



Clinton

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FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2020
CITY OF CLINTON
CLINTON, NORTH CAROLINA

**CITY OF CLINTON
NORTH CAROLINA**

Financial Statements and
Supplementary Information

Year Ended June 30, 2020

Governing Board

Lew Starling, Mayor
Marcus Becton
Daniel Ruggles
Neil Strickland
Darue Bryant
C. Holden DuBose III

City Officials

Tom Hart, City Manager
Kristin Stafford, Finance Officer

CITY OF CLINTON, NORTH CAROLINA
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FINANCIAL SECTION

SHARPE PATEL PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clinton, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Clinton'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statement of the Clinton Alcoholic Beverage Control Board, which represented 100 percent of the assets, net position and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Clinton Alcoholic Beverage Control Board, is based solely on the report of another auditor. 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. The Clinton Alcoholic Beverage Control Board was not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clinton as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14, the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 64, respectively, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 60 through 61, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 62 and 63 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 basic financial statements of the City of Clinton. The combining and individual fund statements, budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, the budgetary schedules, and other schedules 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 December 22, 2020, on our consideration of City of Clinton'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 these reports is 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 internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Clinton's internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina
December 22, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Clinton, we offer readers of the City of Clinton's financial statements this narrative overview and analysis of the financial activities of the City of Clinton for the fiscal year ended June 30, 2020. 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

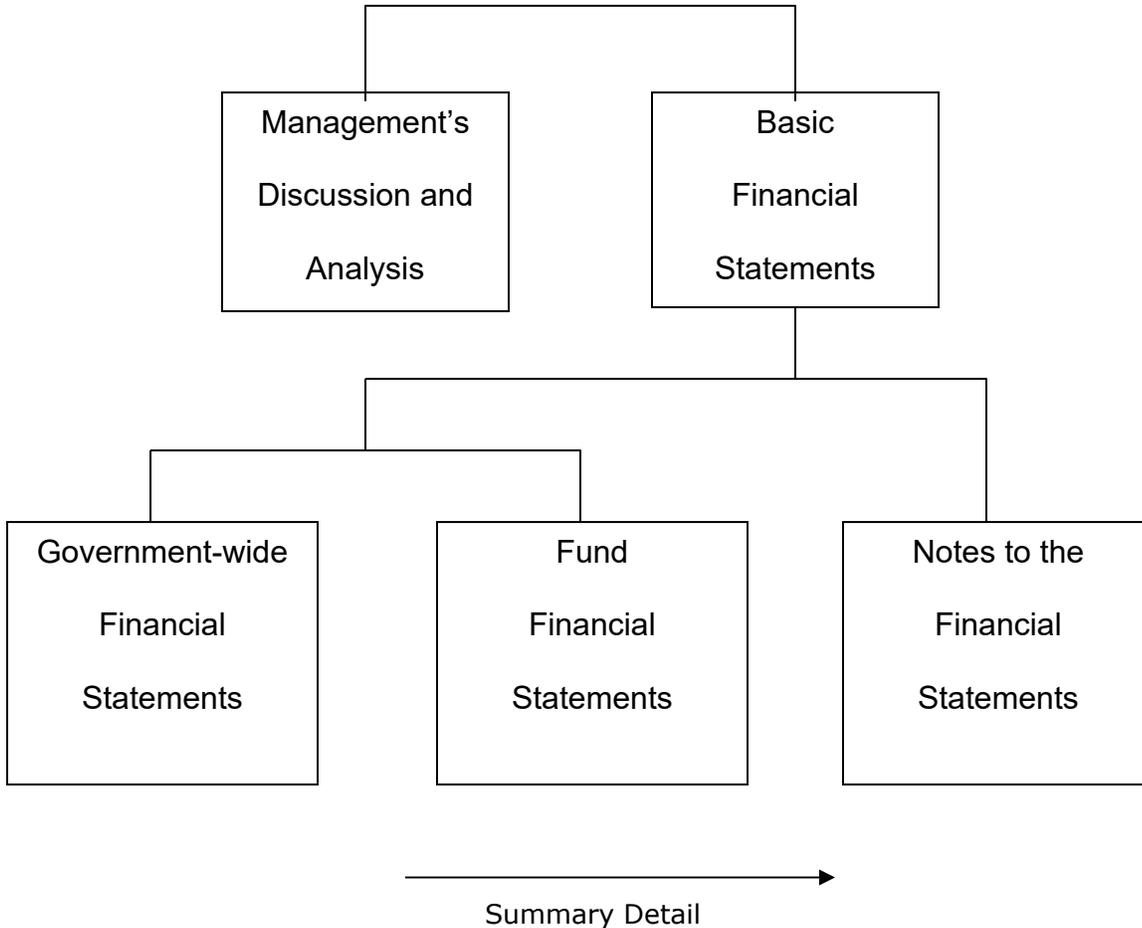
- The assets and deferred outflows of resources of the City of Clinton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,589,405 (*net position*). The assets and deferred outflows of resources of the governmental activities exceeded its liabilities and deferred inflows of resources by \$13,212,978. The assets and deferred inflows of resources of the business-type activities exceeded liabilities and deferred outflows of resources by \$20,376,427.
- The government's total net position decreased by \$79,099.
- Business-type net position decreased by \$23,673.
- As of the close of Fiscal Year 2020, the City of Clinton's governmental funds reported combined ending fund balances of \$7,053,646 with a net change of \$88,130 in fund balance. Approximately 25% of this total amount, or \$1,800,698, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,248,199 or 40% of total general fund expenditures for the fiscal year. Total fund balance for the General Fund was \$6,854,619.
- The City of Clinton's total debt increased by \$10,732 (.10%) during the past fiscal year.
- Clinton currently does not have a bond rating as the City retired all bond-related debt during FY12-13. The City's most recent credit rating was A+ from Standard & Poor's and A3 from Moody's Investors and 82 from the North Carolina Municipal Council.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Clinton'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 (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 Clinton.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and 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, sanitation, and general administration. Property taxes and intergovernmental revenues finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Clinton. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City. The City exercises control over the Board by appointing its members. The Board is required to distribute its profits to the City.

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

Fund Financial Statements

The fund financial statements 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 Clinton, 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 Clinton 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 Clinton 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 Council; 2) the final budget as amended by 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 Clinton has one proprietary fund, an enterprise fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer activities. This fund is the same as the function 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 25 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 Clinton’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 60 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 changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State 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.

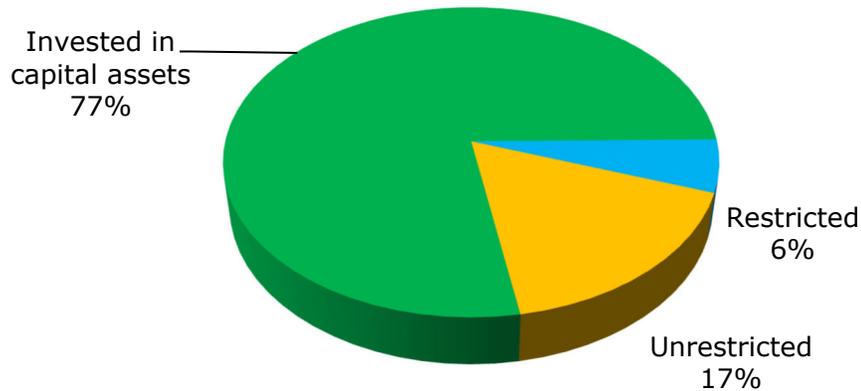
Government-Wide Financial Analysis

**Figure 2
City of Clinton’s Net Position**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 7,518,354	\$ 7,463,240	\$ 6,099,541	\$ 5,919,750	\$ 13,617,895	\$ 13,382,990
Capital assets	12,598,289	12,114,752	23,844,409	24,326,832	\$ 36,442,698	36,441,584
Deferred outflows of resources	1,274,569	1,390,655	381,266	\$ 416,085	\$ 1,655,835	1,806,740
Total assets & deferred outflows of resources	21,391,212	20,968,647	\$ 30,325,216	30,662,667	51,716,428	\$ 51,631,314
Long-term liabilities outstanding	6,990,235	6,424,727	9,099,360	9,090,173	16,089,595	15,514,900
Other liabilities	942,197	979,637	769,628	931,783	1,711,825	1,911,420
Deferred inflows of resources	245,802	295,879	79,801	240,611	325,603	536,490
Total liabilities & deferred inflows of resources	8,178,234	7,700,243	9,948,789	10,262,567	18,127,023	17,962,810
Net position:						
Invested in capital assets, net of related debt	10,127,670	10,102,240	15,931,268	15,966,318	26,058,938	26,068,558
Restricted	1,783,188	1,759,439	56,388	49,020	1,839,576	1,808,459
Unrestricted	1,302,120	1,406,725	4,388,771	4,384,762	5,690,891	5,791,487
Net position before restatement						
Total net position after restatement	\$ 13,212,978	\$13,268,404	\$ 20,376,427	\$ 20,400,100	\$ 33,589,405	\$ 33,668,504

Figure 3

**City of Clinton FY2020
Total Net Position by Type**



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 the City of Clinton exceeded liabilities and deferred inflows by \$33,589,405 as of June 30, 2020. The City's net position decreased by \$79,099 for the fiscal year ended June 30, 2020. The largest portion of net position (77%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Clinton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Clinton'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 Clinton's net position, \$1,839,576 (5.5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,690,891 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.73%
- Ad valorem tax revenues increased 7%.
- Unrestricted intergovernmental revenues increased 3%.
- Unrestricted investment earnings increased 29%.
- Continued low cost of debt due to the City's strong financial position.

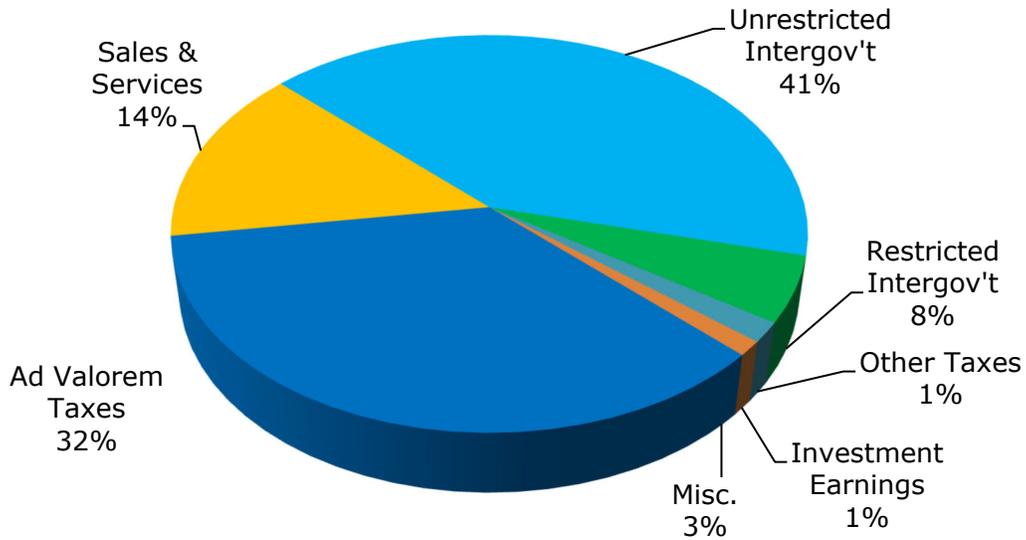
Figure 4
City of Clinton's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,440,558	\$ 1,413,045	\$ 5,601,993	\$ 5,211,729	\$ 7,042,551	\$ 6,624,774
Operating grants and contributions	535,284	795,106	36,623	100,380	571,907	895,486
Capital grants and contributions		-	374,521	132,586	374,521	132,586
General revenues:						
Property taxes	3,370,291	3,153,470	-	-	3,370,291	3,153,470
Other taxes	161,395	138,371	-	-	161,395	138,371
Unrestricted intergovernmental revenues	4,158,538	4,036,805	-	-	4,158,538	4,036,805
Unrestricted investment earnings	119,318	92,320	25,211	59,204	144,529	151,524
Miscellaneous	182,802	302,706	77,946	47,595	260,748	350,301
Sale of surplus assets (loss)		65,888	1,126	-	1,126	65,888
Total revenues	9,968,186	9,997,711	6,117,420	5,551,494	16,085,606	15,549,205
Expenses:						
General Government	2,094,409	1,997,799	-	-	2,094,409	1,997,799
Public safety	4,487,915	4,310,229	-	-	4,487,915	4,310,229
Transportation	1,267,220	1,258,399	-	-	1,267,220	1,258,399
Economic and physical development	104,548	86,170	-	-	104,548	86,170
Environmental protection	1,097,412	1,187,581	-	-	1,097,412	1,187,581
Cultural and recreation	965,695	986,352	-	-	965,695	986,352
Interest on long-term debt	30,933	54,940	-	-	30,933	54,940
Water and Sewer	-	-	6,141,093	5,483,464	6,141,093	5,483,464
Total expenses	10,048,132	9,881,470	6,141,093	5,483,464	16,189,225	15,364,934
Increase in net position	(55,426)	116,241	(23,673)	68,030	(79,099)	184,271
Net position, July 1 as originally stated	13,268,404	13,152,163	20,400,100	19,805,977	33,668,504	32,958,140
Prior period adjustment	-	-	-	526,093	-	526,093
Net position, beginning restated	-	-	-	20,332,070	-	33,484,233
Net position, June 30	\$ 13,212,978	\$ 13,268,404	\$ 20,376,427	\$ 20,400,100	\$ 33,589,405	\$ 33,668,504

Governmental Activities. Governmental activities decreased the City's net position by \$55,426. Key elements of this decrease are as follows:

- Increased COVID-19 pandemic response expenditures.

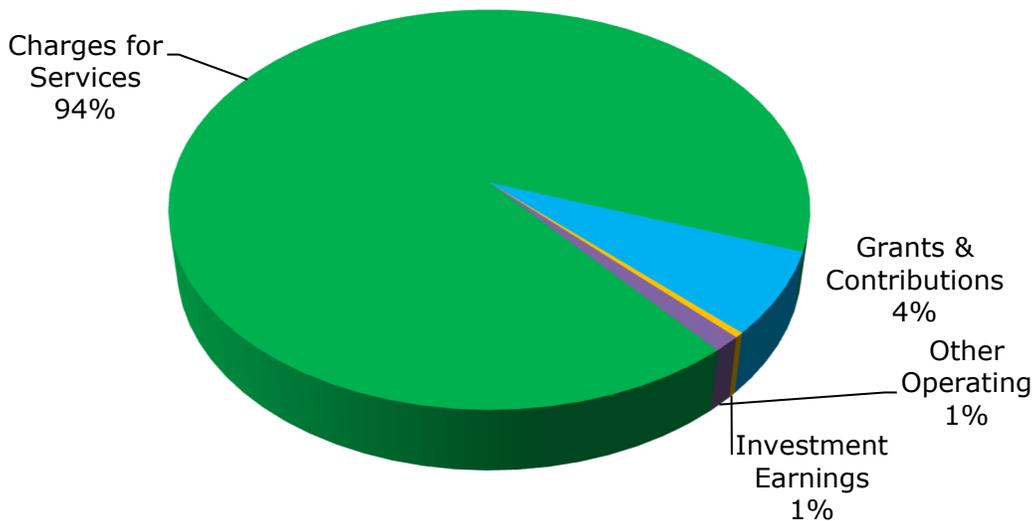
Figure 5
Revenues by Source: Governmental Activities



Business-type Activities. Business-type activities decreased the City of Clinton's net position by \$23,673. Key elements of this decrease are as follows:

- Increased expenses related to the COVID-19 pandemic
- Decreased revenues related to the COVID-19 pandemic

Figure 6
Revenues by Source: Business-type Activities



Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Clinton'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 Clinton's financing requirements.

The General Fund is the chief operating fund of the City of Clinton. At the end of the current fiscal year, Clinton's fund balance unassigned in the General Fund was \$4,248,199, while total fund balance was \$6,854,619. The Clinton City Council has determined that the City should maintain an available fund balance between 35% and 40% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available (unassigned and assigned) fund balance of 41.6% of General Fund expenditures, while total fund balance represents 64.5% of the same amount. The City considers any available fund balance over 40% assigned for capital expenditures.

At June 30, 2020, the governmental funds of City of Clinton reported a combined fund balance of \$7,053,646 with a net increase in fund balance of \$88,130. Included in this change in fund balance is a \$86,853 increase in fund balance in the General Fund and a \$1,277 increase in Non-major Funds.

General Fund Budgetary Highlights. During the fiscal 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.

Amendments to the FY2019-2020 budget represent increases in intergovernmental and miscellaneous revenues resulting primarily from grants, debt proceeds, and capital opportunities. Expenditure amendments comply with statutory budget requirements and most increases are representative of projects associated with grants and purchase of new equipment. General Fund Revenues were \$34,911 (0.3%) under the amended budget amounts. The General Fund expenditures were \$649,903 or 5.7% less than the amended budget amount.

Proprietary Funds. The City'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 at the end of the fiscal year amounted to \$4,388,771. The total change in net position was a decrease by \$23,673.

Capital Asset and Debt Administration

Capital Assets. The City of Clinton's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$36,442,698 (net of accumulated depreciation and amortization). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and infrastructure.

Major capital asset transactions during the year include the following:

- Various police and general government equipment, and motor vehicles increased governmental capital assets by \$325,259
- Various land, infrastructure, and improvements increased governmental capital assets by \$261,394
- Purchase of Pierce Pumper Fire Truck increased governmental capital assets by \$624,453
- Completion of the Asset Inventory Plan increased business-type capital assets by \$300,000

Management Discussion and Analysis
City of Clinton

- Various asset improvements increased business-type capital assets by \$139,816
- Various equipment, vehicle, and infrastructure additions to business-type activities increased capital assets by \$203,105

The disposal and surplus of major capital assets during the year include the following:

- Various equipment and vehicles decreased governmental capital assets by \$127,127.

Figure 7
City of Clinton's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,528,674	\$ 1,493,371	\$ 261,439	\$ 261,439	\$ 1,790,113	\$ 1,754,810
Buildings and other improvements	\$ 8,666,518	\$ 8,612,276	\$ 21,906,622	\$ 21,851,716	\$ 30,573,140	30,463,992
Intangible asset-brand	\$ 18,000	\$ 18,000		\$ -	\$ 18,000	18,000
Construction in progress	\$ 63,175	\$ 27,300	\$ 6,404,442	\$ 6,425,303	\$ 6,467,617	6,452,603
Equipment	\$ 2,436,740	\$ 2,315,171	\$ 2,927,377	\$ 2,547,992	\$ 5,364,117	4,863,163
Vehicles and motorized equipment	\$ 7,010,133	\$ 5,993,697	\$ 944,312	\$ 882,683	\$ 7,954,445	6,876,380
Infrastructure	\$ 8,608,143	\$ 8,424,584	\$ 19,759,265	\$ 19,620,665	\$ 28,367,408	28,045,249
Subtotal	\$ 28,331,383	\$ 26,884,399	\$ 52,203,457	\$ 51,589,798	\$ 80,534,840	78,474,197
Less accumulated depreciation and amortization	\$ 15,733,094	14,769,647	\$ 28,359,048	27,262,966	\$ 44,092,142	42,032,613
Total Net Capital Assets	\$ 12,598,289	\$ 12,114,752	\$ 23,844,409	\$ 24,326,832	\$ 36,442,698	\$ 36,441,584

Additional information on the City's capital assets can be found in Note III.A.4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2020, the City's debt is comprised of Water and Sewer System Bonds, State Revolving loans, USDA loans, and installment purchases.

Figure 8
City of Clinton's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment notes	2,470,619	2,012,512	2,183,140	2,539,515	4,653,759	4,552,027
Revenue Bonds			5,730,000	5,821,000	5,730,000	5,821,000
Total	\$ 2,470,619	\$ 2,012,512	\$ 7,913,140	\$ 8,360,515	\$ 10,383,759	\$ 10,373,027

City of Clinton's Outstanding Debt

The City of Clinton's total debt increased by \$10,732 (.10%) during the past fiscal year. Governmental activity debt increased by \$458,107 (22.8%). Business-type activity debt decreased by \$447,375(5%)

As mentioned in the financial highlights section of this document, the City of Clinton currently does not have a bond rating as the City retired all bond-related debt during FY12-13. The City's most recent credit rating was A+ from Standard & Poor's and A3 from Moody's Investors and 82 from the North Carolina Municipal Council. This bond rating is a clear indication of the sound financial condition of City of Clinton. The City of Clinton maintains some of the highest financial ratings from all major rating agencies within its peer group. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt. In April 2013, the City amortized its outstanding general obligation bonds.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Clinton is \$63,307,180. The City has no bonds authorized but unissued as of June 30, 2020.

Additional information regarding the City of Clinton's long-term debt can be found in Note III.B.5 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City.

- The City has continued the planning stage for expansion of the Wastewater Treatment Plant.
- The City of Clinton is the commercial center of Sampson County and its strong agriculturally based economy, which traditionally remains stable relative to economic trends. The agriculture industry contributes over one billion dollars annually in the Sampson County economy.
- Sampson County has an unemployment rate of 5.7% as of June 2020.
- The North Carolina Department of Transportation has begun the re-construction of the Hwy 421 bridge as part of the NC 24 widening project.
- The City of Clinton is located in close proximity to Ft. Bragg Army Base, Camp Lejeune Marine Base, and Seymour Johnson Air Force Base. Sampson County is part of the All-American corridor.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Ad valorem and sales tax revenues represent the largest portion of revenue resources for governmental activities. Sales tax revenues continued to increase in FY2019-2020 and the trend is expected to decline 5% in the FY20-21 budget. Total General Fund revenues budgeted for the fiscal year ending June 30, 2021 are \$9,424,200.

Budgeted expenditures in the General Fund are equal to budgeted revenues and are approximately 17% less than the amended FY19-20 budget. The largest expenditure function is public safety and the largest components are in employee compensation and benefits.

Some key FY20-21 governmental budget highlights include:

- No change in the property tax rate of \$.40 per \$100 valuation. The expected revenue is \$3,312,400 on a 96 percent collection rate and is about a 2 percent decrease due to estimated drop in collection rate.
- Sales Tax revenues account for \$2,087,800.
- The residential garbage collection rate for FY20-21 is \$15.50, which is the same as the previous year's rate. Residential garbage collection accounts for \$550,000 in the FY20-21 budget and commercial collection accounts for \$730,000.
- The commercial collection cubic yard rate remains the same at \$5.
- The cost of healthcare continues to be a factor in the cost of personnel management with the City experiencing a 2% increase in FY20-21.
- The City expects to spend approximately \$200,000 on street paving and resurfacing.
- Major capital expenditures planned for FY20-21 include 2 police vehicles as part of the City's vehicle rotation program and major repair to the Wall St. Fire Station roof.

Business-type Activities: The City estimates revenues of approximately \$5.4 million from water and sewer enterprise operations in FY20-21, a 4.73 percent decrease from FY19-20 due to no rate increase and estimated reduced collection rate due to the COVID-19 pandemic. The City is not adjusting water and sewer rates in FY20-21 in response to the state of the economy

Some key FY20-21 business-type activity budget highlights include:

- Water and sewer charges, including bulk rate fees, account for \$4,695,000 (86%) in the FY20-21 Water and Sewer Fund budget.
- Sewer surcharges charges based on the pounds of pollutants in excess of the normal amount account for \$600,000. FY20-21 will be the first complete fiscal year with the increased fee for surcharges.
- Direct department capital costs for Water & Sewer operations amount to \$100,000; a decrease of 63% due to a decrease in revenue estimates.
- Budgeted debt service is at \$621,100, a decrease of 0.70% over FY20.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Clinton, PO Box 199, Clinton, NC 28329-0199. The Clinton Finance Director can also be contacted by phone at 910-592-1961 or by email at kstafford@cityofclintonnc.com. More information is available on the City of Clinton website www.cityofclintonnc.com.

BASIC FINANCIAL STATEMENTS

CITY OF CLINTON, NORTH CAROLINA
Statement of Net Position
June 30, 2020

Exhibit 1

	Primary Government			City of Clinton ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,802,634	\$ 4,965,096	\$ 10,767,730	\$ 890,577
Taxes receivables (net)	86,895	-	86,895	-
Accounts receivable	200,679	680,083	880,762	-
Due from other governments	1,056,157	170,908	1,227,065	-
Due from component unit	256,000	-	256,000	-
Inventories	17,510	32,739	50,249	215,007
Prepaid items	-	66,458	66,458	5,608
Restricted cash	98,479	184,257	282,736	-
Total current assets	7,518,354	6,099,541	13,617,895	1,111,192
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements and construction in progress	1,583,449	6,674,281	6,440,317	36,795
Other capital assets, net of depreciation	11,014,840	17,170,128	30,002,381	65,991
Total capital assets	12,598,289	23,844,409	36,442,698	102,786
Total assets	20,116,643	29,943,950	50,060,593	1,213,978
DEFERRED OUTFLOWS OF RESOURCE	1,274,569	381,266	1,655,835	33,989
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	260,949	132,743	393,692	140,761
Distributions payable	-	-	-	341,442
Accrued interest payable	-	11,854	11,854	-
Due to other governments	-	-	-	57,311
Current portion of long-term liabilities	681,248	509,872	1,191,120	-
Liabilities payable from restricted assets:				
Customer deposits	-	115,159	115,159	-
Total current liabilities	942,197	769,628	1,711,825	539,514
Long-term liabilities:				
Due in more than one year	6,990,235	9,099,360	16,089,595	49,430
Total liabilities	7,932,432	9,868,988	17,801,420	588,944
DEFERRED INFLOWS OF RESOURCES	245,802	79,801	325,603	36
NET POSITION				
Net investment in capital assets	10,127,670	15,931,268	26,058,938	102,786
Restricted for:				
Capital projects	-	-	-	3,491
Pursuant to loan requirements	49,259	-	49,259	-
Stabilization by State Statue	1,625,080	-	1,625,080	-
Economic development	59,629	-	59,629	-
Public safety	49,220	56,388	105,608	-
Working capital	-	-	-	82,257
Unrestricted	1,302,120	4,388,771	5,690,891	470,453
Total net position	\$ 13,212,978	\$ 20,376,427	\$ 33,589,405	\$ 658,987

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

CITY OF CLINTON, NORTH CAROLINA
Statement of Activities
For the year ended June 30, 2020

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			City of Clinton ABC Board
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 2,094,409	\$ 60,950	\$ 55,724	\$ -	\$ (1,977,735)	\$ -	\$ (1,977,735)	\$ -
Public safety	4,487,915	-	224,094	559	(4,263,262)	-	(4,263,262)	-
Transportation	1,267,220	-	240,152	-	(1,027,068)	-	(1,027,068)	-
Economic and physical development	104,548	-	-	-	(104,548)	-	(104,548)	-
Environmental protection	1,097,412	1,338,726	15,314	-	256,628	-	256,628	-
Cultural and recreation	965,695	40,882	-	-	(924,813)	-	(924,813)	-
Interest on long-term debt	30,933	-	-	-	(30,933)	-	(30,933)	-
Total governmental activities	<u>10,048,132</u>	<u>1,440,558</u>	<u>535,284</u>	<u>559</u>	<u>(8,071,731)</u>	<u>-</u>	<u>(8,071,731)</u>	<u>-</u>
Business-type activities:								
Water and sewer	<u>6,141,093</u>	<u>5,601,993</u>	<u>36,623</u>	<u>374,521</u>	<u>-</u>	<u>(127,956)</u>	<u>(127,956)</u>	<u>-</u>
Total primary government	<u>\$ 16,189,225</u>	<u>\$ 7,042,551</u>	<u>\$ 571,907</u>	<u>\$ 375,080</u>	<u>(8,071,731)</u>	<u>(127,956)</u>	<u>(8,199,687)</u>	<u>-</u>
Component unit								
ABC Board	<u>\$ 2,072,454</u>	<u>\$ 2,143,181</u>	<u>\$ -</u>	<u>\$ -</u>				<u>70,727</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					3,370,291	-	3,370,291	-
Other taxes					161,395	-	161,395	-
Unrestricted intergovernmental revenues					4,158,538	-	4,158,538	-
Unrestricted investment earnings					119,318	25,211	144,529	2,466
Gain (loss) on sale of assets					23,961	1,126	25,087	
Miscellaneous					182,802	77,946	260,748	-
Transfers					-	-	-	-
Total general revenues and transfers					<u>8,016,305</u>	<u>104,283</u>	<u>8,120,588</u>	<u>2,466</u>
Change in net position					(55,426)	(23,673)	(79,099)	73,193
Net position, beginning					<u>13,268,404</u>	<u>20,400,100</u>	<u>33,668,504</u>	<u>585,794</u>
Net position, ending					<u>\$ 13,212,978</u>	<u>\$ 20,376,427</u>	<u>\$ 33,589,405</u>	<u>\$ 658,987</u>

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

CITY OF CLINTON, NORTH CAROLINA

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2020**

	<u>Major Fund</u>		<u>Total</u>
	<u>General</u>	<u>Total Non- Major Funds</u>	<u>Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 5,599,005	\$ 203,630	\$ 5,802,635
Taxes receivable - net	86,666	230	86,896
Accounts receivable	200,679	-	200,679
Due from other governments	1,051,595	4,562	1,056,157
Due from component unit	256,000	-	256,000
Inventory	17,510	-	17,510
Restricted cash and cash equivalents	98,479	-	98,479
Total assets	<u>\$ 7,309,934</u>	<u>\$ 208,422</u>	<u>\$ 7,518,356</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 251,784	\$ 9,165	\$ 260,949
Total liabilities	<u>251,784</u>	<u>9,165</u>	<u>260,949</u>
DEFERRED INFLOWS OF RESOURCES			
Beer and wine revenue receivable	8,972	-	8,972
Taxes receivable	86,666	230	86,896
Accounts receivable	107,893	-	107,893
Total deferred inflows of resources	<u>203,531</u>	<u>230</u>	<u>203,761</u>
FUND BALANCES			
Nonspendable:			
Inventories	17,510	-	17,510
Restricted:			
Stabilization by State Statute	1,625,080	-	1,625,080
Economic Development in the Downtown Tax District	-	59,629	59,629
USDA Reserve	49,259	-	49,259
Public Safety	49,220	-	49,220
Committed:			
Public Safety	346,585	4,774	351,359
Cemetery Fund	346,222	-	346,222
Capital projects	-	86,225	86,225
Assigned:			
Community Development	-	48,399	48,399
Capital Use Policy	22,544	-	22,544
Subsequent year's expenditures	150,000	-	150,000
Unassigned	4,248,199	-	4,248,199
Total fund balances	<u>6,854,619</u>	<u>199,027</u>	<u>7,053,646</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,309,934</u>	<u>\$ 208,422</u>	<u>\$ 7,518,356</u>

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

CITY OF CLINTON, NORTH CAROLINA
Reconciliation of the Balance Sheet - Governmental Funds to the
Statement of Net Position
June 30, 2020

Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 7,053,646
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$28,331,383	
Accumulated depreciation	<u>(15,733,094)</u>	12,598,289
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		1,227,153
Deferred outflows of resources related to OPEB are not reported in the funds		47,416
Earned revenues considered deferred inflows of resources in fund statements.		203,761
Deferred inflows of resources related to OPEB are not reported in the funds		(144,844)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).		(2,470,620)
Compensated absences		(337,736)
Pension related deferrals		(100,959)
Total pension liability		(2,643,804)
OPEB liability		<u>(2,219,324)</u>
Net position of governmental activities		<u>\$ 13,212,978</u>

The accompanying notes to the financial statements are an integral part of these statements

CITY OF CLINTON, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

Exhibit 4

	<u>Major Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Total Non-</u>	<u>Governmental</u>
		<u>Major Funds</u>	<u>Funds</u>
REVENUES			
Ad valorem taxes	\$ 3,282,146	\$ 53,306	\$ 3,335,452
Other taxes and licenses	161,395	-	161,395
Unrestricted intergovernmental	4,158,716	-	4,158,716
Restricted intergovernmental	535,284	-	535,284
Sales and services	1,440,558	-	1,440,558
Investment earnings	118,078	1,449	119,527
Miscellaneous	169,312	14,270	183,582
Total revenues	<u>9,865,489</u>	<u>69,025</u>	<u>9,934,514</u>
EXPENDITURES			
Current:			
General government	1,576,585	35,875	1,612,460
Public safety	4,120,473	-	4,120,473
Transportation	1,061,483	-	1,061,483
Economic and physical development	-	104,548	104,548
Environmental protection	953,784	-	953,784
Cultural and recreational	856,987	-	856,987
Miscellaneous	-	425	425
Debt service:			
Principal	432,893	-	432,893
Interest	56,339	-	56,339
Capital outlay	1,561,953	-	1,561,953
Total expenditures	<u>10,620,497</u>	<u>140,848</u>	<u>10,761,345</u>
Excess (deficiency) of revenues over expenditures	<u>(755,008)</u>	<u>(71,823)</u>	<u>(826,831)</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	-	73,100	73,100
Transfer to other funds	(73,100)	-	(73,100)
Sales of capital assets	23,961	-	23,961
Proceeds from loan	891,000	-	891,000
Total other financing sources (uses)	<u>841,861</u>	<u>73,100</u>	<u>914,961</u>
Net change in fund balance	86,853	1,277	88,130
Fund balances, beginning	<u>6,767,766</u>	<u>197,750</u>	<u>6,965,516</u>
Fund balances, ending	<u>\$ 6,854,619</u>	<u>\$ 199,027</u>	<u>\$ 7,053,646</u>

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

CITY OF CLINTON, NORTH CAROLINA **Exhibit 4**
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances- total governmental funds	\$	88,130
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 1,574,112	
Depreciation expense for governmental assets	<u>(1,084,628)</u>	489,484
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		384,836
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		-
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are not reported in the funds.		(7,129)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issues	(891,000)	
Principal payments on long-term debt	<u>432,893</u>	(458,107)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		41,789
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		25,406
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	(29,368)	
Loss on disposal of assets	(5,951)	
Pension expense	(834,669)	
OPEB plan expense	<u>250,153</u>	<u>(619,835)</u>
Total changes in net position of governmental activities		<u>\$ (55,426)</u>

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

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2020

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3,302,000	\$ 3,302,000	\$ 3,282,146	\$ (19,854)
Other taxes and licenses	152,500	152,500	161,395	8,895
Unrestricted intergovernmental	4,084,900	4,084,900	4,158,716	73,816
Restricted intergovernmental	472,100	516,500	535,284	18,784
Sales and services	1,514,100	1,516,100	1,440,558	(75,542)
Investment earnings	119,500	119,500	118,078	(1,422)
Miscellaneous	180,900	208,900	169,312	(39,588)
Total revenues	<u>9,826,000</u>	<u>9,900,400</u>	<u>9,865,489</u>	<u>(34,911)</u>
Expenditures:				
Current:				
General government	1,434,100	1,606,900	1,576,585	30,315
Public safety	4,120,500	4,223,400	4,120,473	102,927
Transportation	1,080,600	1,105,500	1,061,483	44,017
Environmental protection	954,000	986,500	953,784	32,716
Cultural and recreational	1,051,700	984,800	856,987	127,813
Debt Service:				
Principal	432,800	432,800	432,893	(93)
Interest	56,300	56,300	56,339	(39)
Capital outlay	1,012,000	1,874,200	1,561,953	312,247
Total expenditures	<u>10,142,000</u>	<u>11,270,400</u>	<u>10,620,497</u>	<u>649,903</u>
Revenues over (under) expenditures	<u>(316,000)</u>	<u>(1,370,000)</u>	<u>(755,008)</u>	<u>614,992</u>
Other financing sources (uses):				
Transfers to other funds	-	(73,100)	(73,100)	-
Sale of capital assets	16,000	16,000	23,961	7,961
Proceeds from loan	-	891,000	891,000	-
Fund balance appropriated	300,000	536,100	-	(536,100)
Total other financing sources (uses)	<u>316,000</u>	<u>1,370,000</u>	<u>841,861</u>	<u>(528,139)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>86,853</u>	<u>\$ 86,853</u>
Fund balance, beginning			<u>6,767,766</u>	
Fund balance, ending			<u>\$ 6,854,619</u>	

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

CITY OF CLINTON, NORTH CAROLINA

Exhibit 6

Statement of Net Position

Water & Sewer Fund

June 30, 2020

	<u>Water and Sewer Fund</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$	4,965,096
Accounts receivable (net) - billed		358,749
Accounts receivable (net) - unbilled		321,334
Due from other governments		170,908
Inventories		32,739
Prepaid items		66,458
Restricted cash and cash equivalents		184,257
Total current assets		<u>6,099,541</u>
Noncurrent assets:		
Capital assets:		
Land		261,439
Construction in progress		6,404,442
Other capital assets, net of depreciation		17,178,528
Total capital assets		<u>23,844,409</u>
Total noncurrent assets		<u>23,844,409</u>
Total assets	\$	<u><u>29,943,950</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	\$	<u>381,266</u>
 LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$	132,743
Compensated absences		59,000
Accrued interest payable		11,854
Bonds and notes payable		450,872
Liabilities payable from restricted assets:		
Customer deposits		115,159
Total current liabilities		<u>769,628</u>
Noncurrent liabilities:		
Compensated absences		35,242
Total OPEB liability		977,757
Net pension liability		624,093
Bonds and notes payable		7,462,268
Total noncurrent liabilities		<u>9,099,360</u>
Total liabilities		<u>9,868,988</u>
 DEFERRED INFLOWS OF RESOURCES	\$	<u>79,801</u>
 NET POSITION		
Net investment in capital assets		15,931,269
Restricted pursuant to loan requirements		56,388
Unrestricted		4,388,770
Total net position	\$	<u><u>20,376,427</u></u>

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

CITY OF CLINTON, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Water & Sewer Fund
For the Year Ended June 30, 2020

Exhibit 7

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 5,601,993
Other operating revenues	77,946
Total operating revenues	5,679,939
OPERATING EXPENSES	
Water department	2,936,192
Waste treatment	1,872,541
Depreciation	1,104,482
Bad debt expense	55,982
Total operating expenses	5,969,197
Operating income (loss)	(289,258)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	25,211
FEMA and State Emergency funds	36,623
Interest and other charges	(171,896)
Gain on sale of capital assets	1,126
Total nonoperating revenues (expenses)	(108,936)
Income (loss) before contributions and transfers	(398,194)
Capital contributions	374,521
Change in net position	(23,673)
Total net position, beginning	20,400,100
Total net position, ending	\$ 20,376,427

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

CITY OF CLINTON, NORTH CAROLINA

Exhibit 8

Statement of Cash Flows

Water & Sewer Fund

For the Year Ended June 30, 2020

	<u>Major Enterprise Fund</u>	
	<u>Water and Sewer Fund</u>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$	5,819,508
Cash paid for goods and services		(2,898,235)
Cash paid to or on behalf of employees for services		(1,762,269)
Customer deposits received		6,670
Net cash provided (used) by operating activities		<u>1,165,674</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions		374,521
Proceeds received from sale of capital assets		1,126
FEMA and State Emergency funds		36,623
Principal paid on bonds/loans		(447,374)
Interest paid on bonds/loans		(171,896)
Net transfers		-
Acquisition and construction of capital assets		(622,059)
Net cash provided (used) by capital and related financing activities		<u>(829,059)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		25,211
Net increase (decrease) in cash and cash equivalents		361,826
Balances, beginning		4,787,527
Balances, ending	\$	<u><u>5,149,353</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$	<u>(289,258)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation		1,104,482
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable		75,358
Decrease (increase) in due from other governments		120,193
Decrease (increase) in inventories		(13,516)
Increase (decrease) in accounts payable and accrued liabilities		(169,619)
Increase (decrease) in net pension liability		131,978
Increase (decrease) in accrued interest		(5,931)
Increase (decrease) in customer deposits		6,670
Increase (decrease) in accrued vacation		316
(Increase) decrease in deferred outflows of resources for pensions		34,819
Increase (decrease) in deferred inflows of resources for pensions		(160,810)
Increase (decrease) in OPEB liability		330,992
Total adjustments		<u>1,454,932</u>
Net cash provided by operating activities	\$	<u><u>1,165,674</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

The accounting policies of the City of Clinton (“the City”) and its discretely presented component unit, the City of Clinton ABC Board, conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Clinton is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City’s financial statements in order to emphasize that it is legally separate from the City.

City of Clinton ABC Board

The members of the ABC Board’s governing board are appointed by the City. In addition, the ABC Board is required by State Statute to distribute its surpluses, if any, to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at the City of Clinton ABC Board, 414 Southeast Boulevard, Clinton, NC 28328.

B. Basis of Presentation

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

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

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

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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.

The City reports the following major governmental fund:

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

The City reports the following non-major governmental funds:

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are either legally or contractually restricted to expenditures for specified purposes. The City has four Special Revenue Funds: Community Development Fund, Downtown Tax District Fund, the Fire Department Grant Fund, and the Open Space. These funds have been combined in the accompanying financial statements.

Capital Project Funds – Various Capital Project funds are used to account for financial resources to be used for non-major acquisitions or construction. The City has two Capital Project Funds: City Facility Renovations Fund and the Phase 1A PARTF Project Fund. These funds have been combined in the accompanying financial statements.

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.

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. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, 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 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 fund 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 the enterprise fund 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 recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as 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 for the fiscal year in which they are received. Uncollected taxes that were billed during this period 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.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

D. Budgetary Data

Sales taxes and certain intergovernmental revenues, such as the utilities franchise 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 of Clinton because the tax is levied by Sampson 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. 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 is 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 general revenues.

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Revenue Funds and the Water and Sewer Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund and the Enterprise Capital Projects Funds. All enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. 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. The City Manager is authorized by the Council to transfer appropriations within a fund.

Budget amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the Council. If necessary, the Council must adopt an interim budget that covers the period of time from July 1 until the annual budget ordinance can be adopted. The Cemetery Fund is not required to be budgeted.

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

1. Deposits and Investments

All deposits of the City and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and ABC Board 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 and the ABC Board 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 and ABC Board's investments are generally reported at fair value.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. 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. The City and ABC Board consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

Funds are restricted to meet USDA requirements to maintain funds for repayment of debt in both the Governmental and Business type funds. In addition, funds are restricted for various public safety amounts. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintain, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. The City had expended all Powell Bill funds as of June 30, 2020.

City of Clinton Restricted Cash

Governmental Activities

General Fund

USDA Reserve	\$	49,259
Police Grants		39,141
Fire Department Grant Fund		10,079

Total Governmental Activities		98,479
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Business-type Activities

Water and Sewer Fund

Customer deposits		115,159
USDA Reserve		69,098

Total Business-type Activities		184,257
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Total Restricted Cash	\$	282,736
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CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventories of the ABC Board consist of materials and supplies held for subsequent use. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the City's enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use or sale. The cost of these inventories is expensed when consumed or sold rather than when the inventory is 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. The only item that meets this classification for the current year is a payment of \$66,458 in the Water Production Expansion Capital Project Fund for materials paid for at June 30, 2020 but not yet received.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital 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 improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

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

Asset Class	Estimated Useful Lives
Buildings	15 - 40 years
Improvements	20-25 years
Furniture and equipment	10 - 15 years
Infrastructure	20 - 40 years
Vehicles	5 years

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Paving	10 years
Buildings	25 years
Office equipment	10 years
Store equipment	10 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 expenditure until then. The City has two items that meet this criterion, pension deferrals and other post-employment benefit deferrals. In addition to liabilities, the statement of financial 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 several items that met this criterion for this category – prepaid taxes, miscellaneous items, pension deferrals and other post-employment benefits deferrals

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

9. Long-Term Obligations

In the government-wide financial statements, and 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 the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are expensed in the reporting period in which they are incurred. Bond issuance costs are reported as deferred charges and expensed over the term of the related 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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the City provides for the accumulation of up to forty days earned vacation leave with such leave (based on length of service) 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 ABC Board employees may accumulate vacation and such leave must be taken in the year earned or forfeited. However, terminated ABC Board employees are entitled to be compensated for unused vacation at the time of termination. The amount of this liability is not readily determinable and is not considered to be material. Therefore, the ABC Board did not accrue a liability or expense for unused vacation.

Both the City and the ABC Board's sick leave policy provide 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 neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are 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, or laws or regulations of other governments or imposed by law through State Statute.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

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:

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

Inventories – Portion of fund balance that is not an available resource because it represents the year-end balance of inventories, 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 nonspendable. 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.

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.

Restricted for Economic Development in the Downtown Tax District – portion of fund balance restricted by revenue source for use for economic development specifically in the Downtown Tax District.

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

Restricted for USDA Reserve – portion of fund balance that it restricted by the USDA as a reserve for repayment of long-term debt.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Clinton’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 Public Safety – portion of fund balance committed by the Council for Fire Department expenditures.

Committed for the Cemetery Fund – portion of fund balance committed by the Council for use in maintaining cemetery property.

Capital Projects – portion of fund balance that has been committed by the Council for various governmental capital improvements.

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

Assigned for Community Development – portion of fund balance assigned by the Board for use in on-going community development needs.

Capital Use Policy – All revenue in excess of expenditures realized at the end of any given fiscal year will be credited to unrestricted available fund balance until a minimum goal of 40% is realized. All revenue in excess of expenditures over and above this goal will be credited to assigned fund balance.

Subsequent Year’s Expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The City of Clinton has an informal revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, 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 of Clinton has also adopted a minimum fund balance policy for the General Fund which instructs management to credit all revenue in excess of expenditures realized at the end of any given fiscal year to unassigned available fund balance until a minimum goal of thirty-five to forty percent (35-40%) is realized. The City will adjust this minimum as appropriate based upon recommendation from the Local Government Commission and the current financial outlook.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies (Continued)

Once the forty percent (40%) goal is realized, all revenue in excess of expenditures realized at the end of any given fiscal year will be credited as capital reserves.

12. Pensions

For purposes of measuring the net pension asset, 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 of Clinton's employer contributions are recognized when due and the City of Clinton 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.

II. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City and the ABC Board 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 or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. 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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City and ABC Board have no formal policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City and the ABC Board comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

At June 30, 2020, the City's deposits had a carrying amount of \$6,011,024 and a bank balance of \$6,232,842. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$697,104 and the bank balance was \$693,262. The entire bank balance was covered by federal depository insurance. At June 30, 2020, the City's petty cash fund totaled \$350.

2. Investments

At June 30, 2020, the City had \$5,039,092 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's.

The City has an investment policy which covers the type and necessary diversification required to reduce credit risk to acceptable levels for the City.

At June 30, 2020, the ABC Board had \$190,573 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The ABC Board has no formal policy regarding credit risk of its investments.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 53,662
Accounts receivable	<u>100,112</u>
Total General Fund	153,774
Water and Sewer Fund:	
Accounts receivable	<u>60,982</u>
Total	<u>\$ 214,756</u>

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,493,371	\$ 41,250	\$ 5,947	\$ 1,528,674
Construction in progress	27,300	35,875	-	63,175
Total capital assets not being depreciated	<u>1,520,671</u>	<u>68,725</u>	<u>5,947</u>	<u>1,591,849</u>
Capital assets being depreciated:				
Buildings and other improvements	8,612,276	54,242	-	8,666,518
Intangible asset-brand	18,000	-	-	18,000
Equipment	2,315,171	163,185	41,616	2,436,740
Vehicles and motorized equipment	5,993,697	1,096,001	79,565	7,010,133
Infrastructure	8,424,584	183,559	-	8,608,143
Total assets being depreciated	<u>25,363,728</u>	<u>1,496,987</u>	<u>121,181</u>	<u>26,739,534</u>
Less accumulated depreciation for:				
Buildings and other improvements	2,888,246	273,852	-	3,162,098
Intangible asset-brand	2,750	602	-	3,352
Equipment	1,699,946	142,696	6,500	1,836,142
Vehicles and motorized equipment	4,341,470	403,543	114,681	4,633,332
Infrastructure	5,837,235	263,935	-	6,101,170
Total accumulated depreciation	<u>14,769,647</u>	<u>1,084,628</u>	<u>121,181</u>	<u>15,733,094</u>
Total capital assets being depreciated, net	<u>10,594,081</u>			<u>11,006,440</u>
Total governmental activities capital assets, net	<u>\$12,114,752</u>			<u>\$12,598,289</u>

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

General government	\$ 352,388
Public safety	312,646
Transportation	169,753
Environmental protection	146,837
Cultural and recreation	103,004
	<u>\$1,084,628</u>

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities – Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 261,439	\$ -	\$ -	\$ 261,439
Construction in progress	6,425,303	279,139	300,000	6,404,442
Total capital assets not being depreciated	6,686,742	279,139	300,000	6,665,881
Capital assets being depreciated:				
Land Improvements	14,423,321	54,906	-	14,478,227
Equipment	2,547,992	379,385	-	2,927,377
Vehicles	882,683	70,029	8,400	944,312
Buildings	7,428,395	-	-	7,428,395
Infrastructure	19,620,665	138,600	-	19,759,265
Total assets being depreciated	44,903,056	642,920	8,400	45,537,576
Less accumulated depreciation for:				
Land Improvements	8,357,408	411,497	-	8,768,905
Equipment	1,803,815	108,875	-	1,912,690
Vehicles	483,164	56,081	8,400	530,845
Buildings	7,346,256	13,159	-	7,359,415
Infrastructure	9,272,323	514,870	-	9,787,193
Total accumulated depreciation	27,262,966	1,104,482	8,400	28,359,048
Total capital assets being depreciated, net	17,640,090			17,178,528
Total governmental activities capital assets, net	\$24,326,832			\$23,844,409

Construction Commitments and construction in progress

The City has active construction commitments as of June 30, 2020. At year-end, the City's commitments with contractors are as follows:

Project:	Spent-to-date	Remaining Commitment
Highway 24 Infrastructure Relocation	\$ 168,289	\$ -
Water Production Expansion Project	\$ 6,282,495	\$ 50,000
WWTP Levee Outfall Project	\$ -	\$ 119,225

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 36,795	\$ -	\$ -	\$ 36,795
Capital assets being depreciated:				
Paving	6,788	-	-	6,788
Buildings	198,419	3,000	-	201,419
Equipment	67,421	11,651	7,222	71,850
Total assets being depreciated	272,628	14,651	7,222	280,057
Less accumulated depreciation:				
Total accumulated depreciation	214,713	6,575	7,222	214,066
ABC capital assets being depreciated, net	57,915			65,991
Total ABC Board capital assets, net	\$ 94,710			\$ 102,786

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental 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 or Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

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 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 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive 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. City of Clinton 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 of Clinton's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% 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 of Clinton were \$515,037 for the year ended June 30, 2020.

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.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

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

At June 30, 2020, the City reported a liability of \$2,468,753 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset 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, the City's proportion was 0.09040%, which was an increase of 0.00493% from its proportion as of June 30, 2019.

For the year ended June 30, 2020, the City recognized pension expense of \$1,062,798. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 422,713	\$ -
Changes of assumptions	402,366	-
Net difference between projected and actual earnings on pension plan investments	60,217	-
Changes in proportion and differences between City contributions and proportionate share of contributions	25,220	63,246
City contributions subsequent to the measurement date	515,037	-
Total	<u>\$ 1,425,553</u>	<u>\$ 63,246</u>

\$515,037 was reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 411,808
2022	121,517
2023	239,239
2024	74,706
2025	-
Thereafter	-

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	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

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, 2018 valuation 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:

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 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 contributions from 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 benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, 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 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 5,646,491	\$ 2,468,753	\$ (172,590)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

The City of Clinton 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 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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	6
Active plan members	26
Total	32

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. 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 following criteria which are outlined in GASB Statement 73.

3. *Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index determined at the end of each month.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

4. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. For the current year, the City paid \$83,960 in benefits. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

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

At June 30, 2020, the City reported a total pension liability of \$799,144. The total pension liability was measured as of December 31, 2019 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$78,937.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 129,973	\$ 35,099
Changes of assumptions and other inputs	32,003	18,602
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	\$ 161,976	\$ 53,701

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ 21,935
2022	22,732
2023	18,139
2024	22,898
2025	22,571
Thereafter	-

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

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 3.26 percent, 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 (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
City's proportionate share of the net pension liability (asset)	\$ 860,405	\$ 799,144	\$ 743,453

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

Beginning balance	\$	646,796
Service Cost		34,987
Interest on the total pension liability		22,015
Changes of benefit terms		-
Differences between expected and actual experience in the measurement of the total pension liability		157,510
Changes of assumptions or other inputs		21,796
Benefit payments		(83,960)
Other changes		-
Total	\$	799,144

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 rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 1,062,798	\$ 78,937	\$ 1,141,735
Pension Liability	2,468,753	799,144	3,267,897
Proportionate share of the net pension liability	0.09040%	n/a	
 Deferred Outflows of Resources			
Differences between expected and actual experience	422,713	129,973	552,686
Changes of assumptions	402,366	32,003	434,369
Net difference between projected and actual earnings on plan investments	60,217	-	60,217
Changes in proportion and differences between City contributions and proportionate share of contributions	25,220	-	25,220
City benefit payments and plan administrative expense made subsequent to the measurement date	515,037	-	515,037
 Deferred Inflows of Resources			
Differences between expected and actual experience	-	35,099	35,099
Changes of assumptions	-	18,602	18,602
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	63,246	-	63,246

c. 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 employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2020 were \$70,658, which consisted of \$62,943 from the City and \$7,715 from the law enforcement officers. No amounts were forfeited.

Effective July 1, 2020, the City discontinued the voluntary contribution of 0.5% made by the City to the plan for all employees who are not certified law enforcement personnel. Employees continue to be able to make voluntary contributions to the plan and the amounts contributed are fully vested when contributed. The contributions for the year ended June 30, 2020 totaled \$116,193, which consisted of \$84,052 from the City and \$32,141 from City employees.

d. Other Postemployment Benefits

Healthcare Benefits

Plan Description. Under the terms of a City resolution, the City provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the City. Employees hired as of July 1, 2010 are not eligible for this benefit. The City pays the full cost of coverage for these benefits until the retiree reaches age 65.

Membership of the HCB Plan consisted of the following at December 31, 2018, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	12	9
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	38	6
Total	50	15

Total OPEB Liability

The City's total OPEB liability of \$3,197,081 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

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	2.5 percent
Salary increases	3.5 – 7.75% percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	Pre-Medicare – 7.25%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

Beginning balance	\$ 3,193,899
Service Cost	82,740
Interest	120,850
Changes of benefit terms	-
Differences between expected and actual experience	(102,367)
Changes of assumptions or other inputs	78,069
Benefit payments	(176,110)
Total	<u><u>\$ 3,197,081</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<u>1% Decrease</u> <u>(2.50%)</u>	<u>Discount Rate</u> <u>(3.50%)</u>	<u>1% Increase</u> <u>(4.50%)</u>
Total OPEB Liability	\$ 3,446,502	\$ 3,197,081	\$ 2,968,478

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

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:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 2,929,698	\$ 3,197,081	\$ 3,501,299

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$166,020. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,954	\$ 80,447
Changes of assumptions and other inputs	61,352	128,209
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	\$ 68,306	\$ 208,656

\$0 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ (43,282)
2022	(43,282)
2023	(39,478)
2024	(14,308)
2025	-
Thereafter	-

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

2. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

LGERS Pension	
Contributions to pension plan in current fiscal year	\$ 515,037
Differences between expected and actual experience	422,713
Changes of assumptions	402,366
Net difference between projected and actual earnings	60,217
Changes in proportion and differences between City contributions and proportionate share of contributions	25,220
LEO Pension	
Differences between expected and actual experience	129,973
Changes of assumptions	32,003
OPEB	
Differences between expected and actual experience	6,954
Changes of assumptions	61,352
Total Deferred Outflows of Resources	<u>\$ 1,655,835</u>

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable	\$ -	\$ 107,893
Other accounts receivable	-	95,638
LGERS Pension		
Changes in proportion and differences between City contributions and proportionate share of contributions	63,246	-
LEO Pension		
Differences between expected and actual experience	35,099	-
Changes of assumptions	18,602	-
OPEB		
Differences between expected and actual experience	80,447	-
Changes of assumptions	128,209	-
Total	<u>\$ 325,603</u>	<u>\$ 203,531</u>

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in two (2) self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1,000,000 and \$2,000,000, respectively, per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police professionals liability and public officials liability in excess of \$1,000,000, property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The City carries flood insurance at certain locations at the waste treatment facility. Flood insurance is carried on the lift-station, lab building and digester facility. The City carries flood insurance through the National Flood Insurance Plan (NFIP). In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond.

The finance officer is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$75,000.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

5. Long-Term Obligations

a. Installment Purchase

Serviced by the General Fund:

\$425,000 installment note issued August 2004 plus additional \$750,000 note issued February 2008 used to finance downtown revitalization projects. These notes were refinanced with BB&T in August 2012 to a remaining term of twelve years. Due in annual installments of \$83,997 including interest at 2.19% through August 1, 2024.	\$ 393,743
\$500,000 installment note issued June 1, 2010 to BB&T, due in annual payments of \$50,000 plus interest at 3.39%, for the renovation of City Hall	50,000
\$635,000 installment note issued August 27, 2012 to BB&T, due in annual payments of \$71,695 including interest at 2.27%, secured by equipment	205,676
\$1,000,000 installment note issued May 21, 2013 with the US Department of Agriculture, Rural Development, due in annual payments of \$70,370 including interest at 3.5% to finance downtown revitalization	727,073
\$415,000 installment note issued March 13, 2020 with BCI Capital, due in annual payments of \$46,431 including interest at 2.095% secured by a fire truck	415,000
\$476,000 installment note issued August 14, 2019 with FCB due in annual payments of \$126,103 including interest at 2.36% secured by vehicles	476,000
\$155,700 installment note issued October 15, 2017 with BB&T, due in annual payments of \$40,871 including interest at 1.98%, secured by equipment	79,376
\$165,000 installment note issued January 7, 2019 with Southern Bank, due in annual payments of \$41,250 plus interest at 3.09%, secured by equipment	123,750
	<u>\$ 2,470,619</u>

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

Serviced by the Water and Sewer Fund:

\$2,525,018 unsecured installment note issued September 5, 2009 with NC Department of Environmental Quality (NCDEQ) for utility improvements, due in annual installments of \$168,335 plus interest at 2.1%	\$ 673,338
\$230,135 unsecured installment note issued June 8, 2010 with NCDEQ for utility improvements, due in annual installments of \$11,507 plus interest at 2.1%	115,068
\$142,850 unsecured installment note issued July 27, 2010 with NCDEQ for utility improvements, due in annual installments of \$7,143 with no interest	71,425
\$345,400 installment note issued December 28, 2016 with First Citizens Bank, due in installments of \$90,095 including interest at 1.72%, secured by equipment	88,559
\$1,646,334 installment note issued December 31, 2015 with the Environmental Protection Agency for utility improvements, due in annual installments of \$82,317 with no interest	<u>1,234,750</u>
	<u>\$ 2,183,140</u>

Annual debt service requirements to maturity for long-term obligations are as follows:

Year ended June 30:	Governmental Activities		Business-type Activities	
	Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2021	\$ 470,248	\$ 65,998	\$ 357,872	\$ 18,080
2022	429,347	53,919	269,300	12,780
2023	397,803	43,317	269,300	9,003
2024	293,610	33,292	269,300	5,227
2025	174,853	25,945	100,966	1,450
2026-2030	506,539	77,467	504,830	3,624
2031-2035	198,219	11,360	411,572	-
	\$ 2,470,619	\$ 311,298	\$ 2,183,140	\$ 50,164

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

b. Revenue Bond

\$4,836,000 Water and Sewer System Revenue Bonds, Series 2017A, issued for water and sewer system improvements, due in annual installments varying from \$66,000 to \$190,000 plus interest at 2.75%	\$ 4,628,000
\$1,158,000 Water and Sewer System Revenue Bonds, Series 2017B, issued for water and sewer system improvements, due in annual installments varying from \$18,000 to \$42,000 plus interest at 2.25%	<u>1,102,000</u>
Total revenue bonds	<u>\$ 5,730,000</u>

The City has been in compliance with the covenants as to rates, fees, rentals and charges in Section 5 of the Bond Order, authorizing the issuance of Water and Sewer System Revenue Bonds, Series 2017, since its adoption in 2017. Section 5 of the Bond Order requires Net Revenues for each fiscal year be not less than 110% of the debt service requirement for these bonds for the current fiscal year and not less than 100% of the amount necessary to meet all annual debt service requirement for the coming fiscal year.

The debt service requirement coverage ration calculation for the year ended June 30, 2020 is as follows:

Current revenues	\$ 5,679,939
Current expenses	<u>4,864,715</u>
Subtotal	<u>\$ 815,224</u>
Debt service, principal and interest	
Paid (Revenue Bond only)	<u>\$ 245,473</u>
Debt Service Coverage Ratio	<u>332%</u>

Per rate covenants, net revenues include revenues of the water and sewer fund less operating expenses. Operating expenses do not include depreciation, amortization, interest and similar charges totaling \$1,276,378 in the current year.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$5,994,000 in water and sewer system revenue bonds issued in December 2017. Proceeds from the bonds provided financing for water and sewer system improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2056. The total principal and interest remaining to be paid on the bonds is \$9,067,019. Principal and interest paid for the current year and the income available for debt service was \$245,473 and \$815,224, respectively.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

Annual debt service requirements to maturity for the revenue bond at June 30, 2020 are as follows:

Year ended June 30:	Business-type Activities	
	Revenue Bond	
	Principal	Interest
2021	\$ 93,000	\$ 152,065
2022	96,000	149,603
2023	98,000	147,063
2024	101,000	144,468
2025	103,000	141,795
2026-2030	559,000	666,505
2031-2035	638,000	588,433
2036-2040	727,000	499,193
2041-2045	827,000	397,578
2046-2050	943,000	281,818
2051-2055	1,075,000	149,668
2056-2057	470,000	18,830
	<u>\$ 5,730,000</u>	<u>\$ 3,337,019</u>

c. Change in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	Beginning			Ending	Current Portion
	Balance	Increases	Decreases	Balance	of Balance
<i>Governmental activities:</i>					
Installment notes	\$ 2,012,512	\$ 891,000	\$ 432,893	\$ 2,470,619	\$ 470,248
Compensated absences	308,368	29,368	-	337,736	211,000
Total OPEB liability	2,547,134	-	327,810	2,219,324	-
Total pension liability (LEO)	646,796	152,348	-	799,144	-
Net pension liability (LRS)	1,535,526	309,134	-	1,844,660	-
Governmental activity long-term liabilities	<u>\$ 7,050,336</u>	<u>\$ 1,381,850</u>	<u>\$ 760,703</u>	<u>\$ 7,671,483</u>	<u>\$ 681,248</u>
<i>Business-type activities:</i>					
<u>Water and Sewer Fund</u>					
Installment notes	\$ 2,539,515	\$ -	\$ 356,374	\$ 2,183,141	\$ 357,872
Revenue bonds	5,821,000	-	91,000	5,730,000	93,000
Compensated absences	93,925	316	-	94,241	59,000
Total OPEB liability	646,765	330,992	-	977,757	-
Net pension liability (LRS)	492,115	131,978	-	624,093	-
Water and Sewer Fund long-term liabilities	<u>\$ 9,593,320</u>	<u>\$ 463,286</u>	<u>\$ 447,374</u>	<u>\$ 9,609,232</u>	<u>\$ 509,872</u>
Business activity long-term liabilities	<u>\$ 9,593,320</u>	<u>\$ 463,286</u>	<u>\$ 447,374</u>	<u>\$ 9,609,232</u>	<u>\$ 509,872</u>

The City has a legal debt margin of \$63,307,180 at June 30, 2020

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

II. Detail Notes on All Funds (Continued)

6. Net Investment in Capital Assets

Governmental activities:	
Total capital assets	\$ 12,589,889
Less: Notes payable	<u>2,470,619</u>
	<u>\$ 10,119,270</u>

Business-type activities:	
Total capital assets	\$ 23,852,809
Less: Bonds payable	5,730,000
Notes payable	<u>2,183,141</u>
	<u>\$ 15,939,668</u>

III. Stewardship, Compliance, and Accountability

Transfers to/from other funds at June 30, 2020, consist of the following:

- Transfer from the general fund to the Beaman First Station Addition Project fund for project expenditures \$ 73,100
- Transfer from the water and sewer fund to the water and sewer capital reserve fund for future expenditures \$ 1,212,525
- Transfer from the water and sewer fund to the Water Production Project for project expenditures \$ 60,000

IV. Fund Balance

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

Total fund balance-General Fund	\$ 6,854,619
Less:	
Inventories	17,510
Stabilization by State Statute	1,625,080
USDA Reserve	49,259
Public Safety	395,805
Cemetery Fund	346,222
Capital Use Policy	22,544
Subsequent Year's Expenditures	150,000
Remaining Fund Balance	<u>\$ 4,248,199</u>

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

IV. Fund Balance (Continued)

The City of Clinton has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 35-40% of budgeted expenditures.

V. Joint Ventures

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the fund for the on-behalf payments for retirement benefits made to eligible members of the City's fire department by the board of trustees. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

VI. Jointly Governed Organization

The City, in conjunction with three counties and nineteen municipalities, established the Mid-Carolina Area Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$.24 per citizen which totaled \$2,073 during the fiscal year ended June 30, 2020.

VII. Related Organization

The City, in conjunction with Sampson County contributes financial support for a regional airport. The City of Clinton's Mayor and two other appointees from the City along with a County Commissioner and two appointees from the County make up the airport board. The Airport has been established to facilitate economic expansion within the City of Clinton and Sampson County and improve the quality of life for its citizens. The Airport is an agency of Sampson County who is responsible for the operation and owns the facilities.

The City of Clinton does not have an equity interest in the airport, so no equity interest has been reflected in the financial statements at June 30, 2020. The City of Clinton pays one half of the operating costs and one half of any required match for grants. The City of Clinton is not under any contractual obligation to continue support of the airport.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2020

VIII. Commitments

In 2017 the City entered into a year agreement to dispose of liquid and dried waste from the waste-treatment facility. The total amount paid under the contract for the year ended June 30, 2020 was approximately \$252,395.

For the year ended June 30, 2020 the City of Clinton received from Sampson County \$6,900 as a Fire Department contribution.

IX. Summary Disclosure 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 agreements. Such audits could result in the refund of grant moneys 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 moneys.

X. Significant Effects of Subsequent Events

Subsequent events have been evaluated through December 22, 2020, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure.

As of the date of issuance of the City's audit, there is a pandemic situation regarding the COVID-19 virus. The City is monitoring the effect of this pandemic on its financial operations. At this time, management has evaluated the situation and has concluded no additional disclosures are warranted.

XI. Other Agreements

The City owns property that it leases other businesses. The total amount received by the City in the lease payments during the year was \$85,342.

SUPPLEMENTARY INFORMATION

CITY OF CLINTON, NORTH CAROLINA
City of Clinton's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years*

Schedule 1

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Clinton's proportion of the net pension liability (asset) (%)	0.09040%	0.08547%	0.08669%	0.09161%	0.09473%	-0.09690%	9.44000%
Clinton's proportion of the net pension liability (asset) (\$)	\$2,468,753	\$2,027,641	\$1,324,383	\$1,944,271	\$ 425,144	\$ (571,287)	\$1,137,882
Clinton's covered-employee payroll	\$5,801,157	\$5,209,917	\$4,957,515	\$4,699,383	\$4,874,305	\$4,734,391	\$4,293,097
Clinton's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	42.56%	38.92%	26.71%	41.37%	8.72%	-12.07%	26.50%
Plan fiduciary net position as a percentage of the total pension liability **	90.86%	91.63%	94.18%	94.47%	98.09%	102.64%	94.35%

* The amount 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.

CITY OF CLINTON, NORTH CAROLINA
City of Clinton's Contributions
Required Supplementary Information
Last Seven Fiscal Years

Schedule 2

Local Government Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 515,037	\$ 462,561	\$ 402,594	\$ 370,691	\$ 335,856	\$ 346,633	\$ 327,525
Contributions in relation to the contractually required contribution	<u>515,037</u>	<u>462,561</u>	<u>402,596</u>	<u>370,691</u>	<u>335,856</u>	<u>346,633</u>	<u>327,525</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Clinton's covered-employee payroll	\$5,615,066	\$5,801,157	\$5,209,917	\$4,957,515	\$4,699,383	\$4,874,305	\$4,734,391
Contribution as a percentage of covered-employee payroll	9.17%	7.97%	7.73%	7.48%	7.15%	7.11%	6.92%

CITY OF CLINTON, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
June 30, 2020

Schedule 3

Law Enforcement Officers' Special Separation Allowance

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 646,796	\$ 753,342	\$ 754,632	\$ 799,935
Service Cost	34,987	33,495	27,533	27,533
Interest on the total pension liability	22,015	22,416	29,129	27,034
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	157,510	-	-	-
Changes of assumptions or other inputs	21,796	(74,759)	27,198	(14,501)
Benefit payments	(83,960)	(87,698)	(85,150)	(85,369)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 799,144</u>	<u>\$ 646,796</u>	<u>\$ 753,342</u>	<u>\$ 754,632</u>

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

CITY OF CLINTON, NORTH CAROLINA
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officer's Special Separation Allowance
June 30, 2020

Schedule 4

Law Enforcement Officers' Special Separation Allowance

	2020	2019	2018	2017
Total pension liability	\$ 799,144	\$ 646,796	\$ 753,342	\$ 754,632
Covered payroll	1,292,843	1,098,880	1,010,661	1,056,068
Total pension liability as a percentage of covered payroll	61.81%	58.86%	74.54%	71.46%

Notes to the schedules:

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

CITY OF CLINTON, NORTH CAROLINA
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

Schedule 5

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 82,740	\$ 85,590	\$ 92,591
Interest	120,850	112,095	97,873
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(102,367)	9,909	886
Changes of assumptions	78,069	(84,401)	(149,152)
Benefit payments	(176,110)	(154,711)	(135,733)
Net change in total OPEB liability	3,182	(31,518)	(93,535)
Total OPEB liability - beginning	3,193,899	3,225,417	3,318,952
Total OPEB liability - ending	\$ 3,197,081	\$ 3,193,899	\$ 3,225,417
Covered payroll	1,964,251	2,336,520	2,336,520
Total OPEB liability as a percentage of covered payroll	162.76%	136.69%	138.04%

Notes to Schedule

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:

<u>Fiscal year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%
2018	3.56%

General Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:			
Current year		\$ 3,227,266	
Prior years levies		42,542	
Interest and penalties		12,339	
Total	<u>\$ 3,302,000</u>	<u>3,282,147</u>	<u>\$ (19,853)</u>
Other taxes and licenses:			
Auto licenses		143,730	
Vehicle rental taxes		17,170	
Privilege licenses		495	
Total	<u>152,500</u>	<u>161,395</u>	<u>8,895</u>
Unrestricted intergovernmental:			
Local option sales tax		2,411,626	
Utility franchise tax		778,647	
Fire district tax		533,000	
ABC profit distribution		264,800	
Telecommunications sales tax		61,047	
Excise tax on piped gas		28,098	
Beer and wine tax		35,888	
CATV franchise fee		31,622	
Payments in lieu of taxes		5,829	
Sales tax reimbursements		8,159	
Total	<u>4,084,900</u>	<u>4,158,716</u>	<u>73,816</u>
Restricted intergovernmental:			
Powell bill allocation		240,151	
Sampson County contribution		6,900	
City schools - police		118,500	
Federal and state grants		110,870	
Rescue technical assistance		12,000	
ABC revenue for law enforcement		11,530	
Solid waste disposal tax		6,314	
Local fire protection service		5,154	
Federal drug forfeiture		23,176	
State reimbursement		200	
State substance abuse tax		489	
Total	<u>516,500</u>	<u>535,284</u>	<u>18,784</u>
Sales and services:			
Garbage collections fees		1,334,735	
Recreation department fees		40,882	
Cemetery lot sales and maintenance		32,250	
Other services and materials		15,588	
Lot cleaning		17,103	
Total	<u>1,516,100</u>	<u>1,440,558</u>	<u>(75,542)</u>

CITY OF CLINTON, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Investment earnings:			
General fund		\$ 114,634	
Cemetery trust fund		3,444	
Total	<u>\$ 119,500</u>	<u>118,078</u>	<u>\$ (1,422)</u>
Miscellaneous:			
Other		18,207	
All America City sponsorships		35	
Rent industrial buildings		85,342	
Sale of recyclables		10,716	
Insurance revenue		17,806	
False alarm ordinance		7,375	
Fire department special fees		23,966	
Officer arrest fees		2,654	
Donations		1,100	
Parking violations		2,110	
Total	<u>208,900</u>	<u>169,311</u>	<u>(39,589)</u>
Total revenues	<u>9,900,400</u>	<u>9,865,489</u>	<u>(34,911)</u>
Expenditures:			
General government:			
Governing body:			
Mayor and council salaries and benefits		66,618	
Mayor and council expenses		30,351	
Total	<u>98,300</u>	<u>96,969</u>	<u>1,331</u>
Administrative:			
Salaries and employee benefits		160,920	
Operating expenses		38,782	
Total	<u>208,900</u>	<u>199,702</u>	<u>9,198</u>
Financing:			
Salaries and employee benefits		218,324	
Operating expenses		90,006	
Total	<u>310,800</u>	<u>308,330</u>	<u>2,470</u>
Planning and zoning:			
Salaries and employee benefits		288,045	
Operating expenses		52,612	
Capital outlay		7,213	
Total	<u>352,900</u>	<u>347,870</u>	<u>5,030</u>
Cemetery and public grounds:			
Salaries and employee benefits		166,881	
Operating expenses		62,152	
Capital outlay		51,072	
Total	<u>304,300</u>	<u>280,105</u>	<u>24,195</u>

CITY OF CLINTON, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Non-departmental:			
Various operating expenses		\$ 30,220	
All America City		3,092	
Contract services		164,545	
Retirees medical insurance		115,183	
Insurance		45,378	
Professional services		16,135	
Utilities		3,888	
Other agency contributions		11,000	
Economic development		10,010	
Capital outlay		41,250	
Total	<u>\$ 463,200</u>	<u>440,701</u>	<u>\$ 22,499</u>
Total general government	<u>1,738,400</u>	<u>1,673,677</u>	<u>42,224</u>
Public safety:			
Police:			
Salaries and employee benefits		1,997,299	
Operating expenses		375,403	
Capital outlay		217,047	
Total	<u>2,664,400</u>	<u>2,589,749</u>	<u>74,651</u>
Fire:			
Salaries and employee benefits		1,462,495	
Operating expenses		285,276	
Capital outlay		674,092	
Total	<u>2,440,700</u>	<u>2,421,863</u>	<u>18,837</u>
Total public safety	<u>5,105,100</u>	<u>5,011,612</u>	<u>93,488</u>
Transportation:			
Street administration:			
Salaries and employee benefits		486,865	
Operating expenses		32,669	
Total	<u>529,100</u>	<u>519,534</u>	<u>9,566</u>
Materials and supplies:			
Asphalt and concrete		6,197	
Signs, signals, paints and supplies		11,883	
Operating expenses		27,239	
Total	<u>48,000</u>	<u>45,319</u>	<u>2,681</u>
Equipment expenses:			
Automotive supplies		17,386	
Equipment rental and maintenance		38,518	
Small tools and equipment		2,941	
Total	<u>64,000</u>	<u>58,845</u>	<u>5,155</u>

CITY OF CLINTON, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Other costs and services:			
Street lighting contract		\$ 196,098	
Capital outlay		210,902	
Total	<u>\$ 480,800</u>	<u>407,000</u>	<u>\$ 73,800</u>
Garage:			
Salaries and employee benefits		180,420	
Operating expenses		61,267	
Capital outlay		47,181	
Total	<u>301,900</u>	<u>288,868</u>	<u>13,032</u>
Total transportation	<u>1,423,800</u>	<u>1,319,566</u>	<u>12,247</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		485,353	
Operating expenses		468,431	
Capital outlay		238,701	
Total environmental protection	<u>1,464,700</u>	<u>1,192,485</u>	<u>272,215</u>
Cultural and recreational:			
Salaries and employee benefits		579,223	
Operating expenses		277,764	
Capital outlay		76,938	
Total cultural and recreational	<u>1,049,300</u>	<u>933,925</u>	<u>115,375</u>
Debt service:			
Principal retirement		432,893	
Interest expense		56,339	
Total debt service	<u>489,100</u>	<u>489,232</u>	<u>(132)</u>
Total expenditures	<u>11,270,400</u>	<u>10,620,497</u>	<u>649,903</u>
Revenues over (under) expenditures	(1,370,000)	(755,008)	614,992
Other financing sources (uses):			
Sale of surplus assets	16,000	23,961	7,961
Debt issuance	891,000	891,000	-
Transfers out	(73,100)	(73,100)	-
Transfer from other funds	29,600	-	(29,600)
Fund balance appropriated	506,500	-	(506,500)
Total other financing sources	<u>1,370,000</u>	<u>841,861</u>	<u>(528,139)</u>
Net change in fund balance	<u>\$ -</u>	86,853	<u>\$ 86,853</u>
Fund balance, beginning		<u>6,767,766</u>	
Fund balance, ending		<u>\$ 6,854,619</u>	

CITY OF CLINTON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2020

Schedule 7

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS			
Cash and investments	\$ 109,531	\$ 94,100	\$ 203,631
Taxes receivable, net	230	-	230
Due from other governments	4,036	525	4,561
	<u>113,797</u>	<u>94,625</u>	<u>208,422</u>
Total assets	<u>\$ 113,797</u>	<u>\$ 94,625</u>	<u>\$ 208,422</u>
LIABILITIES			
Accounts payable	\$ 765	8,400	\$ 9,165
	<u>765</u>	<u>8,400</u>	<u>9,165</u>
Total liabilities	<u>765</u>	<u>8,400</u>	<u>9,165</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	230	-	230
	<u>230</u>	<u>-</u>	<u>230</u>
Total deferred inflows of resources	<u>230</u>	<u>-</u>	<u>230</u>
FUND BALANCES			
Assigned - Community Development	48,399	-	48,399
Restricted - Economic Development	59,629	-	59,629
Committed - Public Safety	4,774	-	4,774
Committed - Capital Projects	-	86,225	86,225
	<u>112,802</u>	<u>86,225</u>	<u>199,027</u>
Total fund balances	<u>112,802</u>	<u>86,225</u>	<u>199,027</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 113,797</u>	<u>\$ 94,625</u>	<u>\$ 208,422</u>

CITY OF CLINTON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
From Inception and For the Year Ended June 30, 2020

Schedule 8

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES			
Ad valorem taxes - net	\$ 53,306	\$ -	\$ 53,306
Investment earnings	1,449	-	1,449
Miscellaneous	14,270	-	14,270
Total revenues	<u>69,025</u>	<u>-</u>	<u>69,025</u>
EXPENDITURES			
General government	-	35,875	35,875
Economic and physical development	104,548	-	104,548
Miscellaneous	425	-	425
Total expenditures	<u>104,973</u>	<u>35,875</u>	<u>140,848</u>
Excess (deficiency) of revenues over expenditures	<u>(35,948)</u>	<u>(35,875)</u>	<u>(71,823)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
General Fund	-	73,100	73,100
Transfers to other funds:			
General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(35,948)	37,225	1,277
Fund balances, beginning	<u>148,750</u>	<u>49,000</u>	<u>197,750</u>
Fund balances, ending	<u><u>\$ 112,802</u></u>	<u><u>\$ 86,225</u></u>	<u><u>\$ 199,027</u></u>

CITY OF CLINTON, NORTH CAROLINA
Combining Balance Sheet
Special Revenue Funds
For the Year Ended June 30, 2020

Schedule 9

	Community Development Fund	Downtown Tax District Fund	Fire Department Grant Fund	Open Space Fund	Total Special Revenue Funds
ASSETS					
Cash and investments	\$ 45,579	\$ 56,388	\$ 4,774	\$ 2,790	\$ 109,531
Taxes receivable, net	-	230	-	-	230
Due from other governments	30	4,006	-	-	4,036
Total assets	<u>\$ 45,609</u>	<u>\$ 60,624</u>	<u>\$ 4,774</u>	<u>\$ 2,790</u>	<u>\$ 113,797</u>
LIABILITIES					
Accounts payable	\$ -	\$ 765	\$ -	\$ -	\$ 765
Total liabilities	<u>-</u>	<u>765</u>	<u>-</u>	<u>-</u>	<u>765</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	-	230	-	-	230
Total deferred inflows of resources	<u>-</u>	<u>230</u>	<u>-</u>	<u>-</u>	<u>230</u>
FUND BALANCES					
Assigned - Community Development	45,609	-	-	2,790	48,399
Restricted - Economic Development	-	59,629	-	-	59,629
Committed - Public Safety	-	-	4,774	-	4,774
Total fund balances	<u>45,609</u>	<u>59,629</u>	<u>4,774</u>	<u>2,790</u>	<u>112,802</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 45,609</u>	<u>\$ 60,624</u>	<u>\$ 4,774</u>	<u>\$ 2,790</u>	<u>\$ 113,797</u>

CITY OF CLINTON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
From Inception and For the Year Ended June 30, 2020

Schedule 10

	<u>Community Development Fund</u>	<u>Downtown Tax District Fund</u>	<u>Fire Department Grant Fund</u>	<u>Open Space Fund</u>	<u>Total Special Revenue Funds</u>
REVENUES					
Ad valorem taxes - net	\$ -	\$ 53,306	\$ -	\$ -	\$ 53,306
Investment earnings	294	1,155	-	-	1,449
Miscellaneous	-	13,920	350	-	14,270
Total revenues	<u>294</u>	<u>68,381</u>	<u>350</u>	<u>-</u>	<u>69,025</u>
EXPENDITURES					
Economic and physical development	-	104,128	420	-	104,548
Miscellaneous	425	-	-	-	425
Total expenditures	<u>425</u>	<u>104,128</u>	<u>420</u>	<u>-</u>	<u>104,973</u>
Excess (deficiency) of revenues over expenditures	<u>(131)</u>	<u>(35,747)</u>	<u>(70)</u>	<u>-</u>	<u>(35,948)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds					
General Fund	-	-	-	-	-
Transfers to other funds:					
General Fund	-	-	-	-	-
Net change in fund balance	(131)	(35,747)	(70)	-	(35,948)
Fund balances, beginning	<u>45,740</u>	<u>95,376</u>	<u>4,844</u>	<u>2,790</u>	<u>148,750</u>
Fund balances, ending	<u>\$ 45,609</u>	<u>\$ 59,629</u>	<u>\$ 4,774</u>	<u>\$ 2,790</u>	<u>\$ 112,802</u>

CITY OF CLINTON, NORTH CAROLINA

Schedule 11

Special Revenue Fund - Community Development Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Investment earnings	<u>\$ 500</u>	<u>\$ 294</u>	<u>\$ (206)</u>
Expenditures:			
Miscellaneous	<u>500</u>	<u>425</u>	<u>(75)</u>
Net change in fund balance	<u>\$ -</u>	<u>(131)</u>	<u>\$ (131)</u>
Fund balance, beginning		<u>45,740</u>	
Fund balance, ending		<u>\$ 45,609</u>	

CITY OF CLINTON, NORTH CAROLINA

Schedule 12

Special Revenue Fund - Downtown Tax District Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes - net	\$ 57,800	\$ 53,306	\$ (4,494)
Investment earnings	1,500	1,155	(345)
Miscellaneous	17,300	13,920	(3,380)
Total revenues	<u>76,600</u>	<u>68,381</u>	<u>(8,219)</u>
Expenditures:			
Special events	14,400	14,406	6
Downtown Façade grant program	14,500	14,539	39
Projects	33,400	33,320	(80)
Advertising	16,000	15,460	(540)
Supplies and materials	900	957	57
Other	27,400	25,446	(1,954)
Total expenditures	<u>106,600</u>	<u>104,128</u>	<u>(2,472)</u>
Revenues over (under) expenditures	(30,000)	(35,747)	(5,747)
Other Financing Sources (Uses)			
Fund balance appropriated	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>(35,747)</u>	<u>\$ (35,747)</u>
Fund balance, beginning		<u>95,376</u>	
Fund balance, ending		<u>\$ 59,629</u>	

Special Revenue Fund - Fire Department Grant Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Grant revenue	\$ 5,000	\$ 6,500	\$ 350	\$ 6,850	\$ 1,850
Expenditures:					
Grant expenditures	11,845	8,501	420	8,921	(2,924)
Revenues over (under) expenditures	(6,845)	(2,001)	(70)	(2,071)	4,774
Other Financing Sources (Uses)					
Transfers in (out)					
General Fund	6,845	6,845	-	6,845	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,844</u>	(70)	<u>\$ 4,774</u>	<u>\$ 4,774</u>
Fund balance, beginning			<u>4,844</u>		
Fund balance, ending			<u>\$ 4,774</u>		

CITY OF CLINTON, NORTH CAROLINA

Schedule 14

Special Revenue Fund - Open Space Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Total Revenues:	\$ -	\$ 2,790	\$ -	\$ 2,790	\$ 2,790
Total Expenditures:	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,790</u>	-	<u>\$ 2,790</u>	<u>\$ 2,790</u>
Fund balance, beginning			<u>2,790</u>		
Fund balance, ending			<u>\$ 2,790</u>		

CITY OF CLINTON, NORTH CAROLINA
Combining Balance Sheet
Capital Project Funds
For the Year Ended June 30, 2020

	<u>Beaman Street Fire Station</u>	<u>City Facility Renovations</u>	<u>Total Capital Project Funds</u>
ASSETS			
Cash and investments	\$ 73,100	\$ 21,000	\$ 94,100
Due from other governments	-	525	525
Total assets	<u>\$ 73,100</u>	<u>\$ 21,525</u>	<u>\$ 94,625</u>
LIABILITIES			
Accounts payable	<u>\$ 8,400</u>	<u>\$ -</u>	<u>8,400</u>
Total liabilities	<u>8,400</u>	<u>-</u>	<u>8,400</u>
FUND BALANCES			
Committed - Capital Projects	<u>64,700</u>	<u>21,525</u>	<u>86,225</u>
Total liabilities and fund balances	<u>\$ 73,100</u>	<u>\$ 21,525</u>	<u>\$ 94,625</u>

CITY OF CLINTON, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Project Funds
From Inception and For the Year Ended June 30, 2020

	<u>Beaman Street Fire Station</u>	<u>City Facility Renovations</u>	<u>Total Capital Project Funds</u>
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
Capital outlay	<u>8,400</u>	<u>27,475</u>	<u>35,875</u>
Total expenditures	<u>8,400</u>	<u>27,475</u>	<u>35,875</u>
Excess (deficiency) of revenues over expenditures	<u>(8,400)</u>	<u>(27,475)</u>	<u>(35,875)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
General Fund	<u>73,100</u>	<u>-</u>	<u>73,100</u>
Net change in fund balance	64,700	(27,475)	37,225
Fund balances, beginning	<u>-</u>	<u>49,000</u>	<u>49,000</u>
Fund balances, ending	<u>\$ 64,700</u>	<u>\$ 21,525</u>	<u>\$ 86,225</u>

Capital Projects Fund - Beaman Street Fire Station Addition

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Expenditures:					
Construction	\$ 73,100	\$ -	\$ 8,400	\$ 8,400	\$ 64,700
Total expenditures	<u>73,100</u>	<u>-</u>	<u>8,400</u>	<u>8,400</u>	<u>64,700</u>
Revenues over (under) expenditures	<u>(73,100)</u>	<u>-</u>	<u>(8,400)</u>	<u>(8,400)</u>	<u>64,700</u>
Other Financing Sources (Uses)					
Transfers in (out)					
General Fund	<u>73,100</u>	<u>-</u>	<u>73,100</u>	<u>73,100</u>	<u>-</u>
Total other financing sources (uses)	<u>73,100</u>	<u>-</u>	<u>73,100</u>	<u>73,100</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	64,700	<u>\$ 64,700</u>	<u>\$ 64,700</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 64,700</u>		

Capital Projects Fund - City Facility Renovations

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Private contribution	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Expenditures:					
Renovations	75,000	26,000	27,475	53,475	21,525
Revenues over (under) expenditures	(25,000)	24,000	(27,475)	(3,475)	21,525
Other Financing Sources (Uses)					
Transfers in (out)					
General Fund	25,000	25,000	-	25,000	-
Total other financing sources (uses)	25,000	25,000	-	25,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 49,000</u>	(27,475)	<u>\$ 21,525</u>	<u>\$ 21,525</u>
Fund balance, beginning			49,000		
Fund balance, ending			<u>\$ 21,525</u>		

CITY OF CLINTON, NORTH CAROLINA

Schedule 19

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for services:			
Water and sewer charges	\$ 4,843,000	\$ 4,875,548	\$ 32,548
Sewer surcharge	630,000	620,006	(9,994)
Water and sewer tap fees	20,000	27,938	7,938
Service fees	30,000	28,950	(1,050)
Fireline fees	50,900	49,551	(1,349)
Total charges for services	<u>5,573,900</u>	<u>5,601,993</u>	<u>28,093</u>
FEMA - Federal	15,000	15,000	-
FEMA - State	5,000	21,623	16,623
Miscellaneous	72,200	77,946	5,746
Total operating revenues	<u>5,666,100</u>	<u>5,716,562</u>	<u>50,462</u>
Nonoperating revenues:			
Interest earnings	15,000	12,617	(2,383)
Total revenues	<u>5,681,100</u>	<u>5,729,179</u>	<u>48,079</u>
Expenditures:			
Operating expenditures:			
Water department:			
Salaries and employee benefits		1,596,532	
Operating expenditures		709,497	
Repairs and maintenance		292,868	
Total water department	<u>2,717,500</u>	<u>2,598,897</u>	<u>118,603</u>
Waste treatment department:			
Salaries and employee benefits		677,806	
Operating expenditures		840,683	
Repairs and maintenance		354,052	
Total waste treatment department	<u>2,112,300</u>	<u>1,872,541</u>	<u>239,759</u>
Bad debt expense	-	55,982	(55,982)
Total operating expenditures	<u>4,829,800</u>	<u>4,471,438</u>	<u>358,362</u>
Debt service:			
Interest and other charges	177,700	177,827	(127)
Principal	447,800	447,374	426
Total	<u>625,500</u>	<u>625,201</u>	<u>299</u>
Capital outlay:			
Utility lines department		506,225	
Water department		26,289	
Waste treatment department		89,545	
Total	<u>175,800</u>	<u>622,059</u>	<u>(446,259)</u>
Total expenditures	<u>5,631,100</u>	<u>5,718,698</u>	<u>(87,598)</u>

CITY OF CLINTON, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020
(Continued)

Schedule 19

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues over (under) expenditures	\$ 50,000	\$ 10,481	\$ (39,519)
Other financing sources (uses):			
Gain on sale of capital assets	10,000	1,126	(8,874)
Transfers from other funds	-	-	-
Transfers to other funds			
Water & Sewer Capital Reserve Fund	(1,212,500)	(1,212,525)	(25)
Water & Sewer Capital Projects	(60,000)	(60,000)	-
Total	(1,262,500)	(1,271,399)	(8,899)
Fund balance appropriated	1,212,500	-	1,212,500
Revenues and other sources over (under) expenditures and other uses	\$ -	(1,260,918)	\$ (1,260,918)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources under expenditures and other uses		\$ (1,260,918)	
Reconciling items:			
Principal retirement		447,374	
Capital outlay		622,059	
Bad debt expense		(55,982)	
(Increase) decrease in accrued vacation pay		(316)	
(Increase) decrease in accrued interest		5,931	
(Increase) decrease in net pension liability		(131,978)	
Increase (decrease) in deferred outflows		(34,819)	
(Increase) decrease in deferred inflows		160,810	
(Increase) decrease in OPEB liability		(330,992)	
Depreciation		(1,104,482)	
Transfer to capital project funds		1,272,525	
Water Production Expansion Capital Project Fund			
Grant revenues		175,090	
WWTP Levee Outfall Project Fund			
Grant revenues		24,500	
Water & Sewer Capital Reserve Fund			
Interest income		12,594	
AIA Water & Wastewater Capital Project Fund			
Grant revenues		174,931	
Total reconciling items		1,237,245	
Change in net position		\$ (23,673)	

CITY OF CLINTON, NORTH CAROLINA

Schedule 20

Capital Projects Fund -Water Production Expansion

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
USDA grant	\$ 200,000	\$ 7,517	\$ 175,090	\$ 182,607	\$ (17,393)
Investment earnings	-	1,454	-	1,454	1,454
Total revenues	<u>200,000</u>	<u>8,971</u>	<u>175,090</u>	<u>184,061</u>	<u>(15,939)</u>
Expenditures:					
Engineering and design	562,643	530,065	-	530,065	32,578
Legal	50,000	20,910	-	20,910	29,090
Construction	5,612,857	5,390,700	-	5,390,700	222,157
Miscellaneous	26,000	33,091	2,001	35,092	(9,092)
Interest	-	82,910	-	82,910	(82,910)
Property acquisition	90,000	86,976	-	86,976	3,024
Total expenditures	<u>6,341,500</u>	<u>6,144,652</u>	<u>2,001</u>	<u>6,146,653</u>	<u>194,847</u>
Revenues over (under) expenditures	<u>(6,141,500)</u>	<u>(6,135,681)</u>	<u>173,089</u>	<u>(5,962,592)</u>	<u>178,908</u>
Other Financing Sources (Uses)					
Loan proceeds - USDA	5,994,000	5,994,000	-	5,994,000	-
Principal repayment	-	(5,994,000)	-	(5,994,000)	-
Bond issuance	-	5,994,000	-	5,994,000	-
Transfers in (out)					-
Water and Sewer Fund	147,500	147,500	60,000	207,500	60,000
Total other financing sources (uses)	<u>6,141,500</u>	<u>6,141,500</u>	<u>60,000</u>	<u>6,201,500</u>	<u>60,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 5,819</u>	<u>\$ 233,089</u>	<u>\$ 238,908</u>	<u>\$ 238,908</u>

CITY OF CLINTON, NORTH CAROLINA
Capital Projects Fund - WWTP Levee Outfall

Schedule 21

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2020

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Golden Leaf grant	\$ 200,000	\$ -	24,500	\$ 24,500	\$ (175,500)
Expenditures:					
Construction	150,000	-	-	-	150,000
Professional services	26,700	-	24,500	24,500	2,200
Contingency	23,300	-	-	-	23,300
Total expenditures	200,000	-	24,500	24,500	175,500
Revenues over (under) expenditures	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ -</u>		

Capital Projects Fund - HWY 24 Infrastructure Relocation

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
NCDOT reimbursement	2,500,000	-	-	-	2,500,000
Professional services	99,000	98,955	-	98,955	45
Equipment	70,000	69,334	-	69,334	666
Total expenditures	2,669,000	168,289	-	168,289	2,500,711
Revenues over (under) expenditures	(2,669,000)	(168,289)	-	(168,289)	2,500,711
Other Financing Sources (Uses)					
Transfers in (out)					
Water and Sewer Fund	2,669,000	996,500	-	996,500	(1,672,500)
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 828,211</u>	<u>\$ -</u>	<u>\$ 828,211</u>	<u>\$ 828,211</u>

Capital Projects Fund - Water & Sewer Capital Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Investment earnings	\$ -	\$ 35,147	\$ 12,594	\$ 47,741	\$ 47,741
Other Financing Sources (Uses)					
Transfers in (out)					
Water and Sewer Fund	3,054,200	3,138,007	1,212,525	4,350,532	1,296,332
Utility Lines Maintenance Project	(3,054,200)	(386,000)	-	(386,000)	2,668,200
Total other financing sources (uses)	-	2,752,007	1,212,525	3,964,532	3,964,532
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$2,787,154</u>	<u>\$1,225,119</u>	<u>\$4,012,273</u>	<u>\$ 4,012,273</u>

Capital Projects Fund - WWTP Expansion

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Professional services	65,000	61,750	3,250	65,000	-
Total expenditures	65,000	61,750	3,250	65,000	-
Revenues over (under) expenditures	(65,000)	(61,750)	(3,250)	(65,000)	-
Other Financing Sources (Uses)					
Transfers in (out)					
Water and Sewer Fund	65,000	65,000	-	65,000	-
Total other financing sources (uses)	65,000	65,000	-	65,000	-
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 3,250</u>	<u>\$ (3,250)</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Projects Fund - AIA Water & Wastewater

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
AIA wastewater grant	\$ 150,000	\$ 63,481	\$ 86,519	\$ 150,000	\$ -
AIA water grant	150,000	61,588	88,412	150,000	-
Total revenues	<u>300,000</u>	<u>125,069</u>	<u>174,931</u>	<u>300,000</u>	<u>-</u>
Expenditures:					
Engineering	<u>300,000</u>	<u>125,069</u>	<u>174,931</u>	<u>300,000</u>	<u>-</u>
Total expenditures	<u>300,000</u>	<u>125,069</u>	<u>174,931</u>	<u>300,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CLINTON, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Schedule 26

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections And Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 3,400,001	\$ 3,322,873	\$ 77,128
2018-2019	43,457	-	16,411	27,046
2017-2018	26,235	-	9,215	17,020
2016 & prior	47,021	-	27,887	19,134
	<u>\$ 116,713</u>	<u>\$ 3,400,001</u>	<u>\$ 3,376,386</u>	140,328
Less: allowance for uncollectible ad valorem taxes receivable				<u>(53,662)</u>
Ad valorem taxes receivable - net				<u>\$ 86,666</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 3,282,147
Collection fee				77,469
Taxes written off and other adjustments				29,109
Subtotal				3,388,725
Less interest and penalties collected				(12,339)
Total collections and credits				<u>\$ 3,376,386</u>

CITY OF CLINTON, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2020

Schedule 27

	City-Wide			Total Levy	
	Property	Rate	Total	Property	Registered
	Valuation		Levy	excluding	Motor
				Registered	Motor
				Vehicles	Vehicles
Original levy:					
Property taxed at current rate	\$ 842,367,000	0.40	\$3,369,468	\$3,091,676	\$ 277,792
Utilities	17,406,250	0.40	69,625	69,625	-
Penalties			1,954	1,954	-
Abatements and discoveries	<u>(10,261,500)</u>	0.40	<u>(41,046)</u>	<u>(41,046)</u>	<u>-</u>
Total Property Valuation	<u>\$ 849,511,750</u>				
Net levy			3,400,001	3,122,209	277,792
Uncollected taxes at June 30, 2020			<u>(77,128)</u>	<u>(75,310)</u>	<u>(1,818)</u>
Current year's taxes collected			<u>\$3,322,873</u>	<u>\$3,046,899</u>	<u>\$ 275,974</u>
Current levy collection percentage			<u>97.73%</u>	<u>97.59%</u>	<u>99.35%</u>

COMPLIANCE SECTION

SHARPE PATEL PLLC

Certified Public Accountants

INDEPENDENT AUDITOR'S 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*

To the Honorable Mayor
and Members of the City Council
City of Clinton
Clinton, 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Clinton, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Clinton's basic financial statements, and have issued our report thereon dated December 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Clinton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Clinton's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Clinton'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sharpe Patel PLLC

Raleigh, North Carolina
December 22, 2020

CITY OF CLINTON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified?	_____	yes	_____ x _____	no
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____	yes	_____ x _____	none reported
Noncompliance material to financial statements noted	_____	yes	_____ x _____	no

Federal Awards

Identification of major Federal programs:

There are no major Federal awards.

State Awards

Identification of major State programs:

There are no major State awards.

CITY OF CLINTON, NORTH CAROLINA
Summary Schedule of Prior Year Audit Finding
For the Year Ended June 30, 2020

Finding 2019-001

Status: Corrected.

Finding 2019-002

Status: Corrected.