



Clinton

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FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021
CITY OF CLINTON
CLINTON, NORTH CAROLINA

**CITY OF CLINTON
NORTH CAROLINA**

Financial Statements and
Supplementary Information

Year Ended June 30, 2021

Governing Board

Lew Starling, Mayor
Marcus Becton
Daniel Ruggles
Neal 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 CPA

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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clinton, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clinton, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's discussion and Analysis on pages 4 through 14, Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 60 through 61, and the Law Enforcement's Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 62 through 63 and the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 64, be presented to supplement the basic financial statements. Such information, although not a required 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, North Carolina. The combining and individual nonmajor fund statements, budgetary schedules, and other schedules are presented for additional analysis and are 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. In our opinion, based on our audit, the procedures performed as described above, 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 reports dated November 18, 2021 on our consideration of the 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 those 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 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 the City of Clinton's internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina
November 18, 2021

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, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

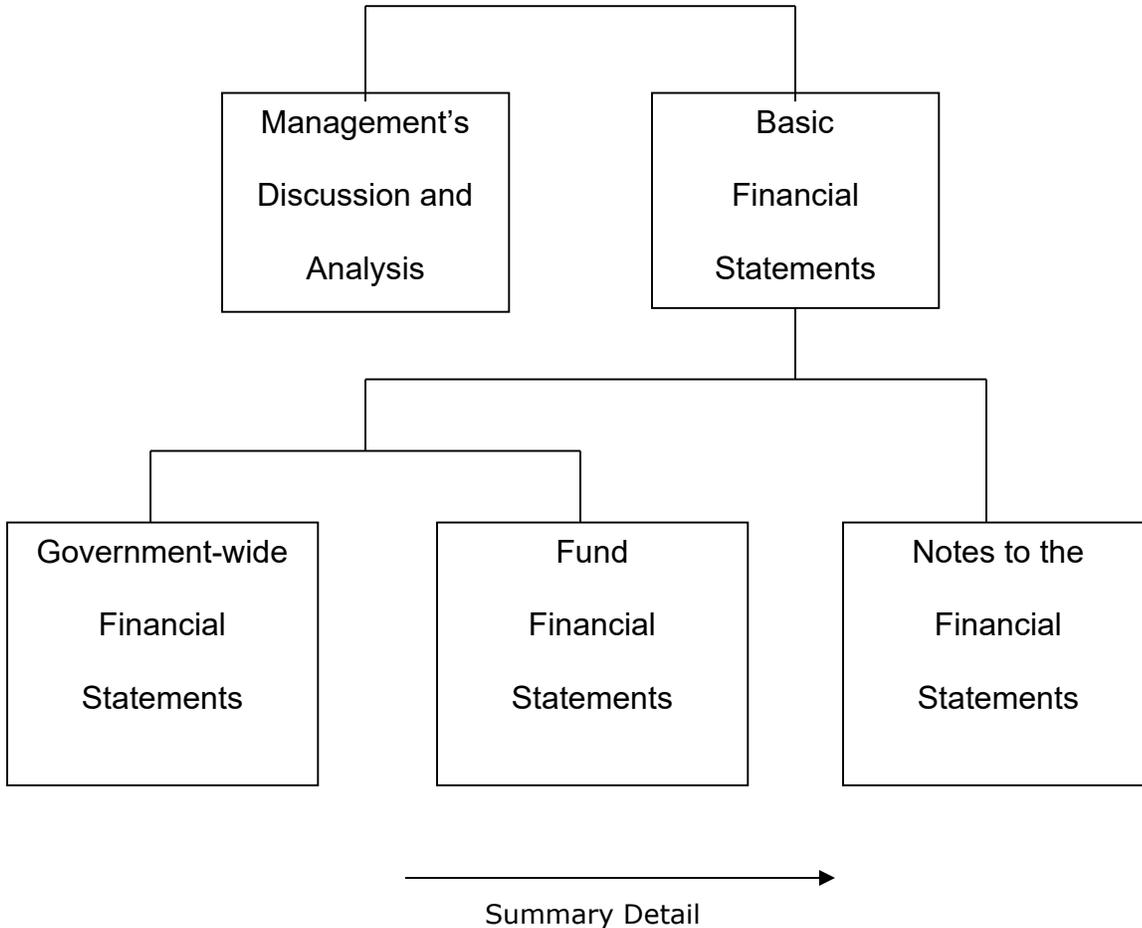
- The assets and deferred outflows of resources of the City of Clinton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$34,046,043 (*net position*). The assets and deferred outflows of resources of the governmental activities exceeded its liabilities and deferred inflows of resources by \$13,734,714. The assets and deferred inflows of resources of the business-type activities exceeded liabilities and deferred outflows of resources by \$20,311,329.
- The government's total net position increased by \$456,638.
- Business-type net position decreased by \$65,098.
- As of the close of Fiscal Year 2021, the City of Clinton's governmental funds reported combined ending fund balances of \$7,819,612 with a net change of \$765,966 in fund balance. Approximately 22% of this total amount, or \$1,697,327, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,950,507 or 40% of total general fund expenditures for the fiscal year. Total fund balance for the General Fund was \$7,681,970.
- The City of Clinton's total debt decreased by \$919,530 (9%) 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 65 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

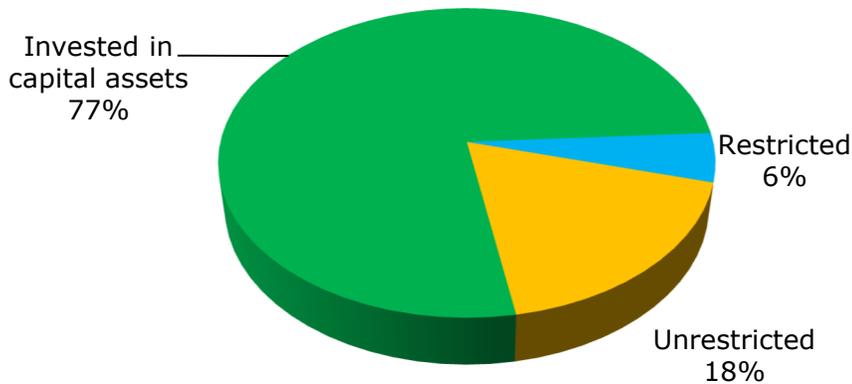
**Figure 2
City of Clinton’s Net Position**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 8,331,217	\$ 7,518,354	\$ 6,359,826	\$ 6,099,541	\$ 14,691,043	\$ 13,617,895
Capital assets	20,553,339	12,598,289	29,761,222	23,844,409	\$ 50,314,561	\$ 36,442,698
Deferred outflows of resources	1,824,576	1,274,569	528,979	\$ 381,266	\$ 2,353,555	\$ 1,655,835
Total assets & deferred outflows of resources	30,709,132	21,391,212	\$ 36,650,027	30,325,216	67,359,159	51,716,428
Long-term liabilities outstanding	7,455,997	6,990,235	9,912,740	9,099,360	17,368,737	16,089,595
Other liabilities	965,824	942,197	911,534	769,628	1,877,358	1,711,825
Deferred inflows of resources	221,380	245,802	66,132	79,801	287,512	325,603
Total liabilities & deferred inflows of resources	8,643,201	8,178,234	10,890,406	9,948,789	19,533,607	18,127,023
Net position:						
Invested in capital assets, net of related debt	10,220,162	10,127,670	15,939,127	15,931,268	26,159,289	26,058,938
Restricted	1,671,299	1,783,188	69,098	56,388	1,740,397	1,839,576
Unrestricted	1,843,253	1,302,120	4,303,104	4,388,771	6,146,357	5,690,891
Net position before restatement						
Total net position after restatement	\$ 13,734,714	\$13,212,978	\$ 20,311,329	\$ 20,376,427	\$ 34,046,043	\$ 33,589,405

(continued on next page)

Figure 3

**City of Clinton FY2021
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 \$34,046,043 as of June 30, 2021. The City's net position increased by \$377,539 for the fiscal year ended June 30, 2021. 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, \$1,740,397 (5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,146,357 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 98.48%.
- Ad valorem tax revenues increased 4%.
- Sales and services increased 6%.
- Unrestricted intergovernmental revenues increased 12%.
- Restricted intergovernmental revenues increased 35%.
- Continued low cost of debt due to the City's strong financial position.

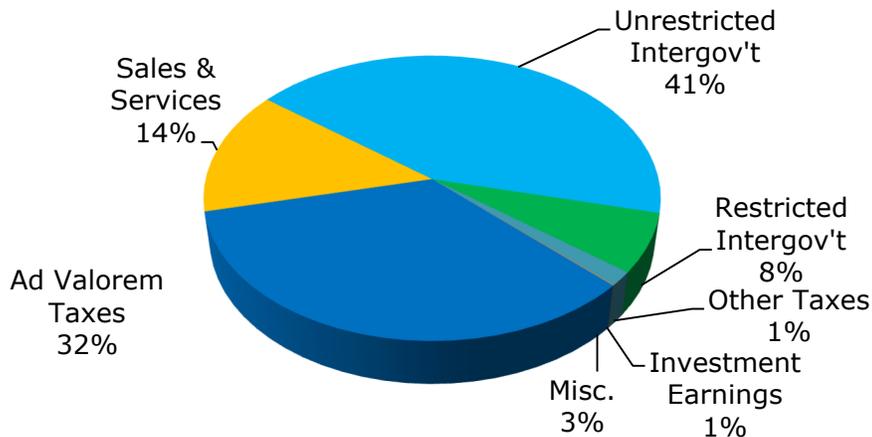
Figure 4
City of Clinton's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,523,025	\$ 1,440,558	\$ 5,478,255	\$ 5,601,993	\$ 7,001,280	\$ 7,042,551
Operating grants and contributions	721,373	535,284	-	36,623	721,373	571,907
Capital grants and contributions	54	-	127,365	374,521	127,419	374,521
General revenues:						
Property taxes	3,486,871	3,370,291	-	-	3,486,871	3,370,291
Other taxes	168,731	161,395	-	-	168,731	161,395
Unrestricted intergovernmental revenues	4,661,652	4,158,538	-	-	4,661,652	4,158,538
Unrestricted investment earnings	8,065	119,318	1,332	25,211	9,397	144,529
Miscellaneous	195,134	182,802	106,036	77,946	301,170	260,748
Sale of surplus assets (loss)	5,053	-	-	1,126	5,053	1,126
Total revenues	10,769,958	9,968,186	5,712,988	6,117,420	16,482,946	16,085,606
Expenses:						
General Government	2,095,252	2,094,409	-	-	2,095,252	2,094,409
Public safety	4,313,262	4,487,915	-	-	4,313,262	4,487,915
Transportation	1,296,782	1,267,220	-	-	1,296,782	1,267,220
Economic and physical development	361,467	104,548	-	-	361,467	104,548
Environmental protection	1,105,360	1,097,412	-	-	1,105,360	1,097,412
Cultural and recreation	1,008,516	965,695	-	-	1,008,516	965,695
Interest on long-term debt	67,583	30,933	-	-	67,583	30,933
Water and Sewer	-	-	5,778,086	6,141,093	5,778,086	6,141,093
Total expenses	10,248,222	10,048,132	5,778,086	6,141,093	16,026,308	16,189,225
Increase in net position	521,736	(55,426)	(65,098)	(23,673)	456,638	184,271
Net position, July 1 as originally stated	13,212,978	13,268,404	20,376,427	20,400,100	33,589,405	33,668,504
Prior period adjustment	-	-	-	-	-	-
Net position, beginning restated	-	-	-	20,332,070	-	33,484,233
Net position, June 30	\$ 13,734,714	\$ 13,212,978	\$ 20,311,329	\$ 20,376,427	\$ 34,046,043	\$ 33,668,504

Governmental Activities. Governmental activities increased the City's net position by \$521,736. Key elements of this increase are as follows:

- Increased sales tax and other restricted intergovernmental revenues in addition to a stringent expenditure budget due to the unfamiliarity of the pandemic and its' affects on local government revenues.

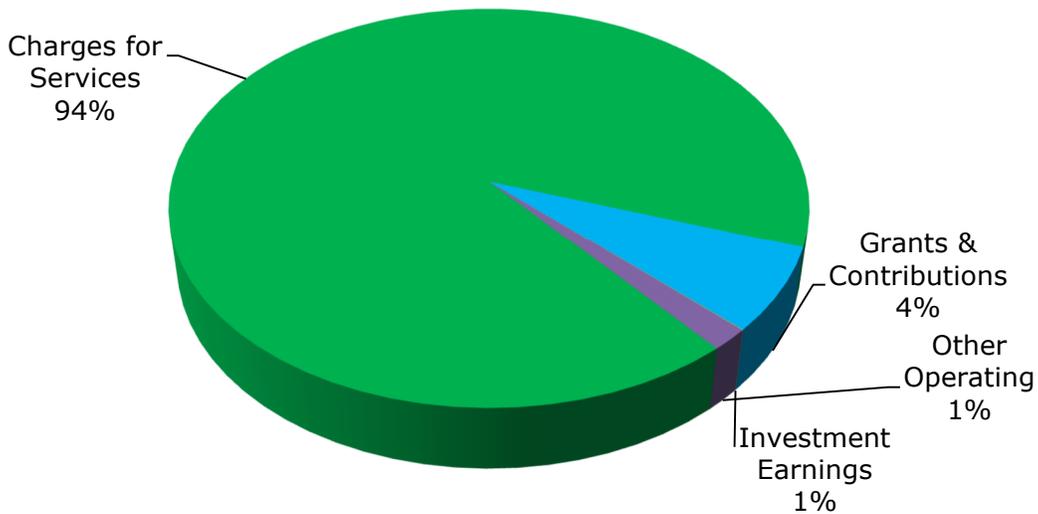
Figure 5
Revenues by Source: Governmental Activities



Business-type Activities. Business-type activities decreased the City of Clinton’s net position by \$65,098. 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 \$3,950,507, while total fund balance was \$7,681,970. 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 54% of General Fund expenditures, while total fund balance represents 77% of the same amount. The City considers any available fund balance over 40% assigned for capital expenditures.

At June 30, 2021, the governmental funds of City of Clinton reported a combined fund balance of \$7,819,612 with a net increase in fund balance of \$795,966. Included in this change in fund balance is a \$827,351 increase in fund balance in the General Fund and a \$61,385 decrease 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 FY2020-2021 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 \$818,165 (8%) over the amended budget amounts. The General Fund expenditures were \$368,633 or 3% 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 \$4,303,104. The total change in net position was a decrease by \$65,098.

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, 2021, totals \$35,623,51 (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 \$442,784.
- Various land, infrastructure, and improvements increased governmental capital assets by \$140,940.
- Completion of the Beaman St. Fire Station addition increased governmental capital assets by \$95,194.
- Completion of Water Plant Expansion project increased business-type capital assets by \$6,367,336.
- Various equipment, vehicle, and infrastructure additions to business-type activities increased capital assets by \$129,275.

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

- Various equipment and vehicles decreased governmental capital assets by \$70,325.

**Figure 7
City of Clinton's Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,564,161	\$ 1,528,674	\$ 261,439	\$ 261,439	\$ 1,825,600	\$ 1,790,113
Buildings and other improvements	\$ 8,911,477	\$ 8,666,518	\$ 21,906,622	\$ 21,906,622	\$ 30,818,099	30,573,140
Intangible asset-brand	\$ 18,000	\$ 18,000		\$ -	\$ 18,000	18,000
Construction in progress	\$ 54,775	\$ 63,175	\$ 365,325	\$ 6,404,442	\$ 420,100	6,467,617
Equipment	\$ 2,464,751	\$ 2,436,740	\$ 3,022,269	\$ 2,927,377	\$ 5,487,020	5,364,117
Vehicles and motorized equipment	\$ 7,368,307	\$ 7,010,133	\$ 921,722	\$ 944,312	\$ 8,290,029	7,954,445
Infrastructure	\$ 8,608,143	\$ 8,608,143	\$ 26,334,016	\$ 19,759,265	\$ 34,942,159	28,367,408
Subtotal	\$ 28,989,614	\$ 28,331,383	\$ 52,811,393	\$ 52,203,457	\$ 81,801,007	80,534,840
Less accumulated depreciation and amortization	\$ 16,767,493	15,733,094	\$ 29,409,997	28,359,048	\$ 46,177,490	44,092,142
Total Net Capital Assets	\$ 12,222,121	\$ 12,598,289	\$ 23,401,396	\$ 23,844,409	\$ 35,623,517	\$ 36,442,698

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, 2021, 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	
	2021	2020	2021	2020	2021	2020
Installment notes	2,001,960	2,470,619	1,825,269	2,183,140	3,827,229	4,653,759
Revenue Bonds			5,637,000	5,730,000	5,637,000	5,730,000
Total	\$ 2,001,960	\$ 2,470,619	\$ 7,462,269	\$ 7,913,140	\$ 9,464,229	\$ 10,383,759

City of Clinton's Outstanding Debt

The City of Clinton's total debt decreased by \$919,530 (9%) during the past fiscal year. Governmental activity debt increased by \$468,659 (19%). Business-type activity debt decreased by \$450,871(6%)

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 \$64,133,756. The City has no bonds authorized but unissued as of June 30, 2021.

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 4.5% as of June 2021.
- The North Carolina Department of Transportation has continued 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, 2022

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 FY2020-2021 and the trend is expected to increase 2% in the FY21-22 budget. Total General Fund revenues budgeted for the fiscal year ending June 30, 2022 are \$10,062,100.

Budgeted expenditures in the General Fund are equal to budgeted revenues and are approximately 1.3% more than the amended FY20-21 budget. The largest expenditure function is public safety and the largest components are in employee compensation and benefits.

Some key FY21-22 governmental budget highlights include:

- No change in the property tax rate of \$.40 per \$100 valuation. The expected revenue is \$3,323,400 on a 97 percent collection rate and is about a 2 percent increase
- Sales Tax revenues account for \$2,692,600.
- The residential garbage collection rate for FY21-22 is \$15.50, which is the same as the previous year's rate. Residential garbage collection accounts for \$580,000 and commercial collection accounts for \$782,000.
- 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 and plan modifications in FY21-22.
- The City expects to spend approximately \$145,000 on street paving and resurfacing and \$50,000 on storm drainage.
- Major capital expenditures planned for FY21-22 include 1 police vehicle as part of the City's vehicle rotation program, 1 street sweeper, and a tennis court.

Business-type Activities: The City estimates revenues of approximately \$5.6 million from water and sewer enterprise operations in FY21-22, a 0.2 percent decrease from FY20-21 due to only a consumption rate increase.

Some key FY21-22 business-type activity budget highlights include:

Management Discussion and Analysis
City of Clinton

- Water and sewer charges, including bulk rate fees, account for \$4,913,000 (87%) in the FY21-22 Water and Sewer Fund budget.
- Sewer surcharges charges based on the pounds of pollutants in excess of the normal amount account for \$600,000.
- Direct department capital costs for Water & Sewer operations amount to \$290,000
- Budgeted debt service is at \$527,700, a decrease of 15% over FY21.

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

Exhibit 1

Statement of Net Position

June 30, 2021

	Primary Government			City of Clinton ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,510,829	\$ 5,459,041	\$ 11,969,870	\$ 952,872
Taxes receivables (net)	69,633	-	69,633	-
Accounts receivable	206,248	626,695	832,943	-
Due from other governments	1,175,268	68,042	1,243,310	-
Due from component unit	239,680	-	239,680	-
Inventories	17,510	20,648	38,158	242,646
Prepaid items	8,750	0	8,750	6,640
Restricted cash	103,299	185,400	288,699	-
Total current assets	<u>8,331,217</u>	<u>6,359,826</u>	<u>14,691,043</u>	<u>1,202,158</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements and construction in progress	1,618,936	626,764	2,245,700	36,795
Other capital assets, net of depreciation	10,603,186	22,774,632	33,377,818	124,394
Total capital assets	<u>12,222,122</u>	<u>23,401,396</u>	<u>35,623,518</u>	<u>161,189</u>
Total assets	<u>20,553,339</u>	<u>29,761,222</u>	<u>50,314,561</u>	<u>1,363,347</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,824,576</u>	<u>528,979</u>	<u>2,353,555</u>	<u>38,707</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	325,420	361,174	686,594	144,036
Distributions payable	-	-	-	338,820
Accrued interest payable	-	9,770	9,770	-
Due to other governments	-	-	-	57,659
Current portion of long-term liabilities	640,404	424,288	1,064,692	-
Liabilities payable from restricted assets:				
Customer deposits	-	116,302	116,302	-
Total current liabilities	<u>965,824</u>	<u>911,534</u>	<u>1,877,358</u>	<u>540,515</u>
Long-term liabilities:				
Due in more than one year	7,455,997	9,001,206	16,457,203	63,250
Total liabilities	<u>8,421,821</u>	<u>9,912,740</u>	<u>18,334,561</u>	<u>603,765</u>
DEFERRED INFLOWS OF RESOURCES	<u>221,380</u>	<u>66,132</u>	<u>287,512</u>	<u>401</u>
NET POSITION				
Net investment in capital assets	10,220,162	15,939,127	26,159,289	161,189
Restricted for:				
Capital projects	-	-	-	3,491
Pursuant to loan requirements	49,259	69,098	118,357	-
Stabilization by State Statue	1,500,273	-	1,500,273	-
Economic development	67,727	-	67,727	-
Public safety	54,040	-	54,040	-
Working capital	-	-	-	96,746
Unrestricted	1,843,253	4,303,104	6,146,357	536,462
Total net position	<u>\$ 13,734,714</u>	<u>\$ 20,311,329</u>	<u>\$ 34,046,043</u>	<u>\$ 797,888</u>

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, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Primary Government			City of Clinton ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 2,095,252	\$ 105,537	294,744	\$ -	\$ (1,694,971)	\$ -	\$ (1,694,971)	\$ -
Public safety	4,313,262	-	194,608	54	(4,118,600)	-	(4,118,600)	-
Transportation	1,296,782	-	225,815	-	(1,070,967)	-	(1,070,967)	-
Economic and physical development	361,467	-	-	-	(361,467)	-	(361,467)	-
Environmental protection	1,105,360	1,394,480	6,206	-	295,326	-	295,326	-
Cultural and recreation	1,008,516	23,008	-	-	(985,508)	-	(985,508)	-
Interest on long-term debt	67,583	-	-	-	(67,583)	-	(67,583)	-
Total governmental activities	<u>10,248,222</u>	<u>1,523,025</u>	<u>721,373</u>	<u>54</u>	<u>(8,003,770)</u>	<u>-</u>	<u>(8,003,770)</u>	<u>-</u>
Business-type activities:								
Water and sewer	<u>5,778,086</u>	<u>5,478,255</u>	<u>-</u>	<u>127,365</u>	<u>-</u>	<u>(172,466)</u>	<u>(172,466)</u>	<u>-</u>
Total primary government	<u>\$ 16,026,308</u>	<u>\$ 7,001,280</u>	<u>\$ 721,373</u>	<u>\$ 127,419</u>	<u>(8,003,770)</u>	<u>(172,466)</u>	<u>(8,176,236)</u>	<u>-</u>
Component unit								
ABC Board	<u>\$ 2,383,472</u>	<u>\$ 2,522,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,665</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					3,486,871	-	3,486,871	-
Other taxes					168,731	-	168,731	-
Unrestricted intergovernmental revenues					4,661,652	-	4,661,652	-
Unrestricted investment earnings					8,065	1,332	9,397	236
Gain (loss) on sale of assets					5,053	-	5,053	-
Miscellaneous					195,134	106,036	301,170	-
Transfers					-	-	-	-
Total general revenues and transfers					<u>8,525,506</u>	<u>107,368</u>	<u>8,632,874</u>	<u>236</u>
Change in net position					521,736	(65,098)	456,638	138,901
Net position, beginning					13,212,978	20,376,427	33,589,405	658,987
Net position, ending					<u>\$ 13,734,714</u>	<u>\$ 20,311,329</u>	<u>\$ 34,046,043</u>	<u>\$ 797,888</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, 2021

	<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	\$ 6,377,326	\$ 133,503	\$ 6,510,829
Taxes receivable - net	69,403	230	69,633
Accounts receivable	206,248	-	206,248
Due from other governments	1,170,896	4,371	1,175,267
Due from component unit	239,680	-	239,680
Prepaid expense	8,750	-	8,750
Inventory	17,510	-	17,510
Restricted cash and cash equivalents	103,299	-	103,299
Total assets	<u>\$ 8,193,112</u>	<u>\$ 138,104</u>	<u>\$ 8,331,216</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 325,188	\$ 232	\$ 325,420
Total liabilities	<u>325,188</u>	<u>232</u>	<u>325,420</u>
DEFERRED INFLOWS OF RESOURCES			
Beer and wine revenue receivable	8,658	-	8,658
Taxes receivable	69,403	230	69,633
Accounts receivable	107,893	-	107,893
Total deferred inflows of resources	<u>185,954</u>	<u>230</u>	<u>186,184</u>
FUND BALANCES			
Nonspendable:			
Inventories	17,510	-	17,510
Prepaid expense	8,750	-	8,750
Restricted:			
Stabilization by State Statute	1,500,273	-	1,500,273
Economic Development in the Downtown Tax District	-	67,495	67,495
USDA Reserve	49,259	-	49,259
Public Safety	54,040	-	54,040
Committed:			
Public Safety	348,762	217	348,979
Cemetery Fund	348,399	-	348,399
Capital projects	-	21,531	21,531
Assigned:			
Community Development	-	48,399	48,399
Capital Use Policy	1,254,470	-	1,254,470
Subsequent year's expenditures	150,000	-	150,000
Unassigned			
Total fund balances	<u>7,681,970</u>	<u>137,642</u>	<u>7,819,612</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,193,112</u>	<u>\$ 138,104</u>	<u>\$ 8,331,216</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, 2021

Exhibit 3

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

Total Fund Balance, Governmental Funds		\$ 7,819,612
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	28,989,615	
Accumulated depreciation	<u>(16,767,493)</u>	12,222,122
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		
		1,607,177
Deferred outflows of resources related to OPEB are not reported in the funds		
		217,399
Earned revenues considered deferred inflows of resources in fund statements.		
		186,184
Deferred inflows of resources related to OPEB are not reported in the funds		
		(101,913)
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).		(2,001,960)
Compensated absences		(299,270)
Pension related deferrals		(119,467)
Total pension liability		(3,368,209)
OPEB liability		<u>(2,426,962)</u>
Net position of governmental activities		<u><u>\$ 13,734,714</u></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, 2021

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	\$ 3,444,133	\$ 60,315	\$ 3,504,448
Other taxes and licenses	168,731	-	168,731
Unrestricted intergovernmental	4,661,652	-	4,661,652
Restricted intergovernmental	721,373	-	721,373
Sales and services	1,523,025	-	1,523,025
Investment earnings	8,088	31	8,119
Miscellaneous	193,663	1,470	195,133
Total revenues	<u>10,720,665</u>	<u>61,816</u>	<u>10,782,481</u>
EXPENDITURES			
Current:			
General government	1,405,196	-	1,405,196
Public safety	4,024,206	-	4,024,206
Transportation	1,077,178	-	1,077,178
Economic and physical development	-	58,507	58,507
Environmental protection	982,229	-	982,229
Cultural and recreational	911,960	-	911,960
Care act funding expenditures	302,961	-	302,961
Debt service:			
Principal	468,659	-	468,659
Interest	67,583	-	67,583
Capital outlay	636,295	86,794	723,089
Total expenditures	<u>9,876,267</u>	<u>145,301</u>	<u>10,021,568</u>
Excess (deficiency) of revenues over expenditures	<u>844,398</u>	<u>(83,485)</u>	<u>760,913</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds	-	22,100	22,100
Transfer to other funds	(22,100)	-	(22,100)
Sales of capital assets	5,053	-	5,053
Total other financing sources (uses)	<u>(17,047)</u>	<u>22,100</u>	<u>5,053</u>
Net change in fund balance	827,351	(61,385)	765,966
Fund balances, beginning	<u>6,854,619</u>	<u>199,027</u>	<u>7,053,646</u>
Fund balances, ending	<u>\$ 7,681,970</u>	<u>\$ 137,642</u>	<u>\$ 7,819,612</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, 2021

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

Net changes in fund balances- total governmental funds	\$	765,966
<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	\$	707,361
Depreciation expense for governmental assets	<u>(1,083,532)</u>	(376,171)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		459,481
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		244,656
<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	-	
Principal payments on long-term debt	<u>468,659</u>	468,659
<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		(17,577)
<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	38,466	
Pension expense	(902,779)	
OPEB plan expense	<u>(158,965)</u>	<u>(1,023,278)</u>
Total changes in net position of governmental activities		<u>\$ 521,736</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 Balances - Budget and Actual
For the Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3,248,000	\$ 3,248,000	\$ 3,444,133	\$ 196,133
Other taxes and licenses	130,600	130,600	168,731	38,131
Unrestricted intergovernmental	3,841,800	4,111,800	4,661,652	549,852
Restricted intergovernmental	448,600	755,200	721,373	(33,827)
Sales and services	1,376,600	1,406,600	1,523,025	116,425
Investment earnings	61,400	61,400	8,088	(53,312)
Miscellaneous	162,700	188,900	193,663	4,763
Total revenues	<u>9,269,700</u>	<u>9,902,500</u>	<u>10,720,665</u>	<u>818,165</u>
Expenditures:				
Current:				
General government	1,399,200	1,452,400	1,405,196	47,204
Public safety	4,134,500	4,075,100	4,024,206	50,894
Transportation	1,119,800	1,114,300	1,077,178	37,122
Environmental protection	954,800	1,019,400	982,229	37,171
Cultural and recreational	884,000	930,400	911,960	18,440
Cares Act Expenditures	-	304,600	302,961	1,639
Debt Service:				
Principal	470,400	470,400	468,659	1,741
Interest	66,000	66,100	67,583	(1,483)
Capital outlay	396,000	812,200	636,295	175,905
Total expenditures	<u>9,424,700</u>	<u>10,244,900</u>	<u>9,876,267</u>	<u>368,633</u>
Revenues over (under) expenditures	<u>(155,000)</u>	<u>(342,400)</u>	<u>844,398</u>	<u>1,186,798</u>
Other financing sources (uses):				
Transfers to (from) other funds	-	(52,100)	(22,100)	30,000
Sale of capital assets	5,000	5,000	5,053	53
Proceeds from loan	-	239,500	-	(239,500)
Fund balance appropriated	150,000	150,000	-	(150,000)
Total other financing sources (uses)	<u>155,000</u>	<u>342,400</u>	<u>(17,047)</u>	<u>(359,447)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>827,351</u>	<u>\$ 827,351</u>
Fund balance, beginning			<u>6,854,619</u>	
Fund balance, ending			<u>\$ 7,681,970</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, 2021

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,459,041
Accounts receivable (net) - billed	322,824
Accounts receivable (net) - unbilled	303,871
Due from other governments	68,042
Inventories	20,648
Prepaid items	0
Restricted cash and cash equivalents	185,400
Total current assets	<u>6,359,826</u>
Noncurrent assets:	
Capital assets:	
Land	261,439
Construction in progress	365,325
Other capital assets, net of depreciation	22,774,632
Total capital assets	<u>23,401,396</u>
Total noncurrent assets	<u>23,401,396</u>
Total assets	<u>\$ 29,761,222</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 528,979</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 361,174
Compensated absences	59,000
Accrued interest payable	9,770
Bonds and notes payable	365,288
Liabilities payable from restricted assets:	
Customer deposits	116,302
Total current liabilities	<u>911,534</u>
Noncurrent liabilities:	
Compensated absences	33,807
Total OPEB liability	1,069,236
Net pension liability	801,182
Bonds and notes payable	7,096,981
Total noncurrent liabilities	<u>9,001,206</u>
Total liabilities	<u>9,912,740</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 66,132</u>
NET POSITION	
Net investment in capital assets	15,939,127
Restricted pursuant to loan requirements	69,098
Unrestricted	4,303,104
Total net position	<u>\$ 20,311,329</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, 2021

Exhibit 7

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 5,478,255
Other operating revenues	106,036
Total operating revenues	5,584,291
OPERATING EXPENSES	
Water department	2,609,155
Waste treatment	1,819,840
Depreciation	1,107,922
Bad debt expense	73,040
Total operating expenses	5,609,957
Operating income (loss)	(25,666)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,332
Interest and other charges	(168,129)
Total nonoperating revenues (expenses)	(166,797)
Income (loss) before contributions and transfers	(192,463)
Capital contributions	127,365
Change in net position	(65,098)
Total net position, beginning	20,376,427
Total net position, ending	\$ 20,311,329

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

CITY OF CLINTON, NORTH CAROLINA
Statement of Cash Flows
Water Sewer Fund
For the Year Ended June 30, 2021

Exhibit 8

	Major Enterprise Fund
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 5,667,505
Cash paid for goods and services	(2,025,637)
Cash paid to or on behalf of employees for services	(1,992,711)
Customer deposits received	1,143
Net cash provided (used) by operating activities	1,650,300
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	127,365
Principal paid on bonds/loans	(450,871)
Interest paid on bonds/loans	(168,129)
Acquisition and construction of capital assets	(664,909)
Net cash provided (used) by capital and related financing activities	(1,156,544)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,332
Net increase (decrease) in cash and cash equivalents	495,088
Balances, beginning	5,149,353
Balances, ending	\$ 5,644,441
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ (25,666)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	1,107,922
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	53,388
Decrease (increase) in due from other governments	102,866
Decrease (increase) in inventories	12,091
Increase (decrease) in accounts payable and accrued liabilities	228,431
Increase (decrease) in net pension liability	177,089
Increase (decrease) in accrued interest	(2,084)
Increase (decrease) in customer deposits	1,143
Increase (decrease) in accrued vacation	(1,435)
(Increase) decrease in deferred outflows of resources for pensions	(147,713)
Increase (decrease) in deferred inflows of resources for pensions	(13,669)
Increase (decrease) in OPEB liability	91,479
Total adjustments	1,675,966
Net cash provided by operating activities	\$ 1,650,300

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, 2021

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.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The City has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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 one Capital Project Funds: City Facility Renovations 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.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, 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

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

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.

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, 2021.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

City of Clinton Restricted Cash

Governmental Activities

General Fund

	USDA Reserve	\$ 49,259
	Police Grants	43,096
	Fire Department Grant Fund	<u>10,944</u>
Total Governmental Activities		<u>103,299</u>

Business-type Activities

Water and Sewer Fund

	Customer deposits	116,302
	USDA Reserve	<u>69,098</u>
Total Business-type Activities		<u>185,400</u>

Total Restricted Cash		<u>\$ 288,699</u>
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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.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

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. There were no items that meet this classification at June 30, 2021.

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.

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

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

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

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.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

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.

At June 30, 2021, the City's deposits had a carrying amount of \$6,942,789 and a bank balance of \$7,098,596. Of the bank balance, \$250,000 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 \$759,362 and the bank balance was \$783,329. The entire bank balance was covered by federal depository insurance. At June 30, 2021, the City's petty cash fund totaled \$350.

2. Investments

At June 30, 2021, the City had \$5,315,430 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, 2021, the ABC Board had \$190,610 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, 2021 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 47,310
Accounts receivable	<u>121,461</u>
Total General Fund	168,772
Water and Sewer Fund:	
Accounts receivable	<u>128,964</u>
Total	<u>\$ 297,736</u>

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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, 2021, 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	\$ 1,528,674	\$ 41,434	\$ 5,947	\$ 1,564,161
Construction in progress	63,175	86,794	95,194	54,775
Total capital assets not being depreciated	<u>1,591,849</u>	<u>128,228</u>	<u>101,141</u>	<u>1,618,936</u>
Capital assets being depreciated:				
Buildings and other improvements	8,666,518	244,959	-	8,911,477
Intangible asset-brand	18,000	-	-	18,000
Equipment	2,436,740	49,406	21,395	2,464,751
Vehicles and motorized equipment	7,010,133	407,103	48,930	7,368,307
Infrastructure	8,608,143	-	-	8,608,143
Total assets being depreciated	<u>26,739,534</u>	<u>701,468</u>	<u>70,325</u>	<u>27,370,678</u>
Less accumulated depreciation for:				
Buildings and other improvements	3,162,098	283,128	-	3,445,226
Intangible asset-brand	3,352	600	-	3,952
Equipment	1,836,142	119,982	21,395	1,934,729
Vehicles and motorized equipment	4,633,332	449,506	54,877	5,024,959
Infrastructure	6,101,170	257,457	-	6,358,627
Total accumulated depreciation	<u>15,733,094</u>	<u>1,110,673</u>	<u>76,272</u>	<u>16,767,493</u>
Total capital assets being depreciated, net	<u>11,006,440</u>			<u>10,603,185</u>
Total governmental activities capital assets, net	<u>\$12,598,289</u>			<u>\$12,222,122</u>

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

General government	\$ 351,772
Public safety	312,646
Transportation	169,753
Environmental protection	146,837
Cultural and recreation	103,004
	<u>\$1,083,532</u>

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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	6,404,442	328,219	6,367,336	365,325
Total capital assets not being depreciated	6,665,881	328,219	6,367,336	626,764
Capital assets being depreciated:				
Land Improvements	14,478,227	-	-	14,478,227
Equipment	2,927,377	94,892	-	3,022,269
Vehicles	944,312	34,383	56,973	921,722
Buildings	7,428,395	-	-	7,428,395
Infrastructure	19,759,265	6,574,751	-	26,334,016
Total assets being depreciated	45,537,576	6,704,026	56,973	52,184,629
Less accumulated depreciation for:				
Land Improvements	8,768,905	421,431	-	9,190,336
Equipment	1,912,690	125,511	-	2,038,201
Vehicles	530,845	61,557	56,973	535,429
Buildings	7,359,415	13,123	-	7,372,538
Infrastructure	9,787,193	486,300	-	10,273,493
Total accumulated depreciation	28,359,048	1,107,922	56,973	29,409,997
Total capital assets being depreciated, net	17,178,528			22,774,631
Total business-type activities capital assets, net	\$23,844,409			\$23,401,396

Construction Commitments and construction in progress

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

Project:	Spent-to-date	Remaining Commitment
Highway 24 Infrastructure Relocation	\$ 168,289	\$ -
WWTP Levee Outfall Project	\$ 148,036	\$ 18,264

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2021, 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	3,270	6,788	3,270
Buildings	201,419	20,940	7,750	214,609
Equipment	71,850	49,609	15,593	105,866
Total assets being depreciated	280,057	73,819	30,131	323,745
Less accumulated depreciation:				
Total accumulated depreciation	214,066	10,285	25,000	199,351
ABC capital assets being depreciated, net	<u>65,991</u>			<u>124,394</u>
Total ABC Board capital assets, net	<u>\$ 102,786</u>			<u>\$ 161,189</u>

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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, 2021, was 10.84% of compensation for law enforcement officers and 10.210% 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 \$612,641 for the year ended June 30, 2021.

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

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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, 2021, the City reported a liability of \$3,169,272 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension 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 0.088690%, which was a decrease of 0.00171% from its proportion as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$1,041,734. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 400,223	\$ -
Changes of assumptions	235,856	-
Net difference between projected and actual earnings on pension plan investments	445,990	-
Changes in proportion and differences between City contributions and proportionate share of contributions	18,915	83,993
City contributions subsequent to the measurement date	612,641	-
Total	<u>\$ 1,713,625</u>	<u>\$ 83,993</u>

\$612,641 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 271,584
2023	387,358
2024	226,059
2025	131,990
2026	-
Thereafter	-

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

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

Inflation	3.0 percent
Salary 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, 2019 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, 2021 are summarized in the following table:

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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 2019 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)	\$ 6,430,107	\$ 3,169,272	\$ 459,288

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

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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, 2020, 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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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 \$82,273 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, 2021, the City reported a total pension liability of \$1,000,119. The total pension liability was measured as of December 31, 2020 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$121,479.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 102,436	\$ 44,786
Changes of assumptions and other inputs	224,315	11,921
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	\$ 326,751	\$ 56,707

\$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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 81,040
2023	74,362
2024	74,362
2025	65,586
2026	31,401
Thereafter	-

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease	Discount Rate	1% Increase
	(0.93%)	(1.93%)	(2.93%)
City's proportionate share of the net pension liability (asset)	\$ 1,085,123	\$ 1,000,119	\$ 923,066

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

Beginning balance	\$ 799,144
Service Cost	35,995
Interest on the total pension liability	24,711
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(23,934)
Changes of assumptions or other inputs	246,476
Benefit payments	(82,273)
Other changes	-
Total	\$ 1,000,119

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, 2019 valuation were based on the results of an actuarial experience study for the five-year period December 31, 2019.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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	\$ 1,041,734	\$ 121,479	\$ 1,163,213
Pension Liability	3,169,272	1,000,119	4,169,391
Proportionate share of the net pension liability	0.08869%	n/a	
 Deferred Outflows of Resources			
Differences between expected and actual experience	400,223	102,436	502,659
Changes of assumptions	235,856	224,315	460,171
Net difference between projected and actual earnings on plan investments	445,990	-	445,990
Changes in proportion and differences between City contributions and proportionate share of contributions	18,915	-	18,915
City benefit payments and plan administrative expense made subsequent to the measurement date	612,641	-	612,641
 Deferred Inflows of Resources			
Differences between expected and actual experience	-	44,786	44,786
Changes of assumptions	-	11,921	11,921
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	83,993	-	83,993

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 Annual Comprehensive 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, 2021

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, 2021 were \$71,455, which consisted of \$63,065 from the City and \$8,390 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, 2021 totaled \$119,912, which consisted of \$119,912 from the City and \$0 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 June 30, 2019, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	15	8
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	28	3
Total	43	11

Total OPEB Liability

The City's total OPEB liability of \$3,496,198 was measured as of June 30, 2020 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, 2021

II. Detail Notes on All Funds (Continued)

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 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	2.21 percent
Healthcare cost trend rates	Pre-Medicare – 7.0%

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	\$ 3,197,081
Service Cost	67,103
Interest	110,539
Changes of benefit terms	-
Differences between expected and actual experience	21,185
Changes of assumptions or other inputs	314,029
Benefit payments	<u>(213,740)</u>
Total	<u>\$ 3,496,197</u>

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

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

The actuarial assumptions used in the June 30, 2019 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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	<u>1% Decrease</u> <u>(1.21%)</u>	<u>Discount Rate</u> <u>(2.21%)</u>	<u>1% Increase</u> <u>(3.21%)</u>
Total OPEB Liability	\$ 3,763,134	\$ 3,496,197	\$ 3,249,860

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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 (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 3,169,860	\$ 3,496,197	\$ 3,869,456

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$211,953. At June 30, 2021, 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	\$ 21,758	\$ 58,527
Changes of assumptions and other inputs	291,420	88,285
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	\$ 313,178	\$ 146,812

\$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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 28,498
2023	32,302
2024	57,472
2025	48,094
2026	-
Thereafter	-

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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	\$ 612,641
Differences between expected and actual experience	400,223
Changes of assumptions	235,856
Net difference between projected and actual earnings	445,990
Changes in proportion and differences between City contributions and proportionate share of contributions	18,915
LEO Pension	
Differences between expected and actual experience	102,436
Changes of assumptions	224,315
OPEB	
Differences between expected and actual experience	21,758
Changes of assumptions	291,420
Total Deferred Outflows of Resources	<u>\$ 2,353,554</u>

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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	-	78,291
LGERS Pension		
Changes in proportion and differences between City contributions and proportionate share of contributions	83,993	-
LEO Pension		
Differences between expected and actual experience	44,786	-
Changes of assumptions	11,921	-
OPEB		
Differences between expected and actual experience	58,527	-
Changes of assumptions	88,285	-
Total	<u>\$ 287,512</u>	<u>\$ 186,184</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, 2021

II. Detail Notes on All Funds (Continued)

5. Long-Term Obligations

a. Installment Purchase

Serviced by the General Fund:

<p>\$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.</p>	<p>\$ 318,368</p>
<p>\$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</p>	<p>138,651</p>
<p>\$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</p>	<p>683,912</p>
<p>\$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</p>	<p>377,264</p>
<p>\$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</p>	<p>361,188</p>
<p>\$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</p>	<p>40,077</p>
<p>\$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</p>	<p><u>82,500</u></p>
	<p><u>\$ 2,001,960</u></p>

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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%	\$ 505,004
\$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%	103,561
\$142,850 unsecured installment note issued July 27, 2010 with NCDEQ for utility improvements, due in annual installments of \$7,143 with no interest	64,270
\$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>1,152,434</u>
	<u>\$ 1,825,269</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
2022	\$ 429,404	\$ 53,919	\$ 269,288	\$ 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	95,420	21,382	100,966	1,208
2027-2031	475,308	62,268	486,181	2,416
2032-2036	135,562	5,178	329,268	-
	\$ 2,001,960	\$ 245,301	\$ 1,825,269	\$ 32,084

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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%	\$ 4,554,000
\$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>1,083,000</u>
Total revenue bonds	<u>\$ 5,637,000</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, 2021 is as follows:

Current revenues	\$ 5,584,291
Current expenses	<u>4,364,294</u>
Subtotal	<u>\$ 1,219,997</u>
Debt service, principal and interest	
Paid (Revenue Bond only)	<u>\$ 245,065</u>
Debt Service Coverage Ratio	<u>498%</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 \$1,276,051 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 \$8,821,953. Principal and interest paid for the current year and the income available for debt service was \$245,065 and \$1,219,997, respectively.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

Annual debt service requirements to maturity for the revenue bond at June 30, 2021 are as follows:

Year ended June 30:	Business-type Activities	
	Revenue Bond	
	Principal	Interest
2022	\$ 96,000	\$ 149,603
2023	98,000	147,063
2024	101,000	144,468
2025	103,000	141,795
2026	106,000	139,068
2027-2031	574,000	651,703
2031-2036	655,000	571,523
2037-2041	746,000	479,910
2041-2046	849,000	375,625
2047-2051	968,000	256,770
2051-2056	1,103,000	121,095
2057	238,000	6,330
	<u>\$ 5,637,000</u>	<u>\$ 3,184,953</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	\$2,470,619	\$ -	\$ 468,659	\$2,001,960	\$ 429,404
Compensated absences	337,736	-	38,466	299,270	211,000
Total OPEB liability	2,219,324	207,638	-	2,426,962	-
Total pension liability (LEO)	799,144	200,975	-	1,000,119	-
Net pension liability (LGERS)	1,844,660	523,430	-	2,368,090	-
Governmental activity long-term liabilities	<u>\$7,671,483</u>	<u>\$ 932,043</u>	<u>\$ 507,125</u>	<u>\$8,096,401</u>	<u>\$ 640,404</u>
<i>Business-type activities:</i>					
<u>Water and Sewer Fund</u>					
Installment notes	\$2,183,141	\$ -	\$ 357,872	\$1,825,269	\$ 269,288
Revenue bonds	5,730,000	-	93,000	5,637,000	96,000
Compensated absences	94,241	-	1,435	92,806	59,000
Total OPEB liability	977,757	91,479	-	1,069,236	-
Net pension liability (LGERS)	624,093	177,089	-	801,182	-
Water and Sewer Fund long-term liabilities	<u>\$9,609,232</u>	<u>\$ 268,568</u>	<u>\$ 452,307</u>	<u>\$9,425,493</u>	<u>\$ 424,288</u>
Business activity long-term liabilities	<u>\$9,609,232</u>	<u>\$ 268,568</u>	<u>\$ 452,307</u>	<u>\$9,425,493</u>	<u>\$ 424,288</u>

The City has a legal debt margin of \$64,133,756 at June 30, 2021

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

II. Detail Notes on All Funds (Continued)

6. Net Investment in Capital Assets

Governmental activities:	
Total capital assets	\$ 12,222,122
Less: Notes payable	<u>2,001,960</u>
	<u>\$ 10,220,162</u>

Business-type activities:	
Total capital assets	\$ 23,401,396
Less: Bonds payable	5,637,000
Notes payable	<u>1,825,269</u>
	<u>\$ 15,939,127</u>

III. Stewardship, Compliance, and Accountability

Transfers to/from other funds at June 30, 2021, consist of the following:

- Transfer from the general fund to the Beaman First Station Addition Project fund for project expenditures \$ 22,100
- Transfer from the water and sewer fund to the water and sewer capital reserve fund for future expenditures \$ 683,422
- Transfer from the Water Expansion Project to the Water & Sewer Fund to close out project and place in service \$ 308,335
- Transfer from water and sewer capital reserve fund to HWY 24 Infrastructure Relocation project to fund project \$ 1,672,500

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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	\$ 7,681,970
Less:	
Prepaid expense	8,750
Inventories	17,510
Stabilization by State Statute	1,500,273
USDA Reserve	49,259
Public Safety	402,802
Cemetery Fund	348,399
Assigned Funds	1,404,470
Remaining Fund Balance	\$ 3,950,507

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, 2021.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2021

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, 2021. 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.

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, 2021 was approximately \$359,905.

For the year ended June 30, 2021 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 November 18, 2021, 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 \$86,462.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Schedule 1

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Clinton's proportion of the net pension liability (asset) (%)	0.08869%	0.09040%	0.08547%	0.08669%	0.09161%	0.09473%	-0.09690%	9.44000%
Clinton's proportion of the net pension liability (asset) (\$)	\$ 3,169,272	\$ 2,468,753	\$ 2,027,641	\$ 1,324,383	\$ 1,944,271	\$ 425,144	\$ (571,287)	\$ 1,137,882
Clinton's covered-employee payroll	\$ 5,615,066	\$ 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	56.44%	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 **	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

* 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 Eight Fiscal Years*

Schedule 2

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 612,641	\$ 515,037	\$ 462,561	\$ 402,594	\$ 370,691	\$ 335,856	\$ 346,633	\$ 327,525
Contributions in relation to the contractually required contribution	<u>612,641</u>	<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	\$ 5,917,053	\$ 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	10.35%	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, 2021

Schedule 3

Law Enforcement Officers' Special Separation Allowance

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 799,144	\$ 646,796	\$ 753,342	\$ 754,632	\$ 799,935
Service Cost	35,995	34,987	33,495	27,533	27,533
Interest on the total pension liability	24,711	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	(23,934)	157,510	-	-	-
Changes of assumptions or other inputs	246,476	21,796	(74,759)	27,198	(14,501)
Benefit payments	(82,273)	(83,960)	(87,698)	(85,150)	(85,369)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 1,000,119</u>	<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, 2021

Schedule 4

Law Enforcement Officers' Special Separation Allowance

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 1,000,119	\$ 799,144	\$ 646,796	\$ 753,342	\$ 754,632
Covered payroll	1,199,961	1,292,843	1,098,880	1,010,661	1,056,068
Total pension liability as a percentage of covered payroll	83.35%	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, 2021

Schedule 5

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 67,103	\$ 82,740	\$ 85,590	\$ 92,591
Interest	110,539	120,850	112,095	97,873
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	21,185	(102,367)	9,909	886
Changes of assumptions	314,029	78,069	(84,401)	(149,152)
Benefit payments	(213,740)	(176,110)	(154,711)	(135,733)
Net change in total OPEB liability	<u>299,116</u>	<u>3,182</u>	<u>(31,518)</u>	<u>(93,535)</u>
Total OPEB liability - beginning	<u>3,197,081</u>	<u>3,193,899</u>	<u>3,225,417</u>	<u>3,318,952</u>
Total OPEB liability - ending	<u><u>\$ 3,496,197</u></u>	<u><u>\$ 3,197,081</u></u>	<u><u>\$ 3,193,899</u></u>	<u><u>\$ 3,225,417</u></u>
Covered payroll	1,964,251	1,964,251	2,336,520	2,336,520
Total OPEB liability as a percentage of covered payroll	177.99%	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>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:			
Current year		\$ 3,354,817	
Prior years levies		74,807	
Interest and penalties		14,509	
Total	<u>\$ 3,248,000</u>	<u>3,444,133</u>	<u>\$ 196,133</u>
Other taxes and licenses:			
Auto licenses		163,718	
Vehicle rental taxes		4,203	
Privilege licenses		810	
Total	<u>130,600</u>	<u>168,731</u>	<u>38,131</u>
Unrestricted intergovernmental:			
Local option sales tax		2,713,239	
Utility franchise tax		772,603	
Fire district tax		744,655	
ABC profit distribution		239,760	
Telecommunications sales tax		64,128	
Excise tax on piped gas		34,090	
Beer and wine tax		34,632	
CATV franchise fee		32,562	
Payments in lieu of taxes		17,326	
Sales tax reimbursements		8,657	
Total	<u>4,111,800</u>	<u>4,661,652</u>	<u>549,852</u>
Restricted intergovernmental:			
Powell bill allocation		225,815	
Sampson County contribution		6,900	
City schools - police		120,500	
Federal and state grants		27,214	
Rescue technical assistance		12,000	
ABC revenue for law enforcement		10,976	
Solid waste disposal tax		6,206	
Local fire protection service		5,434	
Federal drug forfeiture		0	
State reimbursement		320	
Cares act		304,637	
State substance abuse tax		1,371	
Total	<u>755,200</u>	<u>721,373</u>	<u>(33,827)</u>
Sales and services:			
Garbage collections fees		1,394,480	
Recreation department fees		23,008	
Cemetery lot sales and maintenance		73,855	
Other services and materials		19,780	
Lot cleaning		11,902	
Total	<u>1,406,600</u>	<u>1,523,025</u>	<u>116,425</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, 2021
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Investment earnings:			
General fund		\$ 7,766	
Cemetery trust fund		322	
Total	<u>\$ 61,400</u>	<u>8,088</u>	<u>\$ (53,312)</u>
Miscellaneous:			
Other		14,918	
Rent industrial buildings		86,462	
Sale of recyclables		28,552	
Insurance revenue		37,589	
False alarm ordinance		2,775	
Fire department special fees		18,884	
Officer arrest fees		3,133	
Donations		1,200	
Parking violations		150	
Total	<u>188,900</u>	<u>193,663</u>	<u>4,763</u>
Total revenues	<u>9,902,500</u>	<u>10,720,665</u>	<u>818,165</u>
Expenditures:			
General government:			
Governing body:			
Mayor and council salaries and benefits		63,449	
Mayor and council expenses		27,621	
Total	<u>92,400</u>	<u>91,070</u>	<u>1,330</u>
Administrative:			
Salaries and employee benefits		155,078	
Operating expenses		25,496	
Total	<u>190,700</u>	<u>180,574</u>	<u>10,126</u>
Financing:			
Salaries and employee benefits		211,938	
Operating expenses		86,817	
Total	<u>300,800</u>	<u>298,755</u>	<u>2,045</u>
Planning and zoning:			
Salaries and employee benefits		295,093	
Operating expenses		48,878	
Total	<u>354,100</u>	<u>343,971</u>	<u>10,129</u>
Cemetery and public grounds:			
Salaries and employee benefits		165,213	
Operating expenses		58,582	
Capital outlay		16,212	
Total	<u>249,600</u>	<u>240,007</u>	<u>9,593</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, 2021
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Non-departmental:			
Various operating expenses		\$ 24,836	
Contract services		23,150	
Retirees medical insurance		100,086	
Insurance		52,277	
Professional services		11,270	
Downtown incentive program		23,198	
Utilities		8,302	
Other agency contributions		11,000	
Economic development		10,010	
Cares act expenses		302,961	
Capital outlay		41,434	
Total	<u>\$ 623,800</u>	<u>608,524</u>	<u>\$ 15,276</u>
Total general government	<u>1,811,400</u>	<u>1,762,901</u>	<u>33,223</u>
Public safety:			
Police:			
Salaries and employee benefits		1,993,055	
Operating expenses		370,344	
Capital outlay		149,899	
Total	<u>2,514,300</u>	<u>2,513,298</u>	<u>1,002</u>
Fire:			
Salaries and employee benefits		1,390,793	
Operating expenses		270,014	
Capital outlay		80,309	
Total	<u>1,810,000</u>	<u>1,741,116</u>	<u>68,884</u>
Total public safety	<u>4,324,300</u>	<u>4,254,414</u>	<u>69,886</u>
Transportation:			
Street administration:			
Salaries and employee benefits		520,729	
Operating expenses		28,387	
Total	<u>557,600</u>	<u>549,116</u>	<u>8,484</u>
Materials and supplies:			
Asphalt and concrete		4,745	
Signs, signals, paints and supplies		12,181	
Operating expenses		10,577	
Total	<u>32,000</u>	<u>27,503</u>	<u>4,497</u>
Equipment expenses:			
Automotive supplies		17,848	
Equipment rental and maintenance		31,744	
Small tools and equipment		3,994	
Total	<u>60,000</u>	<u>53,586</u>	<u>6,414</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, 2021
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Other costs and services:			
Street lighting contract		\$ 202,623	
Capital outlay		71,558	
Total	<u>\$ 439,800</u>	<u>274,181</u>	<u>\$ 165,619</u>
Garage:			
Salaries and employee benefits		182,615	
Operating expenses		61,736	
Total	<u>251,700</u>	<u>244,351</u>	<u>7,349</u>
Total transportation	<u>1,341,100</u>	<u>1,148,737</u>	<u>12,981</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		476,591	
Operating expenses		505,640	
Capital outlay		241,491	
Total environmental protection	<u>1,260,900</u>	<u>1,223,722</u>	<u>37,178</u>
Cultural and recreational:			
Salaries and employee benefits		611,269	
Operating expenses		300,691	
Capital outlay		38,291	
Total cultural and recreational	<u>970,700</u>	<u>950,251</u>	<u>20,449</u>
Debt service:			
Principal retirement		468,659	
Interest expense		67,583	
Total debt service	<u>536,500</u>	<u>536,242</u>	<u>258</u>
Total expenditures	<u>10,244,900</u>	<u>9,876,267</u>	<u>368,633</u>
Revenues over (under) expenditures	(342,400)	844,398	1,186,798
Other financing sources (uses):			
Sale of surplus assets	5,000	5,053	53
Debt issuance	239,500	-	(239,500)
Transfers out	(92,100)	(333,663)	(241,563)
Transfer from other funds	40,000	311,563	271,563
Fund balance appropriated	150,000	-	(150,000)
Total other financing sources	<u>342,400</u>	<u>(17,047)</u>	<u>(359,447)</u>
Net change in fund balance	<u>\$ -</u>	827,351	<u>\$ 827,351</u>
Fund balance, beginning		<u>6,854,619</u>	
Fund balance, ending		<u>\$ 7,681,970</u>	

CITY OF CLINTON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2021

Schedule 7

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS			
Cash and investments	\$ 113,567	\$ 19,936	\$ 133,503
Taxes receivable, net	230	-	230
Due from other governments	2,776	1,595	4,371
	<u>\$ 116,573</u>	<u>\$ 21,531</u>	<u>\$ 138,104</u>
LIABILITIES			
Accounts payable	\$ 232	-	\$ 232
	<u>232</u>	<u>-</u>	<u>232</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	230	-	230
	<u>230</u>	<u>-</u>	<u>230</u>
FUND BALANCES			
Assigned - Community Development	48,399	-	48,399
Restricted - Economic Development	67,495	-	67,495
Committed - Public Safety	217	-	217
Committed - Capital Projects	-	21,531	21,531
	<u>116,111</u>	<u>21,531</u>	<u>137,642</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 116,573</u>	<u>\$ 21,531</u>	<u>\$ 138,104</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, 2021

Schedule 8

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES			
Ad valorem taxes - net	\$ 60,315	\$ -	\$ 60,315
Investment earnings	31	-	31
Miscellaneous	1,470	-	1,470
	<hr/>	<hr/>	<hr/>
Total revenues	61,816	-	61,816
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
General government	-	86,794	86,794
Economic and physical development	58,507	-	58,507
	<hr/>	<hr/>	<hr/>
Total expenditures	58,507	86,794	145,301
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	3,309	(86,794)	(83,485)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
General Fund	-	-	-
Transfers to other funds:			
General Fund	-	22,100	22,100
	<hr/>	<hr/>	<hr/>
Net change in fund balance	3,309	(64,694)	(61,385)
	<hr/>	<hr/>	<hr/>
Fund balances, beginning	112,802	86,225	199,027
	<hr/>	<hr/>	<hr/>
Fund balances, ending	\$ 116,111	\$ 21,531	\$ 137,642
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF CLINTON, NORTH CAROLINA
Combining Balance Sheet
Special Revenue Funds
For the Year Ended June 30, 2021

Schedule 9

	Community Development Fund	Downtown Tax District Fund	Fire Department Grant Fund	Open Space Fund	Total Special Revenue Funds
ASSETS					
Cash and investments	\$ 45,609	\$ 65,270	\$ (102)	\$ 2,790	\$ 113,567
Taxes receivable, net	-	230	-	-	230
Due from other governments	-	2,457	319	-	2,776
	<u>45,609</u>	<u>67,957</u>	<u>217</u>	<u>2,790</u>	<u>116,573</u>
Total assets	<u>\$ 45,609</u>	<u>\$ 67,957</u>	<u>\$ 217</u>	<u>\$ 2,790</u>	<u>\$ 116,573</u>
LIABILITIES					
Accounts payable	\$ -	\$ 232	\$ -	\$ -	\$ 232
	<u>-</u>	<u>232</u>	<u>-</u>	<u>-</u>	<u>232</u>
Total liabilities	<u>-</u>	<u>232</u>	<u>-</u>	<u>-</u>	<u>232</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	-	230	-	-	230
	<u>-</u>	<u>230</u>	<u>-</u>	<u>-</u>	<u>230</u>
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	-	67,495	-	-	67,495
Committed - Public Safety	-	-	217	-	217
	<u>45,609</u>	<u>67,495</u>	<u>217</u>	<u>2,790</u>	<u>116,111</u>
Total fund balances	<u>45,609</u>	<u>67,495</u>	<u>217</u>	<u>2,790</u>	<u>116,111</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 45,609</u>	<u>\$ 67,957</u>	<u>\$ 217</u>	<u>\$ 2,790</u>	<u>\$ 116,573</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, 2021

Schedule 10

	Community Development Fund	Downtown Tax District Fund	Fire Department Grant Fund	Open Space Fund	Total Special Revenue Funds
REVENUES					
Ad valorem taxes - net	\$ -	\$ 60,315	\$ -	\$ -	\$ 60,315
Investment earnings	-	31	-	-	31
Miscellaneous	-	1,470	-	-	1,470
Total revenues	-	61,816	-	-	61,816
EXPENDITURES					
Economic and physical development	-	53,950	4,557	-	58,507
Miscellaneous	-	-	-	-	-
Total expenditures	-	53,950	4,557	-	58,507
Excess (deficiency) of revenues over expenditures	-	7,866	(4,557)	-	3,309
OTHER FINANCING SOURCES (USES)					
Transfers from other funds					
General Fund	-	-	-	-	-
Transfers to other funds:					
General Fund	-	-	-	-	-
Net change in fund balance	-	7,866	(4,557)	-	3,309
Fund balances, beginning	45,609	59,629	4,774	2,790	112,802
Fund balances, ending	\$ 45,609	\$ 67,495	\$ 217	\$ 2,790	\$ 116,111

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, 2021

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Investment earnings	\$ -	\$ -	\$ -
Expenditures:			
Miscellaneous	500	-	(500)
Net change in fund balance	<u>\$ (500)</u>	-	<u>\$ 500</u>
Fund balance, beginning		<u>45,609</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, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes - net	\$ 54,400	\$ 60,315	\$ 5,915
Investment earnings	500	31	(469)
Miscellaneous	11,500	1,470	(10,030)
Total revenues	<u>66,400</u>	<u>61,816</u>	<u>(4,584)</u>
Expenditures:			
Special events	11,100	10,994	(106)
Downtown Façade grant program	10,000	10,438	438
Projects	10,300	9,638	(662)
Advertising	14,000	12,825	(1,175)
Supplies and materials	500	212	(288)
Other	20,500	9,843	(10,657)
Total expenditures	<u>66,400</u>	<u>53,950</u>	<u>(12,450)</u>
Revenues over (under) expenditures	-	7,866	7,866
Other Financing Sources (Uses)			
Fund balance appropriated	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>7,866</u>	<u>\$ 7,866</u>
Fund balance, beginning		<u>59,629</u>	
Fund balance, ending		<u>\$ 67,495</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, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Grant revenue	\$ 5,000	\$ 6,850	\$ -	\$ 6,850	\$ 1,850
Expenditures:					
Grant expenditures	11,845	8,921	4,557	13,478	1,633
Revenues over (under) expenditures	(6,845)	(2,071)	(4,557)	(6,628)	217
Other Financing Sources (Uses)					
Transfers in (out)					
General Fund	6,845	6,845	-	6,845	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,774</u>	(4,557)	<u>\$ 217</u>	<u>\$ 217</u>
Fund balance, beginning			<u>4,774</u>		
Fund balance, ending			<u>\$ 217</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, 2021

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
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 Sheets
Capital Project Funds
Year Ended June 30, 2021

Schedule 15

	<u>Beaman Street Fire Station</u>	<u>City Facility Renovations</u>	<u>Total Capital Project Funds</u>
ASSETS			
Cash and investments	\$ (1,589)	\$ 21,525	\$ 19,936
Due from other governments	1,595	-	1,595
Total assets	<u>\$ 6</u>	<u>\$ 21,525</u>	<u>\$ 21,531</u>
LIABILITIES			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Committed - Capital Projects	<u>6</u>	<u>21,525</u>	<u>21,531</u>
Total liabilities and fund balances	<u>\$ 6</u>	<u>\$ 21,525</u>	<u>\$ 21,531</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, 2021

Schedule 16

	<u>Beaman Street Fire Station</u>	<u>City Facility Renovations</u>	<u>Total Capital Project Funds</u>
REVENUES	\$ -	\$ -	\$ -
EXPENDITURES			
Capital outlay	<u>86,794</u>	<u>-</u>	<u>86,794</u>
Total expenditures	<u>86,794</u>	<u>-</u>	<u>86,794</u>
Excess (deficiency) of revenues over expenditures	<u>(86,794)</u>	<u>-</u>	<u>(86,794)</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds			
General Fund	<u>22,100</u>	<u>-</u>	<u>22,100</u>
Net change in fund balance	(64,694)	-	(64,694)
Fund balances, beginning	<u>64,700</u>	<u>21,525</u>	<u>86,225</u>
Fund balances, ending	<u><u>\$ 6</u></u>	<u><u>\$ 21,525</u></u>	<u><u>\$ 21,531</u></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, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Expenditures:					
Construction	\$ 73,100	\$ 8,400	\$ 86,794	\$ 95,194	\$ (22,094)
Total expenditures	<u>73,100</u>	<u>8,400</u>	<u>86,794</u>	<u>95,194</u>	<u>(22,094)</u>
Revenues over (under) expenditures	<u>(73,100)</u>	<u>(8,400)</u>	<u>(86,794)</u>	<u>(95,194)</u>	<u>(22,094)</u>
Other Financing Sources (Uses)					
Transfers in (out)					
General Fund	73,100	73,100	22,100	95,200	22,100
Total other financing sources (uses)	<u>73,100</u>	<u>73,100</u>	<u>22,100</u>	<u>95,200</u>	<u>22,100</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 64,700</u>	<u>(64,694)</u>	<u>\$ 6</u>	<u>\$ 6</u>
Fund balance, beginning			<u>64,700</u>		
Fund balance, ending			<u>\$ 6</u>		

CITY OF CLINTON, NORTH CAROLINA

Schedule 18

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, 2021

	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	53,475	-	53,475	21,525
Revenues over (under) expenditures	(25,000)	(3,475)	-	(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>\$ 21,525</u>	-	<u>\$ 21,525</u>	<u>\$ 21,525</u>
Fund balance, beginning			<u>21,525</u>		
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, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for services:			
Water and sewer charges	\$ 4,902,300	\$ 4,738,843	\$ (163,457)
Sewer surcharge	600,000	607,184	7,184
Water and sewer tap fees	10,000	44,043	34,043
Service fees	30,000	38,700	8,700
Fireline fees	50,000	49,486	(514)
Total charges for services	<u>5,592,300</u>	<u>5,478,256</u>	<u>(114,044)</u>
Miscellaneous	<u>38,000</u>	<u>106,035</u>	<u>68,035</u>
Total operating revenues	<u>5,630,300</u>	<u>5,584,291</u>	<u>(46,009)</u>
Nonoperating revenues:			
Interest earnings	<u>10,000</u>	<u>666</u>	<u>(9,334)</u>
Total revenues	<u>5,640,300</u>	<u>5,584,957</u>	<u>(55,343)</u>
Expenditures:			
Operating expenditures:			
Water department:			
Salaries and employee benefits		1,449,255	
Operating expenditures		698,130	
Repairs and maintenance		356,019	
Total water department	<u>2,908,700</u>	<u>2,503,404</u>	<u>405,296</u>
Waste treatment department:			
Salaries and employee benefits		650,642	
Operating expenditures		997,266	
Repairs and maintenance		171,932	
Total waste treatment department	<u>1,708,200</u>	<u>1,819,840</u>	<u>(111,640)</u>
Bad debt expense	<u>-</u>	<u>73,040</u>	<u>(73,040)</u>
Total operating expenditures	<u>4,616,900</u>	<u>4,323,244</u>	<u>293,656</u>
Debt service:			
Interest and other charges	170,200	170,213	(13)
Principal	<u>450,900</u>	<u>450,872</u>	<u>28</u>
Total	<u>621,100</u>	<u>621,085</u>	<u>15</u>
Capital outlay:			
Utility lines department		271,690	
Waste treatment department		148,357	
Total	<u>407,300</u>	<u>420,047</u>	<u>(12,747)</u>
Total expenditures	<u>5,645,300</u>	<u>5,364,376</u>	<u>280,924</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, 2021
(Continued)

Schedule 19

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues over (under) expenditures	\$ (5,000)	\$ 220,581	\$ 225,581
Other financing sources (uses):			
Gain on sale of capital assets	5,000	-	(5,000)
Transfers from other funds	-	308,335	308,335
Transfers to other funds			
Water & Sewer Capital Reserve Fund	(683,400)	(683,422)	(22)
Water & Sewer Capital Projects	-	0	-
Total	(678,400)	(375,087)	303,313
Fund balance appropriated	683,400	-	683,400
Revenues and other sources over (under) expenditures and other uses	\$ -	(154,506)	\$ (154,506)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources under expenditures and other uses		\$ (154,506)	
Reconciling items:			
Principal retirement		450,872	
Capital outlay		420,047	
Bad debt expense		(73,040)	
(Increase) decrease in accrued vacation pay		1,435	
(Increase) decrease in accrued interest		2,084	
(Increase) decrease in net pension liability		(177,089)	
Increase (decrease) in deferred outflows		147,713	
(Increase) decrease in deferred inflows		13,669	
(Increase) decrease in OPEB liability		(91,479)	
Depreciation		(1,107,922)	
Transfer to capital project funds		683,422	
Transfer from capital project funds		(308,335)	
WWTP Levee Outfall Project Fund			
Grant revenues		127,365	
Water & Sewer Capital Reserve Fund			
Interest income		666	
Total reconciling items		89,408	
Change in net position		\$ (65,098)	

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, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
USDA grant	\$ 200,000	\$ 182,607	\$ -	\$ 182,607	\$ (17,393)
Investment earnings	-	1,454	-	1,454	1,454
Total revenues	200,000	184,061	-	184,061	(15,939)
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	66,458	5,457,158	155,699
Miscellaneous	26,000	35,092	89,225	124,317	(98,317)
Interest	-	82,910	-	82,910	(82,910)
Property acquisition	90,000	86,976	-	86,976	3,024
Total expenditures	6,341,500	6,146,653	155,683	6,302,336	39,164
Revenues over (under) expenditures	(6,141,500)	(5,962,592)	(155,683)	(6,118,275)	23,225
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	207,500	-	207,500	-
Total other financing sources (uses)	6,141,500	6,201,500	-	6,201,500	-
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 238,908</u>	<u>\$ (155,683)</u>	<u>\$ 83,225</u>	<u>\$ 23,225</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, 2021

	<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	\$ 127,365	\$ 151,865	\$ (48,135)
Expenditures:					
Construction	150,000	-	165,536	165,536	(15,536)
Professional services	26,700	24,500	7,000	31,500	(4,800)
Contingency	23,300	-	-	-	23,300
Total expenditures	<u>200,000</u>	<u>24,500</u>	<u>172,536</u>	<u>197,036</u>	<u>2,964</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(45,171)</u>	<u>(45,171)</u>	<u>(45,171)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(45,171)</u>	<u>\$ (45,171)</u>	<u>\$ (45,171)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ (45,171)</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, 2021

	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	1,672,500	2,669,000	-
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 828,211</u>	<u>\$1,672,500</u>	<u>\$2,500,711</u>	<u>\$ 2,500,711</u>

CITY OF CLINTON, NORTH CAROLINA

Schedule 23

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, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Investment earnings	\$ -	\$ 47,741	\$ 666	\$ 48,407	\$ 48,407
Other Financing Sources (Uses)					
Transfers in (out)					
Water and Sewer Fund	3,054,200	4,350,532	683,422	5,033,954	1,979,754
Utility Lines Maintenance Project	(3,054,200)	(386,000)	(1,672,500)	(2,058,500)	995,700
Total other financing sources (uses)	-	3,964,532	(989,078)	2,975,454	2,975,454
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$4,012,273</u>	<u>\$ (988,412)</u>	<u>\$3,023,861</u>	<u>\$ 3,023,861</u>

OTHER SCHEDULES

CITY OF CLINTON, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Schedule 24

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections And Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 3,464,150	\$ 3,411,632	\$ 52,518
2019-2020	77,128	-	47,443	29,685
2018-2019	27,046	-	19,338	7,708
2017-2018	17,020	-	-	17,020
2016 & prior	19,134	-	9,352	9,782
	\$ 140,328	\$ 3,464,150	\$ 3,487,765	116,713
Less: allowance for uncollectible ad valorem taxes receivable				(47,311)
Ad valorem taxes receivable - net				\$ 69,402
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 3,444,133
Collection fee				77,659
Taxes written off and other adjustments				(19,518)
Subtotal				3,502,274
Less interest and penalties collected				(14,509)
Total collections and credits				\$ 3,487,765

CITY OF CLINTON, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2021

Schedule 25

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current rate	\$ 851,542,500	0.40	\$ 3,406,170	\$ 3,091,676	\$ 314,494
Utilities	24,450,250	0.40	97,801	97,801	-
Penalties			4,262	4,262	-
Abatements and discoveries	<u>(11,020,750)</u>	0.40	<u>(44,083)</u>	<u>(44,083)</u>	<u>-</u>
Total Property Valuation	<u>\$ 864,972,000</u>				
Net levy			3,464,150	3,149,656	314,494
Uncollected taxes at June 30, 2021			<u>(52,518)</u>	<u>(51,193)</u>	<u>(1,325)</u>
Current year's taxes collected			<u>\$ 3,411,632</u>	<u>\$ 3,098,463</u>	<u>\$ 313,169</u>
Current levy collection percentage			<u>98.48%</u>	<u>98.37%</u>	<u>99.58%</u>

COMPLIANCE SECTION

SHARPE
PATEL CPA

Independent Auditors' Report On Internal Controls 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, each major fund, and the aggregate remaining fund information of the City of Clinton (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal controls. Accordingly, we do not express an opinion on the effectiveness of the City'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 the City'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.

Purpose of this Report

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

Sharpe Patel PLLC

Raleigh, North Carolina
November 18, 2021

CITY OF CLINTON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

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, 2021

No findings noted in the prior year