



Clinton

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FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2022
CITY OF CLINTON
CLINTON, NORTH CAROLINA

**CITY OF CLINTON
NORTH CAROLINA**

Financial Statements and
Supplementary Information

Year Ended June 30, 2022

Governing Board

Lew Starling, Mayor
Marcus Becton, Mayor Pro-Tem
Daniel Ruggles
Neil Strickland
Wanda Corbett
C. Holden DuBose III

City Officials

James Duncan, City Manager
Kristin Stafford, Finance Officer

CITY OF CLINTON, NORTH CAROLINA
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FINANCIAL SECTION



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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Clinton Alcohol Beverage Control Board as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Clinton, North Carolina, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Clinton, North Carolina's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Clinton, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Clinton, North Carolina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2022, 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 that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Clinton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Wilson's Mills' internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina
November 28, 2022

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

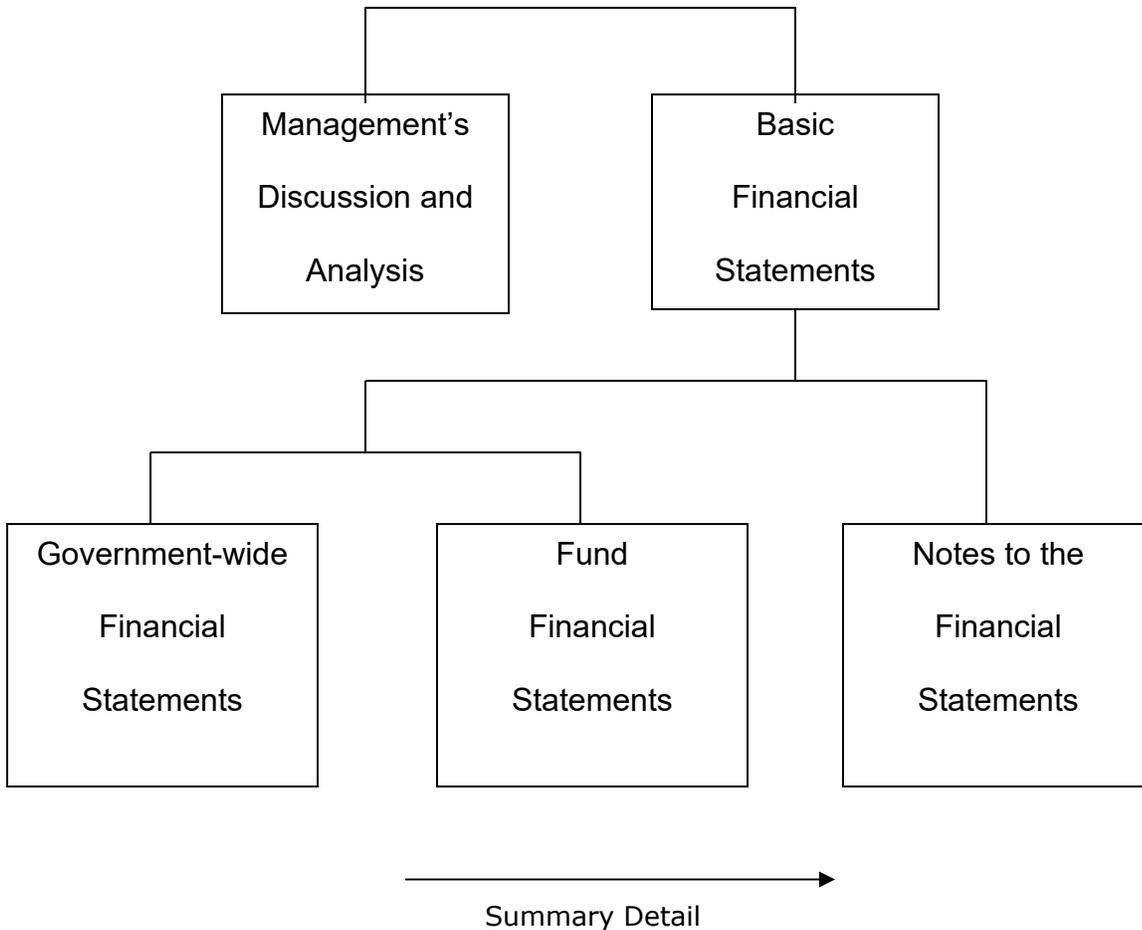
- The assets and deferred outflows of resources of the City of Clinton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$37,076,350 (*net position*). The assets and deferred outflows of resources of the governmental activities exceeded its liabilities and deferred inflows of resources by \$15,812,223. The assets and deferred inflows of resources of the business-type activities exceeded liabilities and deferred outflows of resources by \$21,264,127.
- The government's total net position increased by \$3,030,307.
- Business-type net position increased by \$952,798.
- As of the close of Fiscal Year 2022, the City of Clinton's governmental funds reported combined ending fund balances of \$10,095,970 with a net change of \$2,276,358 in fund balance. Approximately 31% of this total amount, or \$3,171,114, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,082,442 or 40% of total general fund expenditures for the fiscal year. Total fund balance for the General Fund was \$8,527,077.
- The City of Clinton's total debt decreased by \$561,648 (6%) during the past fiscal year.
- Clinton currently does not have a bond rating as the City retired all bond-related debt during FY12-13. The City's most recent credit rating was A+ from Standard & Poor's and A3 from Moody's Investors and 82 from the North Carolina Municipal Council.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, sanitation, and general administration. Property taxes and intergovernmental revenues finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Clinton. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City. The City exercises control over the Board by appointing its members. The Board is required to distribute its profits to the City.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Clinton, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Clinton can be divided into two categories- governmental funds and proprietary funds.

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

The City of Clinton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by Council; 2) the final budget as amended by Council; 3) the actual resources, charges to appropriations, and ending balances in the

General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Clinton has one proprietary fund, an enterprise fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer activities. This fund is the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Clinton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 60 of this report.

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

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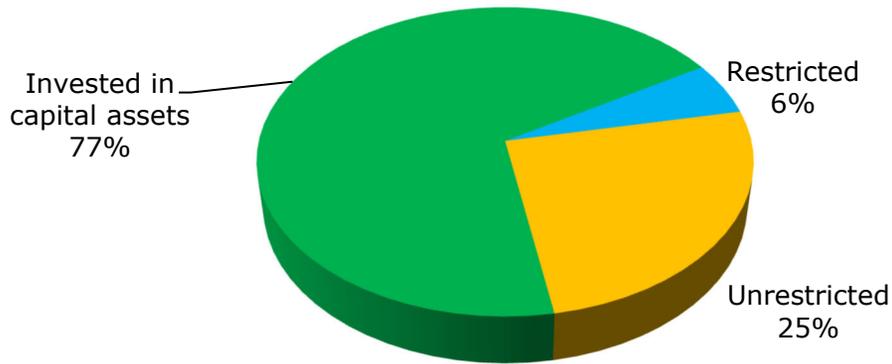
Government-Wide Financial Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 10,774,026	\$ 8,331,217	\$ 7,490,598	\$ 6,359,826	\$ 18,264,624	\$ 14,691,043
Capital assets	22,732,547	20,553,339	30,049,795	29,761,222	\$ 52,782,342	\$ 50,314,561
Deferred outflows of resources	2,011,354	1,824,576	608,298	\$ 528,979	\$ 2,619,652	\$ 2,353,555
Total assets & deferred outflows of resources	35,517,927	30,709,132	\$ 38,148,691	36,650,027	73,666,618	67,359,159
Long-term liabilities outstanding	6,054,491	7,455,997	8,016,791	9,912,740	14,071,282	17,368,737
Other liabilities	1,175,794	965,824	810,635	911,534	1,986,429	1,877,358
Deferred inflows of resources	1,701,393	221,380	566,540	66,132	2,267,933	287,512
Total liabilities & deferred inflows of resources	8,931,678	8,643,201	9,393,966	10,890,406	18,325,644	19,533,607
Net position:						
Invested in capital assets, net of related debt	10,152,908	10,220,162	15,462,229	15,939,127	25,615,137	26,159,289
Restricted	1,906,663	1,671,299	138,196	69,098	2,044,859	1,740,397
Unrestricted	3,752,652	1,843,253	5,663,702	4,303,104	9,416,354	6,146,357
Net position before restatement						
Total net position after restatement	\$ 15,812,223	\$13,734,714	\$ 21,264,127	\$ 20,311,329	\$ 37,076,350	\$ 34,046,043

Figure 3

**City of Clinton FY2022
 Total Net Position by Type**



Management Discussion and Analysis
City of Clinton

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 \$37,076,350 as of June 30, 2022. The City's net position increased by \$3,030,307 for the fiscal year ended June 30, 2022. The largest portion of net position (69%) 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, \$2,044,859 (6%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,416,354 is unrestricted.

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

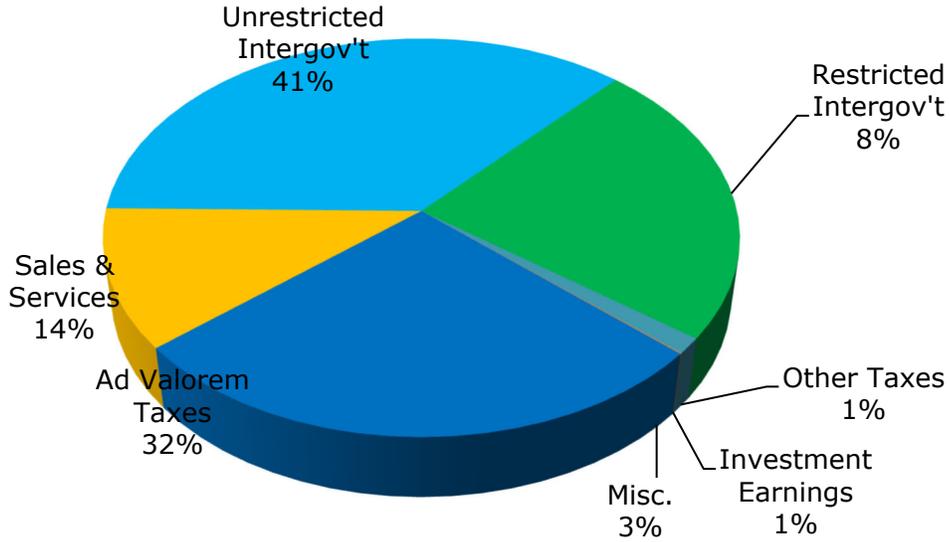
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98%.
- Sales and services increased 2%.
- Unrestricted intergovernmental revenues increased 8%.
- Restricted intergovernmental revenues increased 347%.
- Continued low cost of debt due to the City's strong financial position.

Figure 4
City of Clinton's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 1,555,051	\$ 1,523,025	\$ 5,750,193	\$ 5,478,255	\$ 7,305,244	\$ 7,001,280
Operating grants and contributions	3,222,215	721,373	5,409		3,227,624	721,373
Capital grants and contributions		54		127,365	-	127,419
General revenues:						
Property taxes	3,432,609	3,486,871	-	-	3,432,609	3,486,871
Other taxes	174,192	168,731	-	-	174,192	168,731
Unrestricted intergovernmental revenues	5,044,255	4,661,652	-	-	5,044,255	4,661,652
Unrestricted investment earnings	9,638	8,065	2,125	1,332	11,763	9,397
Miscellaneous	319,767	195,134	111,141	106,036	430,908	301,170
Sale of surplus assets (loss)	(8,089)	5,053	(8,460)		(16,549)	5,053
Total revenues	13,749,638	10,769,958	5,860,408	5,712,988	19,610,046	16,482,946
Expenses:						
General Government	2,094,851	2,095,252	-	-	2,094,851	2,095,252
Public safety	4,581,065	4,313,262	-	-	4,581,065	4,313,262
Transportation	1,461,521	1,296,782	-	-	1,461,521	1,296,782
Economic and physical development	236,188	361,467	-	-	236,188	361,467
Environmental protection	1,238,367	1,105,360	-	-	1,238,367	1,105,360
Cultural and recreation	1,053,183	1,008,516	-	-	1,053,183	1,008,516
Interest on long-term debt	54,622	67,583	-	-	54,622	67,583
Water and Sewer	-	-	5,901,026	5,778,086	5,901,026	5,778,086
Total expenses	10,719,797	10,248,222	5,901,026	5,778,086	16,620,823	16,026,308
Increase in net position	2,077,509	521,736	952,798	(65,098)	3,030,307	456,638
Net position, July 1 as originally stated	13,734,714	13,212,978	20,311,329	20,376,427	34,046,043	33,589,405
Prior period adjustment	-	-				
Net position, beginning restated	-	-				
Net position, June 30	\$ 15,812,223	\$ 13,734,714	\$ 21,264,127	\$ 20,311,329	\$ 37,076,350	\$ 34,046,043

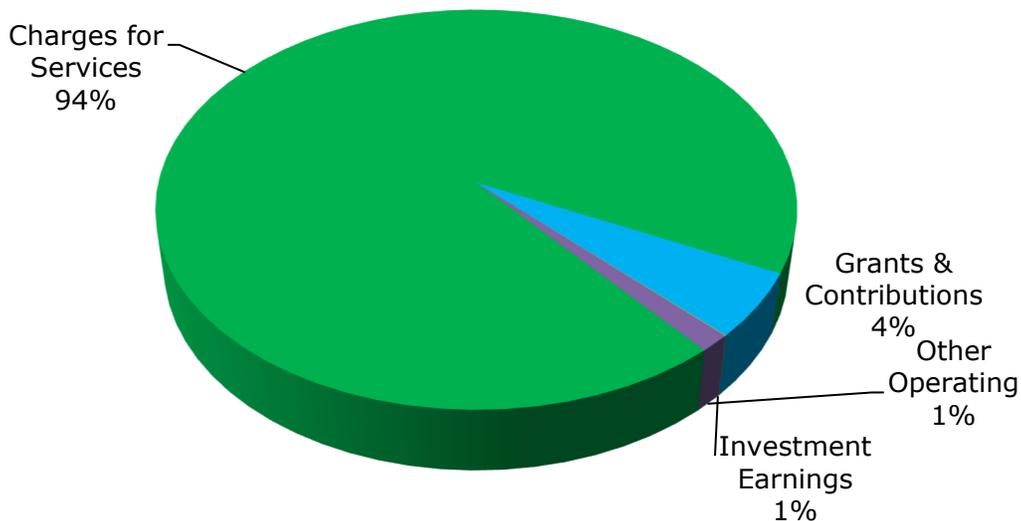
Governmental Activities. Governmental activities increased the City's net position by \$2,077,509. Key elements of this increase are due to revenue from the American Rescue Plan.

Figure 5
Revenues by Source: Governmental Activities



Business-type Activities. Business-type activities increased the City of Clinton's net position by \$952,798. Key elements of this increase are due to revenue received from the American Rescue Plan.

Figure 6
Revenues by Source: Business-type Activities



Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Clinton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Clinton's financing requirements.

The General Fund is the chief operating fund of the City of Clinton. At the end of the current fiscal year, Clinton's fund balance unassigned in the General Fund was \$4,082,442, while total fund balance was \$8,527,077. 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 58% of General Fund expenditures, while total fund balance represents 83% of the same amount. The City considers any available fund balance over 40% assigned for capital expenditures.

At June 30, 2022, the governmental funds of City of Clinton reported a combined fund balance of \$10,095,970 with a net increase in fund balance of \$2,276,358. Included in this change in fund balance is a \$845,107 increase in fund balance in the General Fund and a \$1,431,115 increase in Non-major Funds.

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

Amendments to the FY2021-2022 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 \$789,656 (7%) over the amended budget amounts. The General Fund expenditures were \$299,746 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 \$5,663,702. The total change in net position was increased by \$952,798.

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, 2022, totals \$34,517,718 (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 \$712,949.
- Various storm drainage improvements increased governmental capital assets by \$120,075.
- Completion of the Wastewater Plant Levee project increased business-type capital assets by \$216,470.

Management Discussion and Analysis
City of Clinton

- Various equipment, vehicle, and infrastructure additions to business-type activities increased capital assets by \$304,551.

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

- Various equipment and vehicles decreased governmental capital assets by \$255,695
- Various equipment and vehicle decreased business-type activities capital assets by \$29,660.

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,564,161	\$ 1,564,161	\$ 261,439	\$ 261,439	\$ 1,825,600	\$ 1,825,600
Buildings and other improvements	\$ 8,911,477	\$ 8,911,477	\$ 21,906,622	\$ 21,906,622	\$ 30,818,099	\$ 30,818,099
Intangible asset-brand	\$ 18,000	\$ 18,000		\$ -	\$ 18,000	\$ 18,000
Construction in progress	\$ 90,050	\$ 54,775	\$ 357,539	\$ 365,325	\$ 447,589	\$ 420,100
Equipment	\$ 2,516,372	\$ 2,464,751	\$ 3,149,127	\$ 3,022,269	\$ 5,665,499	\$ 5,487,020
Vehicles and motorized equipment	\$ 7,773,920	\$ 7,368,307	\$ 1,013,910	\$ 921,722	\$ 8,787,830	\$ 8,290,029
Infrastructure	\$ 8,728,219	\$ 8,608,143	\$ 26,606,332	\$ 26,334,016	\$ 35,334,551	\$ 34,942,159
Subtotal	\$ 29,602,199	\$ 28,989,614	\$ 53,294,969	\$ 52,811,393	\$ 82,897,168	\$ 81,801,007
Less accumulated depreciation and amortization	\$ 17,643,678	\$ 16,767,493	\$ 30,735,772	\$ 29,409,997	\$ 48,379,450	\$ 46,177,490
Total Net Capital Assets	\$ 11,958,521	\$ 12,222,121	\$ 22,559,197	\$ 23,401,396	\$ 34,517,718	\$ 35,623,517

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

Long-term Debt. As of June 30, 2022, 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	
	2022	2021	2022	2021	2022	2021
Installment notes	1,805,613	2,001,960	1,555,968	1,825,269	3,361,581	3,827,229
Revenue Bonds			5,541,000	5,637,000	5,541,000	5,637,000
Total	\$ 1,805,613	\$ 2,001,960	\$ 7,096,968	\$ 7,462,269	\$ 8,902,581	\$ 9,464,229

City of Clinton's Outstanding Debt

The City of Clinton's total debt decreased by \$561,648 (6%) during the past fiscal year. Governmental activity debt decreased by \$196,347 (10%). Business-type activity debt decreased by \$365,301(5%)

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Clinton is \$64,599,358. The City has no bonds authorized but unissued as of June 30, 2022.

Additional information regarding the City of Clinton's long-term debt can be found in Note II.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 4.2% as of June 2022.
- 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, 2023

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 FY2021-2022 and the trend is expected to increase 3% in the FY22-23 budget. Total General Fund revenues budgeted for the fiscal year ending June 30, 2023 are \$10,665,300.

Budgeted expenditures in the General Fund are equal to budgeted revenues and are approximately 2% more than the amended FY21-22 budget. The largest expenditure function is public safety and the largest components are in employee compensation and benefits.

Some key FY22-23 governmental budget highlights include:

- No change in the property tax rate of \$.40 per \$100 valuation. The expected revenue is \$3,383,900 on a 98 percent collection rate and is about a 1 percent increase.
- Sales Tax revenues account for \$2,836,200.
- The residential garbage collection rate for FY22-23 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 \$810,000.

Management Discussion and Analysis
City of Clinton

- The commercial collection cubic yard rate was increased to \$5.25.
- The cost of healthcare continues to be a factor in the cost of personnel management with the City experiencing a 2% increase.
- The City expects to spend approximately \$315,000 on street paving and resurfacing and \$50,000 on storm drainage.
- Major capital expenditures planned for FY22-23 include 2 police vehicles as part of the City's vehicle rotation program, 1 leaf vacuum, and self-contained breathing apparatuses.

Business-type Activities: The City estimates revenues of approximately \$5.9 million from water and sewer enterprise operations in FY22-23, a 5 percent increase from FY21-22.

Some key FY22-23 business-type activity budget highlights include:

- Water and sewer charges, including bulk rate fees, account for \$5,038,800 (85%) in the FY22-23 Water and Sewer Fund budget.
- Sewer surcharges charges based on the pounds of pollutants in excess of the normal amount account for \$570,000.
- Direct department capital costs for Water & Sewer operations amount to \$200,000
- Budgeted debt service is at \$523,400, a decrease of 1% over FY22.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF CLINTON, NORTH CAROLINA
Statement of Net Position
June 30, 2022

Exhibit 1

	Primary Government			City of Clinton ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,245,695	\$ 6,282,547	\$ 13,528,242	\$ 1,162,976
Taxes receivables (net)	52,051	-	52,051	-
Accounts receivable	262,173	844,856	1,107,029	-
Due from other governments	2,659,135	58,032	2,717,167	-
Due from component unit	403,828	-	403,828	-
Inventories	17,510	46,435	63,945	283,444
Prepaid items	-	-	-	9,329
Restricted cash	133,634	258,728	392,362	-
Total current assets	<u>10,774,026</u>	<u>7,490,598</u>	<u>18,264,624</u>	<u>1,455,749</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements and construction in progress	1,654,211	618,978	2,273,189	36,795
Other capital assets, net of depreciation	10,304,310	21,940,219	32,244,529	118,441
Total capital assets	<u>11,958,521</u>	<u>22,559,197</u>	<u>34,517,718</u>	<u>155,236</u>
Total assets	<u>22,732,547</u>	<u>30,049,795</u>	<u>52,782,342</u>	<u>1,610,985</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,011,354</u>	<u>608,298</u>	<u>2,619,652</u>	<u>48,588</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	509,821	254,033	763,854	189,771
Distributions payable	-	-	-	557,964
Accrued interest payable	-	9,770	9,770	-
Due to other governments	-	-	-	59,988
Current portion of long-term liabilities	665,973	426,300	1,092,273	-
Liabilities payable from restricted assets:				
Customer deposits	-	120,532	120,532	-
Total current liabilities	<u>1,175,794</u>	<u>810,635</u>	<u>1,986,429</u>	<u>807,723</u>
Long-term liabilities:				
Due in more than one year	6,054,491	8,016,791	14,071,282	29,292
Total liabilities	<u>7,230,285</u>	<u>8,827,426</u>	<u>16,057,711</u>	<u>837,015</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,701,393</u>	<u>566,540</u>	<u>2,267,933</u>	<u>42,117</u>
NET POSITION				
Net investment in capital assets	10,152,908	15,462,229	25,615,137	155,236
Restricted for:				
Capital projects	-	-	-	3,491
Pursuant to loan requirements	63,333	138,196	201,529	-
Stabilization by State Statute	3,204,295	-	3,204,295	-
Economic development	79,880	-	79,880	-
Public safety	70,301	-	70,301	-
Working capital	-	-	-	101,060
Unrestricted	2,241,506	5,663,702	7,905,208	520,654
Total net position	<u>\$ 15,812,223</u>	<u>\$ 21,264,127</u>	<u>\$ 37,076,350</u>	<u>\$ 780,441</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, 2022

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	\$ 2,094,851	\$ 106,735	\$ 2,731,594	\$ -	\$ 743,478	\$ -	\$ 743,478	\$ -
Public safety	4,581,065	-	217,296	-	(4,363,769)	-	(4,363,769)	-
Transportation	1,461,521	-	267,024	-	(1,194,497)	-	(1,194,497)	-
Economic and physical development	236,188	-	-	-	(236,188)	-	(236,188)	-
Environmental protection	1,238,367	1,401,216	6,301	-	169,150	-	169,150	-
Cultural and recreation	1,053,183	47,100	-	-	(1,006,083)	-	(1,006,083)	-
Interest on long-term debt	54,622	-	-	-	(54,622)	-	(54,622)	-
Total governmental activities	<u>10,719,797</u>	<u>1,555,051</u>	<u>3,222,215</u>	<u>-</u>	<u>(5,942,531)</u>	<u>-</u>	<u>(5,942,531)</u>	<u>-</u>
Business-type activities:								
Water and sewer	<u>5,901,026</u>	<u>5,750,142</u>	<u>5,409</u>	<u>41,135</u>	<u>-</u>	<u>(104,340)</u>	<u>(104,340)</u>	<u>-</u>
Total primary government	<u>\$ 16,620,823</u>	<u>\$ 7,305,193</u>	<u>\$ 3,227,624</u>	<u>\$ 41,135</u>	<u>(5,942,531)</u>	<u>(104,340)</u>	<u>(6,046,871)</u>	<u>-</u>
Component unit								
ABC Board	<u>\$ 2,658,736</u>	<u>\$ 2,640,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,753)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					3,432,609	-	3,432,609	-
Other taxes					174,192	-	174,192	-
Unrestricted intergovernmental revenues					5,044,255	-	5,044,255	-
Unrestricted investment earnings					9,638	2,125	11,763	306
Gain (loss) on sale of assets					(8,089)	(8,460)	(16,549)	
Miscellaneous					319,767	111,141	430,908	-
Transfers					(952,332)	952,332	-	-
Total general revenues and transfers					<u>8,020,040</u>	<u>1,057,138</u>	<u>9,077,178</u>	<u>306</u>
Change in net position					2,077,509	952,798	3,030,307	(17,447)
Net position, beginning					13,734,714	20,311,329	34,046,043	797,888
Net position, ending					<u>\$ 15,812,223</u>	<u>\$ 21,264,127</u>	<u>\$ 37,076,350</u>	<u>\$ 780,441</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, 2022**

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General	American Rescue Plan Fund	Total Major Funds		
ASSETS					
Cash and cash equivalents	\$ 5,650,506	\$ -	\$ 5,650,506	\$ 1,595,190	\$ 7,245,696
Taxes receivable - net	52,051	-	52,051	265	52,316
Accounts receivable	262,173	-	262,173	-	262,173
Due from other governments	1,307,481	1,347,134	2,654,615	4,484	2,659,099
Due from component unit	403,828	-	403,828	-	403,828
Due from other funds	1,346,998	-	1,346,998	-	1,346,998
Inventory	17,510	-	17,510	-	17,510
Restricted cash and cash equivalents	133,634	-	133,634	-	133,634
Total assets	<u>\$ 9,174,181</u>	<u>\$ 1,347,134</u>	<u>\$ 10,521,315</u>	<u>\$ 1,599,939</u>	<u>\$ 12,121,254</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 478,868	\$ -	\$ 478,868	\$ 30,952	\$ 509,820
Due to other funds	-	1,346,998	1,346,998	-	1,346,998
Total liabilities	<u>478,868</u>	<u>1,346,998</u>	<u>1,825,866</u>	<u>30,952</u>	<u>1,856,818</u>
DEFERRED INFLOWS OF RESOURCES					
Beer and wine revenue receivable	8,292	-	8,292	-	8,292
Taxes receivable	52,051	-	52,051	230	52,281
Accounts receivable	107,893	-	107,893	-	107,893
Total deferred inflows of resources	<u>168,236</u>	<u>-</u>	<u>168,236</u>	<u>230</u>	<u>168,466</u>
FUND BALANCES					
Nonspendable:					
Inventories	17,510	-	17,510	-	17,510
Restricted:					
Stabilization by State Statute	3,204,295	-	3,204,295	-	3,204,295
Economic Development in the Downtown Tax District	-	-	-	79,881	79,881
ARPA	-	136	136	-	136
USDA Reserve	63,333	-	63,333	-	63,333
Public Safety	70,301	-	70,301	-	70,301
Committed:					
Public Safety	349,759	-	349,759	217	349,976
Cemetery Fund	349,397	-	349,397	-	349,397
Capital projects	-	-	-	193,456	193,456
Assigned:					
Community Development	-	-	-	48,399	48,399
Capital Use Policy	279,189	-	279,189	-	279,189
Subsequent year's expenditures	275,000	-	275,000	1,246,804	1,521,804
Unassigned	3,918,293	-	3,918,293	-	3,918,293
Total fund balances	<u>8,527,077</u>	<u>136</u>	<u>8,527,213</u>	<u>1,568,757</u>	<u>10,095,970</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,174,181</u>	<u>\$ 1,347,134</u>	<u>\$ 10,521,315</u>	<u>\$ 1,599,939</u>	<u>\$ 12,121,254</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, 2022

Exhibit 3

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

Total Fund Balance, Governmental Funds		\$ 10,095,970
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	29,597,122	
Accumulated depreciation	<u>(17,638,601)</u>	11,958,521
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		
		1,673,171
Deferred outflows of resources related to OPEB are not reported in the funds		
		338,182
Earned revenues considered deferred inflows of resources in fund statements.		
		168,236
Deferred inflows of resources related to OPEB are not reported in the funds		
		(163,034)
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).		(1,805,613)
Compensated absences		(299,270)
Pension related deferrals		(1,538,359)
Total pension liability		(1,948,840)
OPEB liability		<u>(2,666,741)</u>
Net position of governmental activities		<u><u>\$ 15,812,223</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, 2022

Exhibit 4

	<u>Major Funds</u>			<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>American Rescue Plan Fund</u>	<u>Total Major Funds</u>		
REVENUES					
Ad valorem taxes	\$ 3,393,701	\$ -	\$ 3,393,701	\$ 56,260	\$ 3,449,961
Other taxes and licenses	174,192	-	174,192	-	174,192
Unrestricted intergovernmental	5,044,253	-	5,044,253	-	5,044,253
Restricted intergovernmental	527,947	2,694,268	3,222,215	-	3,222,215
Sales and services	1,555,051	-	1,555,051	-	1,555,051
Investment earnings	9,575	-	9,575	63	9,638
Miscellaneous	298,287	-	298,287	21,372	319,659
Total revenues	<u>11,003,006</u>	<u>2,694,268</u>	<u>13,697,274</u>	<u>77,695</u>	<u>13,774,969</u>
EXPENDITURES					
Current:					
General government	1,652,023	-	1,652,023	-	1,652,023
Public safety	4,266,710	-	4,266,710	-	4,266,710
Transportation	1,135,061	-	1,135,061	-	1,135,061
Economic and physical development	-	-	-	198,309	198,309
Environmental protection	1,099,384	-	1,099,384	-	1,099,384
Cultural and recreational	950,083	-	950,083	30,199	980,282
Debt service:					
Principal	428,633	-	428,633	-	428,633
Interest	54,622	-	54,622	-	54,622
Capital outlay	619,588	-	619,588	355,572	975,160
Total expenditures	<u>10,206,104</u>	<u>-</u>	<u>10,206,104</u>	<u>584,080</u>	<u>10,790,184</u>
Excess (deficiency) of revenues over expenditures	<u>796,902</u>	<u>2,694,268</u>	<u>3,491,170</u>	<u>(506,385)</u>	<u>2,984,785</u>
OTHER FINANCING SOURCES (USES)					
Transfer to / from other funds	(195,700)	(2,694,132)	(2,889,832)	1,937,500	(952,332)
Sales of capital assets	10,905	-	10,905	-	10,905
Proceeds from loan	233,000	-	233,000	-	233,000
Total other financing sources (uses)	<u>48,205</u>	<u>(2,694,132)</u>	<u>(2,645,927)</u>	<u>1,937,500</u>	<u>(708,427)</u>
Net change in fund balance	845,107	136	845,243	1,431,115	2,276,358
Fund balances, beginning	7,681,970	-	7,681,970	137,642	7,819,612
Fund balances, ending	<u>\$ 8,527,077</u>	<u>\$ 136</u>	<u>\$ 8,527,213</u>	<u>\$ 1,568,757</u>	<u>\$ 10,095,970</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, 2022

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

Net changes in fund balances- total governmental funds	\$	2,276,358
<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	\$	868,280
Depreciation expense for governmental assets	<u>(1,107,809)</u>	(239,529)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		497,887
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		63,124
<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	(233,000)	
Principal payments on long-term debt	<u>429,347</u>	196,347
<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		(17,352)
<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	-	
Loss on disposal of assets	(18,994)	
Pension expense	(507,158)	
OPEB plan expense	<u>(173,174)</u>	<u>(699,326)</u>
Total changes in net position of governmental activities		<u><u>\$ 2,077,509</u></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, 2022

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3,318,400	\$ 3,357,400	\$ 3,393,701	\$ 36,301
Other taxes and licenses	140,600	151,600	174,192	22,592
Unrestricted intergovernmental	4,388,200	4,423,200	5,044,253	621,053
Restricted intergovernmental	449,900	473,950	527,947	53,997
Sales and services	1,452,000	1,498,700	1,555,051	56,351
Investment earnings	12,000	12,000	9,575	(2,425)
Miscellaneous	143,500	296,500	298,287	1,787
Total revenues	<u>9,904,600</u>	<u>10,213,350</u>	<u>11,003,006</u>	<u>789,656</u>
Expenditures:				
Current:				
General government	1,606,900	1,748,400	1,652,023	96,377
Public safety	4,316,500	4,290,850	4,266,710	24,140
Transportation	1,169,400	1,168,100	1,135,061	33,039
Environmental protection	1,071,400	1,106,400	1,099,384	7,016
Cultural and recreational	965,000	978,800	950,083	28,717
Debt Service:				
Principal	429,400	429,400	428,633	767
Interest	54,000	54,000	54,622	(622)
Capital outlay	450,000	729,900	619,588	110,312
Total expenditures	<u>10,062,600</u>	<u>10,505,850</u>	<u>10,206,104</u>	<u>299,746</u>
Revenues over (under) expenditures	<u>(158,000)</u>	<u>(292,500)</u>	<u>796,902</u>	<u>1,089,402</u>
Other financing sources (uses):				
Transfers to (from) other funds	-	(195,700)	(195,700)	-
Sale of capital assets	8,000	8,000	10,905	2,905
Proceeds from loan	-	233,000	233,000	-
Fund balance appropriated	150,000	247,200	-	(247,200)
Total other financing sources (uses)	<u>158,000</u>	<u>292,500</u>	<u>48,205</u>	<u>(244,295)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>845,107</u>	<u>\$ 845,107</u>
Fund balance, beginning			<u>7,681,970</u>	
Fund balance, ending			<u>\$ 8,527,077</u>	

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

Statement of Net Position

Water Sewer Fund

June 30, 2022

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,282,547
Accounts receivable (net) - billed	504,366
Accounts receivable (net) - unbilled	340,490
Due from other governments	58,032
Inventories	46,435
Restricted cash and cash equivalents	258,728
Total current assets	<u>7,490,598</u>
Noncurrent assets:	
Capital assets:	
Land	261,439
Construction in progress	357,539
Other capital assets, net of depreciation	21,940,219
Total capital assets	<u>22,559,197</u>
Total noncurrent assets	<u>22,559,197</u>
Total assets	<u>\$ 30,049,795</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 608,298</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 254,033
Compensated absences	59,000
Accrued interest payable	9,770
Bonds and notes payable	367,300
Liabilities payable from restricted assets:	
Customer deposits	120,532
Total current liabilities	<u>810,635</u>
Noncurrent liabilities:	
Compensated absences	32,901
Total OPEB liability	919,487
Net pension liability	334,735
Bonds and notes payable	6,729,668
Total noncurrent liabilities	<u>8,016,791</u>
Total liabilities	<u>8,827,426</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 566,540</u>
NET POSITION	
Net investment in capital assets	15,462,229
Restricted pursuant to loan requirements	138,196
Unrestricted	5,663,702
Total net position	<u>\$ 21,264,127</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, 2022

Exhibit 7

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 5,750,142
Other operating revenues	111,141
Total operating revenues	5,861,283
OPERATING EXPENSES	
Water department	2,379,821
Waste treatment	1,993,399
Depreciation	1,335,424
Total operating expenses	5,708,644
Operating income (loss)	152,639
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	2,125
FEMA and State Emergency funds	5,409
Interest and other charges	(162,382)
Loss on sale of capital assets	(8,460)
Total nonoperating revenues (expenses)	(163,308)
Income (loss) before contributions and transfers	(10,669)
Capital contributions	41,135
Capital project funds	(30,000)
Transfer from other funds	952,332
	952,798
Change in net position	952,798
Total net position, beginning	20,311,329
Total net position, ending	\$ 21,264,127

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

CITY OF CLINTON, NORTH CAROLINA

Exhibit 8

Statement of Cash Flows

Water Sewer Fund

For the Year Ended June 30, 2022

	<u>Major Enterprise Fund</u> <u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 5,653,132
Cash paid for goods and services	(2,387,154)
Cash paid to or on behalf of employees for services	(2,315,007)
Customer deposits received	4,230
Net cash provided (used) by operating activities	<u>955,201</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	11,135
Proceeds received from sale of capital assets	11,551
FEMA and State Emergency funds	5,409
Principal paid on bonds/loans	(365,301)
Interest paid on bonds/loans	(162,382)
Acquisition and construction of capital assets	(513,236)
Net cash provided (used) by capital and related financing activities	<u>(60,492)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	2,125
Net increase (decrease) in cash and cash equivalents	896,834
Balances, beginning	5,644,441
Balances, ending	<u>\$ 6,541,275</u>
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	<u>\$ 152,639</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	1,335,424
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(218,161)
Decrease (increase) in due from other governments	10,010
Decrease (increase) in inventories	(25,787)
Increase (decrease) in accounts payable and accrued liabilities	(107,141)
Increase (decrease) in net pension liability	(466,447)
Increase (decrease) in accrued interest	-
Increase (decrease) in customer deposits	4,230
Increase (decrease) in accrued vacation	(906)
(Increase) decrease in deferred outflows of resources for pensions	(79,319)
Increase (decrease) in deferred inflows of resources for pensions	500,408
Increase (decrease) in OPEB liability	(149,749)
Total adjustments	<u>802,562</u>
Net cash provided by operating activities	<u>\$ 955,201</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

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, 2022

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 funds:

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.

American Rescue Plan Fund. This fund is used to account for transactions related to the American Rescue Plan Funds.

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 Fund. 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 three Capital Project Funds: City Facility Renovations Fund, Beaman Street Fire Station Fund, and Bicentennial Clock 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.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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, 2022

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, 2022

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, 2022, 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, 2022.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

I. Summary of Significant Accounting Policies (Continued)

City of Clinton Restricted Cash

Governmental Activities

General Fund

	USDA Reserve	\$ 63,333
	Police Grants	58,575
	Fire Department Grant Fund	<u>11,726</u>
Total Governmental Activities		<u>133,634</u>

Business-type Activities

Water and Sewer Fund

	Customer deposits	120,532
	USDA Reserve	<u>138,196</u>
Total Business-type Activities		<u>258,728</u>

Total Restricted Cash		<u>\$ 392,362</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, 2022

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, 2022.

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, 2022

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 – 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, 2022

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, 2022

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. There were no unexpended funds at June 30, 2022.

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, 2022

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, 2022

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, 2022, the City's deposits had a carrying amount of \$7,981,435 and a bank balance of \$8,026,637. 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 \$969,161 and the bank balance was \$959,101. The entire bank balance was covered by federal depository insurance. At June 30, 2022, the City's petty cash fund totaled \$350.

2. Investments

At June 30, 2022, the City had \$5,938,819 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, 2022, the ABC Board had \$190,915 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, 2022 is net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 64,662
Accounts receivable	<u>112,520</u>
Total General Fund	177,182
Water and Sewer Fund:	
Accounts receivable	<u>65,447</u>
Total	<u>\$ 242,629</u>

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

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, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,564,161	\$ -	\$ -	\$ 1,564,161
Construction in progress	54,775	35,275	-	90,050
Total capital assets not being depreciated:	<u>1,618,936</u>	<u>35,275</u>	<u>-</u>	<u>1,654,211</u>
Capital assets being depreciated:				
Buildings and other improvements	8,911,477	-	-	8,911,477
Intangible asset-brand	18,000	-	-	18,000
Equipment	2,464,751	82,091	30,470	2,516,372
Vehicles and motorized equipment	7,368,307	630,838	225,225	7,773,920
Infrastructure	8,608,143	120,076	-	8,728,219
Total capital assets being depreciated:	<u>27,370,678</u>	<u>833,005</u>	<u>255,695</u>	<u>27,947,988</u>
Less accumulated depreciation:				
Buildings and other improvements	3,445,226	289,693	-	3,734,919
Intangible asset-brand	3,952	600	-	4,552
Equipment	1,934,729	116,525	6,399	2,044,855
Vehicles and motorized equipment	5,024,959	441,820	225,225	5,241,554
Infrastructure	6,358,627	259,171	-	6,617,798
Total accumulated depreciation	<u>16,767,493</u>	<u>1,107,809</u>	<u>231,624</u>	<u>17,643,678</u>
Total capital assets being depreciated, net	<u>10,603,185</u>			<u>10,304,310</u>
Governmental activities capital assets,	<u><u>\$ 12,222,121</u></u>			<u><u>\$11,958,521</u></u>

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

General government	\$ 311,488
Public safety	318,564
Transportation	209,839
Environmental protection	147,123
Cultural and recreation	120,795
	<u>\$1,107,809</u>

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. Detail Notes on All Funds (Continued)

<i>Business-type activities:</i>	Beginning			Ending
<i>Water and Sewer Fund</i>	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 261,439	\$ -	\$ -	\$ 261,439
Construction in progress	365,325	208,685	216,471	357,539
Total capital assets not being depreciated:	<u>626,764</u>	<u>208,685</u>	<u>216,471</u>	<u>618,978</u>
Capital assets being depreciated:				
Land improvements	14,478,227	-	-	14,478,227
Equipment	3,022,269	140,808	13,950	3,149,127
Vehicles	921,722	107,898	15,710	1,013,910
Buildings	742,839	-	-	742,839
Infrastructure	26,334,016	272,316	-	26,606,332
Total capital assets being depreciated:	<u>52,184,629</u>	<u>521,022</u>	<u>29,660</u>	<u>52,675,991</u>
Less accumulated depreciation:				
Land improvements	9,190,336	421,431	-	9,611,767
Equipment	2,038,201	137,673	940	2,174,934
Vehicles	535,429	66,822	8,709	593,542
Buildings	7,372,538	12,442	-	7,384,980
Infrastructure	10,273,493	697,056	-	10,970,549
Total accumulated depreciation	<u>29,409,997</u>	<u>1,335,424</u>	<u>9,649</u>	<u>30,735,772</u>
Total capital assets being depreciated, net	<u>22,774,632</u>			<u>21,940,219</u>
Business-type activities capital assets,	<u>\$ 23,401,396</u>			<u>\$22,559,197</u>

Construction Commitments and construction in progress

The City has active construction commitments as of June 30, 2022. At year-end, the City's commitments with contractors are as follows:

No material commitments as of June 30, 2022.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. Detail Notes on All Funds (Continued)

Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 36,795	\$ -	\$ -	\$ 36,795
Capital assets being depreciated:				
Other improvements	3,270	-	-	3,270
Buildings	214,609	-	-	214,609
Equipment	105,866	5,697	-	111,563
Total capital assets being depreciated:	323,745	5,697	-	329,442
Less accumulated depreciation:				
Total accumulated depreciation	199,351	11,650		211,001
Total capital assets being depreciated, net	124,394			118,441
Business-type activities capital assets,	\$ 161,189			\$ 155,236

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, 2022

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, 2022, was 12.04% of compensation for law enforcement officers and 11.41% 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 \$669,558 for the year ended June 30, 2022.

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, 2022

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, 2022, the City reported a liability of \$1,305,550 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2022, the City's proportion was 0.08513%, which was a decrease of 0.00356% from its proportion as of June 30, 2021.

For the year ended June 30, 2022, the City recognized pension expense of \$502,511. At June 30, 2022, 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	\$ 415,342	\$ -
Changes of assumptions	820,219	-
Net difference between projected and actual earnings on pension plan investments	-	1,865,239
Changes in proportion and differences between City contributions and proportionate share of contributions	12,610	125,159
City contributions subsequent to the measurement date	<u>669,558</u>	<u>-</u>
Total	<u>\$ 1,917,729</u>	<u>\$ 1,990,398</u>

\$669,558 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ (78,742)
2024	(168,537)
2025	(570,775)
2026	-
2027	-
Thereafter	-

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. Detail Notes on All Funds (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2020 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 8.25 percent, including inflation and productivity factor
Investment rate of return	6.5 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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, 2022 are summarized in the following table:

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

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 2020 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 5,068,037	\$ 1,305,550	\$ 1,790,758

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, 2022

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, 2021, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	5
Active plan members	24
Total	29

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, 2020 valuation. The total pension liability in the December 31, 2020 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	2.25 percent

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

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 Pub-2010 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 \$74,388 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, 2022, the City reported a total pension liability of \$978,025. The total pension liability was measured as of December 31, 2021 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$133,488.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 76,325	\$ 30,622
Changes of assumptions and other inputs	170,812	27,665
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	\$ 247,137	\$ 58,287

\$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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 52,811
2024	57,570
2025	57,243
2026	24,186
2027	(2,960)
Thereafter	-

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

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 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
City's proportionate share of the net pension liability (asset)	\$ 1,060,524	\$ 978,025	\$ 903,343

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

Beginning balance	\$ 1,000,119
Service Cost	57,500
Interest on the total pension liability	18,584
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	1,729
Changes of assumptions or other inputs	(25,519)
Benefit payments	(74,388)
Other changes	-
Total	\$ 978,025

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, 2020 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

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	\$ 502,511	\$ 133,488	\$ 635,999
Pension Liability	1,305,550	978,025	2,283,575
Proportionate share of the net pension liability	0.08513%	n/a	
 Deferred Outflows of Resources			
Differences between expected and actual experience	415,342	76,325	491,667
Changes of assumptions	820,219	170,812	991,031
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	12,610	-	12,610
City benefit payments and plan administrative expense made subsequent to the measurement date	669,558	-	669,558
 Deferred Inflows of Resources			
Differences between expected and actual experience	-	30,622	30,622
Changes of assumptions	-	27,665	27,665
Net difference between projected and actual earnings on plan investments	1,865,239	-	1,865,239
Changes in proportion and differences between City contributions and proportionate share of contributions	125,159	-	125,159

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 (ACFR) for the State of North Carolina. The State's ACFR 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, 2022

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, 2022 were \$68,662, which consisted of \$57,857 from the City and \$10,805 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, 2022 totaled \$113,353, which consisted of \$20,396 from the City and \$92,957 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, 2020, 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 \$3,586,228 was measured as of June 30, 2021 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, 2022

II. Detail Notes on All Funds (Continued)

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 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	3.25 – 8.41% percent, average, including inflation
Discount rate	2.16 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	\$ 3,496,197
Service Cost	91,649
Interest	76,961
Changes of benefit terms	-
Differences between expected and actual experience	(183,467)
Changes of assumptions or other inputs	316,913
Benefit payments	<u>(212,025)</u>
Total	<u>\$ 3,586,228</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the Pub-2010 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

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 (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<u>1% Decrease</u> <u>(1.16%)</u>	<u>Discount Rate</u> <u>(2.16%)</u>	<u>1% Increase</u> <u>(3.16%)</u>
Total OPEB Liability	\$ 3,294,581	\$ 3,586,228	\$ 3,917,833

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

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 (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 3,867,086	\$ 3,586,228	\$ 3,329,950

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$232,884. At June 30, 2022, 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	\$ 15,377	\$ 170,887
Changes of assumptions and other inputs	439,409	48,361
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	\$ 454,786	\$ 219,248

\$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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$ 68,078
2024	93,248
2025	74,212
2026	-
2027	-
Thereafter	-

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

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	\$ 669,558
Differences between expected and actual experience	415,342
Changes of assumptions	820,219
Net difference between projected and actual earnings	-
Changes in proportion and differences between City contributions and proportionate share of contributions	12,610

LEO Pension

Differences between expected and actual experience	76,325
Changes of assumptions	170,812

OPEB

Differences between expected and actual experience	15,377
Changes of assumptions	439,409

Total Deferred Outflows of Resources	<u>\$ 2,619,652</u>
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CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. Detail Notes on All Funds (Continued)

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

	<u>Statement of</u> <u>Net Position</u>	<u>General Fund</u> <u>Balance Sheet</u>
Taxes receivable	\$ -	\$ 107,893
Other accounts receivable	-	60,573
LGERS Pension		
Changes in proportion and differences between City contributions and proportionate share of contributions	125,159	-
Net difference between projected and actual earnings	1,865,239	-
LEO Pension		
Differences between expected and actual experience	30,622	-
Changes of assumptions	27,665	-
OPEB		
Differences between expected and actual experience	170,887	-
Changes of assumptions	48,361	-
Total	<u>\$ 2,267,933</u>	<u>\$ 168,466</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, 2022

II. Detail Notes on All Funds (Continued)

5. Long-Term Obligations

a. Installment Purchase

Serviced by the General Fund:

\$425,000 installment note issued August 2004 plus additional \$750,000 note issued February 2008 used to finance downtown revitalization projects. These notes were refinanced with Truist Bank 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.	\$ 241,344
\$635,000 installment note issued August 27, 2012 to Truist Bank, due in annual payments of \$71,695 including interest at 2.27%, secured by equipment	70,103
\$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	637,570
\$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	338,738
\$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	243,608
\$233,000 installment note issued August 26, 2021 with Truist Bank, due in annual payments of \$60,082 including interest at 1.25%, secured by equipment	233,000
\$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	<u>41,250</u>
	<u>\$ 1,805,613</u>

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

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%	\$ 336,669
\$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%	92,054
\$142,850 unsecured installment note issued July 27, 2010 with NCDEQ for utility improvements, due in annual installments of \$7,143 with no interest	57,128
\$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>1,070,117</u>
	<u>\$ 1,555,968</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
2023	\$ 454,973	\$ 46,230	\$ 269,300	\$ 9,003
2024	351,493	43,317	269,300	5,226
2025	233,461	33,292	100,966	1,450
2026	154,760	25,945	100,966	1,208
2027	98,271	25,945	100,966	967
2028-2032	443,591	21,382	467,531	1,450
2033-2036	69,064	5,178	246,950	-
	\$ 1,805,613	\$ 201,289	\$ 1,555,979	\$ 19,304

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

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%	\$ 4,478,000
\$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%	1,063,000
Total revenue bonds	\$ 5,541,000

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 ratio calculation for the year ended June 30, 2022 is as follows:

Current revenues	\$ 5,861,283
Current expenses	4,373,220
Subtotal	\$ 1,488,063
Debt service, principal and interest	
Paid (Revenue Bond only)	\$ 245,603
Debt Service Coverage Ratio	606%

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 \$1,497,806 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 \$8,719,623. Principal and interest paid for the current year and the income available for debt service was \$245,603 and \$1,488,063, respectively.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. Detail Notes on All Funds (Continued)

Annual debt service requirements to maturity for the revenue bond at June 30, 2022 are as follows:

Year ended June 30:	Business-type Activities	
	Revenue Bond	
	Principal	Interest
2023	\$ 98,000	\$ 149,603
2024	101,000	147,063
2025	103,000	144,468
2026	106,000	141,795
2027	109,000	139,068
2028-2032	589,000	651,703
2033-2037	673,000	571,523
2038-2042	765,000	479,910
2043-2047	872,000	375,625
2048-2052	994,000	256,770
2053-2057	1,131,000	121,095
	<u>\$ 5,541,000</u>	<u>\$ 3,178,623</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	\$ 2,001,960	\$ 233,000	\$ 429,347	\$ 1,805,613	\$ 454,973
Compensated absences	299,270	-		299,270	211,000
Total OPEB liability	2,426,962	239,779	-	2,666,741	-
Total pension liability (LEO)	1,000,119	-	22,094	978,025	-
Net pension liability (LGERS)	2,368,090	-	1,397,275	970,815	-
Governmental activity long-term liabilities	<u>\$ 8,096,401</u>	<u>\$ 472,779</u>	<u>\$ 1,848,716</u>	<u>\$ 6,720,464</u>	<u>\$ 665,973</u>
<i>Business-type activities:</i>					
<u>Water and Sewer Fund</u>					
Installment notes	\$ 1,825,269	\$ -	\$ 269,301	\$ 1,555,968	\$ 269,300
Revenue bonds	5,637,000	-	96,000	5,541,000	98,000
Compensated absences	92,806	-	905	91,901	59,000
Total OPEB liability	1,069,236	-	149,749	919,487	-
Net pension liability (LGERS)	801,182	-	466,447	334,735	-
Water and Sewer Fund long-term liabilities	<u>\$ 9,425,493</u>	<u>\$ -</u>	<u>\$ 982,402</u>	<u>\$ 8,443,091</u>	<u>\$ 426,300</u>
Business activity long-term liabilities	<u>\$ 9,425,493</u>	<u>\$ -</u>	<u>\$ 982,402</u>	<u>\$ 8,443,091</u>	<u>\$ 426,300</u>

The City has a legal debt margin of \$64,599,358 at June 30, 2022.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

II. Detail Notes on All Funds (Continued)

6. Net Investment in Capital Assets

Governmental activities:	
Total capital assets	\$ 11,958,521
Less: Notes payable	<u>1,805,613</u>
	<u>\$ 10,152,908</u>

Business-type activities:	
Total capital assets	\$ 22,559,197
Less: Bonds payable	5,541,000
Notes payable	<u>1,555,968</u>
	<u>\$ 15,462,229</u>

III. Stewardship, Compliance, and Accountability

Transfers to/from other funds at June 30, 2022, consist of the following:

- Transfer from the general fund to the Capital Project fund for project expenditures \$195,700
- Transfer from the American Rescue Plan Fund to the General Fund for salary reimbursements \$1,741,800
- Transfer from the water and sewer fund to the water and sewer capital reserve fund for future expenditures \$1,097,771
- Transfer from the American Rescue Plan Fund to the Water & Sewer Fund for salary reimbursements \$952,332
- Transfer from the water and sewer fund to the Water & Sewer Levee project for project expenditures \$17,300

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

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	\$ 8,527,077
Less:	
Inventories	17,510
Stabilization by State Statute	3,204,295
USDA Reserve	63,333
Public Safety	420,060
Cemetery Fund	349,397
Assigned Funds	554,189
Remaining Fund Balance	\$ 3,918,293

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, 2022.

CITY OF CLINTON, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2022

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, 2022. 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, 2022 was approximately \$387,985.

For the year ended June 30, 2022 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 28, 2022, 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 \$87,616.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Schedule 1

Local Government Employees' Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Clinton's proportion of the net pension liability (asset) (%)	0.08513%	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) (\$)	\$1,305,550	\$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	\$5,917,053	\$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	22.06%	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 **	95.51%	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 Nine Fiscal Years*

Schedule 2

Local Government Employees' Retirement System

	<u>2022</u>	<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	\$ 669,558	\$ 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>669,558</u>	<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	\$ 5,802,442	\$ 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	11.54%	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, 2022

Schedule 3

Law Enforcement Officers' Special Separation Allowance

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,000,119	\$ 799,144	\$ 646,796	\$ 753,342	\$ 754,632	\$ 799,935
Service Cost	57,500	35,995	34,987	33,495	27,533	27,533
Interest on the total pension liability	18,584	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	1,729	(23,934)	157,510	-	-	-
Changes of assumptions or other inputs	(25,519)	246,476	21,796	(74,759)	27,198	(14,501)
Benefit payments	(74,388)	(82,273)	(83,960)	(87,698)	(85,150)	(85,369)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 978,025</u>	<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, 2022

Schedule 4

Law Enforcement Officers' Special Separation Allowance

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 978,025	\$ 1,000,119	\$ 799,144	\$ 646,796	\$ 753,342	\$ 754,632
Covered payroll	1,190,131	1,199,961	1,292,843	1,098,880	1,010,661	1,056,068
Total pension liability as a percentage of covered payroll	82.18%	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, 2022

Schedule 5

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 91,649	\$ 67,103	\$ 82,740	\$ 85,590	\$ 92,591
Interest	76,961	110,539	120,850	112,095	97,873
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(183,467)	21,185	(102,367)	9,909	886
Changes of assumptions	316,913	314,029	78,069	(84,401)	(149,152)
Benefit payments	<u>(212,025)</u>	<u>(213,740)</u>	<u>(176,110)</u>	<u>(154,711)</u>	<u>(135,733)</u>
Net change in total OPEB liability	90,031	299,116	3,182	(31,518)	(93,535)
Total OPEB liability - beginning	<u>3,496,197</u>	<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>\$ 3,586,228</u></u>	<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	1,492,153	1,964,251	1,964,251	2,336,520	2,336,520
Total OPEB liability as a percentage of covered payroll	240.34%	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>
2022	2.16%
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, 2022**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:			
Current year		\$ 3,298,815	
Prior years levies		75,982	
Interest and penalties		18,904	
Total	<u>\$ 3,357,400</u>	<u>3,393,701</u>	<u>\$ 36,301</u>
Other taxes and licenses:			
Auto licenses		160,038	
Vehicle rental taxes		13,599	
Privilege licenses		555	
Total	<u>151,600</u>	<u>174,192</u>	<u>22,592</u>
Unrestricted intergovernmental:			
Local option sales tax		3,156,728	
Utility franchise tax		778,306	
Fire district tax		529,260	
ABC profit distribution		403,908	
Telecommunications sales tax		47,658	
Excise tax on piped gas		38,782	
Beer and wine tax		33,167	
CATV franchise fee		32,463	
Payments in lieu of taxes		17,712	
Sales tax reimbursements		6,269	
Total	<u>4,423,200</u>	<u>5,044,253</u>	<u>621,053</u>
Restricted intergovernmental:			
Powell bill allocation		267,024	
Sampson County contribution		6,900	
City schools - police		112,438	
Federal and state grants		87,169	
Rescue technical assistance		12,000	
ABC revenue for law enforcement		12,498	
Solid waste disposal tax		6,301	
Local fire protection service		5,446	
Federal drug forfeiture		4,462	
State reimbursement		545	
State substance abuse tax		13,164	
Total	<u>473,950</u>	<u>527,947</u>	<u>53,997</u>
Sales and services:			
Garbage collections fees		1,401,216	
Recreation department fees		47,100	
Cemetery lot sales and maintenance		72,755	
Other services and materials		22,085	
Lot cleaning		11,895	
Total	<u>1,498,700</u>	<u>1,555,051</u>	<u>56,351</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, 2022
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Investment earnings:			
General fund		\$ 9,383	
Cemetery trust fund		192	
Total	<u>\$ 12,000</u>	<u>9,575</u>	<u>\$ (2,425)</u>
Miscellaneous:			
Other		27,687	
NCDOT reimbursements		24,484	
Rent industrial buildings		87,616	
Sale of recyclables		49,795	
Insurance revenue		90,622	
False alarm ordinance		2,350	
Fire department special fees		10,604	
Officer arrest fees		4,099	
Donations		1,000	
Parking violations		30	
Total	<u>296,500</u>	<u>298,287</u>	<u>1,787</u>
Total revenues	<u>10,213,350</u>	<u>11,003,006</u>	<u>789,656</u>
Expenditures:			
General government:			
Governing body:			
Mayor and council salaries and benefits		63,061	
Mayor and council expenses		49,595	
Total	<u>92,400</u>	<u>112,656</u>	<u>(20,256)</u>
Administrative:			
Salaries and employee benefits		158,720	
Operating expenses		49,835	
Total	<u>190,700</u>	<u>208,555</u>	<u>(17,855)</u>
Human resources:			
Salaries and employee benefits		114,139	
Operating expenses		35,549	
Total	<u>300,800</u>	<u>149,688</u>	<u>151,112</u>
Financing:			
Salaries and employee benefits		99,528	
Operating expenses		61,757	
Total	<u>300,800</u>	<u>161,285</u>	<u>139,515</u>
Planning and zoning:			
Salaries and employee benefits		309,588	
Operating expenses		46,803	
Total	<u>354,100</u>	<u>356,391</u>	<u>(2,291)</u>
Cemetery and public grounds:			
Salaries and employee benefits		193,275	
Operating expenses		95,789	
Capital outlay		46,996	
Total	<u>249,600</u>	<u>336,060</u>	<u>(86,460)</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, 2022
(Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Non-departmental:			
Various operating expenses		\$ 47,805	
Contract services		63,627	
Retirees medical insurance		122,480	
Insurance		60,277	
Professional services		12,285	
Downtown incentive program		8,242	
Utilities		8,648	
Other agency contributions		31,000	
Economic development		20,020	
Total	<u>\$ 728,650</u>	<u>\$ 374,384</u>	<u>\$ 354,266</u>
Total general government	<u>1,916,250</u>	<u>1,699,019</u>	<u>12,653</u>
Public safety:			
Police:			
Salaries and employee benefits		2,007,326	
Operating expenses		466,314	
Capital outlay		44,637	
Total	<u>2,514,300</u>	<u>2,518,277</u>	<u>(3,977)</u>
Fire:			
Salaries and employee benefits		1,502,645	
Operating expenses		290,425	
Capital outlay		9,259	
Total	<u>1,810,000</u>	<u>1,802,329</u>	<u>7,671</u>
Total public safety	<u>4,324,300</u>	<u>4,320,606</u>	<u>3,694</u>
Transportation:			
Street administration:			
Salaries and employee benefits		521,160	
Operating expenses		31,115	
Total	<u>557,600</u>	<u>552,275</u>	<u>5,325</u>
Materials and supplies:			
Signs, signals, paints and supplies		27,079	
Operating expenses		16,840	
Total	<u>32,000</u>	<u>43,919</u>	<u>(11,919)</u>
Equipment expenses:			
Automotive supplies		33,313	
Equipment rental and maintenance		40,987	
Small tools and equipment		5,723	
Total	<u>60,000</u>	<u>80,023</u>	<u>(20,023)</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, 2022
(Continued)

	Budget	Actual	Variance Favorable (Unfavorable)
Other costs and services:			
Street lighting contract		\$ 221,062	
Capital outlay		463,554	
Total	<u>\$ 733,500</u>	<u>684,616</u>	<u>\$ 48,884</u>
Garage:			
Salaries and employee benefits		176,050	
Operating expenses		61,732	
Total	<u>251,700</u>	<u>237,782</u>	<u>13,918</u>
Total transportation	<u>1,634,800</u>	<u>1,598,615</u>	<u>(6,594)</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		473,081	
Operating expenses		626,303	
Total environmental protection	<u>1,106,400</u>	<u>1,099,384</u>	<u>7,016</u>
Cultural and recreational:			
Salaries and employee benefits		580,048	
Operating expenses		370,035	
Capital outlay		55,142	
Total cultural and recreational	<u>1,040,700</u>	<u>1,005,225</u>	<u>35,475</u>
Debt service:			
Principal retirement		428,633	
Interest expense		54,622	
Total debt service	<u>483,400</u>	<u>483,255</u>	<u>145</u>
Total expenditures	<u>10,505,850</u>	<u>10,206,104</u>	<u>299,746</u>
Revenues over (under) expenditures	(292,500)	796,902	1,089,402
Other financing sources (uses):			
Sale of surplus assets	8,000	10,905	2,905
Debt issuance	233,000	233,000	-
Transfers out	(265,700)	(267,650)	(1,950)
Transfer from other funds	70,000	71,950	1,950
Fund balance appropriated	247,200	-	(247,200)
Total other financing sources	<u>292,500</u>	<u>48,205</u>	<u>(244,295)</u>
Net change in fund balance	<u>\$ -</u>	845,107	<u>\$ 845,107</u>
Fund balance, beginning		<u>7,681,970</u>	
Fund balance, ending		<u>\$ 8,527,077</u>	

Major Fund -American Rescue Plan Fund

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

From Inception and For the Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
American Rescue Plan Grant	\$2,694,200	\$ -	\$ 2,694,268	\$2,694,268	\$ 68
Total revenues	2,694,200	-	2,694,268	2,694,268	68
Revenues over (under) expenditures	2,694,200	-	2,694,268	2,694,268	68
Other Financing Sources (Uses)					
Transfers in (out)					
General Fund	(1,741,800)	-	(1,741,800)	(1,741,800)	-
Water and Sewer Fund	(952,400)	-	(952,332)	(952,332)	68
Total other financing sources (uses)	(2,694,200)	-	(2,694,132)	(2,694,132)	68
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136</u>	<u>\$ 136</u>	<u>\$ 136</u>

CITY OF CLINTON, NORTH CAROLINA
Combining Balance Sheet
Non-Major Governmental Funds
For the Year Ended June 30, 2022

Schedule 8

	Special Revenue Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS			
Cash and investments	\$ 134,496	\$ 31,705	\$ 166,201
Taxes receivable, net	230	-	230
Due from other governments	1,203	-	1,203
	<u>135,929</u>	<u>31,705</u>	<u>167,634</u>
Total assets	<u>\$ 135,929</u>	<u>\$ 31,705</u>	<u>\$ 167,634</u>
LIABILITIES			
Accounts payable	\$ 7,202	\$ 3,750	\$ 10,952
	<u>7,202</u>	<u>3,750</u>	<u>10,952</u>
Total liabilities	<u>7,202</u>	<u>3,750</u>	<u>10,952</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	230	-	230
	<u>230</u>	<u>-</u>	<u>230</u>
Total deferred inflows of resources	<u>230</u>	<u>-</u>	<u>230</u>
FUND BALANCES			
Assigned - Community Development	48,399	-	48,399
Restricted - Economic Development	79,881	-	79,881
Restricted - ARPA	-	-	-
Committed - Public Safety	217	-	217
Committed - Capital Projects	-	193,456	193,456
	<u>128,497</u>	<u>193,456</u>	<u>321,953</u>
Total fund balances	<u>128,497</u>	<u>193,456</u>	<u>321,953</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 135,929</u>	<u>\$ 197,206</u>	<u>\$ 333,135</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, 2022

Schedule 9

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES			
Ad valorem taxes - net	\$ 56,260	\$ -	\$ 56,260
Investment earnings	63	-	63
Miscellaneous	9,872	11,500	21,372
	<u>66,195</u>	<u>11,500</u>	<u>77,695</u>
Total revenues			
EXPENDITURES			
General government	-	35,275	35,275
Economic and physical development	53,809	-	53,809
	<u>53,809</u>	<u>35,275</u>	<u>89,084</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>12,386</u>	<u>(23,775)</u>	<u>(11,389)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds			
General Fund	-	-	-
Transfers to other funds:			
Water Sewer Fund	-	-	-
General Fund	-	195,700	195,700
	<u>12,386</u>	<u>171,925</u>	<u>184,311</u>
Net change in fund balance			
Fund balances, beginning	<u>116,111</u>	<u>21,531</u>	<u>137,642</u>
Fund balances, ending	<u>\$ 128,497</u>	<u>\$ 193,456</u>	<u>\$ 321,953</u>

CITY OF CLINTON, NORTH CAROLINA
Combining Balance Sheet
Special Revenue Funds
For the Year Ended June 30, 2022

Schedule 10

	Community Development Fund	Downtown Tax District Fund	Fire Department Grant Fund	Open Space Fund	Total Special Revenue Funds
ASSETS					
Cash and investments	\$ 45,609	\$ 85,880	\$ 217	\$ 2,790	\$ 134,496
Taxes receivable, net	-	230	-	-	230
Due from other governments	-	1,203	-	-	1,203
Total assets	\$ 45,609	\$ 87,313	\$ 217	\$ 2,790	\$ 135,929
LIABILITIES					
Accounts payable	\$ -	\$ 7,202	\$ -	\$ -	\$ 7,202
Total liabilities	-	7,202	-	-	7,202
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	-	230	-	-	230
Total deferred inflows of resources	-	230	-	-	230
FUND BALANCES					
Assigned - Community Development	45,609	-	-	2,790	48,399
Restricted - Economic Development	-	79,881	-	-	79,881
Restricted - ARPA	-	-	-	-	-
Committed - Public Safety	-	-	217	-	217
Total fund balances	45,609	79,881	217	2,790	128,497
Total liabilities, deferred inflows of resources and fund balances	\$ 45,609	\$ 87,313	\$ 217	\$ 2,790	\$ 135,929

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, 2022

Schedule 11

	Community Development Fund	Downtown Tax District Fund	Fire Department Grant Fund	Open Space Fund	Total Special Revenue Funds
REVENUES					
Ad valorem taxes - net	\$ -	\$ 56,260	\$ -	\$ -	\$ 56,260
Investment earnings	-	63	-	-	63
ARPA funds	-	-	-	-	-
Miscellaneous	-	9,872	-	-	9,872
Total revenues	-	66,195	-	-	66,195
EXPENDITURES					
Economic and physical development	-	53,809	-	-	53,809
Miscellaneous	-	-	-	-	-
Total expenditures	-	53,809	-	-	53,809
Excess (deficiency) of revenues over expenditures	-	12,386	-	-	12,386
OTHER FINANCING SOURCES (USES)					
Transfers from other funds					
General Fund	-	-	-	-	-
Transfers to other funds:					
General Fund	-	-	-	-	-
Water Sewer Fund	-	-	-	-	-
Net change in fund balance	-	12,386	-	-	12,386
Fund balances, beginning	45,609	67,495	217	2,790	116,111
Fund balances, ending	\$ 45,609	\$ 79,881	\$ 217	\$ 2,790	\$ 128,497

CITY OF CLINTON, NORTH CAROLINA

Schedule 12

Special Revenue Fund - Community Development Fund

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

For the Year Ended June 30, 2022

	<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 13

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, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes - net	\$ 55,500	\$ 56,260	\$ 760
Investment earnings	100	63	(37)
Miscellaneous	11,500	9,872	(1,628)
Total revenues	<u>67,100</u>	<u>66,195</u>	<u>(905)</u>
Expenditures:			
Special events	15,000	13,124	(1,876)
Downtown Façade grant program	12,000	7,982	(4,018)
Projects	22,500	6,649	(15,851)
Advertising	9,000	8,907	(93)
Supplies and materials	500	851	351
Other	23,100	16,296	(6,804)
Total expenditures	<u>82,100</u>	<u>53,809</u>	<u>(28,291)</u>
Revenues over (under) expenditures	(15,000)	12,386	27,386
Other Financing Sources (Uses)			
Fund balance appropriated	15,000	-	(15,000)
Net change in fund balance	<u>\$ -</u>	<u>12,386</u>	<u>\$ 12,386</u>
Fund balance, beginning		<u>67,495</u>	
Fund balance, ending		<u>\$ 79,881</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, 2022

	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	13,478	-	13,478	1,633
Revenues over (under) expenditures	(6,845)	(6,628)	-	(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>\$ 217</u>	-	<u>\$ 217</u>	<u>\$ 217</u>
Fund balance, beginning			217		
Fund balance, ending			<u>\$ 217</u>		

CITY OF CLINTON, NORTH CAROLINA

Schedule 15

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, 2022

	<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, 2022

Schedule 16

	<u>Beaman Street Fire Station</u>	<u>City Facility Renovations</u>	<u>Bicentennial Clock</u>	<u>Royal Lane Tennis Court</u>	<u>Total Capital Project Funds</u>
ASSETS					
Cash and investments	\$ 6	\$ 20,199	\$ 11,500	\$ 165,466	\$ 197,171
Due from other governments	-	-	-	35	35
Total assets	<u>\$ 6</u>	<u>\$ 20,199</u>	<u>\$ 11,500</u>	<u>\$ 165,501</u>	<u>\$ 197,206</u>
LIABILITIES					
Accounts payable	\$ -	\$ 3,750	\$ -	\$ -	3,750
Total liabilities	<u>-</u>	<u>3,750</u>	<u>-</u>	<u>-</u>	<u>3,750</u>
FUND BALANCES					
Committed - Capital Projects	<u>6</u>	<u>16,449</u>	<u>11,500</u>	<u>165,501</u>	<u>193,456</u>
Total liabilities and fund balances	<u>\$ 6</u>	<u>\$ 20,199</u>	<u>\$ 11,500</u>	<u>\$ 165,501</u>	<u>\$ 197,206</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 17

	<u>Beaman Street Fire Station</u>	<u>City Facility Renovations</u>	<u>Bicentennial Clock</u>	<u>Royal Lane Tennis Court</u>	<u>Total Capital Project Funds</u>
REVENUES	\$ -	\$ -	\$ 11,500	\$ -	\$ 11,500
EXPENDITURES					
Capital outlay	-	5,076	-	30,199	35,275
Total expenditures	-	5,076	-	30,199	35,275
Excess (deficiency) of revenues over expenditures	-	(5,076)	11,500	(30,199)	(23,775)
OTHER FINANCING SOURCES (USES)					
Transfers to other funds					
General Fund	-	-	-	195,700	195,700
Net change in fund balance	-	(5,076)	11,500	165,501	171,925
Fund balances, beginning	6	21,525	-	-	21,531
Fund balances, ending	<u>\$ 6</u>	<u>\$ 16,449</u>	<u>\$ 11,500</u>	<u>\$ 165,501</u>	<u>\$ 193,456</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, 2022

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

CITY OF CLINTON, NORTH CAROLINA

Schedule 19

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, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Private contribution	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Expenditures:					
Renovations	75,000	53,475	5,076	58,551	16,449
Revenues over (under) expenditures	<u>(25,000)</u>	<u>(3,475)</u>	<u>(5,076)</u>	<u>(8,551)</u>	<u>16,449</u>
Other Financing Sources (Uses)					
Transfers in (out)					
General Fund	25,000	25,000	-	25,000	-
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 21,525</u>	<u>(5,076)</u>	<u>\$ 16,449</u>	<u>\$ 16,449</u>
Fund balance, beginning			<u>21,525</u>		
Fund balance, ending			<u>\$ 16,449</u>		

Capital Projects Fund - Bicentennial Clock

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

From Inception and For the Year Ended June 30, 2022

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Private contribution	\$ -	\$ -	\$ 11,500	\$ 11,500	\$ 11,500
Revenues over (under) expenditures	-	-	11,500	11,500	11,500
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	11,500	<u>\$ 11,500</u>	<u>\$ 11,500</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 11,500</u>		

Capital Projects Fund - Royal Lane Tennis Court

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

From Inception and For the Year Ended June 30, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Private contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Construction	195,700	-	30,199	30,199	165,501
Revenues over (under) expenditures	(195,700)	-	(30,199)	(30,199)	165,501
Other Financing Sources (Uses)					
Transfers in (out)					
General Fund	195,700	-	195,700	195,700	-
Total other financing sources (uses)	195,700	-	195,700	195,700	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	165,501	<u>\$ 165,501</u>	<u>\$ 165,501</u>
Fund balance, beginning			-		
Fund balance, ending			<u>\$ 165,501</u>		

CITY OF CLINTON, NORTH CAROLINA

Schedule 22

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for services:			
Water and sewer charges	\$ 4,919,700	\$ 4,965,980	\$ 46,280
Sewer surcharge	600,000	649,515	49,515
Water and sewer tap fees	22,500	38,708	16,208
Service fees	40,000	46,770	6,770
Fireline fees	50,000	49,168	(832)
Total charges for services	<u>5,632,200</u>	<u>5,750,141</u>	117,941
FEMA - Federal	-	4,057	4,057
FEMA - State	-	1,352	1,352
Miscellaneous	983,200	1,063,473	80,273
Total operating revenues	<u>6,615,400</u>	<u>6,819,023</u>	203,623
Nonoperating revenues:			
Interest earnings	1,000	890	(110)
Total revenues	<u>6,616,400</u>	<u>6,819,913</u>	203,513
Expenditures:			
Operating expenditures:			
Water department:			
Salaries and employee benefits		1,449,684	
Operating expenditures		736,887	
Repairs and maintenance		419,261	
Total water department	<u>2,726,900</u>	<u>2,605,832</u>	121,068
Waste treatment department:			
Salaries and employee benefits		700,215	
Operating expenditures		1,101,304	
Repairs and maintenance		191,880	
Total waste treatment department	<u>2,137,700</u>	<u>1,993,399</u>	144,301
Total operating expenditures	<u>4,864,600</u>	<u>4,599,231</u>	265,369
Debt service:			
Interest and other charges	162,400	162,382	18
Principal	365,300	365,301	(1)
Total	<u>527,700</u>	<u>527,683</u>	17
Capital outlay:			
Utility lines department		126,211	
Waste treatment department		394,811	
Total	<u>353,400</u>	<u>521,022</u>	(167,622)
Total expenditures	<u>5,745,700</u>	<u>5,647,936</u>	97,764

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, 2022
(Continued)

Schedule 22

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues over (under) expenditures	\$ 870,700	\$ 1,171,977	\$ 301,277
Other financing sources (uses):			
Loss on sale of capital assets	5,000	(8,460)	(13,460)
Transfers from other funds	-	210,300	210,300
Transfers to other funds			
Water & Sewer ARP Fund	(952,400)	(952,332)	68
Water & Sewer Capital Reserve Fund	(1,097,700)	(1,097,771)	(71)
Water & Sewer Capital Projects	(17,300)	-	17,300
Total	(2,062,400)	(1,848,263)	214,137
Fund balance appropriated	1,191,700	-	1,191,700
Revenues and other sources over (under) expenditures and other uses	\$ -	(676,286)	\$ (676,286)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources under expenditures and other uses		\$ (676,286)	
Reconciling items:			
Principal retirement		365,301	
Capital outlay		521,022	
(Increase) decrease in accrued vacation pay		905	
(Increase) decrease in accrued interest		-	
(Increase) decrease in net pension liability		466,447	
Increase (decrease) in deferred outflows		79,319	
(Increase) decrease in deferred inflows		(500,408)	
(Increase) decrease in OPEB liability		149,749	
Depreciation		(1,335,424)	
Transfer to capital project funds		2,050,103	
Transfer from capital project funds		(210,300)	
WWTP Levee Outfall Project Fund			
Grant revenues		41,135	
Water & Sewer Capital Reserve Fund			
Interest income		1,235	
Total reconciling items		1,629,084	
Change in net position		\$ 952,798	

CITY OF CLINTON, NORTH CAROLINA

Schedule 23

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, 2022

	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	5,457,158	-	5,457,158	155,699
Miscellaneous	26,000	124,317	-	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	6,302,336	-	6,302,336	39,164
Revenues over (under) expenditures	(6,141,500)	(6,118,275)	-	(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>\$ 83,225</u>	<u>\$ -</u>	<u>\$ 83,225</u>	<u>\$ 23,225</u>

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

Schedule 24

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2022

	<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	\$ 151,865	\$ 41,135	\$ 193,000	\$ (7,000)
Expenditures:					
Construction	167,300	165,536	-	165,536	1,764
Professional services	26,700	31,500	-	31,500	(4,800)
Contingency	23,300	-	-	-	23,300
Total expenditures	<u>217,300</u>	<u>197,036</u>	<u>-</u>	<u>197,036</u>	<u>20,264</u>
Revenues over (under) expenditures	<u>(17,300)</u>	<u>(45,171)</u>	<u>41,135</u>	<u>(4,036)</u>	<u>13,264</u>
Other Financing Sources (Uses)					
Transfers in (out)					
Water and Sewer Fund	-	-	(210,300)	(210,300)	(210,300)
General Fund	17,300	-	17,300	17,300	-
Total other financing sources (uses)	<u>17,300</u>	<u>-</u>	<u>(193,000)</u>	<u>(193,000)</u>	<u>(210,300)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (45,171)</u>	<u>(151,865)</u>	<u>\$ (197,036)</u>	<u>\$ (197,036)</u>
Fund balance, beginning			<u>(45,171)</u>		
Fund balance, ending			<u>\$ (197,036)</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, 2022

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

CITY OF CLINTON, NORTH CAROLINA

Schedule 26

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, 2022

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Investment earnings	\$ -	\$ 48,407	\$ 1,235	\$ 49,642	\$ 49,642
Other Financing Sources (Uses)					
Transfers in (out)					
Water and Sewer Fund	3,054,200	5,033,954	1,097,771	6,131,725	3,077,525
Utility Lines Maintenance Project	(3,054,200)	(2,058,500)	-	(2,058,500)	995,700
Total other financing sources (uses)	-	2,975,454	1,097,771	4,073,225	4,073,225
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$3,023,861</u>	<u>\$1,099,006</u>	<u>\$4,122,867</u>	<u>\$ 4,122,867</u>

Capital Projects Fund -Water and Sewer ARPA Projects

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

From Inception and For the Year Ended June 30, 2022

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Favorable
		Years	Year	Date	(Unfavorable)
Expenditures:					
Soft start motors	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Sewer line replacements	450,000	-	-	-	450,000
Dogwood sewer reline	350,000	-	-	-	350,000
Infrastructure miscellaneous	71,400	-	-	-	71,400
FY22 employee bonus	30,000	-	30,000	30,000	-
FY23 employee bonus	16,000	-	-	-	16,000
Pay and compensation survey	10,000	-	-	-	10,000
Total expenditures	<u>952,400</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>922,400</u>
Revenues over (under) expenditures	<u>(952,400)</u>	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>922,400</u>
Other Financing Sources (Uses)					
Transfers in (out)					
Water and Sewer Fund	<u>952,400</u>	<u>-</u>	<u>952,332</u>	<u>952,332</u>	<u>(68)</u>
Total other financing sources (uses)	<u>952,400</u>	<u>-</u>	<u>952,332</u>	<u>952,332</u>	<u>(68)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 922,332</u>	<u>\$ 922,332</u>	<u>\$ 922,332</u>

OTHER SCHEDULES

CITY OF CLINTON, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

Schedule 28

Fiscal Year	Uncollected Balance June 30, 2021	Additions	Collections And Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 3,438,453	\$ 3,379,882	\$ 58,571
2020-2021	52,518	-	35,247	17,271
2019-2020	29,685	-	22,174	7,511
2018-2019	7,708	-	-	7,708
2017-2018	17,020	-	543	16,477
2016 & prior	9,782	-	9,782	-
	<u>\$ 116,713</u>	<u>\$ 3,438,453</u>	<u>\$ 3,447,628</u>	107,538
Less: allowance for uncollectible ad valorem taxes receivable				(64,662)
				<u>\$ 42,876</u>
Reconciliation with revenues:				
Ad valorem taxes - General Fund				\$ 3,393,701
Collection fee				82,825
Taxes written off and other adjustments				(9,994)
Subtotal				3,466,532
Less interest and penalties collected				(18,904)
Total collections and credits				<u>\$ 3,447,628</u>

CITY OF CLINTON, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2022

Schedule 29

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current rate	\$ 851,102,000	0.40	\$ 3,404,408	\$ 3,080,612	\$ 323,796
Utilities	19,233,250	0.40	76,933	76,933	-
Penalties			1,720	1,720	-
Abatements and discoveries	<u>(11,152,000)</u>	0.40	<u>(44,608)</u>	<u>(44,608)</u>	<u>-</u>
Total Property Valuation	<u>\$ 859,183,250</u>				
Net levy			3,438,453	3,114,657	323,796
Uncollected taxes at June 30, 2022			<u>(58,571)</u>	<u>(56,814)</u>	<u>(1,757)</u>
Current year's taxes collected			<u>\$ 3,379,882</u>	<u>\$ 3,057,843</u>	<u>\$ 322,039</u>
Current levy collection percentage			<u>98.30%</u>	<u>98.18%</u>	<u>99.46%</u>

COMPLIANCE SECTION



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, 2022, 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 28, 2022.

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 28, 2022

CITY OF CLINTON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

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, 2022

No findings noted in the prior year