

**Audited Financial Statements
And Other Financial Information**

City of Clinton, North Carolina

As of June 30, 2014

City Council Members

Mr. Lew Starling, Mayor

Ms. Maxine Harris, Mayor Pro-Tem

Mr. Steve Stefanovich

Mr. Neal Strickland

Rev. Marcus Becton

Ms. Jean Turlington

Administrative and Financial Staff

Mr. Shawn Purvis, City Manager

Mr. Harry Staven, Finance Director

DENNING, HERRING, SESSOMS & COMPANY, PA
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON, NORTH CAROLINA

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Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council
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, 2014, and the related notes to the financial statements, which collectively comprise City of Clinton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller 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 financial statements of the Clinton ABC Board were not audited in accordance with *Governmental Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audits, 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 City of Clinton, North Carolina as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance's and the Other Post Employment Benefit's Schedules of Funding Progress and Employer Contributions on pages 4-15 and 59-62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clinton's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office and Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and the State Single Audit

Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 on our consideration of the City of Clinton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Denning, Herring, Sessoms, & Company, P.A.

Denning, Herring, Sessoms & Company, P.A.
Clinton, North Carolina
October 29, 2014

Management Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Clinton, we offer readers of the City of Clinton's financial statements this narrative overview and analysis of the financial activities of the City of Clinton for the fiscal year ended June 30, 2014. 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

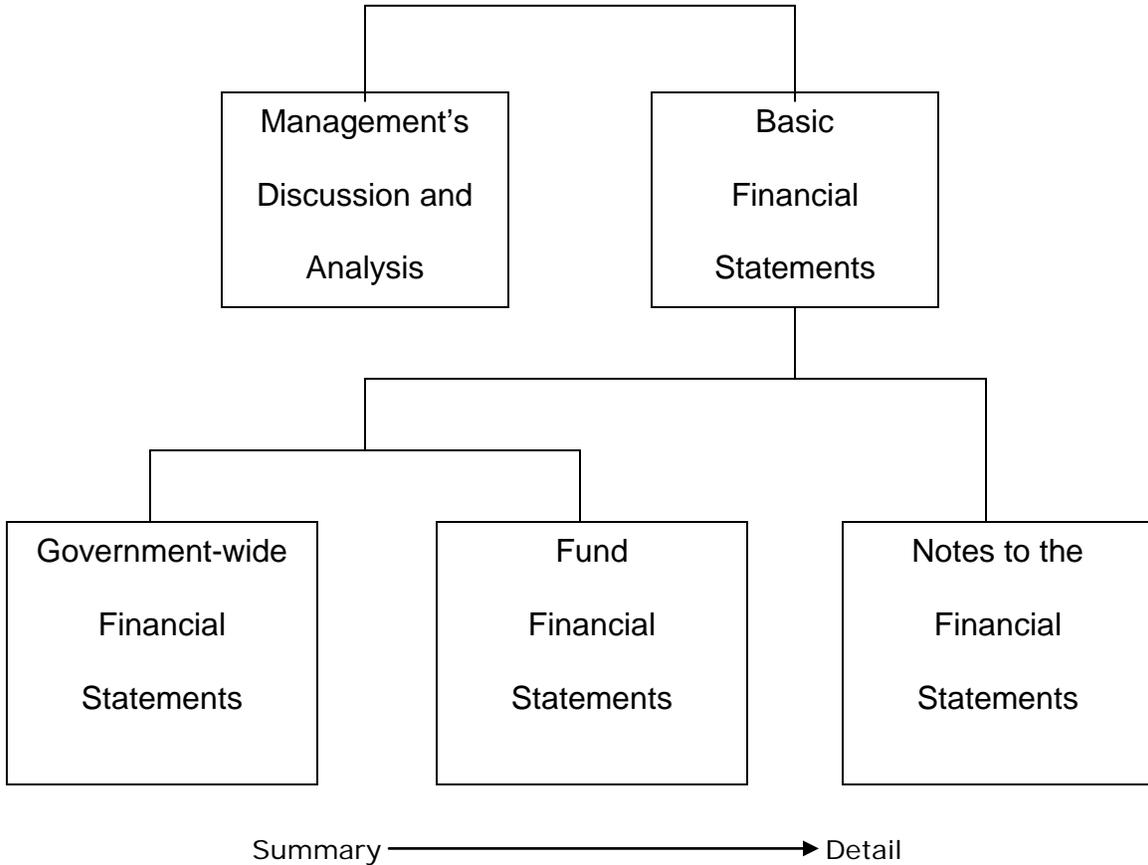
- The assets and deferred outflows of resources of the City of Clinton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$32,588,362 (*net position*). The assets of the governmental activities exceeded its liabilities by \$13,442,257. The assets of the business-type activities exceeded liabilities by \$19,146,105.
- The government's total net position increased by \$1,313,470 due to increases in both governmental and business-type activities net position.
- Business-type net position increased \$660,792 and net position for governmental activities increased \$652,678.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$5,908,730 with a net change of \$339,152 in fund balance. Approximately 22% of this total amount, or \$1,296,147, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,561,688 or 40% of total general fund expenditures for the fiscal year. Total fund balance for the General Fund was \$5,608,875 (62.99%).
- The City of Clinton's total debt decreased \$1,036,011 (15.25%) during the past fiscal year, due to repayment of existing debt obligations in both business-type and governmental activities.
- 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 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

Management Discussion and Analysis
 City of Clinton

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 27 of this report.

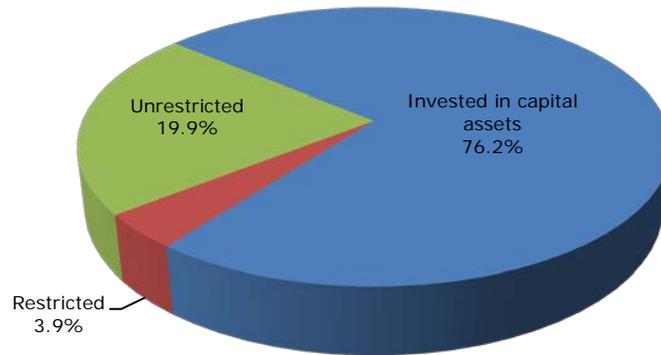
Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Clinton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information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

Government-Wide Financial Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets	\$ 6,005,243	\$ 6,464,193	\$ 4,175,165	\$ 3,643,999	\$ 10,180,408	\$ 10,108,192
Capital assets	11,620,664	11,708,883	18,393,728	18,881,393	30,014,392	30,590,276
Total assets	<u>17,625,907</u>	<u>18,173,076</u>	<u>22,568,893</u>	<u>22,525,392</u>	<u>40,194,800</u>	<u>40,698,468</u>
Long-term liabilities outstanding	4,459,865	4,243,096	3,703,656	3,045,756	8,163,521	7,288,852
Other liabilities	376,463	487,723	379,924	333,531	756,387	821,254
Total liabilities	<u>4,836,328</u>	<u>4,730,819</u>	<u>4,083,580</u>	<u>3,379,287</u>	<u>8,919,908</u>	<u>8,110,106</u>
Net position:						
Net investment in capital assets	8,196,863	8,617,293	15,016,991	16,215,430	23,213,854	24,832,723
Restricted	1,254,121	1,265,470	-	-	1,254,121	1,265,470
Unrestricted	3,338,595	3,559,494	3,468,322	2,930,675	6,806,917	6,490,169
Total net position	<u>\$ 12,789,579</u>	<u>\$ 13,442,257</u>	<u>\$ 18,485,313</u>	<u>\$ 19,146,105</u>	<u>\$ 31,274,892</u>	<u>\$ 32,588,362</u>

Figure 3
City of Clinton FY2013
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 of the City of Clinton exceeded liabilities by \$32,588,362 as of June 30, 2014. The City's net position increased by \$1,313,470 for the fiscal year ended June 30, 2014. The largest portion of net position (76.2%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. 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, \$1,265,470 (3.9%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,490,169 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.65% (97.90% excluding motor vehicles).
- Collection of vehicle tax levies of approximately \$81,790 more than original projections, primarily due to the State's implementation of the tax and tag legislation.
- Sale of property of approximately \$60,295 more than original projections.
- Garbage collection revenues of approximately \$28,010 more than original projections.
- Continued low cost of debt due to the City's strong financial position.

Management Discussion and Analysis
City of Clinton

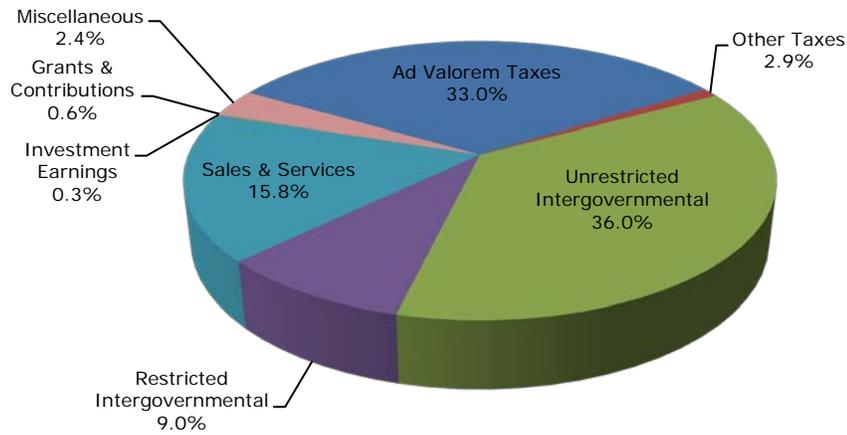
Figure 4
City of Clinton's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,562,226	\$ 1,643,937	\$ 5,015,930	\$ 4,755,117	\$ 6,578,156	\$ 6,399,054
Operating grants and contributions	863,185	758,786	-	-	863,185	758,786
Capital grants and contributions	45,427	50,000	73,949	742,656	119,376	792,656
General revenues:						
Property taxes	2,761,465	2,903,077	-	-	2,761,465	2,903,077
Other taxes	85,387	256,164	-	-	85,387	256,164
Unrestricted intergovernmental revenues	3,112,794	3,173,740	-	-	3,112,794	3,173,740
Unrestricted investment Earnings	12,456	22,097	12,954	13,026	25,410	35,123
Miscellaneous	33,934	-	-	55,746	33,934	55,746
Gain on sale of surplus Assets	(26,092)	85,838	-	-	(26,092)	85,838
Total revenues	8,450,782	8,893,639	5,102,833	5,566,545	13,553,615	14,460,184
Expenses:						
General Government	1,957,318	1,964,572	-	-	1,957,318	1,964,572
Public safety	3,350,549	3,819,754	-	-	3,350,549	3,819,754
Transportation	1,390,714	1,228,847	-	-	1,390,714	1,228,847
Economic and physical development	83,367	224,371	-	-	83,367	224,371
Environmental protection	972,535	792,524	-	-	972,535	792,524
Cultural and recreation	919,601	848,614	-	-	919,601	848,614
Interest on long-term debt	34,103	34,206	-	-	34,103	34,206
Water and Sewer	-	-	3,998,896	4,233,826	3,998,896	4,233,826
Total expenses	8,708,187	8,912,888	3,998,896	4,233,826	12,707,083	13,146,714
Increase (decrease) in net position before transfers	(257,405)	(19,249)	1,103,937	1,332,719	846,532	1,313,470
Transfers	439,263	671,927	(439,263)	(671,927)	-	-
Increase in net position	181,858	652,678	664,674	660,792	846,532	1,313,470
Net position, July 1	12,607,721	12,789,579	17,820,639	18,485,313	30,428,360	31,274,892
Net position, June 30	\$ 12,789,579	\$ 13,442,257	\$ 18,485,313	\$ 19,146,105	\$ 31,274,892	\$ 32,588,362

Governmental Activities. Governmental activities increased the City’s net position by \$652,678, thereby contributing to the overall increase in the net position of the City of Clinton. Key elements of this increase are as follows:

- Revenues increased by \$442,857 over the previous year with most significant increases in the Charge for Services, Property Taxes collected and Gain on Sales of Surplus Assets. Transfers-in also contributed to the increase Governmental Activities Net Position.

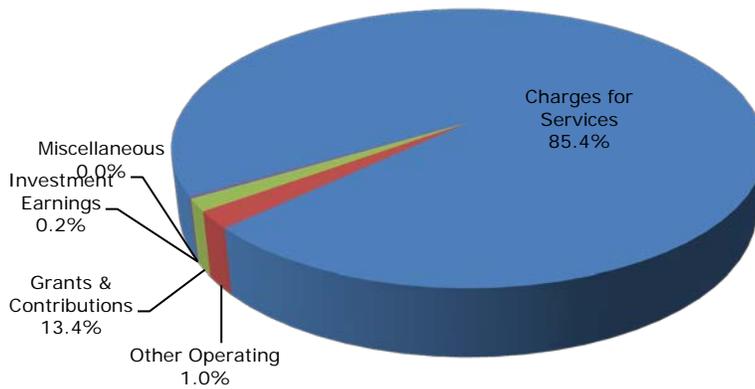
Figure 5
Revenues by Source:
Governmental Activities



Business-type Activities. Business-type activities increased the City of Clinton’s net position by \$660,792. Key elements of this increase are as follows:

- Eliza Lane waterline expansion project increased City utility customer count by more than 30 new customers.
- City’s water meter replacement program – target to replace 20 meters per month – brought additional operations efficiencies and more accurate water use readings which increased utility revenues significantly.

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 \$3,561,688, while total fund balance was \$5,608,875. 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 40% of General Fund expenditures, while total fund balance represents 62.99% of the same amount. The City considers any available fund balance over 40% assigned for capital expenditures.

At June 30, 2014, the governmental funds of City of Clinton reported a combined fund balance of \$5,908,730 with a net increase in fund balance of \$339,152. Included in this change in fund balance are increases in fund balance in both the General, Capital Project, and 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 FY2013-2014 budget represent increases in intergovernmental and miscellaneous revenues resulting primarily from grants and insurance reimbursements. 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 \$148,527 (1.74%) above the amended budget amounts. The City's expenditures were \$237,574 or 2.6% 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 \$2,930,675. The total change in net position was \$660,792. The change in net position in the Water and Sewer Fund is in large part the result of an increase of sewer surcharge revenues over original estimates and a significant decrease in liabilities from debt obligation.

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, 2014, totals \$30,590,276 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and infrastructure.

Major capital asset transactions during the year include the following:

- Renovation of Public Works and Utilities central office increased business-type capital assets by \$501,417.
- Water production facility and utility line improvements increased business-type assets by \$353,863.
- Southwood Elevated Tank Project (formerly Smithfield) will continue to the next fiscal year; the project-to-date addition to the asset pool is \$137,241.
- Various police, fire and general government equipment, software, and motor vehicles increased governmental capital assets by \$719,526.
- Community Development Block Grant funded projects contributed \$610,692 to the asset pool.
- Two additional ongoing projects - NC 24 Industrial Park Infrastructure and Highway 24 Infrastructure Relocation – contributed in total to the asset pool in the amount of \$97,660.

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

- Various building, equipment, and vehicle decreased governmental capital assets by \$563,925.

Figure 7
City of Clinton's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Land	\$ 1,376,302	\$ 1,376,302	\$ 261,872	\$ 316,947	\$ 1,638,174	\$ 1,693,249
Buildings and other improvements	6,043,833	6,229,515	32,449	32,449	6,076,282	6,261,964
Construction in progress	84,134	45,371	532,745	1,230,034	616,879	1,275,405
Equipment Vehicles and motorized equipment	2,498,692	2,727,354	36,316,138	36,529,665	38,814,830	39,257,019
Infrastructure	5,656,881	5,313,252	449,397	476,538	6,106,278	5,789,790
Subtotal	7,879,259	8,218,945	1,715,562	2,268,896	9,594,821	10,487,841
Less accumulated depreciation	23,539,101	23,910,739	39,308,163	40,854,529	62,847,264	64,765,268
Total Net Capital Assets	11,918,437	12,201,856	20,914,435	21,973,136	32,832,872	34,174,992
	\$ 11,620,664	\$ 11,708,883	\$ 18,393,728	\$ 18,881,393	\$ 30,014,392	\$ 30,590,276

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, 2014, the City of Clinton has no outstanding bonded debt. The City's debt is comprised of State Revolving loans, USDA loans, and installment purchases.

Figure 8
City of Clinton's Outstanding Debt
General Obligation Bonds & Other Long Term Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Installment purchases	3,416,826	3,091,590	508,628	311,265	3,925,454	3,402,855
State Revolving Loan	-	-	2,868,109	2,354,697	2,868,109	2,354,697
Total	\$ 3,416,826	\$ 3,091,590	\$ 3,376,737	\$ 2,665,962	\$ 6,793,563	\$ 5,757,552

City of Clinton's Outstanding Debt

The City of Clinton's total debt decreased by \$1,036,011 (15.25%) during the past fiscal year. Governmental activity debt decreased by 325,236 (10.52%). Business-type activity debt decreased by \$710,775 (26.66%).

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 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 three 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 \$52,871,650. The City has no bonds authorized but unissued as of June 30, 2014.

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 received an additional \$750,000 in CDBG funds for an \$800,000 project to improve water lines throughout the City.
- The City will begin expansion of its water production facilities with a funding agreement with USDA for approximately \$5 million to double the City's water production capacity to support growth.
- 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. This industry contributes over one billion dollars annually in the Sampson County economy.
- A bio-fuels company has chosen the City of Clinton and Sampson County as its location for its first North American facility. The company expects to begin construction in first quarter of 2015 with a projected investment of \$150 million and more than 65 full-time employees.
- The City has experienced its highest commercial growth since before the recession of 2008 with construction a freestanding store, opening of several new businesses and renovations in downtown area.
- The City has already approved two residential subdivisions totaling 91 units and an additional two single family dwellings and two duplex structures are currently in the pre-approval phase.
- The North Carolina Department of Transportation has started 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 expecting to experience growth with the Army's base realignment.

Budget Highlights for the Fiscal Year Ending June 30, 2015

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 FY2013-2014 and the trend is expected to continue in FY2014-2015 with an increase of 2.48% represented in the FY14-15 budget. Total General Fund revenues budgeted for the fiscal year ending June 30, 2015 are \$8,728,250.

Budgeted expenditures in the General Fund are equal to budgeted revenues and are approximately 3.12% less than the amended FY13-14 budget. The largest expenditure function is public safety and the largest components are in employee compensation and benefits.

Some key FY14-15 governmental budget highlights include:

- No change in the property tax rate of \$.40 per \$100 valuation. The expected revenue is \$2,538,000 on a 97.5 percent collection rate.
- Sales Tax revenues account for \$1,681,000.
- The residential garbage collection rate for FY14-15 is \$15.00, with no change from previous year's rate. Residential garbage collection accounts for \$590,000 in the FY14-15 budget and commercial collection accounts for \$660,000.
- The cost of healthcare continues to be a factor in the cost of personnel management, however, unlike the recent trend the magnitude of change has diminished.
- The City expects to spend approximately \$170,000 on street paving and resurfacing.
- The City increased its cemetery plot fees by 33% as part of a three-year program to bring fees closer to market rates and support cemetery operations.

Business-type Activities: The City estimates revenues of approximately \$4.78 million from water and sewer enterprise operations in FY14-15, a 15.8 percent decrease from FY13-14 due to the completion of major capital projects. The City is adjusting water and sewer rates by 1.48 percent to match the 2013 Consumer Price Index inflation rate.

Some key FY14-15 business-type activity budget highlights include:

- Water and sewer charges, including bulk rate fees, account for \$4,317,000 (90.14%) in the FY14-15 Water and Sewer Fund budget.
- Sewer surcharges charges based on the pounds of pollutants in excess of the normal amount account for \$360,000.
- Direct department capital costs for Water & Sewer operations amount to 380,900; a decrease of 52.92% over the previous budget cycle.
- Budgeted debt service stands at 758,400, a decrease of 1.88% over the previous budget cycle.

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.

Financial Section

Basic Financial Statements

CITY OF CLINTON, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,280,450	\$ 2,494,253	\$ 7,774,703	\$ 579,605
Taxes receivables (net)	94,198	-	94,198	-
Accrued interest receivable on taxes	13,016	-	13,016	-
Accounts receivable (net)	231,248	788,935	1,020,183	-
Due from other governments	647,229	207,886	855,115	-
Due from component unit	154,400	-	154,400	-
Inventories	30,677	21,669	52,346	203,580
Prepaid items	-	-	-	3,342
Restricted cash and cash equivalents	12,975	131,256	144,231	-
Total current assets	<u>6,464,193</u>	<u>3,643,999</u>	<u>10,108,192</u>	<u>786,527</u>
Capital assets:				
Land, improvements and construction in progress	1,421,673	1,546,981	2,968,654	36,795
Other capital assets, net of depreciation	10,287,210	17,334,412	27,621,622	49,760
Total capital assets	<u>11,708,883</u>	<u>18,881,393</u>	<u>30,590,276</u>	<u>86,555</u>
Total assets	<u>\$ 18,173,076</u>	<u>\$ 22,525,392</u>	<u>\$ 40,698,468</u>	<u>\$ 873,082</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 439,123	\$ 202,274	\$ 641,397	\$ 85,548
Distributions payable	-	-	-	193,000
Accrued interest payable	48,600	-	48,600	-
Due to other governments	-	-	-	40,371
Long-term debt due within one year	748,333	744,541	1,492,874	-
Liabilities payable from restricted assets:				
Customer deposits	-	131,256	131,256	-
Long-term liabilities:				
Long-term debt - noncurrent	3,494,763	2,301,216	5,795,979	-
Total liabilities	<u>4,730,819</u>	<u>3,379,287</u>	<u>8,110,106</u>	<u>318,919</u>
NET POSITION				
Net investment in capital assets	8,617,293	16,215,430	24,832,723	86,555
Restricted for:				
Capital projects	67,000	-	67,000	3,491
Stabilization by State Statute	1,073,461	-	1,073,461	-
Economic development	99,145	-	99,145	-
Public safety	5,938	-	5,938	-
Planning grants	12,889	-	12,889	-
USDA reserve	7,037	-	7,037	-
Working capital	-	-	-	53,231
Unrestricted	3,559,494	2,930,675	6,490,169	410,886
TOTAL NET POSITION	<u>\$ 13,442,257</u>	<u>\$ 19,146,105</u>	<u>\$ 32,588,362</u>	<u>\$ 554,163</u>

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, 2014**

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			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,964,572	\$ 39,552	\$ 98,846	\$ 50,000	\$ (1,776,174)	\$ -	\$ (1,776,174)	\$ -
Public safety	3,819,754	30,518	239,546	-	(3,549,690)	-	(3,549,690)	-
Transportation	1,228,847	-	258,403	-	(970,444)	-	(970,444)	-
Economic and physical development	224,371	84,519	161,991	-	22,139	-	22,139	-
Environmental protection	792,524	1,424,535	-	-	632,011	-	632,011	-
Cultural and recreation	848,614	64,813	-	-	(783,801)	-	(783,801)	-
Interest on long-term debt	34,206	-	-	-	(34,206)	-	(34,206)	-
Total governmental activities	8,912,888	1,643,937	758,786	50,000	(6,460,165)	-	(6,460,165)	-
Business-type activities:								
Water and sewer	4,233,826	4,755,117	-	742,656	-	1,263,947	1,263,947	-
Total primary government	\$ 13,146,714	\$ 6,399,054	\$ 758,786	\$ 792,656	\$ (6,460,165)	\$ 1,263,947	\$ (5,196,218)	\$ -
Component unit:								
ABC Board	\$ 1,743,441	\$ 1,754,829	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,388

General revenues:					
Taxes:					
Property taxes, levied for general purpose		2,903,077	-	2,903,077	-
Other taxes		256,164	-	256,164	-
Unrestricted intergovernmental revenues		3,173,740	-	3,173,740	-
Unrestricted investment earnings		22,097	13,026	35,123	121
Gain on sale of assets		85,838	-	85,838	-
Miscellaneous		-	55,746	55,746	-
Transfers:		671,927	(671,927)	-	-
Total general revenues, special item and transfers		7,112,843	(603,155)	6,509,688	121
Change in net position		652,678	660,792	1,313,470	11,509
Net position - beginning		12,789,579	18,485,313	31,274,892	542,654
Net position - ending		\$ 13,442,257	\$ 19,146,105	\$ 32,588,362	\$ 554,163

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, 2014

	<u>Major Fund</u>	<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Non-major</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 4,990,535	289,915	\$ 5,280,450
Receivables, net:			
Taxes	92,175	2,023	94,198
Accounts	230,210	1,038	231,248
Due from other governments	647,229	-	647,229
Due from component unit	154,400	-	154,400
Inventory	30,677	-	30,677
Restricted cash and cash equivalents	-	12,975	12,975
Total assets	<u>\$ 6,145,226</u>	<u>\$ 305,951</u>	<u>\$ 6,451,177</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 435,048	\$ 4,073	\$ 439,121
Total current liabilities	<u>435,048</u>	<u>4,073</u>	<u>439,121</u>
DEFERRED INFLOWS OF RESOURCES			
Beer and wine revenue receivable	9,423	-	9,423
Property taxes receivable	91,880	2,023	93,903
Total deferred inflows of resources	<u>101,303</u>	<u>2,023</u>	<u>103,326</u>
FUND BALANCES			
Non Spendable			
Inventories	30,677	-	30,677
Restricted			
Stabilization by State Statute	1,073,461	-	1,073,461
Economic Development in the Downtown Tax District	-	99,145	99,145
USDA Reserve	-	7,037	7,037
Planning Projects	-	12,889	12,889
Capital Projects	-	67,000	67,000
Public Safety	-	5,938	5,938
Committed			
Cemetery Fund	328,210	-	328,210
Assigned			
Community Development	-	107,846	107,846
Capital Use Policy	464,839	-	464,839
Subsequent year's expenditures	150,000	-	150,000
Unassigned	3,561,688	-	3,561,688
Total fund balances	<u>5,608,875</u>	<u>299,855</u>	<u>5,908,730</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,145,226</u>	<u>\$ 305,951</u>	<u>\$ 6,451,177</u>

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

**City of Clinton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014**

Total fund balances	\$	5,908,730
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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	23,910,739	
Accumulated depreciation	<u>(12,201,856)</u>	11,708,883

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.		13,015
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Liabilities for earned revenues considered deferred inflows of resources in the fund statements.		103,326
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Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.

Gross long-term debt - beginning	(4,459,866)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.	216,769	(4,243,097)

Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		<u>(48,600)</u>
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Net position of governmental activities	\$	<u><u>13,442,257</u></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, 2014

	<u>Major Fund</u>	<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Non-major</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
REVENUES			
Ad valorem taxes	\$ 2,855,889	\$ 54,943	\$ 2,910,832
Other taxes and licenses	256,164	-	256,164
Unrestricted intergovernmental	3,173,024	-	3,173,024
Restricted intergovernmental	789,116	-	789,116
Sales and services	1,393,375	-	1,393,375
Investment earnings	21,120	977	22,097
Private contribution	-	50,000	50,000
Program income	-	2,603	2,603
Miscellaneous	206,679	10,950	217,629
Total revenues	<u>8,695,367</u>	<u>119,473</u>	<u>8,814,840</u>
EXPENDITURES:			
Current:			
General government	1,878,576	-	1,878,576
Public safety	3,671,959	907	3,672,866
Transportation	1,344,174	-	1,344,174
Economic and physical development	-	116,745	116,745
Environmental protection	712,375	-	712,375
Culture and recreation	826,842	-	826,842
Debt service:			
Principal	430,186	-	430,186
Interest	40,110	-	40,110
Capital outlay	-	26,000	26,000
Total expenditures	<u>8,904,222</u>	<u>143,652</u>	<u>9,047,874</u>
Excess (deficiency) of revenues over expenditures	(208,855)	(24,179)	(233,034)
OTHER FINANCING SOURCES (USES):			
Transfers to other funds	(14,845)	14,845	-
Transfers from other funds	481,890	-	481,890
Sale of property	90,296	-	90,296
Total other financing sources (uses)	<u>557,341</u>	<u>14,845</u>	<u>572,186</u>
Net change in fund balance	348,486	(9,334)	339,152
Fund balances, beginning	5,250,716	309,189	5,559,905
Change in reserve for inventories	9,673	-	9,673
Fund balances, ending	<u>\$ 5,608,875</u>	<u>\$ 299,855</u>	<u>\$ 5,908,730</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, 2014

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

Net change in fund balances - total governmental funds		\$ 339,152
Change in fund balance due to change in reserve for inventory		9,673

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	745,486	
Transfer of capital asset from Water & Sewer Fund	190,037	
Depreciation expenses for governmental assets	(842,886)	
Proceeds from sale of assets included in general government	90,926	183,563

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.

Change in unavailable revenue for tax revenues		(103,326)
Decrease in accrued interest receivable		944

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.

New long-term debt issued	(104,950)	
Principal payments on long-term debt	430,186	
Decrease in accrued interest payable	5,904	331,140

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	1,730	
Net pension obligation	6,064	
Other postemployment benefits	(116,262)	(108,468)

Total changes in net position of governmental activities		\$ 652,678
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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, 2014

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual	
	Original	Final	Amounts	
Revenues:				
Ad valorem taxes	2,730,400	2,753,200	2,855,889	102,689
Other taxes and licenses	98,500	196,300	256,164	59,864
Unrestricted intergovernmental	3,080,100	3,142,600	3,173,024	30,424
Restricted intergovernmental	651,800	798,840	789,116	(9,724)
Sales and services	1,409,000	1,411,100	1,393,375	(17,725)
Investment earnings	12,500	21,000	21,120	120
Miscellaneous	180,500	223,800	206,679	(17,121)
Total revenues	8,162,800	8,546,840	8,695,367	148,527
Expenditures:				
Current:				
General government	1,858,000	1,921,900	1,878,576	43,324
Public safety	3,561,600	3,796,306	3,671,959	124,347
Transportation	1,339,000	1,339,300	1,344,174	(4,874)
Environmental protection	691,600	747,600	712,375	35,225
Cultural and recreation	879,800	865,900	826,842	39,058
Debt service				
Principal retirement	449,800	430,440	430,186	254
Interest expense	41,000	40,350	40,110	240
Total expenditures	8,820,800	9,141,796	8,904,222	237,574
Revenues over (under) expenditures	(658,000)	(594,956)	(208,855)	386,101
Other financing sources (uses):				
Net transfers from (to) other funds	498,000	467,045	467,045	-
Sale of property	30,000	39,600	90,296	50,696
Total other financing sources (uses)	528,000	506,645	557,341	50,696
Revenues and other sources over (under) expenditures and other uses	(130,000)	(88,311)	348,486	<u>\$ 436,797</u>
Fund balance appropriated	130,000	88,311	-	
Fund balances, beginning	-	-	5,250,716	
Change in reserve for inventories	-	-	9,673	
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,608,875</u>	

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, 2014

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,494,253
Accounts receivable (net) - billed	436,748
Accounts receivable (net) - unbilled	352,187
Due from other government	207,886
Inventories	21,669
Restricted cash and cash equivalents	<u>131,256</u>
Total current assets	3,643,999
Capital assets:	
Land	316,947
Construction in progress	1,230,034
Other capital assets, net of depreciation	<u>17,334,412</u>
Capital assets (net)	<u>18,881,393</u>
Total assets	<u><u>\$ 22,525,392</u></u>
 LIABILITIES AND FUND BALANCES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 202,273
Compensated absences	27,000
BB&T Installment Purchase (Track Loader)	19,685
Clearwater Project Loan	7,143
State Revolving Loan - 06 (2010)	11,507
State Revolving Loan - 0066 (2007)	76,837
Well Fill Purification Project	177,301
State Revolving Loan - 0030 (1994)	256,733
State Revolving Loan - 0166 (2009)	168,335
Liabilities payable from restricted assets:	
Customer deposits	<u>131,256</u>
Total current liabilities	1,078,070
Noncurrent liabilities:	
Compensated absences	64,365
OPEB liability	288,430
Clearwater Project Loan	107,137
State Revolving Loan - 06 (2010)	172,600
State Revolving Loan - 0066 (2007)	153,676
State Revolving Loan - 0166 (2009)	<u>1,515,009</u>
Total noncurrent liabilities	<u>2,301,217</u>
Total liabilities	3,379,287
 NET POSITION	
Net investment in capital assets	16,215,430
Unrestricted	<u>2,930,675</u>
Total net position	<u><u>\$ 19,146,105</u></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, 2014

	<u>Water and Sewer Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 4,755,117
Other operating revenues	<u>55,746</u>
Total operating revenues	4,810,863
OPERATING EXPENSES:	
Water department	1,554,237
Waste treatment	1,547,561
Depreciation	<u>1,058,701</u>
Total operating expenses	<u>4,160,499</u>
Operating income	650,364
NONOPERATING REVENUES (EXPENSES):	
County contribution	172,350
CDBG Grant - Eliza Lane Project	471,016
CDBG Grant - Infrastructure Project	99,290
Investment earnings	13,026
Interest and other charges	<u>(73,327)</u>
Total nonoperating revenues (expenses)	<u>682,355</u>
Income before contributions and transfers	1,332,719
Capital contributed to General Fund	(190,037)
Transfers to other funds	<u>(481,890)</u>
Change in net position	660,792
Total net position - beginning	<u>18,485,313</u>
Total net position - ending	<u><u>\$19,146,105</u></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, 2014

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	4,704,663
Cash paid for goods and services	(1,919,295)
Cash paid to or on behalf of employees for services	(1,160,129)
Customer deposits refunded	(4,380)
Other operating cash receipts	<u>89,502</u>
Net cash provided by operating activities	1,710,361
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>(481,890)</u>
Total cash flows from non-capital financing activities	(481,890)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
CDBG Grant - Infrastructure Project	71,404
CDBG Grant - Eliza Lane Project	510,777
Principal retirement on long-term debt	(710,776)
Interest paid on long-term debt	(81,437)
Acquisition of capital assets	<u>(1,736,403)</u>
Net cash used by capital and related financing activities	(1,946,435)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>13,026</u>
Net increase in cash and cash equivalents	(704,938)
Cash and cash equivalents at beginning of year	<u>3,330,447</u>
Cash and cash equivalents at end of year	<u>\$ 2,625,509</u>

City of Clinton, North Carolina
Statement of Cash Flows
Water & Sewer Fund
June 30, 2014

Reconciliation of operating income to net cash provided by	
operating activities:	
Operating income	\$ 650,364
Adjustments to reconcile operating income to net cash provided by	
operating activities:	
Depreciation	1,058,701
Changes in assets and liabilities:	
Increase in accounts receivable	(48,826)
Decrease in other receivable	32,125
Decrease in inventory	3,404
Decrease in accounts payable and accrued liabilities	(38,767)
Decrease in customer deposits	(4,379)
Increase in accrued salaries	4,863
Decrease in accrued vacation pay	(3,554)
Increase in accrued OPEB liability	<u>56,430</u>
Total adjustments	<u>1,059,997</u>
Net cash provided by operating activities	<u>\$ 1,710,361</u>

Non-cash transactions: The Eliza Lane Capital Project, accounted for as a Water & Sewer Fund capital project fund, included components which were capitalized during the fiscal year ending June 30, 2013 and 2014. This project has a road construction component that will ultimately be included in capital assets of the General Fund as well as aspects that will increase the capital assets of the water and sewer systems of the City of Clinton. Therefore, a non-cash transfer of the governmental construction in progress was recorded as a transfer of capital from the Water & Sewer Fund Statement of Revenues, Expenses and Changes in Fund Net Assets in the amount of \$190,037. These assets are included in the capital assets of the General Fund as of June 30, 2014.

Notes to the Financial Statements

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

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, 2014

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 Planning Grants Fund and the Fire Department Grant Fund. These funds have been combined in the accompanying financial statements.

Capital Project Funds – Various Capital Project funds are used to account for financial resources to be used for non-major acquisitions or construction. The City has three Capital Project Funds: City Facility Renovations Fund, Affordable Housing Project Fund and the Branding 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, 2014

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. 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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

C. Measurement Focus and Basis of Accounting (continued)

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. 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, 2014

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 as determined by quoted market prices. The securities of the NCCMT- Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

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 Downtown Tax District Fund are restricted to meet USDA requirements to maintain funds for repayment of debt and Fire Department grant funds are restricted for purposes related to the grant. 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, 2014.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

<u>City of Clinton Restricted Cash</u>		
Governmental Activities		
	Downtown Tax District Fund	\$7,037
	Fire Department Grant Fund	<u>5,938</u>
Total governmental activities		<u>\$12,975</u>
Business-type activities		
Water & Sewer Fund		
	Customer deposits	<u>\$131,256</u>
Total Business-type activities		<u>\$131,256</u>
Total Restricted Cash		<u><u>\$144,231</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2011. 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.

Typically certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used. However, the City did not have any such items at June 30, 2014 that were material in amount.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

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 are recorded at their estimated fair value at the date of donation. 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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 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 no items that meet this criterion. 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 only one item that meets the criterion for this category – property taxes receivable.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

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 not accumulate vacation and such leave must be taken in the year earned or forfeited. However, terminated ABC Board employees are entitled to be compensated for unused vacation at the time of termination. The amount of this liability is not readily determinable and is not considered to be material. Therefore, the ABC Board did not accrue a liability or expense for unused vacation.

Both the City and the ABC Board's sick leave policy provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

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 – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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, 2014, 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 Capital Projects – portion of fund balance that is restricted by revenue source for certain capital projects that had not been completed as of June 30, 2014.

Restricted for Planning Projects – portion of fund balance that is restricted by revenue source for certain planning projects that had not been completed as of June 30, 2014.

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). Any changes or removal of specific purpose requires majority action by the governing body.

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

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.

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.

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 as capital reserves.

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.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

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, 2014

C. Excess of Expenditures over Appropriations in Government Activities Funds

For the fiscal year ended June 30, 2014, a contractual expenditure in the transportation department was more than anticipated and therefore, resulted in an over-expenditure for that department. Management and the Council will closely review the budget reports to ensure compliance in future years.

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, 2014, the City's deposits had a carrying amount of \$7,411,498 and a bank balance of \$7,584,414. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2014, the City's petty cash fund totaled \$350.

The carrying amount of deposits for the ABC Board was \$396,887 and the bank balance was \$442,005. The first \$250,000 of the ABC Board bank deposits are protected by federal deposit insurance. The amount above \$250,000 is protected by the Pooling Method of collateralization. At June 30, 2014, the ABC Board's petty cash fund totaled \$1,900.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

2. Investments

At June 30, 2014, the City of Clinton had \$507,086 invested with the North Carolina Capital Management Trust's (NCCMT) Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The City has no formal investment policy and has no formal policy regarding credit risk.

At June 30, 2014, The ABC Board had \$180,818 invested with the North Carolina Capital Management Trust's Cash 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 amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$28,553.

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:

Fund	June 30, 2014
General Fund:	
Taxes receivable	\$ 49,000
Accounts receivable	33,937
Total general fund	82,937
Enterprise Fund:	
Total Allowances for bad debts	\$ 91,876
	91,876

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,376,302	\$ -	\$ -	\$ 1,376,302
Construction in progress	84,134	26,000	64,763	45,371
Total capital assets being depreciated	<u>1,460,436</u>	<u>26,000</u>	<u>64,763</u>	<u>1,421,673</u>
Capital assets being depreciated:				
Buildings and other improvements	6,043,833	185,682	-	6,229,515
Equipment	2,498,692	337,079	108,417	2,727,354
Vehicles and motorized equipment	5,656,881	111,879	455,508	5,313,252
Infrastructure	7,879,259	339,686	-	8,218,945
Total capital assets being depreciated	<u>22,078,665</u>	<u>974,326</u>	<u>563,925</u>	<u>22,489,066</u>
Less accumulated depreciation for:				
Buildings and other improvements	1,934,204	123,657	-	2,057,861
Equipment	2,251,051	132,443	103,959	2,279,535
Vehicles and motorized equipment	3,778,866	309,373	455,508	3,632,731
Infrastructure	3,954,316	277,413	-	4,231,729
Total accumulated depreciation	<u>11,918,437</u>	<u>842,886</u>	<u>559,467</u>	<u>12,201,856</u>
Total capital assets being depreciated, net	<u>10,160,228</u>			<u>10,287,210</u>
Governmental activity capital assets, net	<u>\$ 11,620,664</u>			<u>\$ 11,708,883</u>

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

General government	\$ 333,113
Public safety	258,469
Transportation	82,690
Environmental protection	95,344
Cultural and recreation	73,270
Total depreciation expense	<u>\$ 842,886</u>

City of Clinton, North Carolina
Notes to the Financial Statements
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Capital asset activity for the Enterprise Fund for the year ended June 30, 2014, was as follows:

Business-type activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 261,872	\$ 55,075	\$ -	\$ 316,947
Construction in progress	532,745	938,674	241,385	1,230,034
Total capital assets not being depreciated	<u>794,617</u>	<u>993,749</u>	<u>241,385</u>	<u>1,546,981</u>
Capital assets being depreciated:				
Land Improvements	32,449	-	-	32,449
Equipment	36,316,138	213,527	-	36,529,665
Vehicles	449,397	27,141	-	476,538
Infrastructure	1,715,562	553,334	-	2,268,896
Total capital assets being depreciated	<u>38,513,546</u>	<u>794,002</u>	<u>-</u>	<u>39,307,548</u>
Less accumulated depreciation for:				
Land Improvements	14,505	-	-	14,505
Equipment	19,165,449	433,685	-	19,599,134
Vehicles	354,722	33,109	-	387,831
Infrastructure	1,379,759	591,907	-	1,971,666
Total accumulated depreciation	<u>20,914,435</u>	<u>1,058,701</u>	<u>-</u>	<u>21,973,136</u>
Total capital assets being depreciated, net	<u>17,599,111</u>			<u>17,334,412</u>
Water and Sewer fund capital assets, net	<u>\$ 18,393,728</u>			<u>\$ 18,881,393</u>

Construction commitments and construction in progress

The government has active construction projects as of June 30, 2014. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Infrastructure CDBG Project	99,290	690,710
NC 24 Industrial Park Infrastructure Project	38,160	3,497,640
Southwood Elevated Tank Project (Formerly Smithfield)	137,240	96,760
Water Production Expansion Project	250,202	328,798
Utility Lines Maintenance Project	199,300	0
Public Works Facility Renovation	501,417	99,383
Highway 24 Infrastructure Relocation	59,500	5,500

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

Discretely presented component unit

Capital assets and capital asset activity for the ABC Board for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 36,795	\$ -	\$ -	\$ 36,795
Capital assets being depreciated:				
Paving	6,788	-	-	6,788
Buildings	169,101	5,360	-	174,461
Office Equipment	2,708	1,050	-	3,758
Store Equipment	61,822	-	5,589	61,822
Total capital assets being depreciated	240,419	6,410	5,589	241,240
Less accumulated depreciation for:				
Paving	6,788	-	-	6,788
Buildings	139,619	1,626	-	141,245
Office Equipment	2,708	-	-	2,708
Store Equipment	42,973	3,355	5,589	40,739
Total accumulated depreciation	192,086	4,981	5,589	191,480
ABC capital assets being depreciated, net	<u>48,333</u>			<u>49,760</u>
ABC capital assets, net	<u>\$ 85,128</u>			<u>\$ 86,555</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Clinton contributes to 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 provides retirement, disability and death benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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.

City of Clinton, North Carolina
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For the fiscal year ended June 30, 2014

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.070% and 7.280%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Clinton are established and may be amended by the North Carolina General Assembly. The City’s contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$327,767, \$298,627 and \$314,729, respectively. The contributions made by the City equaled the required contributions for each year.

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. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2013 the Separation Allowance’s membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>30</u>
Total plan members	<u>36</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.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

3. Contributions.

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

The annual required contribution for the current year was determined as part of the December 31, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. The inflation component was 3.00%. The assumptions do not include post retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2011 was 19 years.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 64,148
Interest on net pension obligation	5,884
Adjustment to annual required contribution	<u>(6,300)</u>
Annual pension cost	63,732
Employer contributions made	<u>(69,796)</u>
Increase in net pension obligation	(6,064)
Net pension obligation beginning of fiscal year	<u>117,676</u>
Net pension obligation end of fiscal year	\$ <u>111,612</u>

3 Year Trend Information

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
2012	63,516	81.18%	119,187
2013	63,727	102.37%	117,676
2014	63,732	109.51%	111,612

4. Funded Status and Funding Progress.

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$616,841. The covered payroll (annual payroll of active employees covered by the plan) was \$1,117,007, and the ratio of the UAAL to the covered payroll was 55.22 percent. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. During the fiscal year ended June 30, 2014 the City of Clinton paid directly to six eligible retired law enforcement officers a total of \$69,796 under this plan.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

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.

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, 2014 were \$67,660, which consisted of \$51,910 from the City and \$15,750 from the law enforcement officers.

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, 2014 totaled \$57,705, made exclusively by City employees.

d. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Clinton, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firefighter's and Rescue Squad Workers' Pension Fund 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 the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

City of Clinton, North Carolina
Notes to the Financial Statements
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Funding Policy. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. For the fiscal year ended June 30, 2014, the City of Clinton has recognized on behalf of payments for pension contributions made by the state as a revenue and an expenditure of \$4,500 for the thirty employed firefighters who perform firefighting duties for the City.

e. 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. Also, the City's retirees can purchase coverage for their dependents at the City's group rates.

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 December 31, 2012, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	16	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	99	28
Total	115	28

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by City Council. The City's members pay \$553 per month for family coverage, \$320 for spouse-only coverage and \$180 for children-only coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

City of Clinton, North Carolina
Notes to the Financial Statements
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The current ARC rate is 7.690% of annual covered payroll. For the current year, the city contributed \$116,213 or 2.95% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's required contributions, under a City resolution for employees not engaged in law enforcement and for law enforcement officers represented 1.75% and 1.20% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$157,714. The City's obligation to contribute to the plan is established and may be amended by the City Council.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare benefits.

Annual required contribution	\$	302,896
Interest on net OPEB obligation		35,868
Adjustment to annual required contribution		(49,861)
Annual OPEB cost (expense)	\$	288,902
Contributions made		(116,213)
Increase (decrease) in net OPEB obligation		172,689
Net OPEB obligation, beginning of year		896,690
Net OPEB obligation, end of year	\$	<u>1,069,379</u>

Under GASB Statement No. 43 and GASB Statement No. 45, the OPEB liability may include an implicit subsidy amount based upon age adjusted costs reflecting the higher cost of benefits associated with older participants. For the purpose of determining the Net OPEB Obligation (NOO), the annual OPEB contributions for medical and prescription drug costs that are determined on a combined basis for actives and retirees (in this case the pre-65 retirees) has been increased to include the impact of the 37% implicit subsidy and actual cash contributions of \$84,827 paid by the City.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows.

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 294,961	33.10%	\$ 705,672
2013	\$ 291,883	34.55%	\$ 896,690
2014	\$ 288,902	40.23%	\$1,069,379

City of Clinton, North Carolina
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Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$2,795,135. The covered payroll (annual payroll of active employees covered by the plan) was \$3,979,179, and the ratio of the UAAL to the covered payroll was 71.0%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net on administrative expense), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 9.50 to 5.00 percent annually. The investment rate included a 3.00% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011 was 30 years.

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.

City of Clinton, North Carolina
Notes to the Financial Statements
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For the fiscal year ended June 30, 2014, the City made contributions to the State for death benefits of \$0. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.00% and 0.00% of covered payroll respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporarily relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

No. Years Contributing	Year Relief	FY Contributions Resume
Less than 10	1	2014
10 – 20	2	2015
20 or more	3	2016

The period of reprieve is determines separately for law enforcement officers. The City of Clinton has had a 1 year reprieve for employees not engaged in law enforcement because it has been contributing for less than 10 years for these employees. The City will have a 2 year reprieve for employees engaged in law enforcement because it has been contributing for 10 – 20 years for these employees. Contributions will resume in the fiscal years beginning July 1, 2014 and July 1, 2015, respectively.

3. Deferred Outflows and Inflows of Resources

The City had no deferred outflows of resources as of June 30, 2014.

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

	<u>Unavailable Revenue</u>
General Fund:	
Beer and Wine revenue receivable	\$ 9,423
Property taxes receivable	<u>91,880</u>
Total general fund	101,303
Downtown Special Tax District	<u>2,023</u>
Total deferred inflows of resources	<u>\$ 103,326</u>

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

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.

5. Long-Term Obligations

a. Capital Leases

The City did not have any current capital leases during the fiscal year.

b. Installment Purchase-General Long-Term Debt

In August 2003, the city entered into an installment purchase loan with the US Department of Agriculture, Rural Development to finance downtown revitalization construction with an interest rate of 4.25% and a beginning principal balance of \$425,000. Payments on this debt began August 2004. On February 6th, 2008, the city entered into an installment purchase loan with the US Department of Agriculture, Rural Development to finance the second phase of the downtown revitalization construction with an interest rate of 4.375% and a beginning principal amount was \$750,000. These two loans were refinanced during 2012 for a twelve year period with a new beginning balance of \$893,066 at an interest rate of 2.19%. Annual loan payments are \$83,997 and will end on August 1, 2024.

City of Clinton, North Carolina
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On June 1, 2010, the city entered into an installment purchase contract with BB&T to finance the renovation of City Hall with an interest rate of 3.39% and a beginning principal balance of \$500,000. Annual loan payments are variable and will end on 2020.

On October 7, 2011, the city entered into an installment purchase contract with BB&T to finance a vacuum leaf loader with an interest rate of 1.66% and a beginning principal balance of \$110,200. This debt is combined with a track loader that is in the water and sewer fund. All loan payments are variable and will end on October 7, 2014.

On August 1, 2012, the city entered into an installment purchase contract with BB&T to finance the remount of a 2012 Mack garbage truck with an interest rate of 1.62% and a beginning principal balance of \$112,400. Annual payments are \$38,687.09 and will end on August 1, 2015.

On July 27, 2012, the city entered into an installment purchase contract with BB&T to finance the purchase of a 2012 Mack garbage truck with an interest rate of 1.57% and a beginning principal balance of \$190,278. Annual payments are \$65,427.92 and will end on September 27, 2015.

On August 24, 2012, the city entered into an installment purchase contract with BB&T to finance the purchase of a 2012 Freightliner garbage truck with an interest rate of 1.71% and a beginning principal balance of \$112,000. Annual payments are \$38,617.35 and will end on September 27, 2015.

On August 27, 2012, the city entered into an installment purchase contract with BB&T to finance the purchase of a 2012 Sutphen aerial fire truck with an interest rate of 2.27% and a beginning principal balance of \$635,000. Annual payments are \$71,694.68 and will end on September 27, 2022.

On October 2, 2014, the city entered into an installment purchase contract with Government Capital Corporation to finance the purchase of software for the police department with an interest rate of 4.65% and a beginning principal balance of \$115,692. Annual payments are \$25,288.95 and will end on October 2, 2016.

On May 21, 2013, the city entered into an installment purchase contract with the US Department of Agriculture, Rural Development to finance the third phase of the downtown revitalization construction with an interest rate of 3.5% and a beginning principal amount was \$1,000,000. Annual payments are \$70,370.28 and will end on May 21, 2033.

City of Clinton, North Carolina
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Annual debt service payments of the installment purchase as of June 30, 2014, including interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	408,333	85,549
2016	378,387	75,867
2017	243,222	66,604
2018	223,387	59,455
2019	227,834	53,313
2020-2024	988,530	175,170
2025-2029	360,240	75,609
2030-2033	261,657	19,824
Total	\$ 3,091,590	\$ 611,391

c. State Revolving Loans

In 1994, the City financed construction of a waste treatment plant expansion with general long-term debt and funds provided by the North Carolina Clean Water Revolving Loan and Grant Fund. The long-term debt is a liability of the Water and Sewer Fund. The funds provided by the State are “not secured by a pledge of faith and credit of the State of North Carolina or of the unit, but is payable solely from the revenues received under Articles 40, 41, and 42 of Chapter 105 and so allocated by the Unit.” The principal sum shall be required in not more than 20 annual installments payable on May 1st of each year. The City signed a \$5,134,658 promissory note bearing interest at 3.385 percent per annum.

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2014:

	Principal	Interest	Total
2015	256,733	8,690	265,423
	\$ 256,733	\$ 8,690	\$ 265,423

The City has established a sewer capacity fee for large industrial users to help service the additional debt incurred to expand the waste treatment plant. At June 30, 2014, the capacity fee only applies to one industrial user. Normal water and sewer charges and additional fees for this user are approximately 15% of the City’s total water and sewer revenues. The City received approval from the Local Government Commission on July 5, 2005 for an additional Wastewater Collection System Revolving Loan.

City of Clinton, North Carolina
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The following table summarizes the annual requirements to amortize the principal owed at June 30, 2014:

	Principal	Interest	Total
2015	76,837	5,313	82,150
2016	76,837	3,542	80,379
2017	76,839	1,771	78,610
	<u>\$ 230,513</u>	<u>\$ 10,626</u>	<u>\$ 241,139</u>

The City engaged in a revitalization of the downtown area through loans with the State of North Carolina to beautify and increase commercial investment in that part of the City. The second phase of this project was funded by a revolving unsecured loan which became fully drawn on September 15, 2009. The loan is payable over the course of 15 years at an interest rate of 2.1%.

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2014:

	Principal	Interest	Total
2015	168,335	35,350	203,685
2016	168,335	31,815	200,150
2017	168,335	28,280	196,615
2018	168,335	24,745	193,080
2019	168,335	21,210	189,545
2020-2024	841,669	53,026	894,695
	<u>\$ 1,683,344</u>	<u>\$ 194,426</u>	<u>\$ 1,877,770</u>

The City engaged in a revitalization of the downtown area through loans with the State of North Carolina to beautify and increase commercial investment in the immediate downtown area. The third phase of this project was funded by a revolving unsecured loan which became fully drawn on June 8, 2010. The loan is payable over the course of 20 years at an interest rate of 2.1%.

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2014:

	Principal	Interest	Total
2015	11,507	3,866	15,373
2016	11,507	3,625	15,132
2017	11,507	3,383	14,890
2018	11,507	3,141	14,648
2019	11,507	2,900	14,407
2020-2024	57,534	10,874	68,408
2025-2030	69,038	5,074	74,112
	<u>\$ 184,107</u>	<u>\$ 32,863</u>	<u>\$ 216,970</u>

City of Clinton, North Carolina
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The City engaged in construction of a 150,000 gallon clearwell distribution facility which was funded by a revolving unsecured loan provided in part by American Recovery and Reinvestment Act of 2009 through the North Carolina Department of Environment and Natural Resources and became fully drawn on July 27, 2010. The loan is payable over the course of 20 years at an interest rate of 0.0%.

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2014:

	Principal	Interest	Total
2015	7,143	-	7,143
2016	7,143	-	7,143
2017	7,143	-	7,143
2018	7,143	-	7,143
2019	7,143	-	7,143
2018-2024	35,713	-	35,713
2025-2030	42,851	-	42,851
	<u>\$ 114,279</u>	<u>\$ -</u>	<u>\$ 114,279</u>

d. BB&T Installment Purchase

In October 1999, the City entered into an installment purchase contract to finance the Well Fill Purification Project with an original balance of \$2,000,000 and an interest rate of 5.31%. The contract was refinanced in August of 2003 with an interest rate of 3.83%.

Annual payments are made with principal and interest amounts as follows:

	Principal	Interest	Total
2015	177,301	6,791	184,092
	<u>\$ 177,301</u>	<u>\$ 6,791</u>	<u>\$ 184,092</u>

On October 7, 2011, the city entered into an installment purchase contract with BB&T to finance a track loader with an interest rate of 1.66% and a beginning principal balance of \$58,084. This debt is combined with a vacuum leaf loader that is in the general fund. All loan payments are variable and will end on October 7, 2014.

	Principal	Interest	Total
2015	19,685	331	20,016
	<u>\$ 19,685</u>	<u>\$ 331</u>	<u>\$ 20,016</u>

e. General Obligation Indebtedness

The City does not have any general obligation bonds.

At June 30, 2014, the City of Clinton had no bonds authorized but unissued, had a legal debt limit of approximately \$58,211,705 and a legal debt margin of \$50,101,599.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

f. Changes in Long-Term Liabilities

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

<u>Governmental activities:</u>	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Installment purchase	\$ 3,416,826	\$ 104,950	\$ 430,186	\$3,091,590	\$ 408,333
Compensated absences	260,673	148,991	150,721	258,943	151,000
Other postemployment benefits	664,690	232,475	116,213	780,952	120,000
Net pension obligation	117,676	63,732	69,796	111,612	69,000
Governmental activity long-term liabilities	<u>\$ 4,459,865</u>	<u>\$ 550,148</u>	<u>\$ 766,916</u>	<u>\$ 4,243,096</u>	<u>\$ 748,333</u>
<u>Business-type activities:</u>	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
State revolving loan-0030 (1994)	513,466	-	256,733	256,733	256,733
Well Fill Purification Project (1999)	348,161	-	170,860	177,301	177,301
BB&T Installment Loan (Loader)	39,045	-	19,360	19,685	19,685
State revolving loan-0066 (2007)	307,350	-	76,837	230,513	76,837
State revolving loan-0166 (2009)	1,851,679	-	168,335	1,683,344	168,335
State revolving loan-0166 (2010)	195,614	-	11,507	184,107	11,507
Clearwater loan	121,422	-	7,143	114,279	7,143
Compensated absences	94,919	38,749	42,303	91,365	27,000
Other postemployment benefits	232,000	66,169	9,739	288,430	-
Business-type activity long-term liabilities	<u>\$ 3,703,656</u>	<u>\$ 104,918</u>	<u>\$ 762,817</u>	<u>\$ 3,045,757</u>	<u>\$ 744,541</u>

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

C. Interfund Activity and Balances

Transfers to/from other funds at June 30, 2014, consist of the following:

From the Water & Sewer Fund to the General Fund	\$ 481,890
From the General Fund to Capital Project (Branding Fund)	8,000
From the General Fund to Special Revenue Fund (Fire Department Grant Fund)	6,845
From the Special Revenue Fund (Downtown Special Tax District Fund) to Capital Project (Branding)	10,000
From the Capital Project Fund (Affordable Housing Fund) to Special Revenue Fund (Community Development Fund)	61,736
From the Water & Sewer Fund to Capital Project (NC 24 Industrial Park Infrastructure Project)	50,000
From the Water & Sewer Fund to Capital Project (Fontana Lift Station)	10,800
From Water & Sewer Fund to Capital Project (Capital Reserve Fund)	354,200
From Capital Project (Capital Reserve Fund) to Capital Project (Hwy 24 Infrastructure Relocation)	65,000
From Water & Sewer Fund to Capital Project (Public Works Facility Renovation)	<u>600,800</u>
Total	<u>\$ 1,721,271</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

During the 2014 fiscal year, the City made transfers from the General Fund of \$8,000 and from the Downtown Special Tax District Fund of \$10,000 to the Capital Project Fund – Branding Project to further facilitate the process of enhancing the City’s Parks and Recreation Department project. The City also made a transfer of \$600,800 from the Water & Sewer Fund to the Capital Project Fund – Public Works Facility Renovation to facilitate improvements to the Public Works facility of the City.

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the City of Clinton has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$4,500 for the thirty employed firefighter who perform firefighting duties for the town’s fire department. The employees elected to be members of the Firefighter and Rescue Worker’s Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

E. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 11,708,883	\$ 18,881,393
Less: long-term debt	<u>3,091,590</u>	<u>2,665,962</u>
Net investment in capital assets	<u>\$ 8,617,293</u>	<u>\$ 16,215,430</u>

F. 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	\$ 5,608,875
Less:	
Inventories	30,677
Stabilization by State Statute	1,073,461
Cemetery Fund	328,210
Capital Use Policy	464,839
Subsequent year’s expenditures	150,000
Remaining fund balance	3,561,688

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.

IV. 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. During the fiscal year ended June 30, 2014, the City reported revenues and expenditures in the amount of \$15,390 for funds passing through the Firemen’s Relief Fund. 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, 2014. 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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

V. 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, 2014.

VI. 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, 2014. 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.

VII. Commitments

In 2004 the City entered into a ten 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, 2014 was approximately \$169,680.

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, 2014 the City of Clinton received from Sampson County \$161,991 under the terms of this agreement.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2014

VIII. 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.

IX. Significant Effects of Subsequent Events

City's management has evaluated subsequent events through October 29, 2014, the date on which the financial statements were available to be issued.

X. Related Party Transactions

The City purchased parts and services through a local automobile dealership. A member of Council owns a majority ownership interest of the dealership. The City Council adopted a resolution authorizing the transactions. An employee is the owner of a fire extinguisher service company that performed inspections on the City's fire extinguishers. The total amounts associated with these transactions were not significant.

XI. 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 \$81,917.

Required Supplementary Financial Data

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

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Secondary Market Disclosure – Ten Largest Taxpayers By Assessed Valuation

CITY OF CLINTON, NORTH CAROLINA
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2003	\$ -	\$ 303,942	\$ 303,942	0%	\$ 956,360	31.78%
12/31/2005	-	283,846	283,846	0%	997,289	28.46%
12/31/2006	-	295,925	295,925	0%	1,090,826	27.13%
12/31/2007	-	380,960	380,960	0%	1,181,965	32.23%
12/31/2009	-	634,512	634,512	0%	1,163,631	54.53%
12/31/2011	-	616,841	616,841	0%	1,117,007	55.22%

CITY OF CLINTON, NORTH CAROLINA
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Obligation End of Year
2006	\$ 35,876	61.48%	\$ 9,222
2007	33,195	0.00%	42,417
2008	35,369	35.66%	65,172
2009	46,878	39.35%	92,391
2010	45,015	73.01%	104,541
2011	63,822	95.71%	107,280
2012	63,516	81.18%	119,187
2013	63,727	102.37%	117,676
2014	63,727	109.51%	111,612

Notes to the required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	19 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25 - 7.85%
Includes inflation at	3.00%
Cost of living adjustment	N/A

CITY OF CLINTON, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
12/31/2005	\$ -	\$ 2,244,217	\$ 2,244,217	0%	\$ 3,683,332	60.93%
12/31/2007	-	2,386,161	2,386,161	0%	4,065,438	58.69%
12/31/2011	-	2,795,135	1,795,135	0%	3,939,179	71.00%

CITY OF CLINTON, NORTH CAROLINA
 OTHER POSTEMPLOYMENT BENEFITS
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 223,566	20.30%
2010	224,544	23.00%
2011	225,254	30.10%
2012	294,961	33.10%
2013	291,883	34.56%
2014	288,902	40.23%

Notes to the required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level Percentage of Pay, open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return	4.00%
Projected salary increases	9.50 - 5.00%
Year of Ultimate trend rate	2018
Includes inflation at	3.00%
Cost of living adjustment	N/A

CITY OF CLINTON, NORTH CAROLINA
 REQUIRED SUPPLEMENTAL INFORMATION
 SECONDARY MARKET DISCLOSURE

TEN LARGEST TAXPAYERS BY ASSESSED VALUATION
 For the Year Ended June 30, 2014

TAXPAYER	ASSESSED VALUATION	TAX LEVY
1 Clinton Plant/Smithfield	\$ 56,574,392	\$ 226,298
2 Dubose Industries Dubose National Energy Service Dubse Strapping, Inc.	17,991,823	71,967
3 Schindler Corporation	12,443,380	49,774
4 Wal-Mart	9,117,719	36,471
5 Duke Progress	8,127,519	32,510
6 Faircloth Family Properties	8,042,975	32,172
7 MHC Trucking	7,143,841	28,575
8 Liberty Health	7,068,046	28,272
9 Lowe's Home Improvement	6,235,669	24,943
10 Sampson Crossing	5,938,406	23,754

TOTAL ASSESSED VALUATION

Assessment Ratio	100%
Real Property	543,666,149
Personal Property	167,953,333
Public Service Companies	16,026,833
	<u>727,646,315</u>
Tax rate per \$100	0.40
Levy (includes discoveries, releases and abatements)	\$ 2,910,585

Individual Fund Statements and Schedules

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, 2014

	2014		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Ad valorem taxes:			
Current year	\$	\$ 2,789,131	\$
Prior year levies		38,205	
Interest and penalties		28,553	
Total	<u>2,753,200</u>	<u>2,855,889</u>	<u>102,689</u>
Other taxes and licenses:			
Privilege licenses		196,288	
Auto licenses		43,827	
Vehicle rental taxes		16,049	
Total	<u>196,300</u>	<u>256,164</u>	<u>59,864</u>
Unrestricted intergovernmental revenues:			
Local option sales tax		1,616,968	
Utility franchise tax		647,077	
Fire district tax		430,000	
ABC profit distribution		173,600	
Telecommunications sales tax		118,797	
Hold harmless funds		37,863	
Excise tax on piped gas		42,489	
Beer and wine tax		37,693	
CATV franchise fee		41,983	
Payments in lieu of taxes		18,202	
Sales tax reimbursements		8,352	
Total	<u>3,142,600</u>	<u>3,173,024</u>	<u>30,424</u>
Restricted intergovernmental revenues:			
Powell bill allocation		258,403	
Sampson County contribution		161,991	
FEMA Grant		99,000	
City schools - police		97,154	
Curbside Rollout Recycling grant		24,910	
Community college - police		57,246	
HUD grant - police		42,565	
Firemen's relief tax		12,188	
Rescue technical assistance		12,000	
ABC revenue for law enforcement		6,138	

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, 2014

	2014		Variance Favorable (Unfavorable)
	Budget	Actual	
Restricted intergovernmental revenues (continued)			
Solid Waste Disposal tax		5,265	
Local Fire Protection Service		4,500	
State substance abuse tax		7,756	
Total	798,840	789,116	(9,724)
Sales and services:			
Garbage collection fees		1,289,010	
Recreation department fees		64,813	
Cemetery lot sales and maintenance		26,810	
Other services and materials		8,944	
Cemetery lot cleaning		3,798	
Total	1,411,100	1,393,375	(17,725)
Investment earnings:			
General fund		19,357	
Cemetery trust fund		1,763	
Total	21,000	21,120	120
Miscellaneous:			
Other		25,969	
Rent industrial buildings		81,917	
Sale of recyclables		47,193	
Insurance revenue		14,732	
False alarm ordinance		10,500	
Demolition reimbursement		6,350	
Fire Department special fees		17,712	
Officer arrest fees		1,521	
Parking violations		785	
Total	223,800	206,679	(17,121)
Total revenues	8,546,840	8,695,367	148,527

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, 2014

	2014		Variance Favorable (Unfavorable)
	Budget	Actual	
EXPENDITURES:			
General government:			
Governing body:			
Mayor and councilmen salaries		52,358	
Mayor and councilment expenses		80,916	
Election expenses		4,388	
Total	141,400	137,662	3,738
Administrative:			
Salaries and employee benefits		244,823	
Operating expenses		30,485	
Total	283,400	275,308	8,092
Finance:			
Salaries and employee benefits		314,352	
Operating expenses		58,505	
Total	380,300	372,857	7,443
Planning and zoning:			
Salaries and employee benefits		262,986	
Operating expenses		39,651	
Total	315,000	302,637	12,363
Cemetery and public grounds:			
Salaries and employee benefits		152,701	
Operating expenses		82,134	
Capital outlay		66,278	
Total	311,600	301,113	10,487
Non-departmental:			
Various operating expenses		133,251	
Retirees medical insurance		84,827	
Insurance		59,199	
Unemployment insurance		43,018	
Downtown incentive program		19,334	
Economic development		10,010	
Other agency contributions		5,000	
Real Property		3,510	
Rescue squad expense		2,845	
Capital outlay		128,005	
Total	490,200	488,999	1,201
Total general government	1,921,900	1,878,576	43,324

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, 2014

	2014		Variance Favorable (Unfavorable)
	Budget	Actual	
Public safety:			
Police department:			
Salaries and employee benefits		1,650,333	
Operating expenses		423,957	
Capital outlay		98,001	
Total	2,239,850	2,172,291	67,559
Fire:			
Salaries and employee benefits		1,059,001	
Operating expenses		298,447	
Capital outlay		142,220	
Total	1,556,456	1,499,668	56,788
Total public safety	3,796,306	3,671,959	124,347
Transportation:			
Street administration:			
Salaries and employee benefits		481,112	
Operating expenses		43,405	
Total	532,400	524,517	7,883
Materials and supplies:			
Asphalt and concrete		21,017	
Signs, signals, paints and supplies		13,173	
Operating expenses		9,199	
Total	43,500	43,389	111
Equipment expenses:			
Automotive supplies		43,895	
Equipment rental and maintenance		40,812	
Small tools and equipment		4,488	
Total	96,000	89,195	6,805
Other costs and services:			
Street lighting contract		252,462	
Paving		168,222	
Total	400,000	420,684	(20,684)
Capital outlay:			
Improvements		46,360	
Total	46,400	46,360	40
Total street	1,118,300	1,124,145	(5,845)

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, 2014

	2014		Variance Favorable (Unfavorable)
	Budget	Actual	
Garage:			
Salaries and employee benefits		145,823	
Operating expenses		74,206	
Total	221,000	220,029	971
Total transportation	1,339,300	1,344,174	(4,874)
Environmental protection:			
Sanitation:			
Salaries and employee benefits		301,952	
Operating expenses		388,523	
Capital outlay		21,900	
Total environmental protection	747,600	712,375	35,225
Cultural and recreation:			
Salaries and employee benefits		484,456	
Operating expenses		320,686	
Capital outlay		21,700	
Total cultural and recreation	865,900	826,842	39,058
Debt service:			
Principal retirement	430,440	430,186	254
Interest expense	40,350	40,110	240
Total debt service	470,790	470,296	494
Total expenditures	9,141,796	8,904,222	237,574
Revenues over (under) expenditures	(594,956)	(208,855)	386,101
Other financing sources (uses):			
Transfers in (out)			
Water and Sewer Fund	481,890	481,890	-
Transfer to Capital Project Fund	(8,000)	(8,000)	-
Transfer to Special Revenue Fund	(6,845)	(6,845)	-
Sale of property	39,600	90,296	50,696
Total other financing sources (uses) - net	506,645	557,341	50,696
Revenues and other financing sources over (under) expenditures and other financing uses	(88,311)	348,486	\$ 436,797
Fund balance appropriated	88,311		
Beginning of year, July 1		5,250,716	
Change in reserve for inventories		9,673	
End of year, June 30		\$ 5,608,875	

**CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-major Governmental Funds June 30, 2014</u>
Assets:			
Cash and investments	\$ 222,915	\$ 67,000	\$ 289,915
Receivables, net			
Taxes	2,023	-	2,023
Accounts	1,038	-	1,038
Restricted cash	12,975	-	12,975
Total Assets	<u>\$ 238,951</u>	<u>\$ 67,000</u>	<u>\$ 305,951</u>
Liabilities and Fund Equity:			
Current Liabilities			
Accounts Payable	\$ 4,073	\$ -	\$ 4,073
Total Current Liabilities	<u>4,073</u>	<u>-</u>	<u>4,073</u>
Deferred Inflows of Resources:			
Property taxes receivable	2,023	-	2,023
Total Deferred Inflows of Resources	<u>2,023</u>	<u>-</u>	<u>2,023</u>
			-
Total Liabilities and Deferred Inflows of Resources	<u>6,096</u>	<u>-</u>	<u>6,096</u>
Fund balances			
Assigned - Community Development	107,846	-	107,846
Restricted - Economic Development	99,145	-	99,145
Restricted - USDA Reserve	7,037	-	7,037
Restricted - Planning Projects	12,889	-	12,889
Restricted - Public Safety	5,938	-	5,938
Restricted - Capital Projects	-	67,000	67,000
Total liabilities and fund balances	<u>\$ 238,951</u>	<u>\$ 67,000</u>	<u>\$ 305,951</u>

**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, 2014

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-major Governmental Funds June 30, 2014</u>
Revenues			
Ad valorem taxes - net	\$ 54,943	\$ -	\$ 54,943
City contribution	-	-	-
Program income	2,603	-	2,603
Investment earnings	977	-	977
Private contribution	-	50,000	50,000
Miscellaneous	10,950	-	10,950
Total Revenues	<u>69,473</u>	<u>50,000</u>	<u>119,473</u>
Expenditures			
Capital Outlay	-	26,000	26,000
Public safety	907	-	907
Economic and physical development	116,745	-	116,745
Total Expenditures	<u>117,652</u>	<u>26,000</u>	<u>143,652</u>
Revenues over (under) expenditures	(48,179)	24,000	(24,179)
Other financing sources / uses			
Release of debt reserve	-	-	-
Sale of property	-	-	-
Transfer in (out)			
General Fund	-	14,845	14,845
Downtown Tax District Fund	(10,000)	10,000	-
Community Development Fund	61,736	(61,736)	-
Total other financing sources	<u>51,736</u>	<u>(36,891)</u>	<u>14,845</u>
Revenues and other financing sources over (under) expenditures	3,557	\$ (12,891)	\$ (9,334)
Fund balance:			
Beginning of year, July 1	222,453	86,736	309,189
End of year, June 30	<u>\$ 226,010</u>	<u>\$ 73,845</u>	<u>\$ 299,855</u>

**CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2014**

EXHIBIT C-3

	<u>Special Revenue Community Development Fund</u>	<u>Special Revenue Downtown Tax District Fund</u>	<u>Special Revenue Planning Grants Fund</u>	<u>Fire Department Grant Fund</u>	<u>Total Special Revenue Funds June 30, 2014</u>
Assets:					
Cash and investments	\$ 107,188	\$ 99,465	\$ 16,262	\$ -	\$ 222,915
Receivables, net:					
Taxes	-	2,023	-	-	2,023
Accounts	995	43	-	-	1,038
Restricted cash	-	7,037	-	5,938	12,975
Total Assets	<u>\$ 108,183</u>	<u>\$ 108,568</u>	<u>\$ 16,262</u>	<u>\$ 5,938</u>	<u>\$ 238,951</u>
Liabilities					
Current Liabilities					
Accounts Payable	337	363	3,373	-	4,073
Total Current Liabilities	<u>337</u>	<u>363</u>	<u>3,373</u>	<u>-</u>	<u>4,073</u>
Deferred Inflows of Resources					
Property taxes receivable	-	2,023	-	-	2,023
Total Deferred Inflows of Resources	<u>-</u>	<u>2,023</u>	<u>-</u>	<u>-</u>	<u>2,023</u>
Fund balances					
Assigned - Community Development	107,846	-	-	-	107,846
Restricted - Economic Development	-	99,145	-	-	99,145
Restricted - USDA Reserve	-	7,037	-	-	7,037
Restricted - Planning Projects	-	-	12,889	-	12,889
Restricted - Public Safety	-	-	-	5,938	5,938
Total liabilities and fund balances	<u>\$ 108,183</u>	<u>\$ 108,568</u>	<u>\$ 16,262</u>	<u>\$ 5,938</u>	<u>\$ 238,951</u>

CITY OF CLINTON, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
From Inception and for the Year Ended June 30, 2014

	Community Development Fund	Downtown Tax District Fund	Planning Grants Fund	Department Grant Fund	Total Special Revenue Funds June 30, 2014
Revenues					
Ad valorem taxes - net	\$ -	\$ 54,943	\$ -	\$ -	\$ 54,943
Program Income	2,603	-	-	-	2,603
Investment earnings	483	494	-	-	977
Miscellaneous	29	10,921	-	-	10,950
Total Revenues	<u>3,115</u>	<u>66,358</u>	<u>-</u>	<u>-</u>	<u>69,473</u>
Expenditures					
Public safety grant expenditure	-	-	-	907	907
Economic and physical development	-	60,120	56,625	-	116,745
Total Expenditures	<u>-</u>	<u>60,120</u>	<u>56,625</u>	<u>907</u>	<u>117,652</u>
Excess of revenues over expenditures	3,115	6,238	(56,625)	(907)	(48,179)
Other Financing Sources (Uses)					
Transfer from General Fund	-	-	-	6,845	6,845
Transfer to Branding Capital Project Fund	-	(10,000)	-	-	(10,000)
Transfer from Affordable Housing Project	61,736	-	-	-	61,736
Total other financing sources (uses)	<u>61,736</u>	<u>(10,000)</u>	<u>-</u>	<u>6,845</u>	<u>58,581</u>
Net change in fund balance	\$ 64,851	\$ (3,762)	\$ (56,625)	\$ 5,938	\$ 10,402
Fund balance:					
Beginning of year, July 1	42,995	109,944	69,514	-	222,453
End of year, June 30	<u>\$ 107,846</u>	<u>\$ 106,182</u>	<u>\$ 12,889</u>	<u>\$ 5,938</u>	<u>\$ 232,855</u>

**CITY OF CLINTON, NORTH CAROLINA
COMMUNITY DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Program Income	\$	\$ 2,603	\$
Investment Earnings		483	
Miscellaneous		29	
Total Revenues	<u>6,500</u>	<u>3,115</u>	<u>(3,385)</u>
Expenditures			
Legal Service		-	
Miscellaneous		-	
Total Expenditures	<u>68,200</u>	<u>-</u>	<u>68,200</u>
Excess of revenues over expenditures	<u>(61,700)</u>	<u>3,115</u>	<u>64,815</u>
Other Financing Sources (Uses)			
Transfer from Downtown Phase III	<u>61,700</u>	<u>61,736</u>	<u>36</u>
Net change in fund balance	-	\$ 64,851	<u>\$ 64,851</u>
Fund balance appropriated	<u>-</u>		
Fund balance:			
Beginning of year, July 1		<u>42,995</u>	
End of year, June 30		<u>\$ 107,846</u>	

**CITY OF CLINTON, NORTH CAROLINA
DOWNTOWN TAX DISTRICT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Ad valorem taxes-net	\$	\$ 54,943	\$
Investment Earnings		494	
Miscellaneous		10,921	
Total Revenues	<u>79,300</u>	<u>66,358</u>	<u>(12,942)</u>
Expenditures			
Special Events		14,995	
Projects		12,813	
Advertising		7,035	
Supplies and materials		1,898	
Other		23,379	
Total Expenditures	<u>69,300</u>	<u>60,120</u>	<u>9,180</u>
Excess of revenues over expenditures	<u>10,000</u>	<u>6,238</u>	<u>(3,762)</u>
Other financing sources (uses)			
Transfer to Capital Project Fund	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balance	-	\$ (3,762)	<u>\$ (3,762)</u>
Fund balance appropriated	<u>-</u>		
Fund balance:			
Beginning of year, July 1		<u>109,944</u>	
End of year, June 30		<u>\$ 106,182</u>	

CITY OF CLINTON, NORTH CAROLINA
SPECIAL REVENUE FUND - PLANNING GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2014

EXHIBIT C-7

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues					
NCDOT Grant	\$ 22,000	\$ 22,000	\$ -	\$ 22,000	\$ -
NCDOT Grant - Bike Plan	22,000	-	-	-	(22,000)
Community Transformation Grant	4,400	4,407	-	4,407	7
Total Revenues	48,400	26,407	-	26,407	(21,993)
Expenditures					
Long range planning services	68,000	-	44,118	44,118	23,882
Community Transformation Grant	4,400	143	4,257	4,400	-
Pedestrian and Bicycle Plan	55,000	35,750	8,250	44,000	11,000
Total Expenditures	127,400	35,893	56,625	92,518	34,882
Revenues over (under) expenditures	(79,000)	(9,486)	(56,625)	(66,111)	12,889
Other financing sources					
Transfer from General Fund	79,000	79,000	-	79,000	-
Total other financing sources	79,000	79,000	-	79,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 69,514	(56,625)	\$ 12,889	\$ 12,889
Fund balance:					
Beginning of year, July 1			69,514		
End of year, June 30			\$ 12,889		

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, 2014

EXHIBIT C-8

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Expenditures					
Grant expenditures	6,845	-	907	907	5,938
Total Expenditures	6,845	-	907	907	5,938
Revenues over (under) expenditures	(6,845)	-	(907)	(907)	5,938
Other financing sources					
Transfer from General Fund	6,845	-	6,845	6,845	-
Total other financing sources	6,845	-	6,845	6,845	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	5,938	\$ 5,938	\$ 5,938
Fund balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ 5,938		

CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2014

	Non - M a j o r			
	City Facility Renovations	Affordable Housing Project	Branding Project	Total Capital Project Funds June 30, 2014
Assets:				
Cash and investments	\$ 49,000	\$ -	\$ 18,000	\$ 67,000
Accounts receivable	-	-	-	-
Total Assets	\$ 49,000	\$ -	\$ 18,000	\$ 67,000
Liabilities and Fund Equity:				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to General Fund	-	-	-	-
Total Liabilities	-	-	-	-
Fund balances				
Restricted - capital projects	49,000	-	18,000	67,000
Total liabilities and fund balances	\$ 49,000	\$ -	\$ 18,000	\$ 67,000

CITY OF CLINTON, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2014

	Non - Major			Total Capital Project Funds June 30, 2014
	City Facility Renovations	Affordable Housing Project	Branding Project	
Revenues				
Private contribution	\$ 50,000	\$ -	\$ -	\$ 50,000
Total Revenues	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Capital Outlay	26,000	-	-	26,000
Total Expenditures	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>26,000</u>
Revenues over (under) expenditures	24,000	-	-	24,000
Other financing sources (uses)				
Transfer to Community Development Fund	-	(61,736)	-	(61,736)
Transfer from Downtown Tax District Fund	-	-	10,000	10,000
Transfer from General Fund	-	-	8,000	8,000
Total other financing sources	<u>-</u>	<u>(61,736)</u>	<u>18,000</u>	<u>(43,736)</u>
Revenues and other financing sources over (under) expenditures	24,000	(61,736)	18,000	(19,736)
Fund balance:				
Beginning of year, July 1	25,000	61,736	-	86,736
End of year, June 30	<u>\$ 49,000</u>	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ 67,000</u>

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, 2014

EXHIBIT C-11

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

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT FUND - AFFORDABLE HOUSING PROJECT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2014

EXHIBIT C-12

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures					
Appraisal	\$ 450	\$ -	\$ -	\$ -	\$ 450
Plumbing connection	3,073	3,074	-	3,074	(1)
Electrical connection	1,000	1,000	-	1,000	-
Grading	500	-	-	-	500
Maintenance and repair	3,059	3,091	-	3,091	(32)
Driveway extension	1,000	550	-	550	450
House moving	2,077	4,800	-	4,800	(2,723)
Home appliance	53,292	53,292	-	53,292	-
Contingency	1,395	71	-	71	1,324
Total Expenditures	<u>65,846</u>	<u>65,878</u>	<u>-</u>	<u>65,878</u>	<u>(32)</u>
Revenues over (under) expenditures	65,846	65,878	-	65,878	(32)
Other financing sources					
Sale of property	62,614	62,614	-	62,614	-
Operating transfers - in					
Community Development Fund	43,000	43,000	-	43,000	-
Community Development Revolving Loan Fund	22,000	22,000	-	22,000	-
Operating transfer - out					
Community Development Fund	(61,768)	-	(61,736)	(61,736)	32
Total other financing sources	<u>65,846</u>	<u>127,614</u>	<u>(61,736)</u>	<u>65,878</u>	<u>32</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 61,736</u>	<u>(61,736)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year, July 1			<u>61,736</u>		
End of year, June 30			<u>\$ -</u>		

CITY OF CLINTON, NORTH CAROLINA
 CAPITAL PROJECT FUND - BRANDING PROJECT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2014

EXHIBIT C-13

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Expenditures					
Professional service	\$ 18,000	\$ -	\$ -	\$ -	\$ 18,000
Total Expenditures	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,000</u>
Revenues over (under) expenditures	18,000	-	-	-	18,000
Other financing sources					
Operating transfers - in					
General Fund	8,000	-	8,000	8,000	-
Downtown Tax District Fund	10,000	-	10,000	10,000	-
Total other financing sources	<u>18,000</u>	<u>-</u>	<u>18,000</u>	<u>18,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	18,000	<u>\$ 18,000</u>	<u>\$ 18,000</u>
Fund balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ 18,000</u>		

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, 2014

	2014		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Operating revenues:			
Charges for services:			
Water and sewer charges		\$ 4,307,854	
Sewer surcharge		358,246	
Water and sewer tap fees		32,460	
Service fees		32,261	
Fireline fees		24,296	
Miscellaneous		47,150	
Total operating revenues	4,851,200	4,802,267	(48,933)
Nonoperating revenues:			
Investment earnings		13,026	
Total nonoperating revenues	12,000	13,026	1,026
Total revenues	4,863,200	4,815,293	(47,907)
EXPENDITURES:			
Operating expenditures other than depreciation:			
Water department:			
Salaries and employee benefits		692,403	
Operating expenditures		571,139	
Repairs and maintenance		283,673	
Total water department	1,586,050	1,547,215	38,835
Waste treatment department:			
Salaries and employee benefits		473,579	
Operating expenditures		867,314	
Repairs and maintenance		269,459	
Total waste treatment department	1,688,250	1,610,352	77,898
Total operating expenditures other than deprecia	3,274,300	3,157,567	116,733
Debt service:			
Principal payments		710,674	
Interest and fees		81,437	
Total debt service	792,310	792,111	199
Capital outlay:			
Water department		91,118	
Waste treatment department		50,225	
Total capital outlay	147,400	141,343	6,057
Total expenditures	4,214,010	4,091,021	122,989

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, 2014

	2014		Variance
	Budget	Actual	Favorable (Unfavorable)
Other financing sources (uses):			
Transfers to other funds			
General Fund		(481,890)	
Water & Sewer Capital Reserve Fund		(354,200)	
Water & Sewer Capital Projects		(661,600)	
Total other financing uses	(1,497,690)	(1,497,690)	-
Total expenditures and other financing uses	5,711,700	5,588,711	122,989
Fund balance appropriated	(848,500)	-	(848,500)
Revenue over (under) expenditures and other uses	\$ -	\$ (773,418)	\$ (773,418)
Reconciliation of modified accrual basis to full accrual basis:		\$ (773,418)	
Revenues over expenses and supplemental budget expenditures			
Reconciling items:			
Capital outlay		266,851	
Principal retirement		710,674	
Decrease in inventory		(3,404)	
Increase in accrued salaries		(4,863)	
Decrease in accrued vacation pay		3,554	
Decrease in accrued interest		8,110	
Increase in accrued OPEB liability		(56,430)	
Depreciation		(1,058,701)	
Capital contributions		742,656	
Transfers to other Water & Sewer Capital Project Funds		1,015,800	
Transfer of capital asset to General Fund		(190,037)	
Total reconciling items		1,434,210	
Change in net position		\$ 660,792	

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT - UTILITY LINES MAINTENANCE PROJECT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Year Ended June 30, 2014

EXHIBIT D-2

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues					
County contribution	\$ 188,500	\$ 7,650	\$ 172,350	\$ 180,000	\$ (8,500)
Total revenues	<u>188,500</u>	<u>7,650</u>	<u>172,350</u>	<u>180,000</u>	<u>(8,500)</u>
Expenditures					
Engineering and design	\$ 8,500	\$ 7,650	\$ 850	\$ 8,500	\$ -
Construction	<u>190,800</u>	<u>-</u>	<u>190,800</u>	<u>190,800</u>	<u>-</u>
Total Expenditures	<u>199,300</u>	<u>7,650</u>	<u>191,650</u>	<u>199,300</u>	<u>-</u>
Revenues over (under) expenditures	(10,800)	-	(19,300)	(19,300)	(8,500)
Other financing sources (uses)					
Operating transfers - in					
Water & Sewer Fund	<u>10,800</u>	<u>-</u>	<u>19,300</u>	<u>19,300</u>	<u>8,500</u>
Total other financing sources	<u>10,800</u>	<u>-</u>	<u>19,300</u>	<u>19,300</u>	<u>8,500</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2013 and 2014.

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, 2014

EXHIBIT D-3

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures					
Engineering and design	527,000	160,280	34,847	195,127	331,873
Property acquisition	52,000	27,000	28,076	55,076	(3,076)
Total Expenditures	<u>579,000</u>	<u>187,280</u>	<u>62,923</u>	<u>250,203</u>	<u>328,797</u>
Other financing sources (uses)					
Loan proceeds - USDA	\$ 579,000	\$ 187,280	\$ -	\$ 187,280	\$ (391,720)
Total other financing sources (uses)	<u>579,000</u>	<u>187,280</u>	<u>-</u>	<u>187,280</u>	<u>(391,720)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (62,923)</u>	<u>\$ (62,923)</u>	<u>\$ (62,923)</u>

a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2013 and 2014.

b This project is funded with a USDA loan, from which proceeds will be received in a future year. Interim financing is provided by the Water & Sewer Fund, using interfund due to and due from accounts.

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT FUND - SOUTHWOOD ELEVATED TANK PROJECT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Year Ended June 30, 2014

EXHIBIT D-4

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures					
Engineering and design	234,000	112,050	25,191	137,241	96,759
Total Expenditures	<u>234,000</u>	<u>112,050</u>	<u>25,191</u>	<u>137,241</u>	<u>96,759</u>
Other financing sources (uses)					
Loan proceeds	\$ 234,000	\$ 112,050	\$ -	\$ 112,050	\$ (121,950)
Total other financing sources (uses)	<u>234,000</u>	<u>112,050</u>	<u>-</u>	<u>112,050</u>	<u>(121,950)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,191)</u>	<u>\$ (25,191)</u>	<u>\$ (25,191)</u>

- a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2013.
- b This project is funded with debt, from which proceeds will be received in a future year. Interim financing is provided by the Water & Sewer Fund, using interfund due to and due from accounts.

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, 2014

EXHIBIT D-5

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues					
NC Rural Center	25,000	-	-	-	(25,000)
Sewer construction	2,549,200	-	-	-	(2,549,200)
Water construction	617,400	-	-	-	(617,400)
	<u>3,191,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,191,600)</u>
Expenditures					
Engineering and design	344,200	11,381	24,224	35,605	308,595
Grand administration	25,000	-	2,555	2,555	22,445
Sewer construction	2,549,200	-	-	-	2,549,200
Water construction	617,400	-	-	-	617,400
Total Expenditures	<u>3,535,800</u>	<u>11,381</u>	<u>26,779</u>	<u>38,160</u>	<u>3,497,640</u>
Total revenues over (under) expenditures	(344,200)	(11,381)	(26,779)	(38,160)	306,040
Other financing sources (uses)					
Operating transfers - in					
Water & Sewer Fund	344,200	19,500	50,000	69,500	(274,700)
Total other financing sources	<u>344,200</u>	<u>19,500</u>	<u>50,000</u>	<u>69,500</u>	<u>(274,700)</u>
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 8,119	\$ 23,221	\$ 31,340	\$ 31,340

a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2013 and 2014.

**CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT FUND - ELIZA LANE PROJECT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Year Ended June 30, 2014**

EXHIBIT D-6

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues					
CDBG Grant (10-C-2195)	\$ 572,765	\$ 101,749	\$ 471,016	\$ 572,765	\$ -
Total Revenues	<u>572,765</u>	<u>101,749</u>	<u>471,016</u>	<u>572,765</u>	<u>-</u>
Expenditures					
Administration	47,500	47,500	-	47,500	-
Road construction	141,900	1,615	139,937	141,552	348
Water improvements	114,375	9,826	104,549	114,375	-
Sewer improvements	268,990	144,538	124,800	269,338	(348)
City contribution	217,785	75,669	142,116	217,785	-
Total Expenditures	<u>790,550</u>	<u>279,148</u>	<u>511,402</u>	<u>790,550</u>	<u>-</u>
Revenues over (under) expenditures	(217,785)	(177,399)	(40,386)	(217,785)	-
Other financing sources (uses)					
Operating transfers - in					
From General Fund	25,000	25,000	-	25,000	-
From Water & Sewer Fund	192,785	192,785	-	192,785	-
Total other financing sources	<u>217,785</u>	<u>192,785</u>	<u>-</u>	<u>217,785</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	\$ -	\$ 15,386	\$ (40,386)	\$ -	\$ -

a This project was completed as of June 30, 2014 and included in the capital assets of the Water & Sewer Fund.

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, 2014

EXHIBIT D-7

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures					
Professional services	65,000	-	59,500	59,500	5,500
Total Expenditures	65,000	-	59,500	59,500	5,500
Revenues over (under) expenditures	(65,000)	-	(59,500)	(59,500)	(5,500)
Other financing sources					
Operating transfers - in Water & Sewer Fund	65,000	-	65,000	65,000	-
Total other financing sources	65,000	-	65,000	65,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ 5,500	\$ 5,500	\$ 5,500

a Components of this project were capitalized as construction in progress as of June 30, 2014.

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT FUND - INFRASTRUCTURE - WATERLINE IMPROVEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Year Ended June 30, 2014

EXHIBIT D-8

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues					
CDBG Grant (10-C-2195)	\$ 750,000	\$ -	\$ 99,290	\$ 99,290	\$ (650,710)
Total Revenues	750,000	-	99,290	99,290	(650,710)
Expenditures					
Administration	50,000	-	19,585	19,585	30,415
Water improvements	700,000	-	78,757	78,757	621,243
City contribution	40,000	-	948	948	39,052
Total Expenditures	790,000	-	99,290	99,290	690,710
Revenues over (under) expenditures	(40,000)	-	-	-	40,000
Other financing sources (uses)					
Operating transfers - in Water & Sewer Fund	40,000	-	-	-	(40,000)
Total other financing sources	40,000	-	-	-	(40,000)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

a Components of this project were capitalized and included in construction in progress as of June 30, 2014.

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT FUND - PUBLIC WORKS FACILITY RENOVATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Year Ended June 30, 2014

EXHIBIT D-9

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures					
Construction	561,500	-	487,675	487,675	73,825
Miscellaneous	15,000	-	13,742	13,742	1,258
Contingency	24,300	-	-	-	24,300
Total Expenditures	600,800	-	501,417	501,417	99,383
Revenues over (under) expenditures	(600,800)	-	(501,417)	(501,417)	(99,383)
Other financing sources					
Operating transfers - in					
Water & Sewer Fund	600,800	-	600,800	600,800	-
Total other financing sources	600,800	-	600,800	600,800	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ 99,383	\$ 99,383	\$ 99,383

a Components of this project were capitalized as construction in progress as of June 30, 2014.

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, 2014

EXHIBIT D-10

	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>	
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>		<u>Total to Date</u>
Other financing sources (uses)					
Operating transfers - in					
Water & Sewer Fund	354,200	-	354,200	354,200	-
Operating transfers - out					
Utility Lines Maintenance Project	(354,200)	-	(65,000)	(65,000)	289,200
Total other financing sources	-	-	289,200	289,200	289,200
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,200</u>	<u>\$ 289,200</u>	<u>\$ 289,200</u>

Other Schedules

This section contains additional information on property taxes.

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

CITY OF CLINTON, NORTH CAROLINA
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2014

Fiscal Year Ended June 30,	Uncollected June 30, 2012	Additions	Collections & Credits	Uncollected June 30, 2013
2014	\$ -	\$ 2,910,585	\$ (2,842,242)	\$ 68,343
2013	83,853	-	(61,949)	21,904
2012	22,986	-	(7,839)	15,147
2011 & prior	42,875	-	(7,094)	35,781
	<u>\$ 149,714</u>	<u>\$ 2,910,585</u>	<u>\$ (2,919,124)</u>	<u>141,175</u>
Less allowance for uncollectible ad valorem taxes receivable				49,000
Ad valorem taxes receivable - net				<u>92,175</u>

Reconciliation with revenues:

Taxes - Ad Valorem - General Fund	\$ 2,855,889
Discounts allowed & collection fee	95,227
Taxes written off and other adjustments	<u>(3,439)</u>
Subtotal	2,947,677
Less interest and penalties collected	<u>(28,553)</u>
Total collections and credits	<u>\$ 2,919,124</u>

CITY OF CLINTON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
For the Year Ended June 30, 2014

	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax levy - City Wide	\$ 660,895,635	0.40	\$ 2,643,583	\$ 2,643,583	\$ -
Motor vehicles taxes at prior year rate	77,131,557	0.40	308,526	-	308,526
Abatements and discoveries	<u>(10,380,877)</u>		<u>(41,524)</u>	<u>(37,659)</u>	<u>(3,865)</u>
Total for year	<u>\$ 727,646,315</u>		2,910,585	2,605,924	304,661
Less uncollected tax at June 30, 2014 (Exhibit E-1)			<u>68,343</u>	<u>54,738</u>	<u>13,605</u>
Current year's taxes collected			<u>\$ 2,842,242</u>	<u>\$ 2,551,186</u>	<u>\$ 291,056</u>
Percent current year collected			97.65%	97.90%	95.53%

Compliance Section

Denning, Herring, Sessoms & Company, P.A.

Certified Public Accountants

Clinton, NC 28328

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PAULA M. CRUMPLER, CPA

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 financial statements of the governmental activities, the business-type activities, the aggregated 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, 2014, and the related notes to the financial statements, which collectively comprise the City of Clinton's basic financial statements, and have issued our report thereon dated October 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these

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limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of 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 statements amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Denning, Herring, Sessoms, & Company, P.A.

Denning, Herring, Sessoms & Company, P.A.
Clinton, North Carolina
October 29, 2014

Denning, Herring, Sessoms & Company, P.A.

Certified Public Accountants

Clinton, NC 28328

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PAULA M. CRUMPLER, CPA

Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Clinton, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Clinton's major federal programs for the year ended June 30, 2014. The City of Clinton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Clinton's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Clinton's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Clinton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Clinton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Clinton's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Denning, Herring, Sessoms, & Company, P.A.

Denning, Herring, Sessoms & Company, P.A.

Clinton, North Carolina

October 29, 2014

CITY OF CLINTON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's/Contract</u> <u>Number</u>	<u>Fed. (Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Local</u> <u>Expenditures</u>
Federal Grants:					
Cash Programs:					
<u>U.S. Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce, Division of Community Assistance	14.228	10-C-2195	511,402	-	-
	14.228	12-C-2511	98,342	-	949
<u>U.S. Department of Housing and</u> <u>Urban Development</u>					
Public and Indian Housing Drug Elimination Program Small Cities	14.854		42,565	-	-
<u>U.S. Department of Homeland Security</u>					
Federal Emergency Fire Grant	97.044		99,000		17,466
<u>Federal Highway Administration</u>					
Passed through NC Department of Transportaion Division of Bicycle and Pedestrian Transportation	20.205		8,250	-	-
<u>U.S. Department of Agriculture</u>					
Water Treatment Plant Expansion	10.760		62,923	-	-
Total assistance - federal programs			822,482	-	18,415
State Grants:					
Cash Assistance:					
<u>DENR</u>					
Community Waste Reduction and Recycling Grant		5354	-	24,000	-
Mercury Products Recycling Program		5542	-	910	-
State Revolving Loan		WIF-1792	-	25,191	-
<u>N.C. Department of Transportation:</u>					
Powell Bill		DOT-4	-	258,403	-
<u>The Rural Center</u>					
GPS Inventory Grant		2012-118-40101-102	-	7,875	-
Total assistance - state programs			-	316,379	-
Total assistance			<u>\$ 822,482</u>	<u>\$ 316,379</u>	<u>\$ 18,415</u>

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

- The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of the City of Clinton and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

City of Clinton, North Carolina
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2014

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 X no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses? ___yes X none reported

Noncompliance material to financial statements noted ___yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes X no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses? ___yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 ___yes X no

Identification of major federal programs:

CFDA No.	Names of Federal Program or Cluster
14.228	Contingency CDBG Infrastructure Program – Eliza Lane
14.228	CDBG IF – Waterline Improvements

Dollar threshold used to distinguish between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee? ___yes X no

City of Clinton, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

City of Clinton, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

Finding: 2012-01

Status: The accounting for Capital Assets continues to be in transition to a new software program. City personnel are manually reconciling the prior listing to the general ledger and to amounts reported in prior period to ensure the listing is accurate and that depreciation is being correctly calculated. However, the listing is not being updated during the course of the fiscal year.

Corrective Action: City staff anticipates the new capital asset management system to be in place no later than the end of the third quarter of the new fiscal year. City staff will update a manual reconciliation throughout the course of the year. Once the new system is in place, staff will review, make any necessary corrections to and finalize the report within 60 days of the new fiscal year beginning.

Finding: 2013-01

Status: Management has ensured that designated project managers are aware of their responsibilities including administration of activities, documentation, financial transactions, and necessary reporting and compliance. The expectation of the project manager is to be aware of all necessary reporting, complete it entirely and on time, and recall or retrieve it in response to inquiries.

Corrective Action: The City is developing a grant management policy that will address project management expectations, including reporting and the City is also evaluating a grant management software that prompts the project manager about compliance requirements, including when grant reports are due. Management will reemphasize expectations mentioned above immediately.