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104 Brady Court, Cary, North Carolina 27511  
Phone 919-466-0946 Fax 919-466-0947

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clinton Alcoholic Beverage Control Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Clinton Alcoholic Beverage Control Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Clinton Alcoholic Beverage Control Board was not audited in accordance with *Government Auditing Standards*.

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

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

## **Opinion**

In our opinion, based on our audit, 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, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

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

### **Supplementary and Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Clinton, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, Schedule of Expenditures of Federal and State Awards and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2019 on our consideration of City of Clinton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Clinton's internal control over financial reporting and compliance.

  
JOYCE AND COMPANY, CPA  
Cary, North Carolina

November 18, 2019

## **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, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### **Financial Highlights**

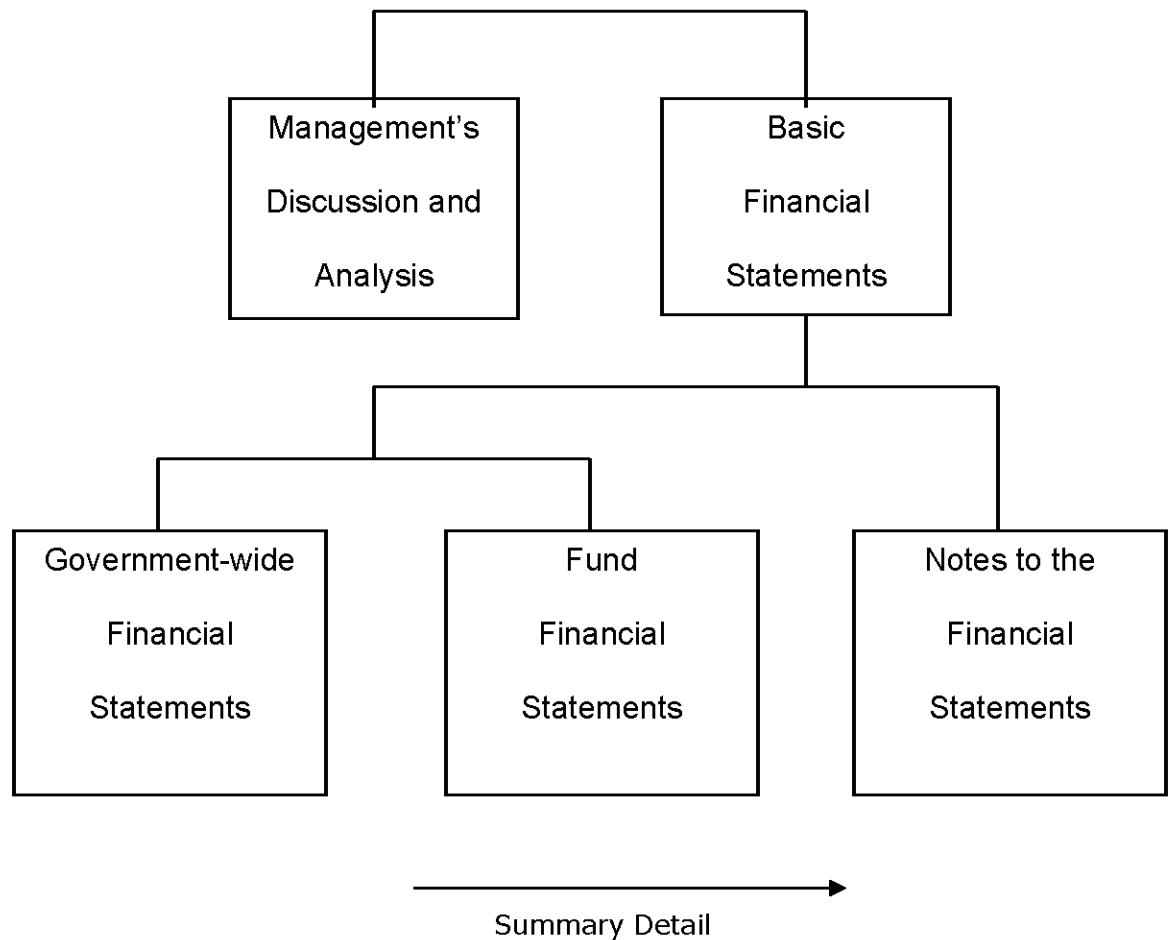
- The assets and deferred outflows of resources of the City of Clinton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,668,504 (*net position*). The assets and deferred outflows of resources of the governmental activities exceeded its liabilities and deferred inflows of resources by \$13,268,404. The assets and deferred inflows of resources of the business-type activities exceeded liabilities and deferred outflows of resources by \$20,400,100.
- The government's total net position increased by \$710,364.
- Business-type net position increased \$594,123, which includes a \$68,030 increase and a prior period adjustment of \$526,093 for the correction of classifying the Beaman St. Bridge utility relocation as a capital asset and net position for governmental activities increased \$116,241.
- As of the close of Fiscal Year 2019, the City of Clinton's governmental funds reported combined ending fund balances of \$6,965,516 with a net change of \$237,545 in fund balance. Approximately 25% of this total amount, or \$1,776,948, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,939,369 or 40% of total general fund expenditures for the fiscal year. Total fund balance for the General Fund was \$6,767,766 (69%).
- The City of Clinton's total debt decreased by \$710,483 (6.4%) 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 61 of this report.

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

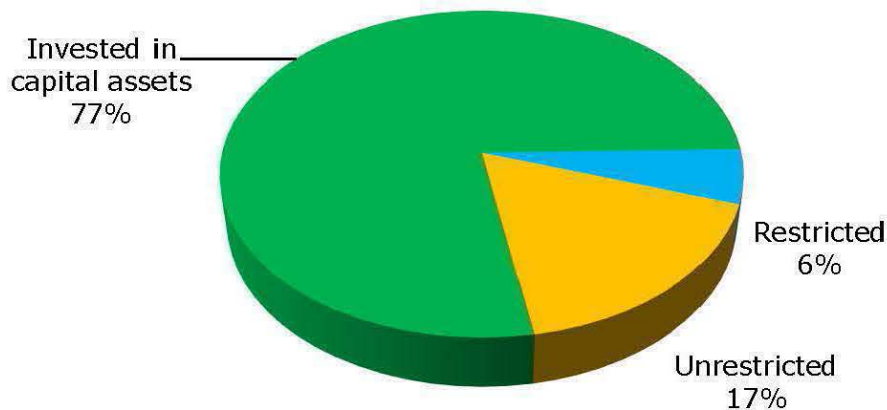
## Government-Wide Financial Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 7,463,240	\$ 7,215,067	\$ 5,919,750	\$ 5,599,461	\$ 13,382,990	\$ 12,814,528
Capital assets	12,114,752	12,494,364	24,326,832	24,478,987	\$ 36,441,584	36,973,351
Deferred outflows of resources	\$ 1,390,655	\$ 885,701	\$ 416,085	\$ 265,359	\$ 1,806,740	1,151,060
Total assets & deferred outflows of resources	20,968,647	20,595,132	30,662,667	30,343,807	51,631,314	50,938,939
Long-term liabilities outstanding	6,424,727	6,274,972	9,090,173	9,380,660	15,514,900	15,655,632
Other liabilities	979,637	929,412	931,783	1,088,573	1,911,420	2,017,985
Deferred inflows of resources	295,879	238,585	240,611	68,597	536,490	307,182
Total liabilities & deferred inflows of resources	7,700,243	7,442,969	10,262,567	10,537,830	17,962,810	17,980,799
Net position:						
Invested in capital assets, net of related debt	10,102,240	10,215,283	15,966,318	15,674,558	26,068,558	25,889,841
Restricted	1,759,439	1,579,588	49,020	24,510	1,808,459	1,604,098
Unrestricted	1,406,725	1,357,292	4,384,762	4,106,909	5,791,487	5,464,201
Net position before restatement						
Total net position after restatement	\$ 13,268,404	\$13,152,163	\$ 20,400,100	\$ 19,805,977	\$ 33,668,504	\$ 32,958,140

**Figure 3**

**City of Clinton FY2019  
Total Net Position by Type**



As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Clinton exceeded liabilities and deferred inflows by \$33,668,504 as of June 30, 2019. The City's net position increased by \$710,364 for the fiscal year ended June 30, 2019. Majority of this increase is due to a prior period adjustment in the business-type activities of \$526,093. The Beaman Street Bridge Utility Relocation project was corrected as a capital asset. The largest portion of net position (77%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Clinton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Clinton's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Clinton's net position, \$1,808,459 (6%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,791,487 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 98.62% (98.56% excluding motor vehicles).
- Other taxes increased 32%.
- Unrestricted intergovernmental revenues increased 4%.
- Unrestricted investment earnings increased 85%.
- Miscellaneous revenues increased 28%.
- Continued low cost of debt due to the City's strong financial position.

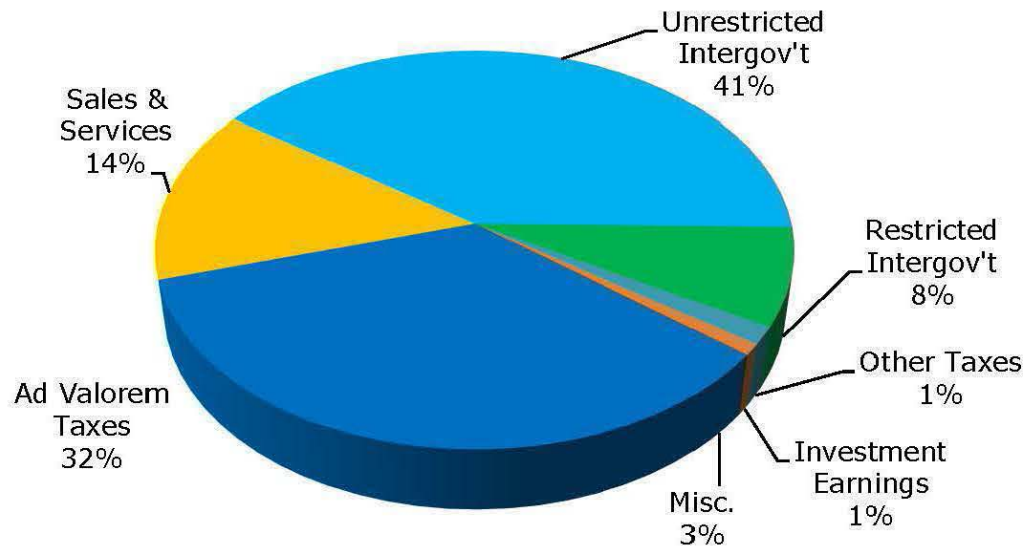
**Figure 4**  
**City of Clinton's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,413,045	\$ 1,486,586	\$ 5,211,729	\$ 4,817,141	\$ 6,624,774	\$ 6,303,727
Operating grants and contributions	795,106	631,802	100,380	627,762	895,486	1,259,564
Capital grants and contributions	-	174,000	132,586	-	132,586	174,000
General revenues:						
Property taxes	3,153,470	3,139,520	-	-	3,153,470	3,139,520
Other taxes	138,371	104,478	-	-	138,371	104,478
Unrestricted intergovernmental revenues	4,036,805	3,886,103	-	-	4,036,805	3,886,103
Unrestricted investment earnings	92,320	49,779	59,204	14,423	151,524	64,202
Miscellaneous	302,706	259,840	47,595	-	350,301	259,840
Sale of surplus assets (loss)	65,888	64,138	-	10,196	65,888	74,334
<b>Total revenues</b>	<b>9,997,711</b>	<b>9,796,246</b>	<b>5,551,494</b>	<b>5,469,522</b>	<b>15,549,205</b>	<b>15,265,768</b>
<b>Expenses:</b>						
General Government	1,997,799	1,840,277	-	-	1,997,799	1,840,277
Public safety	4,310,229	3,918,329	-	-	4,310,229	3,918,329
Transportation	1,258,399	1,147,338	-	-	1,258,399	1,147,338
Economic and physical development	86,170	69,442	-	-	86,170	69,442
Environmental protection	1,187,581	1,010,018	-	-	1,187,581	1,010,018
Cultural and recreation	986,352	949,494	-	-	986,352	949,494
Interest on long-term debt	54,940	62,566	-	-	54,940	62,566
Water and Sewer	-	-	5,483,464	5,463,690	5,483,464	5,463,690
<b>Total expenses</b>	<b>9,881,470</b>	<b>8,997,464</b>	<b>5,483,464</b>	<b>5,463,690</b>	<b>15,364,934</b>	<b>14,461,154</b>
<b>Increase in net position</b>	<b>116,241</b>	<b>798,782</b>	<b>68,030</b>	<b>5,832</b>	<b>184,271</b>	<b>804,614</b>
Net position, July 1 as originally stated	13,152,163	13,879,077	19,805,977	20,031,866	32,958,140	33,910,943
Prior period adjustment	-	-	526,093	-	526,093	-
Net position, beginning restated	-	12,353,381	20,332,070	19,800,145	33,484,233	32,153,526
Net position, June 30	\$ 13,268,404	\$ 13,152,163	\$ 20,400,100	\$ 19,805,977	\$ 33,668,504	\$ 32,958,140

**Governmental Activities.** Governmental activities increased the City's net position by \$116,241. Key elements of this increase are as follows:

- Revenues increased by \$201,465 with the most significant increase in unrestricted investment earnings.

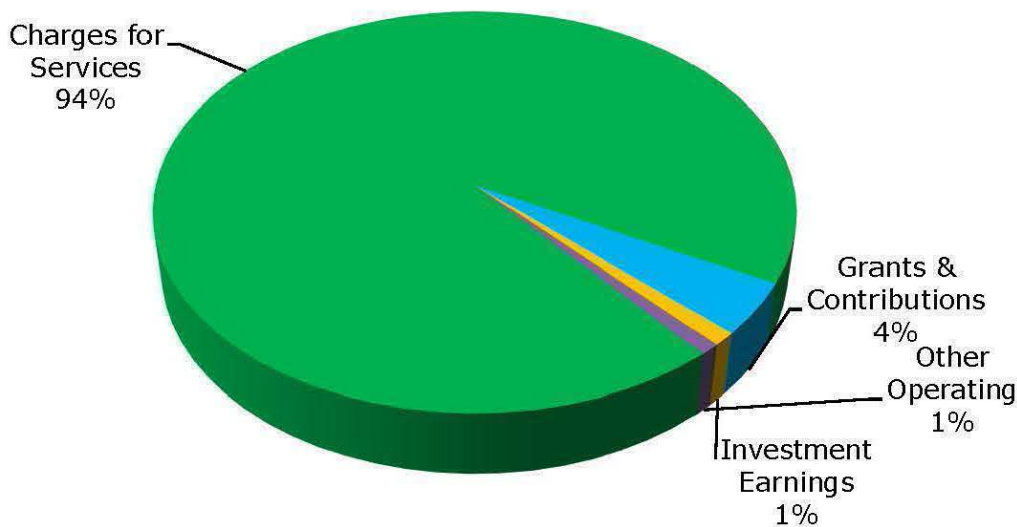
**Figure 5**  
**Revenues by Source: Governmental Activities**



**Business-type Activities.** Business-type activities increased the City of Clinton’s net position by \$594,123. Key elements of this increase are as follows:

- Installation and upgrades of utility lines increased operating revenues
- Prior period adjustment for the correction of capitalizing the Beaman St. bridge utility relocation project resulted in an increase of \$526,093.

**Figure 6**  
**Revenues by Source: Business-type Activities**



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

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

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

The General Fund is the chief operating fund of the City of Clinton. At the end of the current fiscal year, Clinton's fund balance unassigned in the General Fund was \$3,939,369, while total fund balance was \$6,767,766. 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 48% of General Fund expenditures, while total fund balance represents 68% of the same amount. The City considers any available fund balance over 40% assigned for capital expenditures.

At June 30, 2019, the governmental funds of City of Clinton reported a combined fund balance of \$6,965,516 with a net increase in fund balance of \$237,545. Included in this change in fund balance is a \$281,247 increase in fund balance in the General Fund and a \$43,702 decrease in Non-major Funds.

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

Amendments to the FY2018-2019 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 \$54,390 (0.5%) above the amended budget amounts. The General Fund expenditures were \$250,578 or 2% less than the amended budget amount.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$4,384,762. The total change in net position was \$594,123 due to a prior period adjustment. Excluding the prior period adjustment net position increased \$68,030. The change in net position in the Water and Sewer Fund is in large part the result of an increase of charges for services over original projections.

### **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, 2019, totals \$36,441,584 (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 \$206,243
- Various land, infrastructure, and improvements increased governmental capital assets by \$316,266

Management Discussion and Analysis  
City of Clinton

- Completion of the PARTF Phase 1A project increase governmental capital assets by \$748,918
- Purchase of 2 two-ton trucks increased governmental capital assets by \$170,374
- Purchase of an excavator increased business-type capital assets by \$164,700
- Completion of the NC 24 Industrial Park insertion valve and Beaman St. bridge utility relocation projects increase business-type capital assets by \$863,889
- Various asset improvements increased business-type capital assets by \$49,005
- Various equipment, vehicle, and infrastructure additions to business-type activities increased capital assets by \$192,337

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

- Layton/Bunting Street land decreased governmental capital assets by \$17,365

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,493,371	\$ 1,510,736	\$ 261,439	\$ 261,439	\$ 1,754,810	\$ 1,772,175
Buildings and other improvements	\$ 8,612,276	7,561,093	\$ 21,851,716	21,788,910	\$ 30,463,992	29,350,003
Intangible asset-brand	\$ 18,000	18,000	\$ -	-	\$ 18,000	18,000
Construction in progress	\$ 27,300	765,700	\$ 6,425,303	6,595,967	\$ 6,452,603	7,361,667
Equipment	\$ 2,315,171	2,777,549	\$ 2,547,992	2,355,655	\$ 4,863,163	5,133,204
Vehicles and motorized equipment	\$ 5,993,697	6,015,967	\$ 882,683	882,683	\$ 6,876,380	6,898,650
Infrastructure	\$ 8,424,584	8,424,584	\$ 19,620,665	18,756,776	\$ 28,045,249	27,181,360
Subtotal	\$ 26,884,399	27,073,629	\$ 51,589,798	50,641,430	\$ 78,474,197	77,715,059
Less accumulated depreciation and amortization	\$ 14,769,647	14,579,265	\$ 27,262,966	26,162,443	\$ 42,032,613	40,741,708
Total Net Capital Assets	\$ 12,114,752	\$ 12,494,364	\$ 24,326,832	\$ 24,478,987	\$ 36,441,584	\$ 36,973,351

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

**Long-term Debt.** As of June 30, 2019, 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	
	2019	2018	2019	2018	2019	2018
Installment notes	2,012,512	2,279,081	2,539,515	2,894,429	4,552,027	5,173,510
Revenue Bonds			5,821,000	5,910,000	5,821,000	5,910,000
Total	\$ 2,012,512	\$ 2,279,081	\$ 8,360,515	\$ 8,804,429	\$ 10,373,027	\$ 11,083,510

### **City of Clinton's Outstanding Debt**

The City of Clinton's total debt decreased by \$710,483 (6%) during the past fiscal year. Governmental activity debt decreased by \$266,569 (11.7%). Business-type activity debt decreased by \$443,914(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 \$60,868,788. The City has no bonds authorized but unissued as of June 30, 2019.

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

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

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

- The City has continued expansion of its water production facilities with a funding agreement with USDA for approximately \$6 million to double the City's water production capacity to support growth.
- Property revaluation provided an 8% increase in assessed valuation.
- The City is seeing drastic interest rate increases due to the improving economy.
- 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 4.1% as of March 2019.
- The North Carolina Department of Transportation has continued the construction and expansion of NC-24, which will provide uninterrupted, four-lane access between Fayetteville and Clinton, reducing travel time by as much as 30 minutes.
- 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, 2020**

**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 FY2018-2019 and the trend is expected to continue in FY2019-2020 with an increase of 8% represented in the FY19-20 budget. Total General Fund revenues budgeted for the fiscal year ending June 30, 2020 are \$10,119,000.

Budgeted expenditures in the General Fund are equal to budgeted revenues and are approximately 5.8% more than the amended FY18-19 budget. The largest expenditure function is public safety and the largest components are in employee compensation and benefits.

January 2019 prompted a revaluation for Sampson County and all municipalities, including the City of Clinton. The revenue-neutral rate was \$0.38 per \$100 valuation.

Some key FY19-20 governmental budget highlights include:

- No change in the property tax rate of \$.40 per \$100 valuation. The expected revenue is \$3,376,800 on a 97.9 percent collection rate and is an 8% increase.
- The City is increasing the vehicle tag fee by \$5 to reach the statutory limit of \$25.
- Sales Tax revenues account for \$2,362,500.
- The residential garbage collection rate for FY19-20 is \$15.50, which is the same as the previous year's rate. Residential garbage collection accounts for \$585,000 in the FY19-20 budget and commercial collection accounts for \$789,000.
- The commercial collection cubic yard rate increased from \$4.75 to \$5.
- The cost of healthcare continues to be a factor in the cost of personnel management with the City experiencing a 5% increase in FY19-20.
- The City expects to spend approximately \$245,200 on street paving and resurfacing.
- Major capital expenditures planned for FY19-20 include 2 garbage trucks and 1 fire apparatus as part of the City's vehicle rotation program.

**Business-type Activities:** The City estimates revenues of approximately \$5.6 million from water and sewer enterprise operations in FY19-20, a 5.6 percent increase from FY18-19 due to rate increases. The City is adjusting water and sewer rates by 2.5 percent to match the 2018 Consumer Price Index inflation rate.

Some key FY19-20 business-type activity budget highlights include:

- Water and sewer charges, including bulk rate fees, account for \$4,840,500 (86%) in the FY19-20 Water and Sewer Fund budget.
- Sewer surcharges charges based on the pounds of pollutants in excess of the normal amount account for \$630,000. The City is implementing the final phase for a 2017 recommended surcharge rate increase.
- Direct department capital costs for Water & Sewer operations amount to \$186,000; a decrease of 84% due to a decrease in capital improvements.
- Budgeted debt service is at \$625,500, a decrease of 0.60% over FY19.

### 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](mailto:kstafford@cityofclintonnc.com). More information is available on the City of Clinton website [www.cityofclintonnc.com](http://www.cityofclintonnc.com).

**CITY OF CLINTON, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 5,608,064	\$ 4,630,018	\$ 10,238,082	\$ 728,516
Taxes receivables (net)	44,930	-	44,930	-
Accrued interest receivable on taxes	7,129	-	7,129	-
Accounts receivable (net)	218,583	755,441	974,024	-
Due from other governments	1,302,770	291,101	1,593,871	-
Due from component unit	195,200	-	195,200	-
Inventories	17,509	19,223	36,732	208,558
Prepaid items	-	66,458	66,458	3,612
Restricted cash and cash equivalents	69,055	157,509	226,564	-
Total current assets	7,463,240	5,919,750	13,382,990	940,686
Noncurrent assets:				
Capital assets:				
Land, improvements and construction in progress	1,520,671	6,686,742	8,207,413	36,795
Other capital assets, net of depreciation and amortization	10,594,081	17,640,090	28,234,171	57,915
Total capital assets	12,114,752	24,326,832	36,441,584	94,710
Total noncurrent assets	12,114,752	24,326,832	36,441,584	94,710
Total assets	19,577,992	30,246,582	49,824,574	1,035,396
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,390,655	416,085	1,806,740	33,842
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	328,622	302,362	630,984	125,423
Distributions payable	-	-	-	277,673
Accrued interest payable	25,406	17,785	43,191	-
Due to other governments	-	-	-	43,102
Current portion of long-term liabilities	625,609	503,147	1,128,756	-
Liabilities payable from restricted assets:				
Customer deposits	-	108,489	108,489	-
Total current liabilities	979,637	931,783	1,911,420	446,198
Long-term liabilities:				
Due in more than one year	6,424,727	9,090,173	15,514,900	36,771
Total liabilities	7,404,364	10,021,956	17,426,320	482,969
<b>DEFERRED INFLOWS OF RESOURCES</b>	295,879	240,611	536,490	475
<b>NET POSITION</b>				
Net investment in capital assets	10,102,240	15,966,318	26,068,558	94,710
Restricted for:				
Capital projects	-	-	-	3,491
Pursuant to loan requirements	35,185	49,020	84,205	-
Stabilization by State Statute	1,595,008	-	1,595,008	-
Economic development	95,376	-	95,376	-
Public safety	33,870	-	33,870	-
Working capital	-	-	-	70,143
Unrestricted	1,406,725	4,384,762	5,791,487	417,450
Total net position	\$ 13,268,404	\$ 20,400,100	\$ 33,668,504	\$ 585,794

The notes to the financial statements are an integral part of this statement.

CITY OF CLINTON, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total		
					Governmental Activities	Business-type Activities				
Primary government:										
Governmental activities:										
General government	\$ 1,997,799	\$ 59,745	\$ 6,900	\$ -	\$ (1,931,154)	\$ -	\$ (1,931,154)	\$ -		
Public safety	4,310,229	-	320,002	-	(3,990,227)	-	(3,990,227)	-		
Transportation	1,258,399	-	461,910	-	(796,489)	-	(796,489)	-		
Economic and physical development	86,170	-	-	-	(86,170)	-	(86,170)	-		
Environmental protection	1,187,581	1,302,496	6,294	-	121,209	-	121,209	-		
Cultural and recreation	986,352	50,804	-	-	(935,548)	-	(935,548)	-		
Interest on long-term debt	54,940	-	-	-	(54,940)	-	(54,940)	-		
Total governmental activities	9,881,470	1,413,045	795,106	-	(7,673,319)	-	(7,673,319)	-		
Business-type activities:										
Water and sewer	5,483,464	5,211,729	100,380	132,586	-	(38,769)	(38,769)	-		
Total primary government	\$ 15,364,934	\$ 6,624,774	\$ 895,486	\$ 132,586	\$ (7,673,319)	\$ (38,769)	\$ (7,712,088)	\$ -		
Component unit:										
ABC Board	\$ 1,785,726	\$ 1,834,283	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		48,557

General revenues:				
Taxes:				
Property taxes, levied for general purpose	3,153,470	-	3,153,470	-
Other taxes	138,371	-	138,371	-
Unrestricted intergovernmental revenues	4,036,805	-	4,036,805	-
Unrestricted investment earnings	92,320	59,204	151,524	4,892
Gain (loss) on sale of assets	65,888	-	65,888	-
Miscellaneous	302,706	47,595	350,301	-
Total general revenues, special item and transfers	7,789,560	106,799	7,896,359	4,892
Change in net position	116,241	68,030	184,271	53,449
Net position - beginning, as previously stated	13,152,163	19,805,977	32,958,140	532,345
Prior period adjustment	-	526,093	526,093	-
Net position - beginning, as restated	13,152,163	20,332,070	33,484,233	532,345
Net position - ending	\$ 13,268,404	\$ 20,400,100	\$ 33,668,504	\$ 585,794

**Exhibit 3**

**City of Clinton, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	<u>Major Fund</u> General	<u>Total</u> Non-major Funds	<u>Total</u> Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,412,726	195,338	\$ 5,608,064
Receivables, net:			
Taxes	44,699	231	44,930
Accounts	218,583	-	218,583
Due from other governments	1,298,268	4,502	1,302,770
Due from component unit	195,200	-	195,200
Inventory	17,509	-	17,509
Restricted cash and cash equivalents	69,055	-	69,055
Total assets	<u>\$ 7,256,040</u>	<u>\$ 200,071</u>	<u>\$ 7,456,111</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	<u>\$ 326,532</u>	<u>\$ 2,090</u>	<u>\$ 328,622</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Beer and wine revenue receivable	9,150	-	9,150
Property taxes receivable	44,699	231	44,930
Accounts receivable	107,893	-	107,893
Total deferred inflows of resources	<u>161,742</u>	<u>231</u>	<u>161,973</u>
<b>FUND BALANCES</b>			
Non Spendable			
Inventories	17,509	-	17,509
Restricted			
Stabilization by State Statute	1,595,008	-	1,595,008
Economic Development in the Downtown Tax District	-	95,376	95,376
USDA Reserve	35,185	-	35,185
Public Safety	33,870	-	33,870
Committed			
Public Safety	-	4,844	4,844
Cemetery Fund	343,191	-	343,191
Capital projects	-	49,000	49,000
Assigned			
Community Development	-	48,530	48,530
Capital Use Policy	503,634	-	503,634
Subsequent year's expenditures	300,000	-	300,000
Unassigned	3,939,369	-	3,939,369
Total fund balances	<u>6,767,766</u>	<u>197,750</u>	<u>6,965,516</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,256,040</u>	<u>\$ 200,071</u>	<u>\$ 7,456,111</u>

The notes to the financial statements are an integral part of this statement.

**Exhibit 3**

**City of Clinton, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

Total fund balances \$ 6,965,516

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	26,884,399	
Accumulated depreciation and amortization	(14,769,647)	12,114,752

Deferred outflows of resources related to pension are not reported in the funds		1,276,339
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Deferred outflows of resources related to OPEB are not reported in the funds		114,316
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Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		7,129
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Liabilities for earned revenues considered deferred inflows of resources in the fund statements.		161,973
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Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.

Government bonds and notes payable	(2,012,512)	
Compensated absences	(308,367)	
Total OPEB liability	(2,547,134)	
Net pension liability-LEO	(646,796)	
Net pension liability-LGERS	(1,535,527)	(7,050,336)

Deferred inflows of resources related to pensions are not reported in the funds		(161,793)
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Deferred inflows of resources related to OPEB are not reported in the funds		(134,086)
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Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(25,406)
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Net position of governmental activities		<u>\$ 13,268,404</u>
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**City of Clinton, North Carolina**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2019**

	Major Fund General	Total Non-major Funds	Total Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 3,097,153	\$ 55,102	\$ 3,152,255
Other taxes and licenses	138,371	-	138,371
Unrestricted intergovernmental	4,036,922	-	4,036,922
Restricted intergovernmental	795,106	-	795,106
Sales and services	1,416,722	-	1,416,722
Investment earnings	90,594	1,726	92,320
Miscellaneous	311,722	20,340	332,062
Total revenues	<u>9,886,590</u>	<u>77,168</u>	<u>9,963,758</u>
<b>EXPENDITURES:</b>			
Current:			
General government	1,616,876	-	1,616,876
Public safety	4,033,730	-	4,033,730
Transportation	1,062,271	-	1,062,271
Economic and physical development	-	86,170	86,170
Environmental protection	1,078,057	-	1,078,057
Culture and recreation	873,285	-	873,285
Debt service:			
Principal	431,569	-	431,569
Interest	59,351	-	59,351
Capital outlay	693,283	10,518	703,801
Total expenditures	<u>9,848,422</u>	<u>96,688</u>	<u>9,945,110</u>
Excess (deficiency) of revenues over expenditures	<u>38,168</u>	<u>(19,520)</u>	<u>18,648</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of assets	53,897	-	53,897
Debt issuance	165,000	-	165,000
Transfers to other funds	-	(24,182)	(24,182)
Transfers from other funds	24,182	-	24,182
Total other financing sources (uses)	<u>243,079</u>	<u>(24,182)</u>	<u>218,897</u>
Net change in fund balance	<u>281,247</u>	<u>(43,702)</u>	<u>237,545</u>
 Fund balances, beginning	 <u>6,486,519</u>	 <u>241,452</u>	 <u>6,727,971</u>
 Fund balances, ending	 <u><u>\$ 6,767,766</u></u>	 <u><u>\$ 197,750</u></u>	 <u><u>\$ 6,965,516</u></u>

The notes to the financial statements are an integral part of this statement.

City of Clinton, North Carolina  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2019**

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

Net change in fund balances - total governmental funds		\$ 237,545
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 the depreciation in the current period.		
Capital outlay expenditures which were capitalized	703,801	
Depreciation and amortization expenses for governmental assets	<u>(1,066,048)</u>	(362,247)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		354,045
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		43,984
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		107,299
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		
Change in unavailable revenues		(4,065)
Increase in accrued interest receivable		1,486
The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, ect.) is to decrease net position		(17,365)
The issuance of long-term debt provides current financial resources to governmental funds, while the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issuance	(165,000)	
Principal payments on long-term debt	431,569	
Decrease in accrued interest payable	<u>4,411</u>	270,980
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.		
Compensated absences		(21,317)
Pension expense (LGERS)		(386,004)
Pension expense (LEO)		(7,169)
OPEB expense		<u>(100,931)</u>
Total changes in net position of governmental activities		<u><u>\$ 116,241</u></u>

**City of Clinton, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the year ended June 30, 2019**

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 3,053,000	\$ 3,073,800	\$ 3,097,153	\$ 23,353
Other taxes and licenses	130,000	130,000	138,371	8,371
Unrestricted intergovernmental	3,965,300	3,984,700	4,036,922	52,222
Restricted intergovernmental	421,900	819,900	795,106	(24,794)
Sales and services	1,471,000	1,484,000	1,416,722	(67,278)
Investment earnings	25,000	61,500	90,594	29,094
Miscellaneous	213,800	278,300	311,722	33,422
Total revenues	9,280,000	9,832,200	9,886,590	54,390
Expenditures:				
Current:				
General government	1,505,000	1,612,900	1,616,876	(3,976)
Public safety	3,891,000	4,143,900	4,033,730	110,170
Transportation	1,349,100	1,073,400	1,062,271	11,129
Environmental protection	910,600	1,098,600	1,078,057	20,543
Cultural and recreation	965,000	919,500	873,285	46,215
Debt service				
Principal retirement	430,000	431,500	431,569	(69)
Interest expense	60,300	59,200	59,351	(151)
Capital outlay	224,000	760,000	693,283	66,717
Total expenditures	9,335,000	10,099,000	9,848,422	250,578
Revenues over (under) expenditures	(55,000)	(266,800)	38,168	304,968
Other financing sources (uses):				
Sale of assets	15,000	37,600	53,897	16,297
Debt issuance	-	165,000	165,000	-
Net transfers from other funds	-	24,200	24,182	(18)
Fund balance appropriated	40,000	40,000	-	(40,000)
Total other financing sources (uses)	55,000	266,800	243,079	(23,721)
Net change in fund balance	\$ -	\$ -	281,247	\$ 281,247
Fund balances, beginning			6,486,519	
Fund balances, ending			\$ 6,767,766	

The notes to the financial statements are an integral part of this statement.

**City of Clinton, North Carolina**  
**Statement of Net Position**  
**Water & Sewer Fund**  
**June 30, 2019**

	Water and Sewer Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 4,630,018
Accounts receivable (net) - billed	452,085
Accounts receivable (net) - unbilled	303,356
Due from other governments	291,101
Inventories	19,223
Prepays	66,458
Restricted cash and cash equivalents	157,509
Total current assets	<u>5,919,750</u>
Noncurrent assets:	
Capital assets:	
Land	261,439
Construction in progress	6,425,303
Other capital assets, net of depreciation	17,640,090
Capital assets (net)	<u>24,326,832</u>
Total noncurrent assets	<u>24,326,832</u>
Total assets	<u>\$ 30,246,582</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 416,085</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 302,362
Compensated absences	55,773
Accrued interest payable	17,785
Bonds and notes payable	447,374
Liabilities payable from restricted assets:	
Customer deposits	108,489
Total current liabilities	<u>931,783</u>
Noncurrent liabilities:	
Compensated absences	38,153
Total OPEB liability	646,765
Net pension liability	492,115
Bonds and notes payable	7,913,140
Total noncurrent liabilities	<u>9,090,173</u>
Total liabilities	<u>10,021,956</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 240,611</u>
<b>NET POSITION</b>	
Net investment in capital assets	15,966,318
Restricted pursuant to loan requirements	49,020
Unrestricted	4,384,762
Total net position	<u>\$ 20,400,100</u>

The notes to the financial statements are an integral part of this statement.

**City of Clinton, North Carolina**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Water & Sewer Fund**  
**June 30, 2019**

	<u>Water and Sewer Fund</u>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 5,211,729
Contribution from other agencies	100,380
Other operating revenues	47,595
Total operating revenues	<u>5,359,704</u>
<b>OPERATING EXPENSES:</b>	
Water department	2,357,325
Waste treatment	1,841,768
Depreciation	1,100,523
Total operating expenses	<u>5,299,616</u>
Operating income	<u>60,088</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Investment earnings	59,204
Interest and other charges	(183,848)
Total nonoperating revenues (expenses)	<u>(124,644)</u>
Change in net position before capital contributions	(64,556)
Capital contributions	<u>132,586</u>
Change in net position	<u>68,030</u>
Total net position - as previously reported	19,805,977
Prior period adjustment	526,093
Total net position - as restated	<u>20,332,070</u>
Total net position - ending	<u>\$ 20,400,100</u>

The notes to the financial statements are an integral part of this statement.

**City of Clinton, North Carolina**  
**Statement of Cash Flows**  
**Water & Sewer Fund**  
**June 30, 2019**

	<u>Water and Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 5,639,703
Contributions from other agencies	100,380
Cash paid for goods and services	(2,551,782)
Cash paid to or on behalf of employees for services	(1,851,751)
Decrease in customer deposits	(10,236)
Net cash provided by operating activities	<u>1,326,314</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(422,276)
Contributions from other agencies	307,676
Principal retirement on long-term debt	(443,913)
Interest paid on long-term debt	(185,416)
Net cash provided by capital and related financing activities	<u>(743,929)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>59,204</u>
Net increase in cash and cash equivalents	641,589
Cash and cash equivalents at beginning of year	4,145,938
Cash and cash equivalents at end of year	<u>\$ 4,787,527</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 60,088</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,100,523
Changes in assets and liabilities:	
Decrease in accounts receivable	380,379
Increase in prepaids	(59,079)
Increase in deferred outflows of resources for pensions/OPEB	(150,726)
Increase in net pension liability	164,984
Decrease in deferred inflows of resources - pensions	(3,076)
Decrease in accounts payable and accrued liabilities	(155,812)
Decrease in customer deposits	(10,236)
Increase in accrued vacation pay	5,651
Decrease in total OPEB liability	(6,382)
Total adjustments	<u>1,266,226</u>
Net cash provided by operating activities	<u>\$ 1,326,314</u>

The notes to the financial statements are an integral part of this statement.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

**I. Summary of Significant Accounting Policies**

The accounting policies of the City of Clinton and its discretely presented component unit 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 a portion of its surpluses 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 store's office at City of Clinton ABC Board, 414 Southeast Boulevard, Clinton, NC 28328.

**B. Basis of Presentation**

*Government-wide 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 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 fiscal year ended June 30, 2019**

**B. Basis of Presentation (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 emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental fund:

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

The City reports the following non-major governmental funds:

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

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

The City reports the following major enterprise fund:

**Water and Sewer Fund** – This fund is used to account for the City's water and sewer operations.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

**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 enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are 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.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

C. Measurement Focus and Basis of Accounting (continued):

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 change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as 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 shared revenue for the City of Clinton because the tax is levied by Sampson County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. 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 by general revenues.

D. Budgetary Data

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

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

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 the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT- Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2019, the term portfolio has a duration of .11 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 cash equivalents are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers 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 in the 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 it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. The City had expended all Powell Bill funds as of June 30, 2019.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

3. Restricted Assets (continued):

City of Clinton Restricted Cash

Governmental Activities

USDA Reserve	\$ 35,185
Police Grants	24,016
Fire Department Grant Fund	9,854
Total Governmental activities	<u>69,055</u>

Business-type activities

Water & Sewer Fund

Customer deposits	108,489
USDA Reserve	49,020
Total Business-type activities	<u>157,509</u>

Total Restricted Cash	\$ <u>226,564</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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the City has established a discount that applies 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 Account

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

6. Inventory and Prepaid Items

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

The inventories of the City's enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use or sale. The cost of these inventories is expensed when consumed or sold rather than when the inventory is purchased.

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

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

6. Inventory and Prepaid Items (continued):

as the items are used. The only item that meets this classification for the current year is a payment of \$66,458 in the Water Production Expansion Capital Project Fund for materials paid for at June 30, 2019 but not yet received.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of a year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed 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
Infrastructure	20-40
Buildings	15-40
Improvements	20-25
Vehicles	5
Furniture and equipment	10-15
Computer equipment	5

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
Buildings	25
Office equipment	10
Store equipment	10

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*

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

8. Deferred outflows/inflows of resources (continued):

*of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this 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 meet the criterion for this category -prepaid taxes, miscellaneous items, pension deferrals, other post-employment benefits deferrals and prepaid grants.

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 activity, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized 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 (based on length of service) with such leave being fully vested when earned. For both 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 fiscal year ended June 30, 2019**

10. Compensated Absences (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 ending 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

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

Fund Balances (continued):

Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

Restricted for streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds. As of June 30, 2019, the City had expended Powell Bill funds in their entirety.

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 expenditures.

Restricted for USDA Reserve – portion of fund balance that is 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 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 City of Clinton intends to use for specific purposes.

Assigned for Community Development – portion of fund balance that has been budgeted 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.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

Fund Balances (continued):

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

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

The City of Clinton has an informal revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

The City of Clinton has also adopted a minimum fund balance policy for the General Fund which instructs management to credit all revenue in excess of expenditures realized at the end of any given fiscal year to unassigned available fund balance until a minimum goal of thirty-five to forty percent (35-40%) is realized. The City will adjust this minimum as appropriate based upon recommendation from the Local Government Commission and the current financial outlook.

Once the forty (40%) percent 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 (LERS) and additions to/deductions from LERS' fiduciary net position have been determined on the same basis as they are reported by LERS. 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 LERS. Investments are reported at fair value.

**II. Stewardship, Compliance, and Accountability**

**A. Significant Violations of Finance-Related Legal and Contractual Provisions**

None.

**B. Deficit in Fund Balance or Net Position of Individual Funds**

None.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

C. Excess of Expenditures over Appropriations

None.

**III. 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 capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the pooling method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the pooling method.

The City and the 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, 2019, the City's deposits had a carrying amount of \$5,352,711 and a bank balance of \$5,529,991. Of the bank balance, \$250,050 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the City's petty cash fund totaled \$350.

The carrying amount of deposits for the ABC Board was \$537,509 and the bank balance was \$697,270. The bank balances were covered by federal depository insurance in their entirety. At June 30, 2019 the ABC Board's cash on hand totaled \$2,900.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

**2. Investments**

At June 30, 2019, the City of Clinton investment balances were as follows:

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/19</b>	<b>Maturity</b>	<b>Rating</b>
NC Capital Management Trust Government Portfolio	Fair Value Level 1	\$4,554,747	N/A	AAAm
NC Capital Management Trust Term Portfolio	Fair Value Level 1	<u>556,838</u>	.11years	Unrated
<b>TOTAL</b>		<b>\$5,111,585</b>		

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, 2019, The ABC Board had \$188,107 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 (Exhibit 1) are presented net of the following allowances for doubtful accounts:

<b>Fund</b>	<b>June 30, 2019</b>
General Fund:	
Taxes receivable	\$ 72,014
Accounts receivable	<u>71,210</u>
Total general fund	143,224
Enterprise Fund:	
Total Allowances for bad debts	<u>\$ 147,358</u>

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

4. Capital Assets

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,510,736	\$ -	\$ 17,365	\$ 1,493,371
Construction in progress	765,700	10,518	748,918	27,300
Total capital assets being depreciated	2,276,436	10,518	766,283	1,520,671
<b>Capital assets being depreciated:</b>				
Buildings and other improvements	7,561,093	1,051,183	-	8,612,276
Intangible asset-brand	18,000	-	-	18,000
Equipment	2,777,549	82,290	544,668	2,315,171
Vehicles and motorized equipment	6,015,967	308,728	330,998	5,993,697
Infrastructure	8,424,584	-	-	8,424,584
Total capital assets being depreciated	24,797,193	1,442,201	875,666	25,363,728
<b>Less accumulated depreciation and amortization for:</b>				
Buildings and other improvements	2,642,796	245,450	-	2,888,246
Intangible asset-brand	2,150	600	-	2,750
Equipment	2,093,726	150,888	544,668	1,699,946
Vehicles and motorized equipment	4,273,299	399,169	330,998	4,341,470
Infrastructure	5,567,294	269,941	-	5,837,235
Total accumulated depreciation	14,579,265	\$ 1,066,048	\$ 875,666	14,769,647
Total capital assets being depreciated, net	10,217,928			10,594,081
<b>Governmental activity capital assets, net</b>	<b>\$ 12,494,364</b>			<b>\$ 12,114,752</b>

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

General government	\$ 373,821
Public safety	286,734
Transportation	190,995
Environmental protection	105,695
Cultural and recreation	108,803
Total depreciation expense	<u>\$ 1,066,048</u>

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

**4. Capital Assets (continued):**

Capital asset activity for the Enterprise Fund for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Water and Sewer Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 261,439	\$ -	\$ -	\$ 261,439
Construction in progress	7,122,059	167,133	863,889	6,425,303
Total capital assets not being depreciated	7,383,498	167,133	863,889	6,686,742
<b>Capital assets being depreciated:</b>				
Land Improvements	14,374,315	49,006	-	14,423,321
Equipment	2,355,655	192,337	-	2,547,992
Vehicles	882,683	-	-	882,683
Buildings	7,414,595	13,800	-	7,428,395
Infrastructure	18,756,776	863,889	-	19,620,665
Total capital assets being depreciated	43,784,024	1,119,032	-	44,903,056
<b>Less accumulated depreciation for:</b>				
Land Improvements	7,949,719	407,689	-	8,357,408
Equipment	1,693,062	110,753	-	1,803,815
Vehicles	424,053	59,111	-	483,164
Buildings	7,337,761	8,495	-	7,346,256
Infrastructure	8,757,848	514,475	-	9,272,323
Total accumulated depreciation	26,162,443	\$ 1,100,523	\$ -	27,262,966
Total capital assets being depreciated, net	17,921,581			17,640,090
<b>Water and Sewer fund capital assets, net</b>	<b>\$ 24,478,987</b>			<b>\$ 24,326,832</b>

The above amount for construction in progress includes an increase to the beginning balance of \$526,093 related to a prior period adjustment as described in Note XIV.

**Construction commitments and construction in progress**

The government has active construction projects as of June 30, 2019. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
WWTP Expansion Project	\$ 61,750	\$ -
Water Production Expansion Project	6,144,652	66,458
AIA Water & Wastewater Project	125,069	173,431
Highway 24 Infrastructure Relocation	168,289	-

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

4. Capital Assets (continued):

**Discretely presented component unit**

Capital assets and capital asset activity for the ABC Board for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 36,795	\$ -	\$ -	\$ 36,795
<b>Capital assets being depreciated:</b>				
Paving	6,788	-	-	6,788
Buildings	194,519	3,900	-	198,419
Equipment	67,421	-	-	67,421
Total capital assets being depreciated	268,728	3,900	-	272,628
<b>Less accumulated depreciation for:</b>				
Paving	6,788	-	-	6,788
Buildings	150,639	2,902	-	153,541
Equipment	51,128	3,256	-	54,384
Total accumulated depreciation	208,555	\$ 6,158	\$ -	214,713
<b>ABC capital assets being depreciated, net</b>	60,172			57,915
<b>ABC capital assets, net</b>	<u>\$ 96,968</u>			<u>\$ 94,710</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

*Plan Description.* The City of Clinton 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 of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

a. Local Governmental Employees' Retirement System (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 credible 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 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, 2019 was 8.50% for law enforcement officers and 7.75% 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 \$462,562 for the year ended June 30, 2019.

*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 fiscal year ended June 30, 2019**

a. Local Governmental Employees' Retirement System (continued):

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

At June 30 2019, the City reported a liability of \$2,027,641 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018 (measurement date), the City's proportion was 0.08547% which was a decrease of 0.00122492% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$506,744. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actual and expected experience	\$ 312,816	\$ 10,495
Changes of assumptions	538,058	-
Net difference between projected and actual earnings on pension plan investments	278,335	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	112,320
City contributions subsequent to the measurement date	462,562	-
Total	\$ <u>1,591,771</u>	\$ <u>122,815</u>

\$462,562 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 491,315
2021	316,771
2022	43,098
2023	155,210
2024	-
Thereafter	-
Total	\$ <u>1,006,394</u>

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

a. Local Governmental Employees' Retirement System (continued):

*Actuarial Assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing 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, 2018 are summarized in the following table:

*Actuarial Assumptions.(continued):*

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

**a. Local Governmental Employees' Retirement System (continued):**

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
City's proportionate share of the net pension liability (asset)	\$ 4,870,569	\$ 2,027,641	\$ (347,954)

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

**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.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

**b. Law Enforcement Officers Special Separation Allowance (continued):**

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2017 the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>26</u>
Total plan members	<u>32</u>

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

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

*3. Actuarial Assumptions*

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the Bond Buyer General Obligation 20 Municipal Bond Index as of December 31, 2017.

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

*4. Contributions.*

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$87,968 as benefits came due for the reporting period.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

**b. Law Enforcement Officers Special Separation Allowance (continued):**

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

At June 30, 2019, the City reported a total pension liability of \$646,796. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$46,499.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ -	\$ 45,169
Changes of assumptions	21,356	25,283
City benefit payments and plan administrative expense made subsequent to the measurement date	43,984	-
Total	\$ <u>65,340</u>	\$ <u>70,452</u>

\$43,984 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ (9,412)
2021	(9,412)
2022	(8,615)
2023	(13,208)
2024	(8,449)
Thereafter	-

*Sensitivity of the City's total pension liability to changes in the discount rate.* The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 695,394	\$ 646,796	\$ 602,613

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

b. Law Enforcement Officers Special Separation Allowance (continued):

Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance		2019
Beginning balance	\$	753,342
Service Cost		33,495
Interest on the total pension liability		22,416
Changes of benefit terms		-
Differences between expected and actual experience in the measurement of the total pension liability		(51,734)
Changes of assumptions or other inputs		(22,755)
Benefit payments		(87,968)
Other changes		-
Ending balance of the total pension liability	\$	646,796

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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

**b. Law Enforcement Officers Special Separation Allowance (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	\$ 506,744	\$ 46,499	\$ 553,243
Pension Liability	2,027,641	646,796	2,674,437
Proportionate share of the net pension liability	0.08547%	n/a	

**Deferred of Outflows of Resources**

Differences between expected and actual experience	312,816	-	312,816
Changes of assumptions	538,058	21,356	559,414
Net difference between projected and actual earnings on plan investments	278,335	-	278,335
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	462,562	43,984	506,546

**Deferred of Inflows of Resources**

Differences between expected and actual experience	10,495	45,169	55,664
Changes of assumptions	-	25,283	25,283
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	112,320	-	112,320

**c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees**

*Plan Description.* The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing 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 fiscal year ended June 30, 2019**

c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees (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, 2019 were \$61,639, which consisted of \$59,819 from the City and \$1,820 made by the law enforcement officers. No amounts were forfeited.

Effective July 1, 2010, the City discontinued the voluntary contribution of 2.25% 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, 2019 totaled \$32,183 made exclusively by City employees.

d. Other Postemployment Benefit

Healthcare Benefits

*Plan Description.* According to 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.

Retired Employees' Years of Creditable Service	Date Hired	
	Pre-July 1, 2010	On or after July 1, 2010
0 – 20 years	Not eligible for coverage	Not eligible for coverage
20+ years	Full coverage paid by the City	Not eligible for coverage

Membership of the plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	10	9
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	52	8
Total	<u>62</u>	<u>17</u>

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

d. Other Postemployment Benefit (continued):

**Total OPEB Liability**

The City's total OPEB liability of \$3,193,899 was measured as of June 30, 2018 and was determined by an actuarial valuation at June 30, 2017. The total liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 – 7.75 percent, average, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	7.50 percent decreasing to ultimate rate of 5.0 percent by 2023

The discount rate is based on the yield of the Bond Buyers General Obligation 20 Year Municipal Bond Index as of the measurement date.

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at 07/01/18</b>	\$ 3,225,417
<b>Changes for the year</b>	
Service cost	85,590
Interest	112,095
Changes of benefit terms	-
Differences between expected and actual experience	9,909
Changes in assumptions or other inputs	(84,401)
Benefit payments	(154,711)
<b>Net changes</b>	<u>(31,518)</u>
<b>Balance at 6/30/2019</b>	<u><u>\$ 3,193,899</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

d. Other Postemployment Benefit (continued):

	<u>1% Decrease</u>	<u>Discount Rate (3.89%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 3,457,800	\$ 3,193,899	\$ 2,953,639

*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:

	<u>1% Decrease (6.50 percent decreasing to 4.00 percent)</u>	<u>Healthcare cost tren rate (7.50 percent)</u>	<u>1% Increase (8.50 percent decreasing to 6.00 percent)</u>
Total OPEB liability	\$ 2,883,035	\$ 3,193,899	\$ 3,552,525

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$159,606. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,799	\$ -
Changes of assumptions	-	168,133
Benefit payments and administrative costs made subsequent to the measurement date	140,830	
Total	<u>\$ 149,629</u>	<u>\$ 168,133</u>

\$140,830 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

d. Other Postemployment Benefit (continued):

**Year ended June 30:**

2020	\$ (38,079)
2021	(38,079)
2022	(38,079)
2023	(34,275)
2024	(10,822)
Thereafter	-

2. Other Employment Benefit

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

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

**LGERS Pension**

Contributions to pension plan in the current fiscal year	\$ 462,562
Differences between expected and actual experience	312,816
Changes of assumptions	538,058
Net difference between projected and actual earnings	278,335

**LEO Pension**

Changes in assumptions	21,356
Benefit payments made and administrative expenses	43,984

**OPEB**

Differences between expected and actual experience	8,799
Contributions after measurement date	140,830
Total Deferred Outflows of Resources	\$ <u>1,806,740</u>

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

**3. Deferred Outflows and Inflows of Resources (continued):**

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

	Statement of Net Position	General Fund Balances
Taxes receivable	\$ -	\$ 44,699
Other accounts receivable	-	117,043
Deferred grant revenue-Water & Sewer Fund	175,090	-
<b>LGERS Pension</b>		
Differences between expected and actual experience	10,495	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	112,320	-
<b>LEO Pension</b>		
Differences between expected and actual experience	45,169	-
Changes of assumptions	25,283	-
<b>OPEB</b>		
Changes of assumptions	168,133	-
	<u>\$ 536,490</u>	<u>\$ 161,742</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; injuries to others; and natural disasters. The City participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability of one million and two million, 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 one million, property in excess of \$500,000 and one million 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 coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City of Clinton 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 fiscal year ended June 30, 2019**

5. Long-Term Obligations

a. Installment Purchase

**Serviced by the General Fund:**

\$425,000 installment note issued August 2004 plus additional \$750,000 note issued February 2008 used to finance downtown revitalization projects. These notes were refinanced with BB&T in August 2012 to a remaining term of twelve years. Due in annual installments of \$83,997 including interest at 2.19%, through August 1, 2024. \$ 467,502

\$500,000 installment note issued June 1, 2010 to BB&T, due in annual payments of \$50,000 plus interest at 3.39%, for the renovation of City Hall 100,000

\$635,000 installment note issued August 27, 2012 to BB&T, due in annual payments of \$71,695 including interest at 2.27%, secured by equipment 271,215

\$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. 770,178

\$482,000 installment note issued September 2, 2015 with Southern Bank and Trust, due in annual installments of \$120,705 plus interest at 1.55%, secured by equipment. 120,705

\$155,700 installment note issued October 15, 2017 with BB&T, due in annual payments of \$40,871 including interest at 1.98%, secured by equipment. 117,912

\$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. 165,000

Total General Fund 2,012,512

**Serviced by the Water and Sewer Funds:**

\$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% 841,673

\$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% 126,574

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

a. Installment Purchase (continued):

\$142,850 unsecured installment note issued July 27, 2010 with NCDEQ for utility improvements, due in annual installments of \$7,143 with no interest. \$ 78,568

\$345,400 installment note issued December 28, 2016 with First Citizens Bank, due in installments of \$90,095 including interest at 1.72%, secured by equipment 175,633

\$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. 1,317,067  
Total Water and Sewer Funds 2,539,515

Total installment notes \$ 4,552,027

Annual debt service payments of the installment purchase as of June 30, 2019, including interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 432,893	\$ 56,354
2021	317,643	46,069
2022	273,240	37,491
2023	238,115	30,472
2024	130,257	24,108
2025-2029	360,240	75,611
2030-2034	260,124	19,825
Total	<u>\$ 2,012,512</u>	<u>\$ 289,930</u>

Year Ending June 30	Water and Sewer Funds	
	Principal	Interest
2020	\$ 356,374	\$ 23,354
2021	357,860	18,080
2022	269,300	12,780
2023	269,301	9,003
2024	269,300	5,226
2025-2029	504,830	4833
2030-2034	430,233	242
2035	82,317	-
Total	<u>\$ 2,539,515</u>	<u>\$ 73,518</u>

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

**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%. \$ 4,700,000

\$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%. 1,121,000

Total revenue bonds \$ 5,821,000

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 the 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, 2019 is as follows:

Current revenues	\$ 5,359,704
Current expenses	<u>4,199,093</u>
Subtotal	<u>1,160,611</u>
Debt service, principal and interest	
Paid (Revenue Bond only)	<u>\$ 245,825</u>
Debt Service Coverage Ratio	<u>472 %</u>

Per rate covenants, net revenues include revenues of the water and sewer fund less operating expenses. Operating expenses do not include depreciation, amortization, interest and similar charges totaling \$1,284,371 in the current year.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$5,994,000 in water and sewer system revenue bonds issued in December 2017. Proceeds from the bonds provided financing for water and sewer system improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2056. The total principal and interest remaining to be paid on the bonds is \$9,312,538. Principal and interest paid for the current year and the income available for debt service was \$245,825 and \$1,160,611 respectively.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

b. Revenue Bond (continued):

Annual debt service requirements to maturity for the revenue bond at June 30, 2019 are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 91,000	\$ 154,473
2021	93,000	152,065
2022	96,000	149,602
2023	98,000	147,113
2024	101,000	144,468
2025-2029	544,000	680,910
2030-2034	621,000	604,890
2035-2039	709,000	517,995
2040-2044	806,000	418,968
2045-2049	918,000	306,197
2050-2054	1,048,000	177,517
2055-2056	696,000	37,340
Total	<u>\$ 5,821,000</u>	<u>\$ 3,491,538</u>

c. Changes in Long-Term Liabilities

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
<b><u>Governmental activities:</u></b>					
Installment notes	\$ 2,279,081	\$ 165,000	\$ 431,569	\$ 2,012,512	\$ 432,893
Compensated absences	287,050	200,712	179,394	308,368	192,716
Total OPEB liability	2,572,270	82,163	107,299	2,547,134	-
Net pension liability (LEO)	723,498	9,266	85,968	646,796	-
Net pension liability (LGERS)	997,253	893,422	355,149	1,535,526	-
Governmental activity long-term liabilities	<u>\$ 6,859,152</u>	<u>\$ 1,350,563</u>	<u>\$ 1,159,379</u>	<u>\$ 7,050,336</u>	<u>\$ 625,609</u>
	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
<b><u>Business-type activities:</u></b>					
Installment notes	\$ 2,894,429	-	\$ 354,914	\$ 2,539,515	\$ 356,374
Revenue bonds	5,910,000	-	89,000	5,821,000	91,000
Compensated absences	88,275	58,067	52,417	93,925	55,773
Total OPEB liability	653,147	27,149	33,531	646,765	-
Net pension liability (LGERS)	327,131	272,398	107,414	492,115	-
Business-type activity long-term liabilities	<u>\$ 9,872,982</u>	<u>\$ 357,614</u>	<u>\$ 637,276</u>	<u>\$ 9,593,320</u>	<u>\$ 503,147</u>

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

c. Changes in Long-Term Liabilities (continued):

At June 30, 2019 the City of Clinton had a legal debt margin of \$60,868,788.

6. Net Investment in Capital Assets

	Governmental	Business Type
Capital Assets	\$ 12,114,752	\$ 24,326,832
Less: Long Term Debt	2,012,512	8,360,514
Net investment in capital assets	<u>\$ 10,102,240</u>	<u>\$ 15,966,318</u>

**IV. Stewardship, Compliance, and Accountability**

Transfers to/from other funds at June 30, 2019, consist of the following:

Description	Amount	Purpose
From Governmental Capital Project Fund (Phase 1A PARTF Project) to General Fund	\$ 24,182	Close Capital Project
Transfer from the Water & Sewer Fund to Water & Sewer Capital Reserve Fund	778,261	Allocate for future spending
Transfer from the Water & Sewer Fund to Water & Sewer Capital Project Fund (Hwy 24 Infrastructure Relocation)	<u>133,977</u>	Fund Improvements
Total	<u>\$ 936,420</u>	

**V. Fund Balance**

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

Total fund balance – General Fund	\$ 6,767,766
Less:	
Inventories	17,509
Stabilization by State Statute	1,595,008
USDA Reserve	35,185
Public Safety	33,870
Cemetery Fund	343,191
Capital Use Policy	503,634
Subsequent Year's Expenditures	<u>300,000</u>
Remaining fund balance	<u>\$ 3,939,369</u>

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

**V. Fund Balance (continued):**

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

**VI. 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 at June 30, 2019. The Firemen's Relief Fund does not issue separate audited 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.

**VII. 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, 2019.

**VIII. 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, 2019. The City of Clinton pays one half of the operating costs and one half of any required match for grants. The City of Clinton is not under any contractual obligation to continue support of the airport.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2019**

**IX. 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, 2019 was approximately \$315,198.

The City entered into an agreement with Sampson County on July 1, 2005 to provide planning services for the county using the City's planning department personnel. The agreement was for a period of one year and automatically renews each year. In the event one of the parties decides they want to withdraw from the agreement they may do so by furnishing the other party a minimum of six months written notice of their intention to withdraw from the agreement. Under the terms of the agreement the County will pay 50% of the cost of the budget for the City of Clinton's planning department. In exchange the City of Clinton agrees to provide the County comprehensive planning services including zoning administration and enforcement, subdivision administration, long-range planning, and transportation planning. For the year ended June 30, 2019 the City of Clinton received from Sampson County \$6,900 under the terms of this agreement. This contract was terminated July 31, 2018.

**X. 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.

**XI. Significant Effects of Subsequent Events**

City's management has evaluated subsequent events through November 18, 2019, the date on which the financial statements were available to be issued.

**XII. Other Agreements**

The City owns property that it leases other businesses. The total amount received by the City in lease payments during the year was \$84,254.

**XIII. Prior Period Adjustment**

In prior years the City has expensed amounts totaling \$526,093 in the Beaman Street Bridge Capital Project as they noted that there would be no additional capital assets resulting from this project for which the City would retain ownership. After completing this project at the end of the fiscal year ending June 30, 2018 it was determined that these expenditures did result in additional infrastructure improvements to the City. Therefore, we have restated net position in the Water and Sewer Fund to increase beginning net position and capital assets by \$526,093 in the accompanying financial statements.

**CITY OF CLINTON, NORTH CAROLINA**  
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

EXHIBIT A-1

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

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	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Beginning balance	\$ 753,342	\$ 754,632	\$ 799,935
Service cost	33,495	27,533	27,533
Interest on total pension liability	22,416	29,129	27,034
Changes of assumptions or other inputs	(74,759)	27,198	(14,501)
Benefit payments	<u>(87,698)</u>	<u>(85,150)</u>	<u>(85,369)</u>
Ending balance of the total pension liability	<u><u>\$ 646,796</u></u>	<u><u>\$ 753,342</u></u>	<u><u>\$ 754,632</u></u>

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

Note that this schedule will not present 10 years' worth of information until fiscal year 2026.

**CITY OF CLINTON, NORTH CAROLINA  
SCHEDULE OF TOTAL PENSION LIABILITY  
AS A PERCENTAGE OF COVERED PAYROLL  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

EXHIBIT A-2

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**

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	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Total pension liability	\$ 646,796	\$ 723,498	\$ 754,632
Covered payroll	1,202,757	1,078,035	1,056,068
Total pension liability as a percentage of covered payroll	53.78%	67.11%	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.

Note that this schedule will not present 10 years' worth of information until fiscal year 2026.

**CITY OF CLINTON, NORTH CAROLINA**  
**CITY OF CLINTON'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST FOUR FISCAL YEARS\***

EXHIBIT A-3

**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Clinton's proportion of the net pension liability (asset) (%)	0.08547%	0.08669%	0.09161%	0.09473%	-0.09690%	9.44000%
Clinton's proportion of the net pension liability (asset) (\$)	\$ 2,027,641	\$ 1,324,383	\$ 1,944,271	\$ 425,144	\$ (571,287)	\$ 1,137,882
Clinton's covered-employee payroll	\$ 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-employee payroll	38.92%	26.71%	41.37%	8.72%	-12.07%	26.50%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	94.47%	98.09%	102.64%	94.35%

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

Note that this schedule will not present 10 years' worth of information until fiscal year 2023.

**CITY OF CLINTON, NORTH CAROLINA  
CITY OF CLINTON'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARS**

**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**

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

Note that this schedule will not present 10 years worth of information until fiscal year 2023.

**CITY OF CLINTON, NORTH CAROLINA**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2019**

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 85,590	\$ 92,591
Interest	112,095	97,873
Changes of benefit terms	-	-
Differences between expected and actual experience	9,909	886
Changes of assumptions	(84,401)	(149,152)
Benefit payments	<u>(154,711)</u>	<u>(135,733)</u>
Net change in total OPEB liability	(31,518)	(93,535)
Total OPEB liability - beginning	<u>3,225,417</u>	<u>3,318,952</u>
Total OPEB liability - ending	<u><u>\$ 3,193,899</u></u>	<u><u>\$ 3,225,417</u></u>
Covered payroll	\$ 2,336,520	\$ 2,336,520
Total OPEB liability as a percentage of covered payroll	136.69%	138.04%

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>
2019	3.89%
2018	3.56%

Note that this schedule will not present 10 years' worth of information until fiscal year 2027.

CITY OF CLINTON, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the year ended June 30, 2019

	2019		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES:			
Ad valorem taxes:			
Current year	\$	\$ 3,035,590	\$
Prior year levies		54,705	
Interest and penalties		6,858	
Total	<u>3,073,800</u>	<u>3,097,153</u>	<u>23,353</u>
Other taxes and licenses:			
Auto licenses		117,037	
Vehicle rental taxes		20,664	
Privilege licenses		670	
Total	<u>130,000</u>	<u>138,371</u>	<u>8,371</u>
Unrestricted intergovernmental revenues:			
Local option sales tax		2,317,728	
Utility franchise tax		782,262	
Fire district tax		510,000	
ABC profit distribution		195,200	
Telecommunications sales tax		83,371	
Excise tax on piped gas		32,593	
Beer and wine tax		36,602	
CATV franchise fee		37,273	
Payments in lieu of taxes		17,898	
Sales tax reimbursements		23,995	
Total	<u>3,984,700</u>	<u>4,036,922</u>	<u>52,222</u>
Restricted intergovernmental revenues:			
Powell bill allocation		244,818	
Sampson County contribution		6,900	
City schools - police		116,300	
Federal and state grants		389,616	
Rescue technical assistance		12,000	
ABC revenue for law enforcement		11,055	
Solid Waste Disposal tax		6,294	
Local Fire Protection Service		5,257	
State substance abuse tax		2,866	
Total	<u>819,900</u>	<u>795,106</u>	<u>(24,794)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CLINTON, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the year ended June 30, 2019

	2019		Variance
	Budget	Actual	Favorable (Unfavorable)
Sales and services:			
Garbage collection fees	\$	\$ 1,306,173	\$
Recreation department fees		50,804	
Cemetery lot sales and maintenance		36,025	
Other services and materials		11,626	
Lot cleaning		12,094	
Total	1,484,000	1,416,722	(67,278)
Investment earnings:			
General fund		89,329	
Cemetery trust fund		1,265	
Total	61,500	90,594	29,094
Miscellaneous:			
Other		34,384	
All America City sponsorships		53,337	
Rent industrial buildings		84,254	
Sale of recyclables		13,168	
Insurance revenue		102,160	
False alarm ordinance		3,350	
Fire Department special fees		17,515	
Officer arrest fees		3,084	
Parking violations		470	
Total	278,300	311,722	33,422
Total revenues	9,832,200	9,886,590	54,390

The notes to the financial statements are an integral part of this statement.

CITY OF CLINTON, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the year ended June 30, 2019

	2019		Variance
	Budget	Actual	Favorable (Unfavorable)
EXPENDITURES:			
General government:			
Governing body:			
Mayor and council salaries and benefits	\$	\$ 67,984	\$
Mayor and council expenses		29,039	
Total	<u>103,800</u>	<u>97,023</u>	<u>6,777</u>
Administrative:			
Salaries and employee benefits		211,134	
Operating expenses		23,191	
Total	<u>242,400</u>	<u>234,325</u>	<u>8,075</u>
Finance:			
Salaries and employee benefits		195,211	
Operating expenses		69,782	
Total	<u>268,600</u>	<u>264,993</u>	<u>3,607</u>
Planning and zoning:			
Salaries and employee benefits		260,548	
Operating expenses		41,401	
Total	<u>305,200</u>	<u>301,949</u>	<u>3,251</u>
Cemetery and public grounds:			
Salaries and employee benefits		179,164	
Operating expenses		78,577	
Capital outlay		27,684	
Total	<u>289,100</u>	<u>285,425</u>	<u>3,675</u>
Non-departmental:			
Various operating expenses		113,907	
All America City		41,651	
Contract services		26,354	
Retirees medical insurance		107,299	
Insurance		45,693	
Professional services		19,419	
Downtown incentive program		16,200	
Employee relations		23,329	
Utilities		19,986	
Other agency contributions		11,000	
Economic development		10,010	
Lot maintenance		13,347	

The notes to the financial statements are an integral part of this statement.

CITY OF CLINTON, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the year ended June 30, 2019

	2019		Variance
	Budget	Actual	Favorable (Unfavorable)
Non-departmental (continued):			
Maintenance - City Hall	\$	\$ 12,650	\$
Total	462,800	460,845	1,955
Total general government	1,671,900	1,644,560	27,340
Public safety:			
Police department:			
Salaries and employee benefits		1,964,421	
Operating expenses		413,337	
Capital outlay		159,748	
Total	2,579,300	2,537,506	41,794
Fire:			
Salaries and employee benefits		1,396,157	
Operating expenses		259,815	
Total	1,757,900	1,655,972	101,928
Total public safety	4,337,200	4,193,478	143,722
Transportation:			
Street administration:			
Salaries and employee benefits		479,740	
Operating expenses		31,337	
Total	514,500	511,077	3,423
Materials and supplies:			
Asphalt and concrete		7,025	
Signs, signals, paints and supplies		14,008	
Operating expenses		30,266	
Total	50,000	51,299	(1,299)
Equipment expenses:			
Automotive supplies		22,530	
Equipment rental and maintenance		28,607	
Small tools and equipment		3,193	
Total	57,200	54,330	2,870
Other costs and services:			
Street lighting contract	207,000	204,593	2,407
Capital outlay	457,700	446,536	11,164
Total street	1,286,400	1,267,835	18,565

The notes to the financial statements are an integral part of this statement.

CITY OF CLINTON, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the year ended June 30, 2019

	2019		Variance
	Budget	Actual	Favorable (Unfavorable)
Garage:			
Salaries and employee benefits	\$	\$ 170,077	\$
Operating expenses		70,895	
Total	<u>244,700</u>	<u>240,972</u>	<u>3,728</u>
Total transportation	<u>1,531,100</u>	<u>1,508,807</u>	<u>22,293</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		499,102	
Operating expenses		578,955	
Total environmental protection	<u>1,098,600</u>	<u>1,078,057</u>	<u>20,543</u>
Cultural and recreation:			
Salaries and employee benefits		549,542	
Operating expenses		323,743	
Capital outlay		59,315	
Total cultural and recreation	<u>969,500</u>	<u>932,600</u>	<u>36,900</u>
Debt service:			
Principal retirement		431,569	
Interest expense		59,351	
Total debt service	<u>490,700</u>	<u>490,920</u>	<u>(220)</u>
Total expenditures	<u>10,099,000</u>	<u>9,848,422</u>	<u>250,578</u>
Revenues over (under) expenditures	<u>(266,800)</u>	<u>38,168</u>	<u>304,968</u>
Other financing sources:			
Sale of surplus assets	37,600	53,897	16,297
Debt issuance	165,000	165,000	-
Transfers in			
Transfer from PARTF Grant Fund	24,200	24,182	(18)
Fund balance appropriated	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>
Total other financing sources	<u>266,800</u>	<u>243,079</u>	<u>(23,721)</u>
Net change in fund balance	\$ <u>-</u>	\$ 281,247	\$ <u>281,247</u>
Beginning of year, July 1		<u>6,486,519</u>	
End of year, June 30		<u>\$ 6,767,766</u>	

The notes to the financial statements are an integral part of this statement.

## EXHIBIT C-1

**CITY OF CLINTON, NORTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2019**

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total Non-major Governmental Funds June 30, 2019</b>
<b>Assets:</b>			
Cash and investments	\$ 146,338	\$ 49,000	\$ 195,338
Receivables, net			
Taxes	231	-	231
Accounts	-	-	-
Due from other government	4,502	-	4,502
Total Assets	<u>\$ 151,071</u>	<u>\$ 49,000</u>	<u>\$ 200,071</u>
<b>Liabilities and Fund Equity:</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 2,090	\$ -	\$ 2,090
<b>Deferred Inflows of Resources:</b>			
Property taxes receivable	231	-	231
Total Liabilities and Deferred Inflows of Resources	<u>2,321</u>	<u>-</u>	<u>2,321</u>
<b>Fund balances</b>			
Restricted - Economic Development	95,376	-	95,376
Committed - Public Safety	4,844	-	4,844
Committed - Capital Projects	-	49,000	49,000
Assigned - Community Development	48,530	-	48,530
Total fund balances	<u>148,750</u>	<u>49,000</u>	<u>197,750</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 151,071</u>	<u>\$ 49,000</u>	<u>\$ 200,071</u>

**EXHIBIT C-2**

**CITY OF CLINTON, NORTH CAROLINA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR FUNDS**

**From Inception and for the Year Ended June 30, 2019**

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total Non-major Governmental Funds June 30, 2019</b>
<b>Revenues</b>			
Ad valorem taxes - net	\$ 55,102	\$ -	\$ 55,102
Investment earnings	1,726	-	1,726
Miscellaneous	20,340	-	20,340
Total Revenues	<u>77,168</u>	<u>-</u>	<u>77,168</u>
<b>Expenditures</b>			
Capital Outlay	-	10,518	10,518
Economic and physical development	86,170	-	86,170
Total Expenditures	<u>86,170</u>	<u>10,518</u>	<u>96,688</u>
<b>Revenues under expenditures</b>	(9,002)	(10,518)	(19,520)
<b>Other financing uses</b>			
Transfer out			
General Fund	<u>-</u>	<u>(24,182)</u>	<u>(24,182)</u>
<b>Net change in fund balance</b>	(9,002)	(34,700)	(43,702)
<b>Fund balance:</b>			
Beginning of year, July 1	157,752	83,700	241,452
End of year, June 30	<u>\$ 148,750</u>	<u>\$ 49,000</u>	<u>\$ 197,750</u>

**CITY OF CLINTON, NORTH CAROLINA  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
For the Year Ended June 30, 2019**

	<b>Community Development Fund</b>	<b>Downtown Tax District Fund</b>	<b>Fire Department Grant Fund</b>	<b>Open Space Fund</b>	<b>Total Special Revenue Funds June 30, 2019</b>
<b>Assets:</b>					
Cash and investments	\$ 45,740	\$ 91,655	\$ 6,153	\$ 2,790	\$ 146,338
Receivables, net:					
Taxes	-	231	-	-	231
Due from other government	-	4,408	94	-	4,502
<b>Total Assets</b>	<b>\$ 45,740</b>	<b>\$ 96,294</b>	<b>\$ 6,247</b>	<b>\$ 2,790</b>	<b>\$ 151,071</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts Payable	-	687	1,403	-	2,090
<b>Deferred Inflows of Resources</b>					
Property taxes receivable	-	231	-	-	231
<b>Fund balances</b>					
Assigned - Community Development	45,740	-	-	2,790	48,530
Restricted - Economic Development	-	95,376	-	-	95,376
Committed - Public Safety	-	-	4,844	-	4,844
<b>Total fund balances</b>	<b>45,740</b>	<b>95,376</b>	<b>4,844</b>	<b>2,790</b>	<b>148,750</b>
 Total liabilities, deferred inflows of resources and fund balances	 \$ 45,740	 \$ 96,294	 \$ 6,247	 \$ 2,790	 \$ 151,071

**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, 2019**

	<b>Community Development Fund</b>	<b>Downtown Tax District Fund</b>	<b>Fire Department Grant Fund</b>	<b>Open Space</b>	<b>Total Special Revenue Funds June 30, 2019</b>
<b>Revenues</b>					
Ad valorem taxes - net	\$ -	\$ 55,102	\$ -	\$ -	\$ 55,102
Investment earnings	160	1,566	-	-	1,726
Miscellaneous	-	19,340	1,000	-	20,340
Total Revenues	160	76,008	1,000	-	77,168
<b>Expenditures</b>					
Economic and physical development	-	84,861	1,309	-	86,170
<b>Net change in fund balance</b>	160	(8,853)	(309)	-	(9,002)
<b>Fund balance:</b>					
Beginning of year, July 1	45,580	104,229	5,153	2,790	157,752
End of year, June 30	\$ 45,740	\$ 95,376	\$ 4,844	\$ 2,790	\$ 148,750

**EXHIBIT C-5**

**CITY OF CLINTON, NORTH CAROLINA  
SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Investment Earnings	\$ 500	\$ 160	\$ (340)
<b>Expenditures</b>			
Miscellaneous	<u>500</u>	<u>-</u>	<u>500</u>
<b>Net change in fund balance</b>	<u><u>\$ -</u></u>	<u>160</u>	<u><u>\$ 160</u></u>
<b>Fund balance:</b>			
Beginning of year, July 1		<u>45,580</u>	
End of year, June 30		<u><u>\$ 45,740</u></u>	

**CITY OF CLINTON, NORTH CAROLINA**  
**SPECIAL REVENUE FUND - DOWNTOWN TAX DISTRICT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Ad valorem taxes-net	\$ 56,600	\$ 55,102	\$ (1,498)
Investment Earnings	1,000	1,566	566
Miscellaneous	17,300	19,340	2,040
Total Revenues	<u>74,900</u>	<u>76,008</u>	<u>1,108</u>
<b>Expenditures</b>			
Special Events	17,500	17,404	96
Downtown Façade Grant Program	10,900	10,629	271
Projects	18,900	18,059	841
Advertising	14,000	14,211	(211)
Supplies and materials	1,400	584	816
Other	22,200	23,974	(1,774)
Total Expenditures	<u>84,900</u>	<u>84,861</u>	<u>39</u>
<b>Revenues under expenditures</b>	(10,000)	(8,853)	1,147
<b>Other financing sources</b>			
Fund balance appropriated	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ (8,853)</u>	<u>\$ (8,853)</u>
<b>Fund balance:</b>			
Beginning of year, July 1		<u>104,229</u>	
End of year, June 30		<u>\$ 95,376</u>	

CITY OF CLINTON, NORTH CAROLINA  
SPECIAL REVENUE FUND - FIRE DEPARTMENT GRANT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
From Inception and for the Year Ended June 30, 2019

EXHIBIT C-7

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Favorable (Unfavorable)
<b>Revenues</b>					
Grant Revenue	\$ 5,000	\$ 5,500	\$ 1,000	\$ 6,500	\$ 1,500
<b>Expenditures</b>					
Grant expenditures	11,845	7,192	1,309	8,501	3,344
<b>Revenues under expenditures</b>	(6,845)	(1,692)	(309)	(2,001)	4,844
<b>Other financing sources</b>					
Transfer from General Fund	6,845	6,845	-	6,845	-
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 5,153</u>	<u>(309)</u>	<u>\$ 4,844</u>	<u>\$ 4,844</u>
<b>Fund balance:</b>					
Beginning of year, July 1			<u>5,153</u>		
End of year, June 30			<u>\$ 4,844</u>		

CITY OF CLINTON, NORTH CAROLINA  
SPECIAL REVENUE FUND - OPEN SPACE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
From Inception and for the Year Ended June 30, 2019

EXHIBIT C-8

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Total Revenues</b>	\$ -	\$ 2,790	\$ -	\$ 2,790	\$ 2,790
Total Expenditures	-	-	-	-	-
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 2,790</u>	-	<u>\$ 2,790</u>	<u>\$ 2,790</u>
<b>Fund balance:</b>					
Beginning of year, July 1			<u>2,790</u>		
End of year, June 30			<u>\$ 2,790</u>		

**CITY OF CLINTON, NORTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECT FUNDS**  
**For the Year Ended June 30, 2019**

	Non - Major		
	City Facility Renovations	Phase 1A PARTF Project	Total Capital Project Funds June 30, 2019
Revenues	\$ -	\$ -	\$ -
Expenditures			
Capital Outlay	-	10,518	10,518
Revenues under expenditures	-	(10,518)	(10,518)
Other financing sources (uses)			
Transfer from General Fund	-	-	-
Transfer to General Fund	-	(24,182)	(24,182)
Total other financing sources (uses)	-	(24,182)	(24,182)
Net change in fund balance	-	(34,700)	(34,700)
Fund balance:			
Beginning of year, July 1	49,000	34,700	83,700
End of year, June 30	\$ 49,000	\$ -	\$ 49,000

CITY OF CLINTON, NORTH CAROLINA  
**CAPITAL PROJECT FUND - CITY FACILITY RENOVATIONS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**From Inception and for the Year Ended June 30, 2019**

EXHIBIT C-10

		<u>Actual</u>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>					
Private Contribution	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
<b>Expenditures</b>					
Renovations	<u>75,000</u>	<u>26,000</u>	<u>-</u>	<u>26,000</u>	<u>49,000</u>
<b>Revenues over (under) expenditures</b>	(25,000)	24,000	-	24,000	(49,000)
<b>Other financing sources</b>					
Transfer from General Fund	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ 49,000</u>	<u>-</u>	<u>\$ 49,000</u>	<u>\$ (49,000)</u>
<b>Fund balance:</b>					
Beginning of year, July 1			<u>49,000</u>		
End of year, June 30			<u>\$ 49,000</u>		

CITY OF CLINTON, NORTH CAROLINA  
CAPITAL PROJECT FUND - PHASE 1A PARTF PROJECT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
From Inception and for the Year Ended June 30, 2019

EXHIBIT C-11

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Favorable (Unfavorable)
<b>Revenues</b>					
PARTF grant	\$ 250,000	\$ 249,999	\$ -	\$ 249,999	\$ (1)
<b>Expenditures</b>					
Engineering/design	99,300	99,375	-	99,375	(75)
Construction	532,500	600,411	-	600,411	(67,911)
Playground Equipment	79,700	12,775	-	12,775	66,925
Miscellaneous	37,400	25,838	10,518	36,356	1,044
Total expenditures	748,900	738,399	10,518	748,917	(17)
Revenues over (under) expenditures	(498,900)	(488,400)	(10,518)	(498,918)	(18)
<b>Other financing sources (uses)</b>					
Operating transfers - in					
General Fund	523,100	523,100		523,100	-
Operating transfers - out					
General Fund	(24,200)	-	(24,182)	(24,182)	18
Total other financing sources (uses)	498,900	523,100	(24,182)	498,918	18
<b>Net change in fund balance</b>	\$ -	\$ 34,700	(34,700)	\$ -	\$ -
<b>Fund balance:</b>					
Beginning of year, July 1			34,700		
End of year, June 30			\$ -		

City of Clinton, North Carolina  
Water and Sewer Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Non-GAAP)  
For the year ended June 30, 2019

	2019		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES:</b>			
Charges for services:			
Water and sewer charges	\$	\$ 4,646,388	\$
Sewer surcharge		453,263	
Water and sewer tap fees		30,755	
Service fees		32,100	
Fireline fees		49,223	
Total charges for services	5,140,600	5,211,729	71,129
FEMA - Federal	100,000	75,285	(24,715)
FEMA - State	-	25,095	25,095
Miscellaneous	36,300	47,595	11,295
Investment earnings	20,000	23,603	3,603
Total revenues	5,296,900	5,383,307	86,407
<b>EXPENDITURES:</b>			
Operating expenditures:			
Water department:			
Salaries and employee benefits		1,198,436	
Operating expenditures		691,285	
Repairs and maintenance		460,929	
Total water department	2,507,800	2,350,650	157,150
Waste treatment department:			
Salaries and employee benefits		658,155	
Operating expenditures		950,656	
Repairs and maintenance		229,181	
Total waste treatment department	1,901,900	1,837,992	63,908
Total operating expenditures	4,409,700	4,188,642	221,058
Debt service:			
Principal payments		443,913	
Interest and fees		185,416	
Total debt service	629,300	629,329	(29)
Capital outlay:			
Utility lines department		62,489	
Water department		49,495	
Waste treatment department		143,159	
Total capital outlay	257,900	255,143	2,757
Total expenditures	5,296,900	5,073,114	223,786
Revenues over expenditures	-	310,193	310,193

City of Clinton, North Carolina  
Water and Sewer Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Non-GAAP)  
For the year ended June 30, 2019

	2019		Variance
	Budget	Actual	Favorable (Unfavorable)
Other financing sources (uses):			
Transfers to other funds			
Water & Sewer Capital Reserve Fund	(778,300)	\$ (778,261)	\$
Water & Sewer Capital Projects	(133,977)	(133,977)	
Fund balance appropriated	912,277	-	
Total other financing sources (uses)	-	(912,238)	(912,238)
Revenues under expenditures and other uses	\$ -	(602,045)	\$ (602,045)
Reconciliation of modified accrual basis to full accrual basis:			
Revenues over expenses and supplemental budget expenditures			
Reconciling items:			
Capital outlay		255,143	
Principal retirement		443,913	
Increase in accrued vacation pay		(5,650)	
Decrease in accrued interest		1,568	
Decrease in total OPEB liability		6,382	
Increase in deferred outflows - OPEB		15,444	
Increase in deferred inflows - OPEB		(9,007)	
Depreciation		(1,100,523)	
Loss on disposal of assets			
Transfer to capital project funds		912,238	
Increase in net pension liability		(164,984)	
Increase in deferred outflows of resources - pensions		135,282	
Decrease in deferred inflows of resources - pensions		12,082	
Water Production Expansion Capital Project Fund			
Interest income		454	
Grant revenues		7,517	
Water & Sewer Capital Reserve Fund			
Interest income		35,147	
AIA Water & Wastewater Capital Project Fund			
Grant revenues		125,069	
Total reconciling items		670,075	
Change in net position		\$ 68,030	

CITY OF CLINTON, NORTH CAROLINA  
CAPITAL PROJECT FUND - WATER PRODUCTION EXPANSION  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)  
From Inception and for the Year Ended June 30, 2019

EXHIBIT D-2

		Actual			Variance
	Project	Prior	Current	Total to	Favorable
	Authorization	Years	Year	Date	(Unfavorable)
<b>Revenues</b>					
USDA grant	\$ 200,000	\$ -	\$ 7,517	\$ 7,517	\$ (192,483)
Investment earnings	-	1,000	454	1,454	1,454
Total Revenues	200,000	1,000	7,971	8,971	(191,029)
<b>Expenditures</b>					
Engineering and design	562,643	502,965	27,100	530,065	32,578
Legal	50,000	20,910	-	20,910	29,090
Construction	5,612,857	5,390,700	-	5,390,700	222,157
Miscellaneous	26,000	18,127	14,964	33,091	(7,091)
Interest	-	82,910	-	82,910	(82,910)
Property acquisition	90,000	86,976	-	86,976	3,024
Total Expenditures	6,341,500	6,102,588	42,064	6,144,652 <sup>a</sup>	196,848
Revenues over (under) expenditures	(6,141,500)	(6,101,588)	(34,093)	(6,135,681)	5,819
<b>Other financing sources (uses)</b>					
Loan proceeds - USDA	5,994,000	5,994,000	-	5,994,000	-
Principal repayment	-	(5,994,000)	-	(5,994,000)	(5,994,000)
Bond issuance	-	5,994,000	-	5,994,000	5,994,000
Operating transfers - in					
Water and Sewer Fund	147,500	147,500	-	147,500	-
Total other financing sources (uses)	6,141,500	6,141,500	-	6,141,500	-
Revenues and other financing sources					
over (under) expenditures and other					
financing uses	\$ -	\$ 39,912	\$ (34,093)	\$ 5,819	\$ 5,819

a Components of this project were capitalized and included in the fixed assets of the City in prior years.

CITY OF CLINTON, NORTH CAROLINA  
CAPITAL PROJECT FUND - NC 24 INDUSTRIAL PARK INFRASTRUCTURE PROJECT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)  
From Inception and for the Year Ended June 30, 2019

EXHIBIT D-3

		Actual			Variance
	Project	Prior	Current	Total to	Favorable
	Authorization	Years	Year	Date	(Unfavorable)
<b>Revenues</b>					
EDA grant	\$ 134,319	\$ 134,319	\$ -	\$ 134,319	\$ -
<b>Expenditures</b>					
Engineering and design	34,600	34,600	-	34,600	-
Grant administration	18,443	18,444	-	18,444	(1)
Construction	253,538	253,537	-	253,537	1
Legal Expense	31,215	31,215	-	31,215	-
Total Expenditures	337,796	337,796	-	337,796	-
<b>Total revenues under expenditures</b>	(203,477)	(203,477)	-	(203,477)	-
<b>Other financing sources</b>					
Operating transfers - in					
Water & Sewer Fund	203,477	69,500	133,977	203,477	-
Total other financing sources	203,477	69,500	133,977	203,477	-
<b>Revenues and other financing sources</b>					
<b>over (under) expenditures</b>	\$ -	\$ (133,977)	\$ 133,977	\$ -	\$ -

**CITY OF CLINTON, NORTH CAROLINA**  
**CAPITAL PROJECT FUND - HWY 24 INFRASTRUCTURE RELOCATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)**  
**From Inception and for the Year Ended June 30, 2019**

**EXHIBIT D-4**

	<b>Project Authorization</b>	<b>Actual</b>			<b>Variance Favorable (Unfavorable)</b>
		<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>	
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
NCDOT reimbursement for Hwy 24 ext	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
<b>Revenues over (under) expenditures</b>	(2,669,000)	(168,289)	-	(168,289)	2,500,711
<b>Other financing sources</b>					
Operating transfers - in					
Water & Sewer Fund	2,669,000	996,500	-	996,500	(1,672,500)
<b>Revenues and other financing sources over expenditures</b>	\$ -	\$ 828,211	\$ -	\$ 828,211	\$ 828,211

**CITY OF CLINTON, NORTH CAROLINA**  
**CAPITAL PROJECT FUND - BEAMAN STREET BRIDGE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)**  
**From Inception and for the Year Ended June 30, 2019**

**EXHIBIT D-5**

		<b>Actual</b>			<b>Variance</b>
	<b>Project</b>	<b>Prior</b>	<b>Current</b>	<b>Total to</b>	<b>Favorable</b>
	<b>Authorization</b>	<b>Years</b>	<b>Year</b>	<b>Date</b>	<b>(Unfavorable)</b>
<b>Revenues</b>					
NCDOT Reimbursement	\$ 526,100	\$ 526,093	\$ -	\$ 526,093	\$ (7)
<b>Expenditures</b>					
Professional Services	110,400	110,472	-	110,472	(72)
Line Replacement	415,700	415,621	-	415,621	79
Total expenditures	526,100	526,093	-	526,093	7
<b>Revenues under expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF CLINTON, NORTH CAROLINA**  
**CAPITAL PROJECT FUND - WATER & SEWER CAPITAL RESERVE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)**  
**From Inception and for the Year Ended June 30, 2019**

**EXHIBIT D-6**

		<b>Actual</b>			<b>Variance</b>
	<b>Project</b>	<b>Prior</b>	<b>Current</b>	<b>Total to</b>	<b>Favorable</b>
	<b>Authorization</b>	<b>Years</b>	<b>Year</b>	<b>Date</b>	<b>(Unfavorable)</b>
<b>Revenues</b>					
Investment earnings	\$ -	\$ -	\$ 35,147	\$ 35,147	\$ 35,147
<b>Other financing sources (uses)</b>					
Operating transfers - in					
Water & Sewer Fund	3,054,200	2,359,746	778,261	3,138,007	83,807
Operating transfers - out					
Utility Lines Maintenance Project	(3,054,200)	(386,000)	-	(386,000)	2,668,200
Total other financing sources (uses)	-	1,973,746	778,261	2,752,007	2,752,007
<b>Revenues and other financing sources</b>					
<b>over other financing uses</b>	\$ -	\$ 1,973,746	\$ 813,408	\$ 2,787,154	\$ 2,787,154

**CITY OF CLINTON, NORTH CAROLINA  
CAPITAL PROJECT FUND - WWTP EXPANSION  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)  
From Inception and for the Year Ended June 30, 2019**

**EXHIBIT D-7**

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

**CITY OF CLINTON, NORTH CAROLINA**  
**CAPITAL PROJECT FUND - AIA WATER & WASTEWATER**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)**  
**From Inception and for the Year Ended June 30, 2019**

**EXHIBIT D-8**

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

CITY OF CLINTON, NORTH CAROLINA  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected June 30, 2018</u>	<u>Additions</u>	<u>Collections &amp; Credits</u>	<u>Uncollected June 30, 2019</u>
2018-2019	\$ -	\$ 3,150,872	\$ (3,107,415)	\$ 43,457
2017-2018	63,109	-	(36,874)	26,235
2016-2017	32,965	-	(15,253)	17,712
2015 & prior	38,018	-	(8,709)	29,309
	<u>\$ 134,092</u>	<u>\$ 3,150,872</u>	<u>\$ (3,168,251)</u>	<u>116,713</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>72,014</u>
Ad valorem taxes receivable - net				<u>44,699</u>

## Reconciliation with revenues:

Taxes - Ad Valorem - General Fund	\$ 3,097,153
Collection fee	71,826
Taxes written off and other adjustments	<u>6,130</u>
Subtotal	<u>3,175,109</u>
Less interest and penalties collected	<u>(6,858)</u>
Total collections and credits	<u>\$ 3,168,251</u>

CITY OF CLINTON, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
For the Year Ended June 30, 2019

	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax levy - General Fund					
Property taxed at current rate	771,074,500	0.40	\$ 3,084,298	\$ 2,800,308	\$ 283,990
Utilities	16,643,500	0.40	66,574	66,574	-
Penalties			6,807	5,259	1,548
Abatements and discoveries	<u>(1,701,750)</u>		<u>(6,807)</u>	<u>(5,259)</u>	<u>(1,548)</u>
Total for year	<u>\$ 786,016,250</u>		3,150,872	2,866,882	283,990
Less uncollected tax at June 30, 2019 (Exhibit E-1)			<u>43,457</u>	<u>41,214</u>	<u>2,243</u>
Current year's taxes collected			<u>\$ 3,107,415</u>	<u>\$ 2,825,668</u>	<u>\$ 281,747</u>
Percent current year collected			98.62%	98.56%	99.21%

104 Brady Court, Cary, North Carolina 27511  
Phone 919-466-0946 Fax 919-466-0947

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

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
City of 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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate 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, 2019 and the related notes to the financial statements, which collectively comprises the City of Clinton's basic financial statements and have issued our report thereon dated November 18, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Clinton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clinton's internal control. 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 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 preceding paragraph 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, responses and corrective action plan that we consider to be significant deficiencies. [2019-1, 2019-2]

**Compliance and Other Matters**

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

**City of Clinton's Response to Findings**

The City of Clinton's response to the findings identified in our audit are described in the accompanying schedule of findings, responses and corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

**Purpose of this Report**

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

  
JOYCE AND COMPANY, CPA  
Cary, North Carolina

November 18, 2019

## CITY OF CLINTON, NORTH CAROLINA

### SCHEDULE OF FINDINGS, RESPONSES, CORRECTIVE ACTION PLAN AND SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

#### Section I. Summary of Auditor's Results

##### **Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency (s) identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Noncompliance material to financial statement noted ☐ yes ☒ no

##### **Federal Awards**

The City of Clinton has no major federal programs.

##### **State Awards**

The City of Clinton has no major state programs.

#### Section II. Financial Statement Findings

##### Item 2019-1

##### Review of internal financial statements

##### Significant Deficiency

##### Criteria

City staff should perform a more detailed review of monthly financial statements, perform all reconciliations and record all needed adjustments on a monthly basis to verify stated amounts agree to subsidiary ledgers.

##### Condition

There were material adjustments that had not been recorded by staff and delays in doing reconciliations.

##### Effect

The unadjusted financial statements were materially misstated due to material adjustments needed and a number of smaller items where reconciliations were not completed or were not completed on a timely basis.

##### Cause

Lack of a detailed review of financial statements and corresponding adjustments to agree to subsidiary ledgers on a timely basis.

##### Recommendation

Staff should timely review all monthly financial statements, reconcile all material accounts monthly, all other accounts at least annually and record any needed adjustments on a monthly basis.

##### Name of Contact Person

Kristin Stafford, Finance Director

##### Corrective Action

The City's financial analyst and finance director will begin reviewing financial statements monthly for these items.

##### Proposed Completion Date

June 30, 2020

**Item 2019-2****Purchase orders****Significant Deficiency****Criteria**

The City has a formal purchasing policy to provide reasonable assurance that purchase orders, payment requisitions and purchase order approval are handled appropriately.

**Condition**

Instances of invoices and/or delivery dates of goods received by the City dated prior to purchase orders or there was no purchase order issued.

**Effect**

Financial statements could be materially misstated and not be detected and corrected.

**Cause**

Strict enforcement of City purchasing policy.

**Recommendation**

Strict enforcement of City approved policies and procedures.

**Name of Contact Person**

Tom Hart, City Manager

**Corrective Action**

The City Manager will require Department Directors to obtain purchase orders in accordance with City purchasing policy. The Finance Department will keep track of purchase order violations and report to the City Manager on a periodic basis. The City Manager will meet with the Department Directors who are in violation of the policy.

**Proposed Completion Date**

February 28, 2020

**Section III. Federal Award Findings and Questioned Costs**

None.

**Section IV. State Award Findings and Questioned Costs**

None.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS****Finding: 2017-01**

Some improvements but not corrected, same as current year finding 2019-01

**Finding: 2017-02**

Not corrected, same as current year finding 2019-02

**Finding: 2017-03**

Corrected

**CITY OF CLINTON, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

For the fiscal year ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass - Through/State Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
<b><u>FEDERAL GRANTS:</u></b>					
<b><u>Cash Programs</u></b>					
<b><u>US Department of Housing and Urban Development</u></b>					
Direct Program					
Public and Indian Housing Drug Elimination					
<i>HUD Community Officer</i>	14.854	N/A	\$ 48,471	\$ -	\$ -
<b><u>US Department of Justice</u></b>					
Direct Programs					
<i>Asset Forfeiture and Money Laundering Section</i>					
<i>Federal Equitable Sharing Program</i>	16.922	N/A	-	2,861	-
<i>Bureau of Justice Assistance</i>					
<i>Bulletproof Vest Partnership Program</i>	16.607		1,736	-	-
Passed through NC Department of Public Safety					
<i>Byrne Justice Assistance</i>	16.738		23,577	-	-
<b><u>US Department of Homeland Security</u></b>					
Passed through NC Department of Public Safety					
<i>Disaster Grants-Public Assistance</i>					
<i>(Presidentially Declared Disasters)</i>	97.036	FEMA-4293-DR-NC	74,055	24,685	-
<b><u>Non-Cash Programs</u></b>					
<b><u>US Department of Agriculture</u></b>					
Water and Waste Disposal Systems for Rural Communities					
<i>Water System Improvements</i>	10.760	N/A	7,517	-	-
Total assistance-federal programs			155,356	27,546	-
<b><u>STATE GRANTS:</u></b>					
<b><u>NC Department of Transportation</u></b>					
<i>Powell Bill Fund</i>	N/A	37625	-	244,818	-
<b><u>NC Department of Environmental Quality</u></b>					
<i>Water Resources Decemopment Project</i>		H-AIA-D-18-0114	-	63,481	15,000
<i>Water Resources Decemopment Project</i>		E-AIA-W-18-0113	-	61,588	-
Total assistance-state programs			-	369,887	15,000
Total assistance			\$ 155,356	\$ 397,433	\$ 15,000

**Notes to the Schedule of Expenditures of Federal and State Financial Awards**

*Basis of Presentation* - The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Clinton under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Clinton, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Clinton.

*Summary of Significant Accounting Policies* - The accompanying schedule of expenditures of federal and state awards is presented on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Clinton has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.