>3,989,583</u>
Business-type activity capital assets, net	<u>\$ 4,620,182</u>				<u>\$ 4,493,890</u>

### Commitments

The City has active construction projects as of June 30, 2021. At year-end, the outstanding commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
CMAQ (sidewalk projects)	<u>\$ 504,227</u>	<u>\$ 7,504</u>

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### B. Liabilities

#### Pension Plan Obligations

##### Local Governmental Employees' Retirement System

**Plan Description.** The City is a participating employer in the state-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the Annual Comprehensive Financial Report for the State of North Carolina. The state's Annual Comprehensive Financial Report 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, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The City of Claremont employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.20% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City were \$118,772 for the year ended June 30, 2021.

*Refunds of Contributions* – City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

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

At June 30, 2021, the City reported a liability of \$527,080 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the City's proportion was .01475%, which was an increase of .002% from its proportion measured as of June 30, 2019.



# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

For the year ended June 30, 2021, the City recognized pension expense of \$179,492. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 66,561	\$ -
Changes of assumptions	39,225	-
Net difference between projected and actual earnings on pension plan investments	74,173	-
Changes in proportion and differences between City contributions and proportionate share of contributions	39	29,573
City contributions subsequent to the measurement date	118,772	-
Total	<u>\$ 298,770</u>	<u>\$ 29,573</u>

\$118,772 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2022	\$ 40,184
2023	56,939
2024	31,350
2025	21,952
2026	-
Thereafter	-
Total	<u>\$ 150,425</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increase	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

## CITY OF CLAREMONT, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation, with the exception of the discount rate, were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contribution from

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

*Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
City's proportionate share of the net pension liability (asset)	<u>\$ 1,069,389</u>	<u>\$ 527,080</u>	<u>\$ 76,384</u>

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

### Law Enforcement Officers' Special Separation Allowance

**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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85% 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.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated program members entitled to, but not yet receiving, benefits	-
Active program members	<u>9</u>
Total	<u>9</u>

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria, which are outlined in GASB Statement 73.

### Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2019 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93%

The discount rate used to measure the total pension liability is the S&P Municipal Bond 20-Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2019.

**Mortality Assumption:** All mortality rates use Pub-2010 amount-weighted tables.

**Mortality Projection:** All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

**Deaths After Retirement (Healthy):** Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and set forward by 1 year.

**Deaths After Retirement (Disabled Members at Retirement):** Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are set back three years for all ages.

**Deaths After Retirement (Survivors of Deceased Members):** Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are set forward three years. Rates for female members are set forward one year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

**Deaths Prior to Retirement:** Mortality rates are based on the Safety Mortality Table for Employees.

**Contributions.** The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. The City paid \$0 benefits for the reporting period.

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

At June 30, 2021, the City reported a total pension liability of \$266,730. The total pension liability was measured at December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$23,616.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,311	\$ 21,335
Changes of assumptions and other inputs	92,655	4,362
Total	<u>\$ 97,966</u>	<u>\$ 25,697</u>

There were no deferred outflows of resources related to pensions resulting from administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2022	\$ 9,468
2023	9,691
2024	10,133
2025	13,610
2026	14,389
Thereafter	14,978
Total	<u>\$ 72,269</u>

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

*Sensitivity of the City's Total Pension Liability to Changes in the Discount Rate.* The following presents the City's total pension liability calculated using the discount rate of 1.93%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93%) or 1-percentage-point higher (2.93%) than the current rate:

	<b>1% Decrease (0.93%)</b>	<b>Discount Rate (1.93%)</b>	<b>1% Increase (2.93%)</b>
Total pension liability	<u>\$ 286,988</u>	<u>\$ 266,730</u>	<u>\$ 247,567</u>

### Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance

	<b>2021</b>
Beginning balance	\$ 149,488
Service cost	9,275
Interest on the total pension liability	4,873
Differences between expected and actual experience in the measurement of the total pension liability	3,495
Changes of assumption or other inputs	<u>99,599</u>
Ending balance of the total pension liability	<u>\$ 266,730</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality tables also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 179,492	\$ 23,616	\$ 203,108
Pension liability	527,080	266,730	793,810
Proportionate share of the net pension liability	0.01475%	NA	NA

### Deferred Outflows of Resources:

Differences between expected and actual experience	\$ 66,561	\$ 5,311	\$ 71,872
Changes of assumptions	39,225	92,655	131,880
Net difference between projected and actual earnings on pension plan investments	74,173	-	74,173
Changes in proportion and differences between contributions and proportionate share of contributions	39	-	39
Benefit payments and administration costs paid subsequent to the measurement date	<u>118,772</u>	<u>-</u>	<u>118,772</u>
Total deferred outflows of resources	<u>\$ 298,770</u>	<u>\$ 97,966</u>	<u>\$ 396,736</u>

### Deferred Inflows of Resources:

Differences between expected and actual experience	\$ -	\$ 21,335	\$ 21,335
Changes of assumptions	-	4,362	4,362
Changes in proportion and differences between contributions and proportionate share of contributions	<u>29,573</u>	<u>-</u>	<u>29,573</u>
Total deferred inflows of resources	<u>\$ 29,573</u>	<u>\$ 25,697</u>	<u>\$ 55,270</u>

### Supplemental Retirement Income Plan for Law Enforcement Officers

**Plan Description.** The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers and employees not engaged in law enforcement. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The Supplemental Retirement Income Plan is included in the Annual Comprehensive Financial Report for the State of North Carolina. The state's Annual Comprehensive Financial Report includes the Pension Trust Fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. 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.** Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may also make voluntary contributions to the plan.

The City made contributions of \$17,172 for the reporting year. No amounts have been forfeited.

### Other Employment Benefits

#### Healthcare Benefits

**Plan Description.** Under the terms of a City resolution, the City administers a single employer defined benefit Healthcare Benefits Plan (the HCB Plan). The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**Benefits Provided.** Full-time employees hired on or prior to January 1, 2013 who retire through the North Carolina Local Governmental Employees' Retirement System (NCLGERS) with thirty (30) or more years of service with the City are eligible to receive 50% health insurance coverage with the City, with City Council approval on a case-by-case basis.

Employees hired after January 1, 2013 are not eligible to receive health insurance coverage with the City.

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	-
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	6
Total	<u>6</u>



# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Total OPEB Liability

The City's total OPEB liability of \$67,768 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

**Actuarial Assumptions and Other Inputs.** The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases, including wage inflation:	
General employees	3.50%-7.75%
Law enforcement officers	3.50%-7.35%
Municipal Bond index rate:	
Prior measurement date	3.50%
Measurement date	2.21%
Healthcare cost trend rates:	
Pre-Medicare medical and prescription drug	7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026

	<b>Total OPEB Liability</b>
Balance at July 1, 2020	\$ 56,555
Changes for the year:	
Service cost	1,786
Interest	2,042
Changes of assumptions or other inputs	7,385
Net changes	11,213
Balance at June 30, 2021	\$ 67,768

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

The City selected a Municipal Bond Index Rate equal to the Bond Buyer 20-Year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	<b>1% Decrease (1.21%)</b>	<b>Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
Total OPEB liability	<u>\$ 74,036</u>	<u>\$ 67,768</u>	<u>\$ 61,976</u>

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 60,060</u>	<u>\$ 67,768</u>	<u>\$ 76,521</u>

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$5,258. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	<u>\$ 7,718</u>	<u>\$ -</u>

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

There were no deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2022	\$ 1,430
2023	1,430
2024	1,430
2025	1,430
2026	1,309
Thereafter	689
Total	<u>\$ 7,718</u>

### Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are comprised of the following:

	<b><u>Amount</u></b>
Contributions to pension plan in the current fiscal year - LGERS	\$ 118,772
Differences between expected and actual experience - LGERS	66,561
Changes of assumptions - LGERS	39,225
Net difference between projected and actual earnings on pension plan investment -LGERS	74,173
Changes in proportion and differences between City contributions and proportionate share of contributions - LGERS	39
Differences between expected and actual experience - LEOSSA	5,311
Changes of assumptions - LEOSSA	92,655
Changes of assumptions - OPEB	7,718
Total	<u>\$ 404,454</u>

## CITY OF CLAREMONT, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Deferred inflows of resources at year-end are comprised of the following elements:

	<u>Amount</u>
Taxes receivable (General Fund)	\$ 4,529
Differences between expected and actual experience - LEOSSA	21,335
Changes in proportion and differences between City contributions and proportionate share of contributions - LGERS	29,573
Changes of assumptions - LEOSSA	4,362
Total	<u>\$ 59,799</u>

#### **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 the self-funded risk financing pool for workers compensation that is administered by the North Carolina League of Municipalities (NCLM). Specific information on the limit of any reinsurance, excess and stock loss workers compensation policies purchased by NCLM can be obtained by contacting the Risk Management Services Department of the NCLM. All NCLM risk pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

During the year, the City had employee health insurance coverage through NCLM MedCost Benefit Services (Dental) and Blue Cross Blue Shield (Health Plan).

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The City carries flood insurance through a commercial company for \$5,000,000 per occurrence.

In accordance with G.S. 159-29, the City's Finance Officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond.

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Long-Term Obligations

#### Installment Purchases:

The City financed various property and equipment acquisitions by installment purchases. Installment purchase contracts at June 30, 2021, are comprised of the following:

#### Governmental Activities:

\$1,500,000 contract for construction of railroad Spur to Poppelmann,  
due in annual installments of \$100,000 plus interest at 3.96%,  
through February 2024. \$ 300,000

\$237,765 contract for the acquisition of chassis equipment  
for a new Smeal Fire Truck, due in annual installments  
of \$27,139, including interest at a rate of 2.48% through June 2025. 102,143

Total governmental activities long-term debt \$ 402,143

Annual debt service requirements to maturity for the City's governmental activities notes payable direct placements are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 124,605	\$ 14,413	\$ 139,018
2023	125,216	9,843	135,059
2024	125,841	5,258	131,099
2025	26,481	657	27,138
Total	<u>\$ 402,143</u>	<u>\$ 30,171</u>	<u>\$ 432,314</u>

The City's outstanding note from direct placements related to governmental activities of \$300,000 is by a security interest in the rail spur. Upon default, the lender can enforce its security interest in the mortgaged property, including initiating foreclosure proceedings.

The City's outstanding note from direct placements related to governmental activities of \$102,143 is by a security interest in the fire truck. Upon default, the lender can enforce its security interest in the mortgaged property, including initiating foreclosure proceedings.

# CITY OF CLAREMONT, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

A summary of changes in long-term obligations follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
Installment purchase BB&T -					
Poppelman railroad spur	\$ 400,000	\$ -	\$ 100,000	\$ 300,000	\$ 100,000
Installment purchase BB&T -					
Fire Truck	126,153	-	24,010	102,143	24,605
Net pension liability (LGERS)	343,072	52,238	-	395,310	-
Total pension liability (LEOSSA)	149,488	117,242	-	266,730	-
Total OPEB liability	56,555	11,213	-	67,768	-
Compensated absences	91,695	94,709	91,695	94,709	71,032
Total governmental activities	<u>\$ 1,166,963</u>	<u>\$ 275,402</u>	<u>\$ 215,705</u>	<u>\$ 1,226,660</u>	<u>\$ 195,637</u>
<b>Business-Type Activities:</b>					
Net pension liability (LGERS)	\$ 114,357	\$ 17,413	\$ -	\$ 131,770	\$ -
Compensated absences	-	13,413	-	13,413	10,060
Total business-type activities	<u>\$ 114,357</u>	<u>\$ 30,826</u>	<u>\$ -</u>	<u>\$ 145,183</u>	<u>\$ 10,060</u>

Compensated absences, pensions and other post-employment benefits liabilities have typically been liquidated in the General Fund. Compensated absences are accounted for on a last-in, first-out (LIFO) basis, assuming that employees are taking leave time as it is earned.

At June 30, 2021, the City had a legal debt margin of approximately \$44,439,000.

### Interfund Balances and Activity

Interfund balances at June 30, 2021 consist of project advances as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	CMAQ Sidewalk Capital Project Fund	<u>\$ 439,660</u>

Transfers to/from other funds during the year ended June 30, 2021, consist of the following:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
General Capital Project Fund	General Fund	\$ 2	Close out completed projects
Sutter Street Building Reuse Fund	General Fund	10,929	Close out completed projects
BGA Drive Capital Project Fund	Water & Sewer Fund	36,930	Close out completed projects
Water & Sewer Fund	Water & Sewer Capital Reserve Fund	150,000	Future Public Services Remodel/Building
General Fund	Miscellaneous Grant Project Fund	4,191	Grant matching requirements

# **CITY OF CLAREMONT, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021**

### **3. Jointly Governed Organization**

The Western Piedmont Council of Governments (“Council”) was established in November 1968 by 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 base dues of \$1,951 to the Council during the fiscal year ended June 30, 2021.

### **4. Summary Disclosures of Significant 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 agreement. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

### **5. Subsequent Events**

In March 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are expected to continue impacting various aspects of the City’s operations and financial results. At the current time, we are unable to quantify the potential effects of this pandemic.

As part of pandemic relief provided by the federal government, the City of Claremont was awarded \$448,728 from the American Rescue Plan (ARP.) The City received the first installment of \$224,364 subsequent to year end, with the remaining \$224,364 expected to be received within the next 12 months.

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## Required Supplemental Financial Data

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This section contains additional information required by generally accepted accounting principles.

<i>Law Enforcement Officers’ Special Separation Allowance –</i>	Schedule of Changes in Total Pension Liability and Schedule of Total Pension Liability as a Percentage of Covered Payroll
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<i>Other Post-Employment Benefits –</i>	Schedule of Changes in the Total OPEB Liability and Related Ratios
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<i>Local Government Employees’ Retirement System –</i>	Schedule of Proportionate Share of Net Pension Liability (Asset) and Schedule of City Contributions
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## CITY OF CLAREMONT, NORTH CAROLINA

## OTHER POST-EMPLOYMENT BENEFITS

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

## LAST TWO FISCAL YEARS

Other Post-Employment Benefits		
	2021	2020
Service cost	\$ 1,786	\$ 1,645
Interest	2,042	1,978
Changes of assumptions or other inputs	7,385	2,077
Net change in total OPEB liability	11,213	5,700
Total OPEB liability - beginning	56,555	50,855
Total OPEB liability - ending	\$ 67,768	\$ 56,555
Covered payroll	N/A*	N/A*
Total OPEB liability as a percentage of covered payroll	N/A*	N/A*

\*Covered payroll is not provided since there are fewer than 10 participants in the Plan.

**Notes to the Required Schedules:**

*Changes of Assumptions:* Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2020	3.50%
2021	2.21%

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

**CITY OF CLAREMONT, NORTH CAROLINA**

**CITY OF CLAREMONT'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST EIGHT FISCAL YEARS\***

	<b>Local Government Employees' Retirement System</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
City's proportion of the net pension liability (asset) (%)	0.01475%	0.01675%	0.01671%	0.01733%
City's proportion of the net pension liability (asset) (\$)	\$ 527,080	\$ 457,429	\$ 396,418	\$ 264,754
City's covered payroll	\$ 1,137,003	\$ 1,078,906	\$ 979,628	\$ 949,593
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	46.36%	42.40%	40.47%	27.88%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**CITY OF CLAREMONT, NORTH CAROLINA**

**CITY OF CLAREMONT'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST EIGHT FISCAL YEARS\***

	<b>Local Government Employees' Retirement System</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's proportion of the net pension liability (asset) (%)	0.01630%	0.01580%	0.01436%	0.01330%
City's proportion of the net pension liability (asset) (\$)	\$ 345,943	\$ 70,199	\$ (84,688)	\$ 160,316
City's covered payroll	\$ 889,297	\$ 749,281	\$ 716,315	\$ 716,315
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.90%	9.37%	( 11.82%)	22.38%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

**CITY OF CLAREMONT, NORTH CAROLINA**

**CITY OF CLAREMONT'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST EIGHT FISCAL YEARS**

<b>Local Government Employees' Retirement System</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 118,772	\$ 105,076	\$ 87,000	\$ 76,709
Contributions in relation to the contractually required contribution	<u>118,772</u>	<u>105,076</u>	<u>87,000</u>	<u>76,709</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Claremont's covered payroll	\$ 1,138,995	\$ 1,137,003	\$ 1,078,906	\$ 979,628
Contributions as a percentage of covered payroll	10.43%	9.24%	8.06%	7.83%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**CITY OF CLAREMONT, NORTH CAROLINA**

**CITY OF CLAREMONT'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST EIGHT FISCAL YEARS**

<b>Local Government Employees' Retirement System</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 72,102	\$ 61,325	\$ 51,251	\$ 42,979
Contributions in relation to the contractually required contribution	<u>72,102</u>	<u>61,325</u>	<u>51,251</u>	<u>42,979</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Claremont's covered payroll	\$ 949,593	\$ 889,297	\$ 749,281	\$ 716,315
Contributions as a percentage of covered payroll	7.59%	6.90%	6.84%	6.00%

## CITY OF CLAREMONT, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST FIVE FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 149,488	\$ 137,400	\$ 125,424	\$ 144,714	\$ 146,472
Service cost	9,275	9,580	9,695	8,147	9,088
Interest on the total pension liability	4,873	5,001	3,963	5,493	5,025
Differences between expected and actual experience in the measurement of the total pension liability	3,495	(7,196)	4,135	(37,027)	-
Changes of assumption or other inputs	99,599	4,703	(5,817)	8,937	(4,432)
Benefit payments	-	-	-	(4,840)	(11,439)
Ending balance of the total pension liability	<u>\$ 266,730</u>	<u>\$ 149,488</u>	<u>\$ 137,400</u>	<u>\$ 125,424</u>	<u>\$ 144,714</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.



## CITY OF CLAREMONT, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FIVE FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>				
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 266,730	\$ 149,488	\$ 137,400	\$ 125,424	\$ 144,714
Covered payroll	407,636	418,139	396,734	392,385	402,816
Total pension liability as a percentage of covered payroll	65.43%	35.75%	34.63%	31.96%	35.93%

**Notes to the Schedules:**

The City of Claremont has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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## **Governmental Activities Major Funds**

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The **General Fund** is the main operating fund of the City. This fund is used to account for all financial resources traditionally associated with government activities that are not required legally or by sound financial management to be accounted for in other funds.

The **CMAQ Sidewalk Capital Project Fund** is being used to provide resources and sidewalk improvements along Centennial Boulevard.

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# CITY OF CLAREMONT, NORTH CAROLINA

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

#### IN FUND BALANCE - BUDGET AND ACTUAL

#### FOR THE YEAR ENDED JUNE 30, 2021

#### WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,484,000	\$ 2,805,769	\$ 321,769	\$ 2,379,485
<b>Other Taxes and Licenses:</b>				
Local option sales tax	238,045	396,906	158,861	333,827
Solid waste disposal tax	730	841	111	1,118
Occupancy tax	8,000	13,765	5,765	11,042
Total other taxes and licenses	246,775	411,512	164,737	345,987
<b>Unrestricted Intergovernmental:</b>				
Utility franchise tax	274,500	371,664	97,164	363,858
Telecommunication tax	23,000	18,414	(4,586)	24,473
Piped natural gas tax	4,600	6,431	1,831	5,652
Beer and wine tax	5,000	6,244	1,244	6,353
City hold-harmless reimbursement	47,000	80,114	33,114	68,441
Video programming tax	25,000	28,878	3,878	28,552
Total unrestricted intergovernmental	379,100	511,745	132,645	497,329
<b>Restricted Intergovernmental:</b>				
Powell Bill allocation	25,000	21,644	(3,356)	43,822
Special fire district fees	357,700	377,222	19,522	298,672
Federal grants	160,074	119,297	(40,777)	-
Seizure funds	-	735	735	231
Total restricted intergovernmental	542,774	518,898	(23,876)	342,725
<b>Permits and Fees:</b>				
Planning and zoning	3,800	2,850	(950)	1,125
<b>Sales and Services:</b>				
Refuse collection fees	49,000	49,794	794	54,865
Court costs	1,000	342	(658)	578
Park rental	300	325	25	200
Golf cart	-	150	150	140
Total sales and services	50,300	50,611	311	55,783

**CITY OF CLAREMONT, NORTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2021**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	<b>2021</b>			<b>2020</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Investment Earnings</b>	16,200	1,728	(14,472)	81,068
<b>Miscellaneous:</b>				
Other	76,695	99,094	22,399	21,744
Total revenues	3,799,644	4,402,207	602,563	3,725,246
<b>Expenditures:</b>				
<b>General Government:</b>				
Governing board				
Elected and appointed officials				
Salaries	13,950	10,587	3,363	13,913
Other operating expenditures	75,609	54,930	20,679	31,849
Total governing board	89,559	65,517	24,042	45,762
<b>Administration:</b>				
Salaries	199,700	294,231	(94,531)	240,800
Other operating expenditures	262,634	182,113	80,521	131,378
Capital outlay	174,125	100,211	73,914	343,552
Total administration	636,459	576,555	59,904	715,730
Total general government	726,018	642,072	83,946	761,492
<b>Public Safety:</b>				
<b>Police:</b>				
Salaries	630,600	535,291	95,309	538,415
Other operating expenditures	218,842	175,133	43,709	150,355
Capital outlay	105,887	105,836	51	48,595
Total police	955,329	816,260	139,069	737,365

CITY OF CLAREMONT, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
<b>Fire:</b>				
Salaries	433,506	417,184	16,322	247,397
Other operating expenditures	314,969	243,897	71,072	140,762
Capital outlay	45,674	43,241	2,433	50,198
Total fire	794,149	704,322	89,827	438,357
 Total public safety	 1,749,478	 1,520,582	 228,896	 1,175,722
<b>Environmental Protection:</b>				
<b>Public Works:</b>				
Salaries	382,500	257,398	125,102	194,669
Other operating expenditures	435,770	319,367	116,403	282,701
Capital outlay	12,500	12,500	-	-
Total public works	830,770	589,265	241,505	477,370
 <b>Streets and Sidewalks:</b>				
Capital outlay	268,000	259,835	8,165	-
 <b>Economic Development:</b>				
Salaries	118,500	116,520	1,980	114,375
Other operating expenditures	27,400	17,496	9,904	106,468
Capital outlay	500	-	500	-
Total economic development	146,400	134,016	12,384	220,843
 <b>Planning</b>				
Other operating expenditures	363,135	328,415	34,720	-
 <b>Transportation:</b>				
<b>Powell Bill:</b>				
Other operating expenditures	10,000	6,826	3,174	20,567
Capital outlay	390,000	390,000	-	-
Total transportation	400,000	396,826	3,174	20,567

CITY OF CLAREMONT, NORTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2021

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
<b>Cultural and Recreational:</b>				
<b>Library:</b>				
Other operating expenditures	26,015	25,465	550	24,300
<b>Recreation:</b>				
Salaries	58,500	55,661	2,839	52,528
Other operating expenditures	63,600	54,123	9,477	80,861
Capital outlay	-	-	-	6,410
Total recreation	122,100	109,784	12,316	139,799
Total cultural and recreational	148,115	135,249	12,866	164,099
<b>Debt Service:</b>				
Principal retirement	124,100	124,010	90	123,429
Interest and fees	23,510	18,969	4,541	23,510
Total debt service	147,610	142,979	4,631	146,939
Total expenditures	4,779,526	4,149,239	630,287	2,967,032
Revenues over (under) expenditures	(979,882)	252,968	1,232,850	758,214
<b>Other Financing Sources (Uses):</b>				
Transfers:				
Transfers out	(5,438)	(4,191)	1,247	(65,000)
Transfers in	10,931	10,931	-	(20,000)
Appropriated fund balance	974,389	-	(974,389)	-
Total other financing sources (uses)	979,882	6,740	(973,142)	(85,000)
Net change in fund balance	\$ -	259,708	\$ 259,708	673,214
<b>Fund Balance:</b>				
Beginning of year - July 1		4,707,611		4,034,397
End of year - June 30		\$ 4,967,319		\$ 4,707,611



## CITY OF CLAREMONT, NORTH CAROLINA

**MAJOR CAPITAL PROJECT FUND - CMAQ SIDEWALK**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental grant	\$ 620,000	\$ 102,146	\$ 390,636	\$ 492,782	\$ (127,218)
Investment earnings	-	1,846	15	1,861	1,861
Total revenues	<u>620,000</u>	<u>103,992</u>	<u>390,651</u>	<u>494,643</u>	<u>(125,357)</u>
<b>Expenditures:</b>					
Grant administration	16,000	15,156	-	15,156	844
Professional fees	15,700	827	-	827	14,873
Engineering	165,100	45,736	126,232	171,968	(6,868)
Contractual services	623,500	113,164	391,063	504,227	119,273
Right-of-way acquisition	14,700	12,399	-	12,399	2,301
Total expenditures	<u>835,000</u>	<u>187,282</u>	<u>517,295</u>	<u>704,577</u>	<u>130,423</u>
Revenues over (under) expenditures	(215,000)	(83,290)	(126,644)	(209,934)	5,066
<b>Other Financing Sources (Uses):</b>					
Transfers in	<u>215,000</u>	<u>215,000</u>	<u>-</u>	<u>215,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 131,710</u>	<u>(126,644)</u>	<u>\$ 5,066</u>	<u>\$ 5,066</u>
<b>Fund Balance:</b>					
Beginning of year, July 1			<u>131,710</u>		
End of year, June 30			<u>\$ 5,066</u>		

CITY OF CLAREMONT, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2021

	Nonmajor Special Revenue Funds			
	PJ Stanley Scholarship Fund	Sutter Street Building Reuse Fund	Miscellaneous Grant Project Fund	Economic Development Fund
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	14,846	-	-	197,012
Total assets	<u>\$ 14,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,012</u>
<b>Fund Balances:</b>				
Restricted:				
Economic development	\$ -	\$ -	\$ -	\$ 197,012
Public safety scholarships and related costs	14,846	-	-	-
Committed:				
Capital projects	-	-	-	-
Total fund balances	<u>14,846</u>	<u>-</u>	<u>-</u>	<u>197,012</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,012</u>

CITY OF CLAREMONT, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2021

	Nonmajor Capital Project Funds				Total Nonmajor Governmental Funds
	BGA Drive Capital Project Fund	Centennial Sidewalk Capital Project Fund	General Capital Project Fund	General Capital Reserve Fund	
<b>Assets:</b>					
Cash and cash equivalents	\$ -	\$ 99,193	\$ -	\$ 51,158	\$ 150,351
Restricted cash and cash equivalents	-	-	-	-	211,858
Total assets	<u>\$ -</u>	<u>\$ 99,193</u>	<u>\$ -</u>	<u>\$ 51,158</u>	<u>\$ 362,209</u>
<b>Fund Balances:</b>					
Restricted:					
Economic development	\$ -	\$ -	\$ -	\$ -	\$ 197,012
Public safety scholarships and related costs	-	-	-	-	14,846
Committed:					
Capital projects	-	99,193	-	51,158	150,351
Total fund balances	<u>-</u>	<u>99,193</u>	<u>-</u>	<u>51,158</u>	<u>362,209</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 99,193</u>	<u>\$ -</u>	<u>\$ 51,158</u>	<u>\$ 362,209</u>

**CITY OF CLAREMONT, NORTH CAROLINA**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Nonmajor Special Revenue Funds</b>			
	<b>PJ Stanley Scholarship Fund</b>	<b>Sutter Street Building Reuse Fund</b>	<b>Miscellaneous Grant Project Fund</b>	<b>Economic Development Fund</b>
<b>Revenues:</b>				
Restricted intergovernmental	\$ -	\$ 122,487	\$ 84,896	\$ -
Investment earnings	-	-	-	-
Miscellaneous	30	-	-	-
Total revenues	30	122,487	84,896	-
<b>Expenditures:</b>				
Public safety	4,000	-	89,087	-
Economic development incentives	-	122,558	-	-
Total expenditures	4,000	122,558	89,087	-
Revenues over (under) expenditures	(3,970)	(71)	(4,191)	-
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	4,191	-
Transfers out	-	(10,929)	-	-
Total other financing sources (uses)	-	(10,929)	4,191	-
Net change in fund balances	(3,970)	(11,000)	-	-
<b>Fund Balances:</b>				
Beginning of year - July 1	18,816	11,000	-	197,012
End of year - June 30	<u>\$ 14,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,012</u>

CITY OF CLAREMONT, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2021

	Nonmajor Capital Project Funds				
	BGA Drive Capital Project Fund	Centennial Sidewalk Capital Project Fund	General Capital Project Fund	General Capital Reserve Fund	Total
<b>Revenues:</b>					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 207,383
Investment earnings	-	-	-	9	9
Miscellaneous	-	-	-	-	30
Total revenues	-	-	-	9	207,422
<b>Expenditures:</b>					
Public safety	-	-	-	-	93,087
Economic development incentives	-	-	-	-	122,558
Total expenditures	-	-	-	-	215,645
Revenues over (under) expenditures	-	-	-	9	(8,223)
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	-	-	-	-	4,191
Transfers to other funds	(36,931)	-	(2)	-	(47,862)
Total other financing sources (uses)	(36,931)	-	(2)	-	(43,671)
Net change in fund balances	(36,931)	-	(2)	9	(51,894)
<b>Fund Balances:</b>					
Beginning of year - July 1	36,931	99,193	2	51,149	414,103
End of year - June 30	\$ -	\$ 99,193	\$ -	\$ 51,158	\$ 362,209

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## Special Revenue Funds

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**Special Revenue Funds** are used to account for revenues that are legally restricted to expenditures for a particular purpose.

The City of Claremont has four Special Revenue Funds:

**PJ Stanley Scholarship Fund** – This fund accounts for contributions and transfers from other funds that will be used to provide scholarships for local students attending Catawba Valley Community College or Mitchell Community College in a police, fire, or EMS related field of study.

**Sutter Street Building Reuse Fund** – This special revenue fund accounts for grant proceeds from NC Department of Commerce for building reuse at Sutter Street Manufacturing, a subsidiary of Williams Sonoma.

**Miscellaneous Grant Project Fund** – This special revenue fund accounts for various grant projects not accounted for in a separate fund.

**Economic Development Fund** – This fund accounts for the proceeds from a grantor for future economic development incentives.

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## CITY OF CLAREMONT, NORTH CAROLINA

**SPECIAL REVENUE FUND - PJ STANLEY SCHOLARSHIP FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	<b>2021</b>			<b>2020</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
Miscellaneous contributions	\$ 6,000	\$ 30	\$ (5,970)	\$ 11,769
<b>Expenditures:</b>				
Public safety scholarships	4,000	4,000	-	4,000
Departmental supplies	3,000	-	3,000	2,727
Grants	2,000	-	2,000	2,000
Total expenditures	9,000	4,000	5,000	8,727
Revenues over (under) expenditures	(3,000)	(3,970)	(970)	3,042
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	3,000	-	(3,000)	-
Transfers from	-	-	-	1,000
Total other financing sources (uses)	3,000	-	(3,000)	1,000
Net change in fund balance	\$ -	(3,970)	\$ (3,970)	4,042
<b>Fund Balance:</b>				
Beginning of year, July 1		18,816		14,774
End of year, June 30		\$ 14,846		\$ 18,816

## CITY OF CLAREMONT, NORTH CAROLINA

**SPECIAL REVENUE FUND - SUTTER STREET BUILDING REUSE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
NC Commerce Building Reuse Grant	\$ 122,487	\$ -	\$ 122,487	\$ 122,487	\$ -
ONE NC Grant	300,000	300,000	-	300,000	-
Sutter Street Grant match	17,500	17,500	-	17,500	-
Total revenues	<u>439,987</u>	<u>317,500</u>	<u>122,487</u>	<u>439,987</u>	<u>-</u>
<b>Expenditures:</b>					
Grant administration	6,571	6,500	71	6,571	-
Economic development	422,487	300,000	122,487	422,487	-
Total expenditures	<u>429,058</u>	<u>306,500</u>	<u>122,558</u>	<u>429,058</u>	<u>-</u>
Revenues over (under) expenditures	10,929	11,000	(71)	10,929	-
<b>Other Financing Sources (Uses):</b>					
Transfer out	<u>(10,929)</u>	<u>-</u>	<u>(10,929)</u>	<u>(10,929)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 11,000</u>	<u>(11,000)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year, July 1			<u>11,000</u>		
End of year, June 30			<u>\$ -</u>		

## CITY OF CLAREMONT, NORTH CAROLINA

**SPECIAL REVENUE FUND - ECONOMIC DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

		<b>Actual</b>			
	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	<b>Variance Over/Under</b>
<b>Revenues:</b>					
Restricted intergovernmental	\$ 207,065	\$ 227,338	\$ -	\$ 227,338	\$ 20,273
Lease payments - principal	229,825	254,185	-	254,185	24,360
Spec building reimbursement	27,967	10,278	-	10,278	(17,689)
Total revenues	<u>464,857</u>	<u>491,801</u>	<u>-</u>	<u>491,801</u>	<u>26,944</u>
<b>Expenditures:</b>					
Economic development incentives	<u>464,857</u>	<u>294,789</u>	<u>-</u>	<u>294,789</u>	<u>170,068</u>
Total expenditures	<u>464,857</u>	<u>294,789</u>	<u>-</u>	<u>294,789</u>	<u>170,068</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 197,012</u>	<u>-</u>	<u>\$ 197,012</u>	<u>\$ 197,012</u>
<b>Fund Balance:</b>					
Beginning of year, July 1			<u>197,012</u>		
End of year, June 30			<u>\$ 197,012</u>		

## CITY OF CLAREMONT, NORTH CAROLINA

**SPECIAL REVENUE FUND - MISCELLANEOUS GRANT PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

		<b>Actual</b>			
	<b><u>Project Authorization</u></b>	<b><u>Prior Years</u></b>	<b><u>Current Year</u></b>	<b><u>Total to Date</u></b>	<b><u>Variance Over/Under</u></b>
<b>Revenues:</b>					
Restricted intergovernmental	\$ 108,744	\$ -	\$ 84,896	\$ 84,896	\$ (23,848)
<b>Expenditures:</b>					
Public safety incentives	114,182	-	89,087	89,087	25,095
Revenues over (under) expenditures	(5,438)	-	(4,191)	(4,191)	1,247
<b>Other Financing Sources (Uses):</b>					
Transfers in	5,438	-	4,191	4,191	(1,247)
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year, July 1			-		
End of year, June 30			\$ -		

## Capital Project Funds

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**Capital Projects Funds** account for all resources used for the acquisition and/or construction of major capital facilities other than those financed by Enterprise Funds.

The City of Claremont has four Capital Project Funds.

**BGA Drive Capital Project Fund** – This fund accounts for grant revenue for certain street improvements.

**Centennial Sidewalk Capital Project Fund** – This fund accounts for construction and expansion of centennial sidewalk.

**General Capital Project Fund** – This fund is used to account for acquisitions or construction of major capital facilities or infrastructure other than those financed by the Enterprise Fund.

**General Capital Reserve Fund** – This fund accounts for the funds committed for future capital projects. This fund is reported as a capital project fund.

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## CITY OF CLAREMONT, NORTH CAROLINA

**CAPITAL PROJECT FUND - CENTENNIAL SIDEWALK FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

		<b>Actual</b>			
	<b><u>Project Authorization</u></b>	<b><u>Prior Years</u></b>	<b><u>Current Year</u></b>	<b><u>Total to Date</u></b>	<b><u>Variance Over/Under</u></b>
<b>Revenues:</b>					
Restricted intergovernmental revenues:					
NC DOT Grant	\$ 458,000	\$ -	\$ -	\$ -	\$ (458,000)
<b>Expenditures:</b>					
Construction	414,800	-	-	-	414,800
Engineering	15,000	14,807	-	14,807	193
Easement acquisition	25,000	-	-	-	25,000
Construction observation/administration	60,000	-	-	-	60,000
NC DOT administration	57,200	-	-	-	57,200
Total expenditures	<u>572,000</u>	<u>14,807</u>	<u>-</u>	<u>14,807</u>	<u>557,193</u>
Revenues over (under) expenditures	(114,000)	(14,807)	-	(14,807)	99,193
<b>Other Financing Sources (Uses):</b>					
Transfers in	<u>114,000</u>	<u>114,000</u>	<u>-</u>	<u>114,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 99,193</u>	<u>-</u>	<u>\$ 99,193</u>	<u>\$ 99,193</u>
<b>Fund Balance:</b>					
Beginning of year, July 1			<u>99,193</u>		
End of year, June 30			<u>\$ 99,193</u>		

## CITY OF CLAREMONT, NORTH CAROLINA

**BGA DRIVE CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental	\$ 586,000	\$ 586,000	\$ -	\$ 586,000	\$ -
<b>Expenditures:</b>					
Engineering	69,498	69,498	-	69,498	-
Contractual services	592,571	592,571	-	592,571	-
Total expenditures	662,069	662,069	-	662,069	-
Revenues over (under) expenditures	(76,069)	(76,069)	-	(76,069)	-
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	76,069	113,000	(36,931)	76,069	-
Net change in fund balance	\$ -	\$ 36,931	(36,931)	\$ -	\$ -
<b>Fund Balance:</b>					
Beginning of year, July 1			36,931		
End of year, June 30			\$ -		



## CITY OF CLAREMONT, NORTH CAROLINA

GENERAL CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

		Actual		
	Project Authorization	Prior Years	Current Year	Total to Date
<b>Other Financing Sources (Uses):</b>				
Transfers out	\$ -	\$ -	\$ (2)	\$ (2)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(2)	<u>\$ (2)</u>
<b>Fund Balance:</b>				
Beginning of year, July 1			<u>2</u>	
End of year, June 30			<u>\$ -</u>	

## CITY OF CLAREMONT, NORTH CAROLINA

## GENERAL CAPITAL RESERVE FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND

## FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2021

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>			<u>2020</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Total</u>
<b>Revenues:</b>				
Non-operating revenues:				
Investment earnings	\$ -	\$ 9	\$ 9	\$ 1,588
Net change in fund balance	<u>\$ -</u>	9	<u>\$ 9</u>	1,588
<b>Fund Balance:</b>				
Beginning of year, July 1		<u>51,149</u>		<u>49,561</u>
End of year, June 30		<u>\$ 51,158</u>		<u>\$ 51,149</u>

## **Enterprise Funds**

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The **Enterprise Funds** are used to 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 or 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.

The City of Claremont has one Enterprise Fund:

### ***Water and Sewer Fund***

The City maintains three separate Water and Sewer Capital Project Funds for accounting purposes, listed as follows:

***Water and Sewer Capital Reserve Fund***  
***Water and Sewer Capital Project Fund – Asset Investment and Assessment Grant***  
***Wastewater Improvements Capital Project Fund***

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**CITY OF CLAREMONT, NORTH CAROLINA**

**WATER AND SEWER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2021**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	<b>2021</b>			<b>2020</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
<b>Revenues:</b>				
<b>Operating Revenues:</b>				
Water and sewer charges/fees	\$ 1,611,500	\$ 1,798,606	\$ 187,106	\$ 1,835,920
Sprinkler and hydrant charges	23,500	25,450	1,950	23,950
Reconnection fees	4,000	4,150	150	3,650
Water and sewer taps	5,000	9,246	4,246	-
Other operating revenues	40,800	68,765	27,965	48,414
Total operating revenues	<u>1,684,800</u>	<u>1,906,217</u>	<u>221,417</u>	<u>1,911,934</u>
<b>Non-Operating Revenues:</b>				
Interest earnings	-	424	424	5,422
Total revenues	<u>1,684,800</u>	<u>1,906,641</u>	<u>221,841</u>	<u>1,917,356</u>
<b>Expenditures:</b>				
<b>Water Distribution:</b>				
Salaries & benefits	160,000	120,102	39,898	165,000
Water purchases	194,000	200,132	(6,132)	188,958
Utilities	2,300	1,366	934	1,462
Contractual services	89,000	65,136	23,864	74,867
Other operating expenditures	126,787	77,072	49,715	69,632
Capital outlay	43,750	3,750	40,000	68,538
Total water distribution	<u>615,837</u>	<u>467,558</u>	<u>148,279</u>	<u>568,457</u>
<b>Sewage Treatment:</b>				
Salaries & benefits	160,000	120,307	39,693	165,000
Contractual services	571,850	498,476	73,374	460,519
Other operating expenditures	190,513	165,342	25,171	44,365
Capital outlay	97,750	19,530	78,220	164,919
Total sewage treatment	<u>1,020,113</u>	<u>803,655</u>	<u>216,458</u>	<u>834,803</u>
Total expenditures	<u>1,635,950</u>	<u>1,271,213</u>	<u>364,737</u>	<u>1,403,260</u>

**CITY OF CLAREMONT, NORTH CAROLINA**

**WATER AND SEWER FUND**

**SCHEDULE OF REVENUES AND EXPENDITURES -**

**BUDGET AND ACTUAL (NON-GAAP)**

**FOR THE YEAR ENDED JUNE 30, 2021**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	<b>2021</b>			<b>2020</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Over/Under</b>	<b>Actual</b>
Revenues over (under) expenditures	<u>48,850</u>	<u>635,428</u>	<u>586,578</u>	<u>514,096</u>
<b>Other Financing Sources (Uses):</b>				
Transfer to:				
Water & Sewer Capital Reserve Fund	(150,000)	(150,000)	-	(100,000)
Water & Sewer Capital Project Funds	-	-	-	(32,110)
Transfer from:				
BGA Drive Capital Project Fund	36,930	36,931	1	-
Appropriated fund balance	<u>64,220</u>	<u>-</u>	<u>(64,220)</u>	<u>-</u>
Total other financing sources (uses)	<u>(48,850)</u>	<u>(113,069)</u>	<u>(64,219)</u>	<u>(132,110)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>522,359</u>	<u>\$ 522,359</u>	<u>381,986</u>
Reconciling items:				
Capital outlay		23,280		233,457
Transfer to:				
Water and Sewer Capital Project Funds		-		32,110
Water and Sewer Capital Reserve Fund		150,000		100,000
Depreciation		(244,193)		(232,995)
Pension benefit (expense)		(15,180)		(49,291)
Income from Water and Sewer Capital				
Project grants and other income		69,770		74,505
Capital project expenses not capitalized		(26,128)		(125,395)
Transfer of assets		-		149,727
Change in compensated absences		(13,413)		-
Gain (loss) on disposal of capital assets		<u>-</u>		<u>(257,492)</u>
Total reconciling items		<u>(55,864)</u>		<u>(75,374)</u>
Change in net position		<u>\$ 466,495</u>		<u>\$ 306,612</u>

## CITY OF CLAREMONT, NORTH CAROLINA

WATER AND SEWER CAPITAL RESERVE FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 FOR THE YEAR ENDED JUNE 30, 2021  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Interest earned on investments	\$ -	\$ 62	\$ 62	\$ 3,108
Revenues over (under) expenditures	-	62	62	3,108
<b>Other Financing Sources (Uses):</b>				
Transfer from Water and Sewer Operating Fund	150,000	150,000	-	100,000
Transfer to Wastewater Improvements Capital Project Fund	(150,000)	-	150,000	(583,000)
Total other financing sources (uses)	-	150,000	150,000	(483,000)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 150,062	\$ 150,062	\$ (479,892)

## CITY OF CLAREMONT, NORTH CAROLINA

## WATER AND SEWER CAPITAL PROJECT FUND - ASSET INVESTMENT AND ASSESSMENT GRANT

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL ( NON-GAAP)

## FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over/Under
<b>Revenues:</b>					
Restricted intergovernmental revenues:					
NC Department of Environmental Quality	\$ 150,000	\$ 69,719	\$ 69,708	\$ 139,427	\$ (10,573)
<b>Expenditures:</b>					
Technology	6,050	-	5,878	5,878	172
Contractual services	173,950	121,315	20,250	141,565	32,385
Total expenditures	180,000	121,315	26,128	147,443	32,557
Revenues over (under) expenditures	(30,000)	(51,596)	43,580	(8,016)	21,984
<b>Other Financing Sources (Uses):</b>					
Transfers in	30,000	30,000	-	30,000	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (21,596)	\$ 43,580	\$ 21,984	\$ 21,984



## CITY OF CLAREMONT, NORTH CAROLINA

WASTEWATER IMPROVEMENTS CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (NON-GAAP)  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Over/Under</u>
<b>Revenues:</b>					
Restricted intergovernmental revenues	\$ 2,750,000	\$ -	\$ -	\$ -	\$ (2,750,000)
<b>Expenditures:</b>					
Engineering	3,750,000	318,859	94,621	413,480	3,336,520
Revenues over (under) expenditures	(1,000,000)	(318,859)	(94,621)	(413,480)	586,520
<b>Other Financing Sources (Uses):</b>					
Transfers from Water and Sewer Capital Reserve Fund	1,000,000	1,000,000	-	1,000,000	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 681,141	\$ (94,621)	\$ 586,520	\$ 586,520

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## **Additional Financial Data**

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This section contains additional information on property taxes and principal taxpayers.

### **Schedule of Ad Valorem Taxes Receivable**

### **Analysis of Current Tax Levy**

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## CITY OF CLAREMONT, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
JUNE 30, 2021

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2020</b>	<b>Additions</b>	<b>Collections, Credits, and Adjustments</b>	<b>Uncollected Balance June 30, 2021</b>
2020-2021	\$ -	\$ 2,746,542	\$ 2,742,012	\$ 4,530
2019-2020	30,149	-	28,185	1,964
2018-2019	1,918	-	1,548	370
2017-2018	1,130	-	450	680
2016-2017	2,095	-	424	1,671
2015-2016	188	-	128	60
2014-2015	847	-	692	155
2013-2014	1,156	-	373	783
2012-2013	1,023	-	(86)	1,109
2011-2012	666	-	(143)	809
2010-2011	1,000	-	1,000	-
<b>Total</b>	<b>\$ 40,172</b>	<b>\$ 2,746,542</b>	<b>\$ 2,774,583</b>	<b>12,131</b>
Less: Allowance for uncollectible accounts				<u>(7,602)</u>
Ad valorem taxes receivable, net				<u>\$ 4,529</u>
<b>Reconciliation of Collections and Credits with Revenues:</b>				
Ad valorem taxes:				
General Fund				\$ 2,805,769
Reconciling items:				
Interest collected				(2,156)
Taxes written off				1,000
Vehicle fees				(24,810)
Miscellaneous adjustments				<u>(5,220)</u>
Total collections and credits				<u>\$ 2,774,583</u>

## CITY OF CLAREMONT, NORTH CAROLINA

ANALYSIS OF CURRENT YEAR LEVY  
CITY-WIDE LEVY  
FOR THE YEAR ENDED JUNE 30, 2021

				<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 552,008,571	\$ 0.49	\$ 2,704,842	\$ 2,606,982	\$ 97,860
<b>Discoveries:</b>					
Current year levy	8,855,306	0.49	43,391	43,391	-
<b>Abatements:</b>					
Current year levy	<u>(345,102)</u>		<u>(1,691)</u>	<u>(1,691)</u>	<u>-</u>
Total property valuation	<u>\$ 560,518,776</u>				
<b>Net Levy</b>			2,746,542	2,648,682	97,860
Uncollected taxes at June 30, 2021			<u>(4,530)</u>	<u>(4,530)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 2,742,012</u>	<u>\$ 2,644,152</u>	<u>\$ 97,860</u>
<b>Current Levy Collection Percentage</b>			<u>99.84%</u>	<u>99.83%</u>	<u>100.00%</u>

## Compliance Section

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- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
  - Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act
  - Schedule of Findings, Responses, and Questioned Costs
  - Schedule of Prior Year Audit Findings
  - Schedule of Expenditures of Federal and State Awards
-

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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

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

### **Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremont, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 8, 2021.

### **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P. A.  
Hickory, North Carolina  
September 8, 2021

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## **Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; Required by the Uniform Guidance and the State Single Audit Implementation Act**

### **Independent Auditor's Report**

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

#### **Report on Compliance for Each Major State Program**

We have audited the City of Claremont, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Claremont's major state programs for the year ended June 30, 2021. The City of Claremont's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

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

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

## Opinion on Each Major State Program

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

## Report on Internal Control Over Compliance

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

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

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

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P. A.  
Hickory, North Carolina  
September 8, 2021

# CITY OF CLAREMONT, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

### 1. Summary of Auditor's Results

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? No

#### State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance for major state programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major state programs:

#### Program Name

Powell Bill

### 2. Financial Statements Findings

None reported.

### 3. State Award Findings and Questioned Costs

None reported.

**CITY OF CLAREMONT, NORTH CAROLINA**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

None reported.

# CITY OF CLAREMONT, NORTH CAROLINA

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2021

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>	<u>Pass-through to Subrecipients</u>
<b>Federal Awards:</b>						
<u>U.S. Dept. of Transportation</u>						
Federal Transit Formula Grants:						
Passed-through the N.C. Department of Transportation:						
Hwy Planning, Research and Construction-CMAQ Sidewalk	20.205	WBS 4627.1.1	\$ 413,836	\$ -	\$ 103,459	\$ -
Total Highway Planning and Construction Cluster			413,836	-	103,459	-
<u>U.S. Department of Treasury</u>						
Passed-through the Office of State Budget and Management:						
NC Pandemic Recovery Office						
Passed-through Catawba County:						
COVID-19 Coronavirus Relief Fund	21.019	02-18	30,353	-	-	-
<u>U.S. Department of Homeland Security</u>						
Direct Program:						
Staffing for Adequate Fire and Emergency Response						
program (SAFER)	97.083		117,005	-	-	-
FEMA Assistance to Firefighters Grant - PPE	97.044		8,706	-	436	-
FEMA Assistance to Firefighters Grant - Station Exhaust	97.044		76,190	-	3,756	-
			201,901	-	4,192	-
Total federal awards			646,090	-	107,651	-
<b>State Grants:</b>						
N.C. Department of Environmental Quality						
Division of Water Infrastructure:						
Drinking Water State Revolving Fund						
Water Asset Investment & Assessment Grant			-	26,128	-	-
N.C. Department of Commerce:						
Building Reuse Grant						
			-	122,487	-	-
N.C. Department of Transportation:						
Powell Bill allocation						
			-	396,826	-	-
Total state awards			-	545,441	-	-
Total federal and state awards			\$ 646,090	\$ 545,441	\$ 107,651	\$ -

### Notes to the Schedule of Expenditures of Federal and State Awards:

#### Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Claremont under the programs of the federal government and the State of North Carolina for the period ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Claremont, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Claremont.

#### Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### Note 3 - Indirect Cost Rate

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

#### Note 4 - Coronavirus Relief Funds

City of Claremont received \$30,353 of funding from the Coronavirus Relief Fund (21.019) from Catawba County. The City has a plan to spend these funds approved by Office of State Budget and Management (OSBM.) According to OSBM, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under the state statute, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 31, 2021.

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