

**Audited Financial Statements
And Other Financial Information**

City of Clinton, North Carolina

As of June 30, 2015

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
Mrs. Kristin Stafford, 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, 2015, 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, 2015, 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, the Law Enforcement Officers' Special Separation Allowance's, the Other Post Employment Benefit's Schedules of Funding Progress and Employer Contributions and the Local Government Employees' Retirement System Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 4-17 and 66-71, 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 November 24, 2015 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
November 24, 2015

Financial Section

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, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

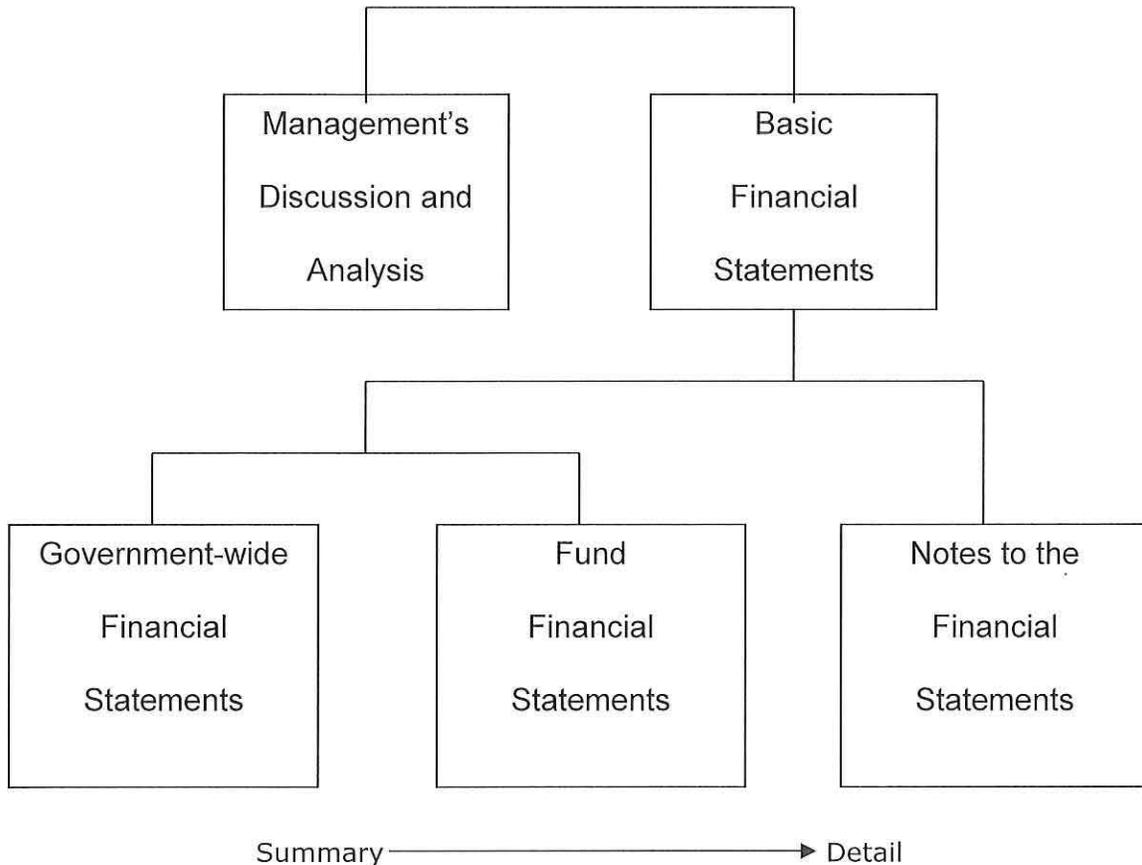
- The assets and deferred outflows of resources of the City of Clinton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,075,594 (*net position*). The assets of the governmental activities exceeded its liabilities by \$13,284,739. The assets of the business-type activities exceeded liabilities by \$19,790,855.
- The government's total net position increased by \$1,287,476 primarily due to increases in the business-type activities net position.
- Business-type net position increased \$806,821 and net position for governmental activities increased \$480,655
- As of the close of Fiscal Year 2015, the City of Clinton's governmental funds reported combined ending fund balances of \$5,809,883 with a net change of (\$98,139) in fund balance. Approximately 21.5% of this total amount, or \$1,253,265, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,468,154 or 40% of total general fund expenditures for the fiscal year. Total fund balance for the General Fund was \$5,637,893 (65%).
- The City of Clinton's total debt decreased \$1,125,874 (19.55%) 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 82 from the North Carolina Municipal Council.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The City of Clinton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City

succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by Council; 2) the final budget as amended by Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 29 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 66 of this report.

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

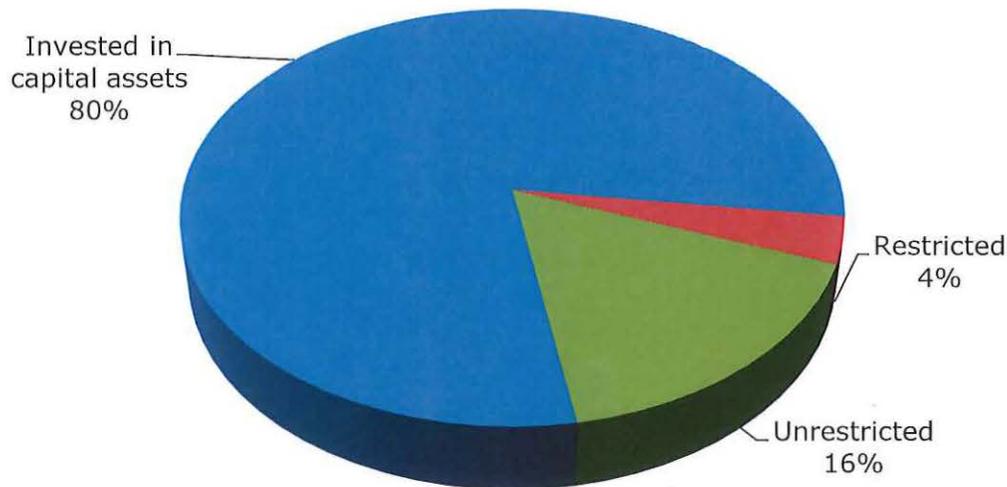
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Government-Wide Financial Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 7,026,193	\$6,464,193	\$4,047,622	\$3,643,999	\$11,073,815	\$10,108,192
Capital assets	11,744,258	11,708,883	20,608,737	18,881,393	32,352,995	30,590,276
Deferred outflows of resources	\$ 264,053		\$ 82,580		\$ 346,633	
Total assets & deferred outflows of resources	19,034,504	18,173,076	24,738,939	22,525,392	43,773,443	40,698,468
Long-term liabilities outstanding	3,220,559	4,243,096	3,353,403	333,530	6,573,962	4,576,626
Other liabilities	1,399,260	487,723	1,312,194	3,045,757	2,711,454	3,533,480
Deferred inflows of resources	1,129,946		282,487		1,412,433	
Total liabilities & deferred inflows of resources	5,749,765	4,730,819	4,948,084	3,379,287	10,697,849	8,110,106
Net position:						
Invested in capital assets, net of related debt	9,043,351	8,617,293	17,367,910	16,215,430	26,411,261	24,832,723
Restricted	1,188,370	1,265,470	-	-	1,188,370	1,265,470
Unrestricted	3,053,018	3,559,494	2,422,945	2,930,675	5,475,963	6,490,169
Net position before restatement		13,442,257		19,146,105		32,588,362
Total net position after restatement	\$13,284,739	\$12,804,084	\$19,790,855	\$18,984,034	\$33,075,594	\$31,788,118

Figure 3
City of Clinton FY2015
Total Net Position by Type



As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Clinton exceeded liabilities and deferred inflows by \$33,075,594 as of June 30, 2015. The City's net position increased by \$1,287,476 for the fiscal year ended June 30, 2015. The largest portion of net position (79.9%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Clinton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Clinton's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Clinton's net position, \$1,188,370 (3.6%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,475,963 is unrestricted. In addition, the City of Clinton implemented GASB Statement 68 this year. With the new reporting change, the City has allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$800,244. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Clinton's management.

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

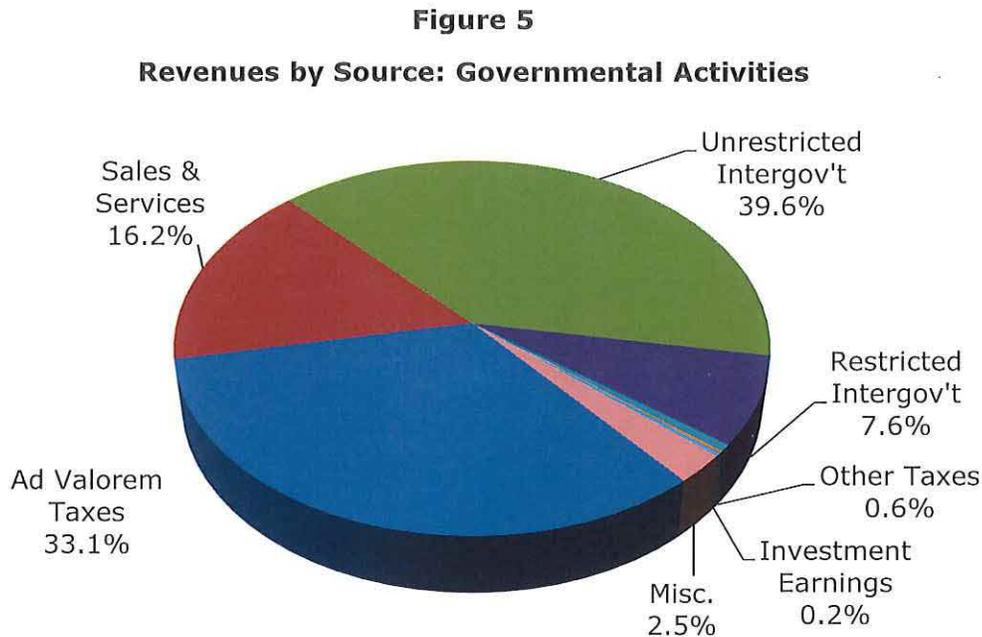
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.75% (97.54% excluding motor vehicles).
- Collection of ad valorem tax levies of approximately \$70,181 more than original projections, primarily due to the State's implementation of the tax and tag legislation.
- Unrestricted intergovernmental revenues increased
- Continued low cost of debt due to the City's strong financial position.

Figure 4
City of Clinton's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,579,522	\$ 1,643,937	\$ 4,575,806	\$ 4,755,117	\$ 6,155,328	\$ 6,399,054
Operating grants and contributions	749,305	758,786	-	-	749,305	758,786
Capital grants and contributions	-	50,000	498,131	742,656	498,131	792,656
General revenues:						
Property taxes	2,882,836	2,903,077	-	-	2,882,836	2,903,077
Other taxes	54,742	256,164	-	-	54,742	256,164
Unrestricted intergovernmental revenues	3,472,825	3,173,740	-	-	3,472,825	3,173,740
Unrestricted investment earnings	13,187	22,097	8,478	13,026	21,665	35,123
Miscellaneous	-	-	45,602	55,746	45,602	55,746
Sale of surplus assets (loss)	5,872	85,838	3,194	-	9,066	85,838
Total revenues	8,758,289	8,893,639	5,131,211	5,566,545	13,889,500	14,460,184
Expenses:						
General Government	1,573,575	1,964,572	-	-	1,573,575	1,964,572
Public safety	3,510,291	3,819,754	-	-	3,510,291	3,819,754
Transportation	1,187,599	1,228,847	-	-	1,187,599	1,228,847
Economic and physical development	230,429	224,371	-	-	230,429	224,371
Environmental protection	785,982	792,524	-	-	785,982	792,524
Cultural and recreation	907,799	848,614	-	-	907,799	848,614
Interest on long-term debt	83,559	34,206	-	-	83,559	34,206
Water and Sewer	-	-	4,322,790	4,233,826	4,322,790	4,233,826
Total expenses	8,279,234	8,912,888	4,322,790	4,233,826	12,602,024	13,146,714
Increase (decrease) in net position before transfers	479,055	(19,249)	808,421	1,332,719	1,287,476	1,313,470
Transfers	1,600	671,927	(1,600)	(671,927)	-	-
Increase in net position	480,655	652,678	806,821	660,792	1,287,476	1,313,470
Net position, July 1	13,442,257	12,789,579	19,146,105	18,485,313	32,588,362	31,274,892
Net position, beginning restated	12,804,084		18,984,034		31,788,118	-
Net position, June 30	\$ 13,284,739	\$ 13,442,257	\$ 19,790,855	\$ 19,146,105	\$ 33,075,594	\$ 32,588,362

Governmental Activities. Governmental activities increased the City's net position by \$480,655, thereby increasing the overall increase in the net position of the City of Clinton. Key elements of this increase are as follows:

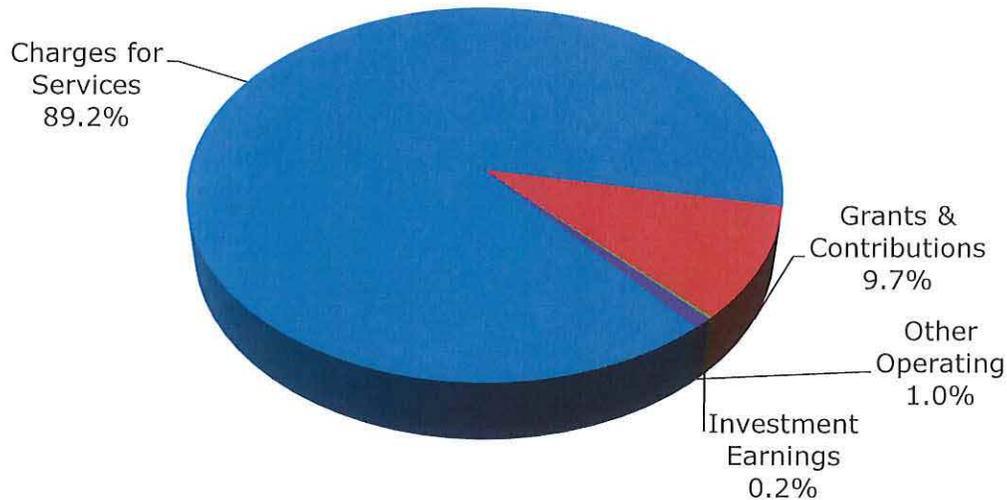
- Implementation of GASB 68 and the re-statement of beginning net position



Business-type Activities. Business-type activities increased the City of Clinton's net position by \$806,821. Key elements of this increase are as follows:

- Decrease in debt service reduced liabilities
- Installation and upgrades of utility lines increased operating revenues
- Implementation of GASB 68 and the re-statement of beginning net position

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 \$3,468,154, while total fund balance was \$5,637,893. The Clinton City Council has determined that the City should maintain an available fund balance between 35% and 40% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available (unassigned and assigned) fund balance of 48.5% of General Fund expenditures, while total fund balance represents 65% of the same amount. The City considers any available fund balance over 40% assigned for capital expenditures.

At June 30, 2015, the governmental funds of City of Clinton reported a combined fund balance of \$5,809,883 with a net decrease in fund balance of \$98,139. Included in this change in fund balance is a \$29,726 increase in fund balance in the General Fund and a \$127,865 decrease in Non-major Funds.

General Fund Budgetary Highlights. During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from

external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Amendments to the FY2014-2015 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 \$179,431 (2.1%) above the amended budget amounts. The City's expenditures were \$423,223 or 4.6% 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 \$2,422,945. The total change in net position was \$806,821. The change in net position in the Water and Sewer Fund is in large part the result of an increase of tap fee and fire line fee revenues over original estimates.

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, 2015, totals \$32,352,995 (net of accumulated depreciation and amortization). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and infrastructure.

Major capital asset transactions during the year include the following:

- Purchase of an E-1 fire pumper increased governmental capital assets by \$297,906
- Various police and general government equipment, software, and motor vehicles increased governmental capital assets by \$252,270
- Various asset improvements increased business-type capital assets by \$121,422
- Improvements to the public works and utilities facility increased business-type capital assets by \$600,800
- Improvements to the Fontana Street Lift Station increased business-type capital assets by \$210,395
- Various equipment, vehicle, and infrastructure additions to business-type activities increased capital assets by \$193,356

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

- Various equipment and vehicles decreased governmental capital assets by \$172,834.

Figure 7
City of Clinton's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,378,802	\$ 1,376,302	\$ 316,947	\$ 316,947	\$ 1,695,749	\$ 1,693,249
Buildings and other improvements	6,438,017	6,229,515	32,449	32,449	6,470,466	6,261,964
Intangible asset-brand	18,000	-	-	-	18,000	-
Construction in progress	126,227	45,371	2,793,648	1,230,034	2,919,875	1,275,405
Equipment	2,766,425	2,727,354	36,712,105	36,529,665	39,478,530	39,257,019
Vehicles and motorized equipment	5,651,524	5,313,252	503,542	476,538	6,155,066	5,789,790
Infrastructure	8,262,437	8,218,945	3,327,886	2,268,896	11,590,323	10,487,841
Subtotal	24,641,432	23,910,739	43,686,577	40,854,529	68,328,009	64,765,268
Less accumulated depreciation and amortization	12,897,174	12,201,856	23,077,840	21,973,136	35,975,014	34,174,992
Total Net Capital Assets	\$ 11,744,258	\$ 11,708,883	\$ 20,608,737	\$ 18,881,393	\$ 32,352,995	\$ 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, 2015, 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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Installment purchases	2,683,257	3,091,590	107,136	311,265	2,790,393	3,402,855
State Revolving Loan	-	-	1,841,285	2,354,697	1,841,285	2,354,697
Total	\$ 2,683,257	\$ 3,091,590	\$ 1,948,421	\$ 2,665,962	\$ 4,631,678	\$ 5,757,552

City of Clinton's Outstanding Debt

The City of Clinton's total debt decreased by \$1,125,874 (19.55%) during the past fiscal year. Governmental activity debt decreased by \$408,333 (13.21%). Business-type activity debt decreased by \$717,541 (26.91%).

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

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Clinton is \$47,764,945. The City has no bonds authorized but unissued as of June 30, 2015.

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 begun 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. The agriculture industry contributes over one billion dollars annually in the Sampson County economy.
- Sampson County has an unemployment rate of 5.5 as of September 2015.
- 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 2016 with a projected investment of \$150 million and more than 65 full-time employees.
- An aluminum container production company has chosen an existing location in the City of Clinton to expand its' operation. The company expects to start the expansion in 2016 with a \$12.6 million investment and as many as 80 employment positions.
- The City is working with the Development Finance Initiative from the UNC School of Government to develop public-private partnerships to enhance community and economic development.
- Two new residential developments, a 29-unit subdivision and a 72-unit apartment complex began construction in 2015. An additional 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, 2016

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 FY2014-2015 and the trend is expected to continue in FY2015-2016 with an increase of 2.43% represented in the FY15-16 budget. Total General Fund revenues budgeted for the fiscal year ending June 30, 2016 are \$8,691,300.

Budgeted expenditures in the General Fund are equal to budgeted revenues and are approximately 4.93% less than the amended FY14-15 budget. The largest expenditure function is public safety and the largest components are in employee compensation and benefits.

Some key FY15-16 governmental budget highlights include:

- No change in the property tax rate of \$.40 per \$100 valuation. The expected revenue is \$2,854,100 on a 97.7 percent collection rate.
- Sales Tax revenues account for \$1,825,400.
- The residential garbage collection rate for FY15-16 is \$15.50, with an increase of \$.50 from previous year's rate. Residential garbage collection accounts for \$600,000 in the FY15-16 budget and commercial collection accounts for \$703,000.
- 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 \$250,000 on street paving and resurfacing.

Business-type Activities: The City estimates revenues of approximately \$4.73 million from water and sewer enterprise operations in FY15-16, a 6.75 percent decrease from FY14-15 due to the completion of major capital projects. The City is adjusting water and sewer rates by 1.5 percent to match the 2014 Consumer Price Index inflation rate.

Some key FY15-16 business-type activity budget highlights include:

- Water and sewer charges, including bulk rate fees, account for \$4,346,200 (92%) in the FY15-16 Water and Sewer Fund budget.
- Sewer surcharges charges based on the pounds of pollutants in excess of the normal amount account for \$280,000.
- Direct department capital costs for Water & Sewer operations amount to 678,600; an increase of .12% over the previous budget cycle.
- Budgeted debt service stands at 386,300, a decrease of 49.06% 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. The Clinton Finance Director can also be contacted by phone at 910-299-4901 or by email at kstafford@cityofclintonnc.us. More information is available on the City of Clinton website www.cityofclintonnc.us.

Basic Financial Statements

CITY OF CLINTON, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,340,847	\$ 2,295,040	\$ 7,635,887	\$ 649,871
Taxes receivables (net)	80,483	-	80,483	-
Accrued interest receivable on taxes	11,114	-	11,114	-
Accounts receivable (net)	174,621	771,853	946,474	-
Due from other governments	709,497	693,324	1,402,821	-
Due from component unit	176,800	-	176,800	-
Inventories	29,969	33,470	63,439	174,721
Prepaid items	-	-	-	3,071
Other assets	25,319	-	25,319	-
Restricted cash and cash equivalents	20,512	139,677	160,189	-
Total current assets	<u>6,569,162</u>	<u>3,933,364</u>	<u>10,502,526</u>	<u>827,663</u>
Noncurrent assets:				
Net pension asset	457,031	114,258	571,289	7,666
Capital assets:				
Land, improvements and construction in progress	1,505,029	3,110,594	4,615,623	36,795
Other capital assets, net of depreciation and amortization	10,239,229	17,498,143	27,737,372	45,357
Total capital assets	<u>11,744,258</u>	<u>20,608,737</u>	<u>32,352,995</u>	<u>82,152</u>
Total noncurrent assets	<u>12,201,289</u>	<u>20,722,995</u>	<u>32,924,284</u>	<u>89,818</u>
Total assets	<u>\$ 18,770,451</u>	<u>\$ 24,656,359</u>	<u>\$ 43,426,810</u>	<u>\$ 917,481</u>
DEFERRED OUTFLOWS OF RESOURCES	264,053	82,580	346,633	5,135
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 632,263	\$ 859,695	\$ 1,491,958	\$ 67,828
Distributions payable	-	-	-	223,540
Accrued interest payable	46,610	-	46,610	-
Due to other governments	-	-	-	42,202
Long-term debt due within one year	720,387	312,822	1,033,209	-
Liabilities payable from restricted assets:				
Customer deposits	-	139,677	139,677	-
Long-term liabilities:				
Long-term debt - noncurrent	3,220,559	3,353,403	6,573,962	-
Total liabilities	<u>4,619,819</u>	<u>4,665,597</u>	<u>9,285,416</u>	<u>333,570</u>
DEFERRED INFLOWS OF RESOURCES	1,129,946	282,487	1,412,433	20,666
NET POSITION				
Net investment in capital assets	9,043,351	17,367,910	26,411,261	82,152
Restricted for:				
Capital projects	-	-	-	3,491
Stabilization by State Statute	1,051,344	-	1,051,344	-
Economic development	116,507	-	116,507	-
Public safety	6,438	-	6,438	-
Planning grants	7	-	7	-
USDA reserve	14,074	-	14,074	-
Working capital	-	-	-	56,555
Unrestricted	3,053,018	2,422,945	5,475,963	426,182
TOTAL NET POSITION	<u>\$ 13,284,739</u>	<u>\$ 19,790,855</u>	<u>\$ 33,075,594</u>	<u>\$ 568,380</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, 2015

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	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,573,575	\$ 69,441	\$ 65,416	\$ -	\$ (1,438,718)	\$ -	\$ (1,438,718)	\$ -
Public safety	3,510,291	33,571	236,997	-	(3,239,723)	-	(3,239,723)	-
Transportation	1,187,599	-	260,392	-	(927,207)	-	(927,207)	-
Economic and physical development	230,429	80,515	186,500	-	36,586	-	36,586	-
Environmental protection	785,982	1,334,819	-	-	548,837	-	548,837	-
Cultural and recreation	907,799	61,176	-	-	(846,623)	-	(846,623)	-
Interest on long-term debt	83,559	-	-	-	(83,559)	-	(83,559)	-
Total governmental activities	8,279,234	1,579,522	749,305	-	(5,950,407)	-	(5,950,407)	-
Business-type activities:								
Water and sewer	4,322,790	4,575,806	-	498,131	-	751,147	751,147	-
Total primary government	\$ 12,602,024	\$ 6,155,328	\$ 749,305	\$ 498,131	\$ (5,950,407)	\$ 751,147	\$ (5,199,260)	\$ -
Component unit:								
ABC Board	\$ 1,880,147	\$ 1,907,331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,184

General revenues:				
Taxes:				
Property taxes, levied for general purpose	2,882,836	-	2,882,836	-
Other taxes	54,742	-	54,742	-
Unrestricted intergovernmental revenues	3,472,825	-	3,472,825	-
Unrestricted investment earnings	13,187	8,478	21,665	49
Gain on sale of assets	5,872	3,194	9,066	-
Miscellaneous	-	45,602	45,602	-
Transfers:	1,600	(1,600)	-	-
Total general revenues, special item and transfers	6,431,062	55,674	6,486,736	49
Change in net position	480,655	806,821	1,287,476	27,233
Net position - beginning, as previously reported	13,442,257	19,146,105	32,588,362	554,163
Restatement	(638,173)	(162,071)	(800,244)	(13,016)
Net position - beginning, restated	12,804,084	18,984,034	31,788,118	541,147
Net position - ending	\$ 13,284,739	\$ 19,790,855	\$ 33,075,594	\$ 568,380

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

City of Clinton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2015

	<u>Major Fund</u>	Total	Total
	General	Non-major	Governmental
	<u>General</u>	Funds	Funds
ASSETS			
Cash and cash equivalents	\$ 5,135,549	205,298	\$ 5,340,847
Receivables, net:			
Taxes	78,460	2,023	80,483
Accounts	173,873	748	174,621
Due from other governments	687,497	22,000	709,497
Due from other funds	21,993	17,600	39,593
Due from component unit	176,800	-	176,800
Inventory	29,969	-	29,969
Restricted cash and cash equivalents	14,074	6,438	20,512
Total assets	<u>\$ 6,318,215</u>	<u>\$ 254,107</u>	<u>\$ 6,572,322</u>
LIABILITIES			
Current liabilities:			
Due to other funds	\$ -	\$ 39,593	\$ 39,593
Accounts payable and accrued liabilities	591,762	40,501	632,263
Total current liabilities	<u>591,762</u>	<u>80,094</u>	<u>671,856</u>
DEFERRED INFLOWS OF RESOURCES			
Beer and wine revenue receivable	10,395	-	10,395
Property taxes receivable	78,165	2,023	80,188
Total deferred inflows of resources	<u>88,560</u>	<u>2,023</u>	<u>90,583</u>
FUND BALANCES			
Non Spendable			
Inventories	29,969	-	29,969
Restricted			
Stabilization by State Statute	1,051,344	-	1,051,344
Economic Development in the Downtown Tax District	-	102,433	102,433
USDA Reserve	14,074	-	14,074
Planning Projects	-	7	7
Capital Projects	-	49,000	49,000
Public Safety	-	6,438	6,438
Committed			
Cemetery Fund	333,452	-	333,452
Assigned			
Community Development	-	14,112	14,112
Capital Use Policy	594,000	-	594,000
Subsequent year's expenditures	146,900	-	146,900
Unassigned	3,468,154	-	3,468,154
Total fund balances	<u>5,637,893</u>	<u>171,990</u>	<u>5,809,883</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,318,215</u>	<u>\$ 254,107</u>	<u>\$ 6,572,322</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, 2015

Total fund balances		\$ 5,809,883
<p>Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.</p>		
Gross capital assets at historical cost	24,641,432	
Accumulated depreciation and amortization	<u>(12,897,174)</u>	11,744,258
<p>Real estate acquired and held for sale is not a current financial resource and therefore is not reported in the funds</p>		
		25,319
<p>Net pension asset</p>		
		457,031
<p>Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position</p>		
		264,053
<p>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.</p>		
		11,114
<p>Liabilities for earned revenues considered deferred inflows of resources in the fund statements.</p>		
		90,583
<p>Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.</p>		
Gross long-term debt - beginning	(4,243,097)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.	302,151	(3,940,946)
Pension related deferrals		(1,129,946)
<p>Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.</p>		
		<u>(46,610)</u>
Net position of governmental activities		<u>\$ 13,284,739</u>

City of Clinton, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2015

	<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	\$ 2,843,181	\$ 55,271	\$ 2,898,452
Other taxes and licenses	54,742	-	54,742
Unrestricted intergovernmental	3,471,853	-	3,471,853
Restricted intergovernmental	667,015	-	667,015
Sales and services	1,417,323	-	1,417,323
Investment earnings	12,585	602	13,187
Program income	-	25,447	25,447
Miscellaneous	193,582	25,460	219,042
Total revenues	8,660,281	106,780	8,767,061
EXPENDITURES:			
Current:			
General government	1,482,689	-	1,482,689
Public safety	3,776,938	-	3,776,938
Transportation	1,343,289	-	1,343,289
Economic and physical development	-	122,089	122,089
Environmental protection	708,209	-	708,209
Culture and recreation	853,920	-	853,920
Debt service:			
Principal	408,333	-	408,333
Interest	85,549	-	85,549
Capital outlay	-	98,856	98,856
Total expenditures	8,658,927	220,945	8,879,872
Excess (deficiency) of revenues over expenditures	1,354	(114,165)	(112,811)
OTHER FINANCING SOURCES (USES):			
Sale of assets	13,072	-	13,072
Transfers to other funds	(29,500)	(41,200)	(70,700)
Transfers from other funds	44,800	27,500	72,300
Total other financing sources (uses)	28,372	(13,700)	14,672
Net change in fund balance	29,726	(127,865)	(98,139)
Fund balances, beginning	5,608,875	299,855	5,908,730
Change in reserve for inventories	(708)	-	(708)
Fund balances, ending	<u>\$ 5,637,893</u>	<u>\$ 171,990</u>	<u>\$ 5,809,883</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, 2015

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

Net change in fund balances - total governmental funds		\$ (98,139)
Change in fund balance due to change in reserve for inventory		(708)

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	888,941	
Depreciation and amortization expenses for governmental assets	(846,367)	
Proceeds from sale of assets included in general government	<u>(7,199)</u>	35,375

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		264,053
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Governmental funds report purchases of assets to held for sale as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized until the property is sold.		25,319
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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		(12,743)
Decrease in accrued interest receivable		(1,901)

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	-	
Principal payments on long-term debt	408,333	
Decrease in accrued interest payable	<u>1,990</u>	410,323

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	5,618	
Pension expense	(24,631)	
Net pension obligation	3,352	
Other postemployment benefits	<u>(125,263)</u>	(140,924)

Total changes in net position of governmental activities		<u>\$ 480,655</u>
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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, 2015

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	2,773,000	2,773,000	2,843,181	70,181
Other taxes and licenses	188,500	188,500	54,742	(133,758)
Unrestricted intergovernmental	3,191,300	3,191,300	3,471,853	280,553
Restricted intergovernmental	671,400	671,400	667,015	(4,385)
Sales and services	1,426,000	1,426,000	1,417,323	(8,677)
Investment earnings	14,000	14,000	12,585	(1,415)
Miscellaneous	205,550	216,650	193,582	(23,068)
Total revenues	<u>8,469,750</u>	<u>8,480,850</u>	<u>8,660,281</u>	<u>179,431</u>
Expenditures:				
Current:				
General government	1,632,800	1,655,200	1,482,689	172,511
Public safety	3,679,400	3,896,700	3,776,938	119,762
Transportation	1,353,000	1,412,200	1,343,289	68,911
Environmental protection	709,100	753,100	708,209	44,891
Cultural and recreation	861,000	870,500	853,920	16,580
Debt service				
Principal retirement	442,950	442,950	408,333	34,617
Interest expense	51,500	51,500	85,549	(34,049)
Total expenditures	<u>8,729,750</u>	<u>9,082,150</u>	<u>8,658,927</u>	<u>423,223</u>
Revenues over (under) expenditures	(260,000)	(601,300)	1,354	602,654
Other financing sources (uses):				
Sale of assets	60,000	60,000	13,072	(46,928)
Net transfers from (to) other funds	50,000	20,500	15,300	5,200
Total other financing sources (uses)	<u>110,000</u>	<u>80,500</u>	<u>28,372</u>	<u>(41,728)</u>
Revenues and other sources over (under) expenditures and other uses	(150,000)	(520,800)	29,726	<u>\$ 550,526</u>
Fund balance appropriated	150,000	520,800	-	
Fund balances, beginning	-	-	5,608,875	
Change in reserve for inventories	-	-	(708)	
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,637,893</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, 2015

		Water and Sewer Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$	2,295,040
Accounts receivable (net) - billed		428,987
Accounts receivable (net) - unbilled		342,866
Due from other government		693,324
Inventories		33,470
Restricted cash and cash equivalents		139,677
Total current assets		3,933,364
Noncurrent assets:		
Net pension asset		114,258
Capital assets:		
Land		316,947
Construction in progress		2,793,647
Other capital assets, net of depreciation		17,498,143
Capital assets (net)		20,608,737
Total noncurrent assets		20,722,995
Total assets	\$	24,656,359
DEFERRED OUTFLOWS OF RESOURCES	\$	82,580
LIABILITIES AND FUND BALANCES		
Current liabilities:		
Accounts payable and accrued liabilities	\$	859,695
Compensated absences		42,000
Other post employment benefits		7,000
Clearwater Project Loan		7,143
State Revolving Loan - 06 (2010)		11,507
State Revolving Loan - 0066 (2007)		76,837
State Revolving Loan - 0166 (2009)		168,335
Liabilities payable from restricted assets:		
Customer deposits		139,677
Total current liabilities		1,312,194
Noncurrent liabilities:		
Compensated absences		53,799
OPEB liability		322,599
Clearwater Project Loan		99,994
State Revolving Loan - 06 (2010)		161,094
State Revolving Loan - 0066 (2007)		76,838
State Revolving Loan - 0166 (2009)		1,346,676
State Revolving Loan - 1972 (2015)		1,292,403
Total noncurrent liabilities		3,353,403
Total liabilities		4,665,597
DEFERRED INFLOWS OF RESOURCES	\$	282,487
NET POSITION		
Net investment in capital assets		17,367,910
Unrestricted		2,422,945
Total net position	\$	19,790,855

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, 2015

	<u>Water and Sewer Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 4,575,806
Other operating revenues	45,602
Total operating revenues	<u>4,621,408</u>
OPERATING EXPENSES:	
Water department	1,417,800
Waste treatment	1,733,689
Depreciation	1,119,288
Total operating expenses	<u>4,270,777</u>
Operating income	350,631
NONOPERATING REVENUES (EXPENSES):	
Sale of surplus property	3,194
CDBG Grant - Eliza Lane Project	498,131
Investment earnings	8,478
Interest and other charges	<u>(52,013)</u>
Total nonoperating revenues (expenses)	<u>457,790</u>
Income before contributions and transfers	808,421
Transfers to other funds	<u>(1,600)</u>
Change in net position	806,821
Total net position - previously reported	19,146,105
Restatement	(162,071)
Total net position, restated	<u>18,984,034</u>
Total net position - ending	<u><u>\$ 19,790,855</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, 2015

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	4,604,081
Cash paid for goods and services	(1,714,335)
Cash paid to or on behalf of employees for services	(1,488,634)
Customer deposits refunded	8,422
Other operating cash receipts	<u>34,409</u>
Net cash provided by operating activities	1,443,943
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>(1,600)</u>
Total cash flows from non-capital financing activities	(1,600)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Sale of surplus property	3,194
CDBG Grant - Infrastructure Project	473,248
Intergovernmental funds - Sampson County	180,000
Principal retirement on long-term debt	(717,541)
Proceeds received on Southwood Elevated Tank Project	651,846
Interest paid on long-term debt	(60,343)
Acquisition of capital assets	<u>(2,172,017)</u>
Net cash used by capital and related financing activities	(1,641,613)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>8,478</u>
Net increase in cash and cash equivalents	(190,792)
Cash and cash equivalents at beginning of year	<u>2,625,509</u>
Cash and cash equivalents at end of year	<u>\$ 2,434,717</u>

City of Clinton, North Carolina
Statement of Cash Flows
Water & Sewer Fund
June 30, 2015

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 350,631
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,119,288
Pension expense	6,158
Changes in assets and liabilities:	
Decrease in accounts receivable	17,083
(Increase) in inventory	(11,801)
(Increase) in deferred outflows of resources for pensions	(82,580)
Increase in accounts payable and accrued liabilities	(17,700)
Increase in customer deposits	8,421
Increase in accrued salaries	8,838
Increase in accrued vacation pay	4,434
Increase in accrued OPEB liability	41,171
Total adjustments	<u>1,093,312</u>
Net cash provided by operating activities	<u>\$ 1,443,943</u>

Non-cash transactions: Several Water & Sewer Fund capital projects recorded increases in construction in progress for which cash had not been expended as of June 30, 2015. The amount of the accounts payable in these funds was \$674,615. Additionally, \$640,557 of debt proceeds were recorded as receivable from another government and debt in the Water & Sewer Fund Capital Project - Southwood Elevated Tank Project.

Notes to the Financial Statements

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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, 2015

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 five Special Revenue Funds: Community Development Fund, Downtown Tax District Fund, the Planning Grants Fund, the Fire Department Grant Fund and the Open Space Fund. These funds have been combined in the accompanying financial statements.

Capital Project Funds – Various Capital Project funds are used to account for financial resources to be used for non-major acquisitions or construction. The City has three Capital Project Funds: City Facility Renovations Fund, 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, 2015

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, 2015

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. Sales taxes are considered shared revenue for the City of Clinton because the tax is levied by Sampson County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Revenue Funds and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project Funds and the Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The City Manager is authorized by the Council to transfer appropriations within a fund.

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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 General 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, 2015.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

<u>City of Clinton Restricted Cash</u>		
Governmental Activities		
	USDA Reserve	\$ 14,074
	Fire Department Grant Fund	6,438
Total governmental activities		\$ 20,512
Business-type activities		
Water & Sewer Fund		
	Customer deposits	\$ 139,677
Total Business-type activities		\$ 139,677
Total Restricted Cash		\$ 160,189

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, 2014. 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, 2015 that were material in amount.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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:

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

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

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

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows 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 one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. 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 two items that meet the criterion for this category – property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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, 2015

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, 2015, 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 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, 2015.

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Clinton’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for 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, 2015

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.

12. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Clinton's employer contributions are recognized when due and the City of Clinton has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position has been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

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

For the fiscal year ended June 30, 2015, the Affordable Housing Project Fund included a transfer in from the Community Development Fund of \$55,000. However, this transfer was not budgeted in the Community Development Fund prior to June 30, 2015 and therefore was not made, causing a deficit balance in the Affordable Housing Project Fund of (\$54,956). Management will budget and record this transfer in the fiscal year ending June 30, 2016, correcting the deficit.

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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

At June 30, 2015, the City's deposits had a carrying amount of \$7,264,685 and a bank balance of \$7,395,563. 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, 2015, the City's petty cash fund totaled \$350.

The carrying amount of deposits for the ABC Board was \$466,120 and the bank balance was \$500,087. 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, 2015, the ABC Board's petty cash fund totaled \$1,900.

2. Investments

At June 30, 2015, the City of Clinton had \$531,041 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, 2015, The ABC Board had \$180,851 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 \$20,919.

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, 2015
General Fund:	
Taxes receivable	\$ 49,000
Accounts receivable	41,037
Total general fund	90,067
Enterprise Fund:	
Total Allowances for bad debts	8,599
	\$ 98,666

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,376,302	\$ 2,500	\$ -	\$ 1,378,802
Construction in progress	45,371	80,856	-	126,227
Total capital assets being depreciated	<u>1,421,673</u>	<u>83,356</u>	<u>-</u>	<u>1,505,029</u>
Capital assets being depreciated:				
Buildings and other improvements	6,229,515	208,502	-	6,438,017
Intangible asset – brand	-	18,000	-	18,000
Equipment	2,727,354	60,294	21,223	2,766,425
Vehicles and motorized equipment	5,313,252	489,883	151,611	5,651,524
Infrastructure	8,218,945	43,492	-	8,262,437
Total capital assets being depreciated	<u>22,489,066</u>	<u>820,171</u>	<u>172,834</u>	<u>23,136,403</u>
Less accumulated depreciation and amortization for:				
Buildings and other improvements	2,057,861	139,677	-	2,197,538
Intangible asset – brand	-	350	-	350
Equipment	2,279,535	132,183	14,023	2,397,695
Vehicles and motorized equipment	3,632,731	303,738	151,611	3,784,858
Infrastructure	4,231,729	285,004	-	4,516,733
Total accumulated depreciation	<u>12,201,856</u>	<u>860,952</u>	<u>165,634</u>	<u>12,897,174</u>
Total capital assets being depreciated, net	<u>10,287,210</u>			<u>10,239,229</u>
Governmental activity capital assets, net	<u>\$ 11,708,883</u>			<u>\$ 11,744,258</u>

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

General government	\$ 231,319
Public safety	257,311
Transportation	100,951
Economic development	108,340
Environmental protection	76,460
Cultural and recreation	71,986
Total depreciation expense	<u>\$ 846,367</u>

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

Capital asset activity for the Enterprise Fund for the year ended June 30, 2015, was as follows:

Business-type activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 316,947	\$ -	\$ -	\$ 316,947
Construction in progress	1,230,034	2,264,330	700,717	2,793,647
Total capital assets not being depreciated	1,546,981	2,264,330	700,717	3,110,594
Capital assets being depreciated:				
Land Improvements	32,449	-	-	32,449
Equipment	36,529,665	182,440	-	36,712,105
Vehicles	476,538	41,589	14,585	503,542
Infrastructure	2,268,896	1,058,990	-	3,327,886
Total capital assets being depreciated	39,307,548	1,283,019	14,585	40,575,982
Less accumulated depreciation for:				
Land Improvements	14,505	-	-	14,505
Equipment	19,599,134	102,204	-	19,701,338
Vehicles	387,831	37,109	14,585	410,355
Infrastructure	1,971,666	979,975	-	2,951,641
Total accumulated depreciation	21,973,136	1,119,288	14,585	23,077,839
Total capital assets being depreciated, net	17,334,412			17,498,143
Water and Sewer fund capital assets, net	<u>\$ 18,881,393</u>			<u>\$ 20,608,737</u>

Construction commitments and construction in progress

The government has active construction projects as of June 30, 2015. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Infrastructure CDBG Project	637,422	152,578
NC 24 Industrial Park Infrastructure Project	51,643	3,515,157
Southwood Elevated Tank Project (Formerly Smithfield)	1,292,403	377,297
Water Production Expansion Project	656,974	297,308
Highway 24 Infrastructure Relocation	144,501	18,499

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

Discretely presented component unit

Capital assets and capital asset activity for the ABC Board for the year ended June 30, 2015, 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	174,461	-	-	174,461
Office Equipment	3,758	539	-	4,297
Store Equipment	56,233	-	-	56,233
Total capital assets being depreciated	241,240	539	-	241,779
Less accumulated depreciation for:				
Paving	6,788	-	-	6,788
Buildings	141,245	1,893	-	143,138
Office Equipment	2,708	151	-	2,708
Store Equipment	42,739	2,898	-	43,637
Total accumulated depreciation	191,480	4,942	-	196,422
ABC capital assets being depreciated, net	49,760			45,357
ABC capital assets, net	\$ 86,555			\$ 82,152

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Clinton is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) or participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of credible service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Clinton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Clinton's contractually required contribution rate for the year ended June 30, 2015 was 7.41% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Clinton were \$346,633 for the year ended June 30, 2015.

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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

At June 30 2015, the City reported an asset of \$571,289 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.09687% which was an increase of 0.00247% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$30,788. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	-	62,423
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,329,944
Changes in proportion and differences between City contributions and proportionate share of contributions	-	20,066
City contributions subsequent to the measurement date	346,633	-
Total	<u>\$ 346,633</u>	<u>\$ 1,412,433</u>

\$346,633 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (353,160)
2017	(353,160)
2018	(353,160)
2019	(352,953)
2020	-
Thereafter	-
Total	<u>\$ (1,412,433)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes to the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net position asset to changes in the discount rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25%, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 1,939,196	\$ (571,287)	\$ (2,685,033)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The City of Clinton administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. 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, 2014 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	23
Total plan members	29

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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.

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, 2014 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, 2014 was 16 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	\$ 72,324
Interest on net pension obligation	5,075
Adjustment to annual required contribution	<u>(8,574)</u>
Annual pension cost	68,825
Employer contributions made	<u>(72,177)</u>
Increase in net pension obligation	(3,352)
Net pension obligation beginning of fiscal year, restated	<u>101,501</u>
Net pension obligation end of fiscal year	\$ <u>98,149</u>

In order to calculate the Annual Pension Cost and the Net Pension Obligation, the actuary used the annual required contribution calculated as of December 31, 2014 was used to estimate the annual required contributions for the fiscal year ending June 30, 2015. For fiscal years ending June 30, 2013 and June 30, 2014, the Annual Pension Cost and Net Pension Obligation were estimated using annual required contributions as calculated in the December 31, 2011 actuarial valuation.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

3 Year Trend Information

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
2013	59,734	109.21%	113,683
2014	57,614	121.14%	101,501
2015	68,825	104.87%	98,149

4. Funded Status and Funding Progress.

As of December 31, 2014, 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 \$638,311. The covered payroll (annual payroll of active employees covered by the plan) was \$858,312, and the ratio of the UAAL to the covered payroll was 74.37 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, 2015 the City of Clinton paid directly to seven eligible retired law enforcement officers a total of \$72,177 under this plan.

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, 2015 were \$74,833, which consisted of \$52,281 from the City and \$22,552 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, 2015 totaled \$56,500, made exclusively by City employees.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The 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.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly.

Refunds of Contributions. Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2015, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was immaterial and has not been recorded in the financial statements. Management has determined that The total pension liability was measured as of June 30, 2014.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of the contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2014 and at June 30, 2013 was 0%.

For the year ended June 30, 2015, the City determined that the pension expense and revenue for support provided by the State were immaterial and did not record these amounts in the financial statements. At June 30, 2015, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

City of Clinton, North Carolina
Notes to the Financial Statements
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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, 2014, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	17	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	60	16
Total	77	16

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 \$299 per month for family coverage, \$174 for spouse-only coverage and \$98 for children-only coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 8.71% of annual covered payroll. For the current year, the city contributed \$119,771 or 4.09% 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 \$157,601. The City's obligation to contribute to the plan is established and may be amended by the City Council.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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		42,776
Adjustment to annual required contribution		(59,464)
Annual OPEB cost (expense)	\$	286,208
Contributions made		(119,771)
Increase (decrease) in net OPEB obligation		166,437
Net OPEB obligation, beginning of year		1,069,379
Net OPEB obligation, end of year	\$	<u>1,235,816</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 \$87,424 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
2013	\$ 291,883	34.55%	\$ 896,690
2014	\$ 288,902	40.23%	\$1,069,379
2015	\$ 286,207	41.80%	\$1,235,816

Funded Status and Funding Progress. As of December 31, 2014, 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 \$2,860,870. The covered payroll (annual payroll of active employees covered by the plan) was \$2,929,378, and the ratio of the UAAL to the covered payroll was 97.7%. 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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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, 2014 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, 2014 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.

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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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
10 – 20	2	2015
20 or more	3	2016

The period of reprieve is determines separately for law enforcement officers. The City will have a 3 year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal years beginning July 1, 2015.

3. Deferred Outflows and Inflows of Resources

The City had one deferred outflow of resources as of June 30, 2015, comprised of contributions to the pension plan in the current fiscal year of \$346,633.

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

Taxes receivable (Governmental Funds)	\$ 90,583
Pension deferrals	1,412,433

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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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.

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 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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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.

Annual debt service payments of the installment purchase as of June 30, 2015, including interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2016	378,387	75,867
2017	243,222	66,604
2018	223,387	59,455
2019	227,834	53,313
2020	232,402	47,050
2021-2025	889,983	148,633
2026-2030	288,292	63,559
2031-2033	199,750	11,360
Total	\$ 2,683,257	\$ 525,842

c. State Revolving Loans

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.

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2015:

	Principal	Interest	Total
2016	76,837	3,542	80,379
2017	76,839	1,771	78,610
	\$ 153,676	\$ 5,313	\$ 158,989

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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, 2015:

	Principal	Interest	Total
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	168,335	17,675	186,010
2020-2024	673,338	35,350	708,688
	<u>\$ 1,515,013</u>	<u>\$ 159,075</u>	<u>\$ 1,674,088</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, 2015:

	Principal	Interest	Total
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	11,507	2,658	14,165
2021-2025	57,534	9,665	67,199
2026-2030	57,534	3,625	61,159
	<u>\$ 172,603</u>	<u>\$ 28,997</u>	<u>\$ 201,600</u>

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%.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2015:

	Principal	Interest	Total
2016	7,143	-	7,143
2017	7,143	-	7,143
2018	7,143	-	7,143
2019	7,143	-	7,143
2020	7,143	-	7,143
2021-2025	35,713	-	35,713
2026-2030	35,713	-	35,713
	\$ 107,141	\$ -	\$ 107,141

e. General Obligation Indebtedness

The City does not have any general obligation bonds.

At June 30, 2015, the City of Clinton had no bonds authorized but unissued, had a legal debt limit of approximately \$57,050,361 and a legal debt margin of \$47,764,945.

f. Southwood Elevated Tank Project

The City engaged in a water capital project to construct an elevated tank to increase overall water storage capacity. The project is funded entirely by a loan from the North Carolina Department of Environment and Natural Resources under the North Carolina Drinking Water Revolving Loan & Grant Program. The total project ordinance calls for debt proceeds of \$1,669,700. As of June 30, 2015, \$1,292,403 of these funds had been requisitioned, of which \$651,846 had been received prior to the end of the fiscal year. The remaining \$640,557 is recorded as a receivable from DENR as of June 30, 2015. This debt is not reflected in the following schedule of changes in long-term liabilities as the terms of repayment have not yet been finalized.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

g. 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, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion of Balance
Installment purchase	\$ 3,091,590	\$ -	\$ 408,333	\$ 2,683,257	\$ 378,387
Compensated absences	258,943	144,703	150,321	253,325	150,000
Other postemployment benefits	780,952	237,989	112,726	906,215	120,000
Net pension obligation (LEO) (restated)	101,501	5,075	8,427	98,149	72,000
Net pension obligation (LGERS)	910,306	-	910,306	-	-
Governmental activity long-term liabilities	<u>\$ 5,143,292</u>	<u>\$ 387,767</u>	<u>\$ 1,590,113</u>	<u>\$ 3,940,946</u>	<u>\$ 720,387</u>
<u>Business-type activities:</u>	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion of Balance
State revolving loan-0030 (1994) Well Fill Purification Project (1999)	256,733	-	256,733	-	-
BB&T Installment Loan (Loader)	177,301	-	177,301	-	-
BB&T Installment Loan (Loader)	19,685	-	19,685	-	-
State revolving loan-0066 (2007)	230,513	-	76,837	153,676	76,837
State revolving loan-0166 (2009)	1,683,344	-	168,335	1,515,009	168,335
State revolving loan-0166 (2010)	184,107	-	11,507	172,600	11,507
Clearwater loan	114,279	-	7,143	107,136	7,143
Compensated absences	91,365	46,737	42,303	95,799	42,000
Other postemployment benefits	288,430	60,958	19,787	329,601	7,000
Net pension obligation (LGERS)	227,576	-	227,576	-	-
Business-type activity long-term liabilities	<u>\$ 3,273,333</u>	<u>\$ 107,695</u>	<u>\$ 1,007,207</u>	<u>\$ 2,373,821</u>	<u>\$ 312,822</u>

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

C. Interfund Activity and Balances

Transfers to/from other funds at June 30, 2015, consist of the following:

From the Special Revenue Fund (Community Development Fund) to the General Fund	44,800
From the General Fund to Capital Project Fund (Affordable Housing Fund)	25,900
From the General Fund to Special Revenue Fund (Planning Grants Fund)	3,600
From the Water & Sewer Fund to Special Revenue Fund (Planning Grants Fund)	1,600
From the Water & Sewer Fund to Capital Project (Infrastructure – Waterline Improvements)	40,000
From Water & Sewer Fund to Capital Project (Utility Lines Maintenance Project)	11,095
From Water & Sewer Fund to Capital Project Fund (Water & Sewer Capital Reserve Fund)	300,000
From Capital Project (Water & Sewer Capital Reserve Fund) to Capital Project (Hwy 24 Infrastructure Relocation)	98,000
From Capital Project (Water & Sewer Capital Reserve Fund) to Capital Project (WWTP Expansion)	65,000
Total	<u>\$ 589,995</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 2015 fiscal year, the City made transfers from the General Fund of \$29,500 to the Affordable Housing Project Fund to complete the funding obligation of the General Fund to that project. The City also made a transfers of \$163,000 from the Water & Sewer Capital Reserve Fund to the Capital Project Fund – Hwy 24 Infrastructure Relocation (\$98,000) and to the Capital Project Fund – WWTP Expansion to facilitate the expansion of NC Highway 24 and 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, 2015, 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 firefighters 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, 2015

E. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 11,726,608	\$ 20,608,737
Less: long-term debt	<u>2,683,257</u>	<u>3,240,827</u>
Net investment in capital assets	<u>\$ 9,043,351</u>	<u>\$ 17,367,910</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	\$ 5,637,893
Less:	
Inventories	29,969
Stabilization by State Statute	1,051,344
USDA Reserve	14,074
Cemetery Fund	333,452
Capital Use Policy	594,000
Subsequent year’s expenditures	146,900
Remaining fund balance	3,468,154

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, 2015, the City reported revenues and expenditures in the amount of \$12,188 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, 2015. 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, 2015

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, 2015.

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, 2015. 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 2014 the City entered into a three 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, 2015 was approximately \$148,350.

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, 2015 the City of Clinton received from Sampson County \$164,500 under the terms of this agreement.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2015

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 November 24, 2015, 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 \$77,568.

XII. Change in Accounting Principles/Restatement

The City implemented Government Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$648,284 and \$162,071, respectively.

The City engaged an actuary to perform a valuation of the Separation Allowance For Law Enforcement Officers as of December 31, 2014. As a result of this study, the beginning balance in the net pension obligation was restated. The original obligation reported was \$111,612; this amount was reduced by \$10,111 and restated as \$101,501. As a result, net position for the governmental activities increased by \$10,111.

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
- Schedule of the Proportionate Share of the Net Pension Asset for the Local Government Employees' Retirement System
- Schedule of Contributions-Local Government Employees' Retirement System
- 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%
12/31/2014	-	638,311	638,311	0%	858,312	74.37%

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	59,734	109.21%	113,683
2014	57,614	121.14%	101,501
2015	68,825	104.87%	98,149

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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 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

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)
12/31/2005	\$ -	\$ 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%
12/31/2014	-	2,860,870	2,860,870	0%	2,929,378	97.70%

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%
2015	286,207	41.80%

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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level Dollar Amount, Open
Remaining amortization period	30 years
Amortization factor	17.9837
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return	4.00%
Pre-Medicare Trend Rate	7.50% - 5.00%
Year of Ultimate trend rate	2020
Includes inflation at	3.00%
Cost of living adjustment	N/A

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

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
City of Clinton's proportion of the net pension liability (asset) %	-0.0969%	0.0944%
City of Clinton's proportion of the net pension liability (asset) \$	(571,287)	1,137,882
City of Clinton's covered-employee payroll	4,874,305	4,734,391
City of Clinton's proportion of the net pension liability (asset) as a percentage of its covered-employee payroll	-11.72%	24.03%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

** This will be the same percentage for all participant employers in the LGERS plan.

CITY OF CLINTON, NORTH CAROLINA
 CITY OF CLINTON'S CONTRIBUTIONS
 REQUIRED SUPPLEMENTAL INFORMATION
 LAST TWO FISCAL YEARS

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	346,633	327,525
Contributions in relation to the contractually required contribution	<u>346,633</u>	<u>327,525</u>
Contribution deficiency (excess)	-	-
City of Clinton's covered-employee payroll	4,874,305	4,734,391
Contributions as a percentage of covered-employee payroll	7.11%	6.92%

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

** This will be the same percentage for all participant employers in the LGERS plan.

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

TEN LARGEST TAXPAYERS BY ASSESSED VALUATION
 For the Year Ended June 30, 2015

TAXPAYER	ASSESSED VALUATION	TAX LEVY
1 Clinton Plant/Smithfield	\$ 56,574,392	\$ 226,298
2 Dubose Industries Dubose Strapping, Inc.	16,061,018	64,244
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	546,183,597
Personal Property	151,003,761
Public Service Companies	15,942,156
	<u>713,129,514</u>
Tax rate per \$100	0.40
Levy (includes discoveries, releases and abatements)	\$ 2,852,518

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, 2015

	2015		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Ad valorem taxes:			
Current year	\$	\$ 2,763,356	\$
Prior year levies		58,906	
Interest and penalties		20,919	
Total	2,773,000	2,843,181	70,181
Other taxes and licenses:			
Auto licenses		33,582	
Vehicle rental taxes		16,283	
Privilege licenses		4,877	
Total	188,500	54,742	(133,758)
Unrestricted intergovernmental revenues:			
Local option sales tax		1,792,067	
Utility franchise tax		757,500	
Fire district tax		490,000	
ABC profit distribution		176,800	
Telecommunications sales tax		113,924	
Excise tax on piped gas		32,594	
Beer and wine tax		41,579	
CATV franchise fee		43,050	
Payments in lieu of taxes		17,502	
Sales tax reimbursements		6,837	
Total	3,191,300	3,471,853	280,553
Restricted intergovernmental revenues:			
Powell bill allocation		260,392	
Sampson County contribution		164,500	
FEMA Grant		-	
City schools - police		104,533	
Curbside Rollout Recycling grant		-	
Community college - police		43,257	
HUD grant - police		43,565	
Firemen's relief tax		13,230	
Rescue technical assistance		12,000	
ABC revenue for law enforcement		7,570	

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

CITY OF CLINTON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the year ended June 30, 2015

	2015		Variance Favorable (Unfavorable)
	Budget	Actual	
Restricted intergovernmental revenues (continued)			
Solid Waste Disposal tax		5,626	
Local Fire Protection Service		5,068	
State substance abuse tax		7,274	
Total	671,400	667,015	(4,385)
Sales and services:			
Garbage collection fees		1,286,706	
Recreation department fees		61,176	
Cemetery lot sales and maintenance		52,290	
Other services and materials		9,578	
Cemetery lot cleaning		7,573	
Total	1,426,000	1,417,323	(8,677)
Investment earnings:			
General fund		11,643	
Cemetery trust fund		942	
Total	14,000	12,585	(1,415)
Miscellaneous:			
Other		16,462	
Rent industrial buildings		77,568	
Sale of recyclables		37,794	
Insurance revenue		23,494	
False alarm ordinance		10,400	
Demolition reimbursement		4,693	
Fire Department special fees		21,284	
Officer arrest fees		357	
Parking violations		1,530	
Total	216,650	193,582	(23,068)
Total revenues	8,480,850	8,660,281	179,431

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

CITY OF CLINTON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the year ended June 30, 2015

	2015		Variance Favorable (Unfavorable)
	Budget	Actual	
EXPENDITURES:			
General government:			
Governing body:			
Mayor and councilmen salaries		58,106	
Mayor and councilment expenses		62,290	
Election expenses		-	
Total	121,100	120,396	704
Administrative:			
Salaries and employee benefits		176,980	
Operating expenses		25,519	
Total	215,200	202,499	12,701
Finance:			
Salaries and employee benefits		157,826	
Operating expenses		50,211	
Total	264,650	208,037	56,613
Planning and zoning:			
Salaries and employee benefits		283,668	
Operating expenses		30,231	
Total	318,600	313,899	4,701
Cemetery and public grounds:			
Salaries and employee benefits		133,880	
Operating expenses		87,513	
Capital outlay		35,504	
Total	278,600	256,897	21,703
Non-departmental:			
Capital outlay		91,711	
Retirees medical insurance		83,096	
Various operating expenses		76,982	
Insurance		51,053	
Employee relations		15,581	
Maintenance - City Hall		14,675	
Utilities		13,933	
Other agency contributions		13,500	
Lot maintenance		10,420	
Economic development		10,010	
Total	457,050	380,961	76,089
Total general government	1,655,200	1,482,689	172,511

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

CITY OF CLINTON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the year ended June 30, 2015

	2015		Variance Favorable (Unfavorable)
	Budget	Actual	
Public safety:			
Police department:			
Salaries and employee benefits		1,652,789	
Operating expenses		356,431	
Capital outlay		124,450	
Total	2,209,600	2,133,670	75,930
Fire:			
Salaries and employee benefits		1,052,374	
Operating expenses		277,792	
Capital outlay		313,102	
Total	1,687,100	1,643,268	43,832
Total public safety	3,896,700	3,776,938	119,762
Transportation:			
Street administration:			
Salaries and employee benefits		471,966	
Operating expenses		47,080	
Total	527,600	519,046	8,554
Materials and supplies:			
Asphalt and concrete		8,360	
Signs, signals, paints and supplies		18,315	
Operating expenses		10,665	
Total	45,500	37,340	8,160
Equipment expenses:			
Automotive supplies		32,092	
Equipment rental and maintenance		30,576	
Small tools and equipment		5,028	
Total	91,000	67,696	23,304
Other costs and services:			
Street lighting contract		258,547	
Paving		161,927	
Total	429,500	420,474	9,026
Capital outlay:			
Improvements		68,830	
Total	85,000	68,830	16,170
Total street	1,178,600	1,113,386	65,214

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

CITY OF CLINTON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the year ended June 30, 2015

	2015		Variance Favorable (Unfavorable)
	Budget	Actual	
Garage:			
Salaries and employee benefits		138,648	
Operating expenses		91,255	
Total	233,600	229,903	3,697
Total transportation	1,412,200	1,343,289	68,911
Environmental protection:			
Sanitation:			
Salaries and employee benefits		312,553	
Operating expenses		395,656	
Capital outlay		-	
Total environmental protection	753,100	708,209	44,891
Cultural and recreation:			
Salaries and employee benefits		497,384	
Operating expenses		346,376	
Capital outlay		10,160	
Total cultural and recreation	870,500	853,920	16,580
Debt service:			
Principal retirement	442,950	408,333	34,617
Interest expense	51,500	85,549	(34,049)
Total debt service	494,450	493,882	568
Total expenditures	9,082,150	8,658,927	423,223
Revenues over (under) expenditures	(601,300)	1,354	602,654
Other financing sources (uses):			
Sale of surplus assets	60,000	13,072	(46,928)
Transfers in (out)			
Transfer from Community Development Fund	50,000	44,800	(5,200)
Transfer to Capital Project Fund	(29,500)	(29,500)	-
Total other financing sources (uses) - net	80,500	28,372	(52,128)
Revenues and other financing sources over (under) expenditures and other financing uses	(520,800)	29,726	\$ 550,526
Fund balance appropriated	520,800		
Beginning of year, July 1		5,608,875	
Change in reserve for inventories		(708)	
End of year, June 30		\$ 5,637,893	

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

**CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015**

	Special Revenue Funds	Capital Project Funds	Total Non-major Governmental Funds June 30, 2015
Assets:			
Cash and investments	\$ 156,298	\$ 49,000	\$ 205,298
Receivables, net			
Taxes	2,023	-	2,023
Accounts	438	218	656
Due from capital project fund	17,600	-	17,600
Due from other government	22,000	-	22,000
Restricted cash	6,438	-	6,438
Total Assets	<u>\$ 204,797</u>	<u>\$ 49,218</u>	<u>\$ 254,015</u>
Liabilities and Fund Equity:			
Current Liabilities			
Accounts Payable	\$ 2,835	\$ 37,574	\$ 40,409
Due to Community Development Fund	-	17,600	17,600
Due to General Fund	21,993	-	21,993
Total Current Liabilities	<u>24,828</u>	<u>55,174</u>	<u>80,002</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>26,851</u>	<u>55,174</u>	<u>82,025</u>
Fund balances			
Assigned - Community Development	69,068	-	69,068
Restricted - Economic Development	102,433	-	102,433
Restricted - Planning Projects	7	-	7
Restricted - Public Safety	6,438	-	6,438
Restricted - Capital Projects	-	(5,956)	(5,956)
Total liabilities and fund balances	<u>\$ 204,797</u>	<u>\$ 49,218</u>	<u>\$ 254,015</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, 2015

	Special Revenue Funds	Capital Project Funds	Total Non-major Governmental Funds June 30, 2015
Revenues			
Ad valorem taxes - net	\$ 55,271	\$ -	\$ 55,271
City contribution	-	-	-
Program income	25,447	-	25,447
Investment earnings	602	-	602
Miscellaneous	25,460	-	25,460
Total Revenues	<u>106,780</u>	<u>-</u>	<u>106,780</u>
Expenditures			
Capital Outlay	-	98,856	98,856
Economic and physical development	122,089	-	122,089
Total Expenditures	<u>122,089</u>	<u>98,856</u>	<u>220,945</u>
Revenues over (under) expenditures	(15,309)	(98,856)	(114,165)
Other financing sources / uses			
Transfer in (out)	-	-	-
Water & Sewer	1,600	-	1,600
General Fund	(41,200)	25,900	(15,300)
Total other financing sources	<u>(39,600)</u>	<u>25,900</u>	<u>(13,700)</u>
Revenues and other financing sources over (under) expenditures	(54,909)	\$ (72,956)	\$ (127,865)
Fund balance:			
Beginning of year, July 1	232,855	67,000	299,855
End of year, June 30	<u>\$ 177,946</u>	<u>\$ (5,956)</u>	<u>\$ 171,990</u>

CITY OF CLINTON, NORTH CAROLINA
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2015

EXHIBIT C-3

	Special Revenue Community Development Fund	Special Revenue Downtown Tax District Fund	Special Revenue Planning Grants Fund	Fire Department Grant Fund	Open Space	Total Special Revenue Funds June 30, 2015
Assets:						
Cash and investments	\$ 49,015	\$ 104,493	\$ -	\$ -	\$ 2,790	\$ 156,298
Receivables, net:						
Taxes	-	2,023	-	-	-	2,023
Accounts	-	438	-	-	-	438
Due from capital project fund	17,600	-	-	-	-	17,600
Due from other government	-	-	22,000	-	-	22,000
Restricted cash	-	-	-	6,438	-	6,438
Total Assets	<u>\$ 66,615</u>	<u>\$ 106,954</u>	<u>\$ 22,000</u>	<u>\$ 6,438</u>	<u>\$ 2,790</u>	<u>\$ 204,797</u>
Liabilities						
Current Liabilities						
Accounts Payable	337	2,498	-	-	-	2,835
Due to General Fund	-	-	21,993	-	-	21,993
Total Current Liabilities	<u>337</u>	<u>2,498</u>	<u>21,993</u>	<u>-</u>	<u>-</u>	<u>24,828</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>-</u>	<u>2,023</u>
Fund balances						
Assigned - Community Development	66,278	-	-	-	2,790	69,068
Restricted - Economic Development	-	102,433	-	-	-	102,433
Restricted - Planning Projects	-	-	7	-	-	7
Restricted - Public Safety	-	-	-	6,438	-	6,438
Total liabilities and fund balances	<u>\$ 66,615</u>	<u>\$ 106,954</u>	<u>\$ 22,000</u>	<u>\$ 6,438</u>	<u>\$ 2,790</u>	<u>\$ 204,797</u>

CITY OF CLINTON, NORTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 From Inception and for the Year Ended June 30, 2015

	Community Development Fund	Downtown Tax District Fund	Planning Grants Fund	Fire Department Grant Fund	Open Space	Total Special Revenue Funds June 30, 2015
Revenues						
Ad valorem taxes - net	\$ -	\$ 55,271	\$ -	\$ -	\$ -	\$ 55,271
Program Income	2,947	-	22,000	500	-	\$ 25,447
Investment earnings	285	317	-	-	-	\$ 602
Miscellaneous	-	22,670	-	-	2,790	\$ 25,460
Total Revenues	3,232	78,258	22,000	500	2,790	106,780
Expenditures						
Public safety grant expenditure	-	-	-	-	-	-
Economic and physical development	-	82,007	40,082	-	-	122,089
Total Expenditures	-	82,007	40,082	-	-	122,089
Excess of revenues over expenditures	3,232	(3,749)	(18,082)	500	2,790	(15,309)
Other Financing Sources (Uses)						
Transfer from General Fund	-	-	3,600	-	-	3,600
Transfer from Water & Sewer	-	-	1,600	-	-	1,600
Transfer to General Fund	(44,800)	-	-	-	-	(44,800)
Total other financing sources (uses)	(44,800)	-	5,200	-	-	(39,600)
Net change in fund balance	\$ (41,568)	\$ (3,749)	\$ (12,882)	\$ 500	\$ 2,790	\$ (54,909)
Fund balance:						
Beginning of year, July 1	107,846	106,182	12,889	5,938	-	\$ 232,855
End of year, June 30	\$ 66,278	\$ 102,433	\$ 7	\$ 6,438	\$ 2,790	\$ 177,946

**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, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Program Income	\$	\$ 2,947	\$
Investment Earnings		285	
Miscellaneous		-	
Total Revenues	<u>54,000</u>	<u>3,232</u>	<u>(50,768)</u>
Expenditures			
Legal Service		-	
Miscellaneous		-	
Total Expenditures	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Excess of revenues over expenditures	<u>50,000</u>	<u>3,232</u>	<u>(46,768)</u>
Other Financing Sources (Uses)			
Transfer to General Fund		<u>(44,800)</u>	<u>(44,800)</u>
Net change in fund balance	50,000	\$ (41,568)	<u>\$ (91,568)</u>
Fund balance appropriated	<u>-</u>		
Fund balance:			
Beginning of year, July 1		<u>107,846</u>	
End of year, June 30		<u>\$ 66,278</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, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Ad valorem taxes-net	\$	\$ 55,271	\$
Investment Earnings		317	
Miscellaneous		22,670	
Total Revenues	<u>92,100</u>	<u>78,258</u>	<u>(13,842)</u>
Expenditures			
Special Events		29,152	
Projects		19,071	
Advertising		6,760	
Supplies and materials		3,178	
Other		23,846	
Total Expenditures	<u>92,100</u>	<u>82,007</u>	<u>10,093</u>
Excess of revenues over expenditures	<u>-</u>	<u>(3,749)</u>	<u>(3,749)</u>
Other financing sources (uses)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>\$ (3,749)</u>	<u>\$ (3,749)</u>
Fund balance appropriated	<u>-</u>		
Fund balance:			
Beginning of year, July 1		<u>106,182</u>	
End of year, June 30		<u>\$ 102,433</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, 2015

EXHIBIT C-7

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
NCDOT Grant	\$ 22,000	\$ 22,000	\$ -	\$ 22,000	\$ -
NCDOT Grant - Bike Plan	22,000	-	22,000	22,000	-
Community Transformation Grant	4,400	4,407	-	4,407	7
Total Revenues	48,400	26,407	22,000	48,407	7
Expenditures					
Long range planning services	73,200	44,118	29,082	73,200	-
Community Transformation Grant	4,400	4,400		4,400	-
Pedestrian and Bicycle Plan	55,000	44,000	11,000	55,000	-
Total Expenditures	132,600	92,518	40,082	132,600	-
Revenues over (under) expenditures	(84,200)	(66,111)	(18,082)	(84,193)	7
Other financing sources					
Transfer from Water & Sewer	1,600	-	1,600	1,600	-
Transfer from General Fund	82,600	79,000	3,600	82,600	-
Total other financing sources	84,200	79,000	5,200	84,200	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 12,889	(12,882)	\$ 7	\$ 7
Fund balance:					
Beginning of year, July 1			12,889		
End of year, June 30			\$ 7		

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, 2015

EXHIBIT C-8

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
Grant Revenue	-	-	500	500	500
Expenditures					
Grant expenditures	6,845	907	-	907	5,938
Total Expenditures	6,845	907	-	907	5,938
Revenues over (under) expenditures	(6,845)	(907)	500	(407)	6,438
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	<u>\$ -</u>	<u>\$ 5,938</u>	500	<u>\$ 6,438</u>	<u>\$ 6,438</u>
Fund balance:					
Beginning of year, July 1			<u>5,938</u>		
End of year, June 30			<u>\$ 6,438</u>		

CITY OF CLINTON, NORTH CAROLINA
 SPECIAL REVENUE FUND - OPEN SPACE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2015

EXHIBIT C-9

	Actual			Variance Favorable (Unfavorable)
	Project Authorization	Prior Years	Current Year	
Total Revenues	-	-	2,790	2,790
Total Expenditures	-	-	-	-
Revenues over (under) expenditures	-	-	2,790	2,790
Fund balance:				
Beginning of year, July 1			-	
End of year, June 30			\$ 2,790	

CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2015

Non - Major

	<u>City Facility Renovations</u>	<u>Affordable Housing Project</u>	<u>Branding Project</u>	<u>Total Capital Project Funds June 30, 2015</u>
Assets:				
Cash and investments	\$ 49,000	\$ -	\$ -	\$ 49,000
Accounts receivable	-	218	-	218
Total Assets	<u>\$ 49,000</u>	<u>\$ 218</u>	<u>\$ -</u>	<u>\$ 49,218</u>
Liabilities and Fund Equity:				
Liabilities				
Accounts payable	\$ -	\$ 37,574	\$ -	\$ 37,574
Due to Community Development Fund	-	17,600	-	17,600
Total Liabilities	<u>-</u>	<u>55,174</u>	<u>-</u>	<u>55,174</u>
Fund balances				
Restricted - capital projects	49,000	(54,956)	-	(5,956)
Total liabilities and fund balances	<u>\$ 49,000</u>	<u>\$ 218</u>	<u>\$ -</u>	<u>\$ 49,218</u>

CITY OF CLINTON, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2015

	Non - Major			Total Capital Project Funds June 30, 2015
	City Facility Renovations	Affordable Housing Project	Branding Project	
Expenditures				
Capital Outlay	-	80,856	18,000	98,856
Total Expenditures	-	80,856	18,000	98,856
Revenues over (under) expenditures	-	(80,856)	(18,000)	(98,856)
Other financing sources (uses)				
Transfer from General Fund	-	25,900	-	25,900
Total other financing sources	-	25,900	-	25,900
Revenues and other financing sources over (under) expenditures	-	(54,956)	(18,000)	(72,956)
Fund balance:				
Beginning of year, July 1	49,000	-	18,000	67,000
End of year, June 30	<u>\$ 49,000</u>	<u>\$ (54,956)</u>	<u>\$ -</u>	<u>\$ (5,956)</u>

done

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, 2015

EXHIBIT C-12

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

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, 2015

EXHIBIT C-13

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Expenditures					
Appraisal	\$ 500	\$ -	\$ 3,950	\$ 3,950	\$ (3,450)
Plumbing connection	3,000	-	-	-	3,000
Electrical connection	500	-	1,824	1,824	(1,324)
Grading	500	-	-	-	500
Maintenance and repair	3,000	-	1,485	1,485	1,515
Driveway	2,400	-	-	-	2,400
House moving	5,000	-	7,000	7,000	(2,000)
Home appliance	64,500	-	66,597	66,597	(2,097)
Contingency	1,500	-	-	-	1,500
Total Expenditures	80,900	-	80,856	80,856	44
Revenues over (under) expenditures	80,900	-	80,856	80,856	44
Other financing sources					
Operating transfers - in					
Community Development Fund	55,000	-	-	-	(55,000)
General Fund	25,900	-	25,900	25,900	-
Total other financing sources	80,900	-	25,900	25,900	(55,000)
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(54,956)	<u>\$ (54,956)</u>	<u>\$ (54,956)</u>
Fund balance:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ (54,956)</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, 2015

EXHIBIT C-14

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

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, 2015

	2015		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Operating revenues:			
Charges for services:			
Water and sewer charges		\$ 4,191,510	
Sewer surcharge		286,765	
Water and sewer tap fees		20,169	
Service fees		33,460	
Fireline fees		43,902	
Miscellaneous		54,102	
Total operating revenues	4,777,000	4,629,908	(147,092)
Nonoperating revenues:			
Investment earnings		8,478	
Total nonoperating revenues	12,000	8,478	(3,522)
Total revenues	4,789,000	4,638,386	(150,614)
EXPENDITURES:			
Operating expenditures other than depreciation:			
Water department:			
Salaries and employee benefits		1,011,828	
Operating expenditures		654,293	
Repairs and maintenance		222,044	
Total water department	2,040,325	1,888,165	152,160
Waste treatment department:			
Salaries and employee benefits		485,766	
Operating expenditures		738,840	
Repairs and maintenance		272,245	
Total waste treatment department	1,610,775	1,496,851	113,924
Total operating expenditures other than deprecia	3,651,100	3,385,016	266,084
Debt service:			
Principal payments		717,540	
Interest and fees		60,342	
Total debt service	778,100	777,882	218
Capital outlay:			
Water department		100,333	
Waste treatment department		171,743	
Total capital outlay	278,200	272,076	6,124
Total expenditures	4,707,400	4,434,974	272,426

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, 2015

	2015		Variance
	Budget	Actual	Favorable (Unfavorable)
Other financing sources (uses):			
Sale of surplus property		3,194	
Transfers to other funds			
Water & Sewer Capital Reserve Fund		(300,000)	
Water & Sewer Capital Projects		(61,195)	
Total other financing uses	(361,195)	(358,001)	3,194
Total expenditures and other financing uses	5,068,595	4,792,975	275,620
Fund balance appropriated	(279,595)	-	(279,595)
Revenue over (under) expenditures and other uses	\$ -	\$ (154,589)	\$ (154,589)
Reconciliation of modified accrual basis to full accrual basis:		\$ (154,589)	
Revenues over expenses and supplemental budget expenditures			
Reconciling items:			
Capital outlay		471,823	
Principal retirement		717,540	
Increase in inventory		11,801	
Increase in accrued salaries		(8,838)	
Increase in accrued vacation pay		(4,434)	
Decrease in accrued interest		8,330	
Increase in accrued OPEB liability		(41,172)	
Depreciation		(1,119,288)	
Capital contributions		498,131	
Transfers to other Water & Sewer Capital Project Funds		351,095	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		82,580	
Pension expense		(6,158)	
Total reconciling items		961,410	
Change in net position		\$ 806,821	

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, 2015

EXHIBIT D-2

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
County contribution	\$ 180,000	\$ 180,000	\$ -	\$ 180,000	\$ -
Total revenues	180,000	180,000	-	180,000	-
Expenditures					
Engineering and design	\$ 8,500	\$ 8,500	\$ -	\$ 8,500	\$ -
Construction	201,895	190,800	11,095	201,895	-
Total Expenditures	210,395	199,300	11,095	210,395	- ^a
Revenues over (under) expenditures	(30,395)	(19,300)	(11,095)	(30,395)	-
Other financing sources (uses)					
Operating transfers - in					
Water & Sewer Fund	30,395	19,300	11,095	30,395	-
Total other financing sources	30,395	19,300	11,095	30,395	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2015

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, 2015

EXHIBIT D-3

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Expenditures					
Engineering and design	527,000	195,127	75,020	270,147	256,853
Construction	-	-	386,827	386,827	(386,827)
Property acquisition	52,000	55,076	1,875	56,951	(4,951)
Total Expenditures	579,000	250,203	463,722	713,925	(134,925) ^a
Other financing sources (uses)					
Loan proceeds - USDA	\$ 579,000	\$ 187,280	\$ -	\$ 187,280	\$ (391,720)
Total other financing sources (uses)	579,000	187,280	-	187,280	(391,720)
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ (62,923)	\$ (463,722)	\$ (526,645)	\$ (526,645)

a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2013, 2014, and 2015

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, 2015

EXHIBIT D-4

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Expenditures					
Engineering and design	113,000	137,241	28,522	165,763	(52,763)
Construction	1,326,000	-	1,078,231	1,078,231	247,769
Construction administration & observation	93,500	-	13,532	13,532	79,968
Loan administration	15,000	-	900	900	14,100
Legal	10,000	-	-	-	10,000
Permitting	5,000	-	-	-	5,000
Other	7,500	-	583	583	6,917
Closing fee	33,400	-	33,394	33,394	6
Contingency	66,300	-	-	-	66,300
Total Expenditures	<u>1,669,700</u>	<u>137,241</u>	<u>1,155,162</u>	<u>1,292,403</u>	<u>377,297</u> ^a
Other financing sources (uses)					
Loan proceeds	<u>\$ 1,669,700</u>	<u>\$ 112,050</u>	<u>\$ 1,180,353</u>	<u>\$ 1,292,403</u>	<u>\$ (377,297)</u>
Total other financing sources (uses)	<u>1,669,700</u>	<u>112,050</u>	<u>1,180,353</u>	<u>1,292,403</u>	<u>(377,297)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (25,191)</u>	<u>\$ 25,191</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, 2015

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, 2015

EXHIBIT D-5

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
NC Rural Center	650,000	-	-	-	(650,000)
EDA grant	1,758,150	-	-	-	(1,758,150)
	<u>2,408,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,408,150)</u>
Expenditures					
Engineering and design	335,200	35,605	-	35,605	299,595
Grant administration	35,000	2,555	3,237	5,792	29,208
Land, Structures, ROW Appraisal	98,000	-	-	-	-
Construction	2,802,700	-	-	-	2,802,700
Legal Expense	15,500	-	10,246	10,246	-
Contingency	280,400	-	-	-	280,400
Total Expenditures	<u>3,566,800</u>	<u>38,160</u>	<u>13,483</u>	<u>51,643</u>	<u>3,515,157</u>
Total revenues over (under) expenditures	(1,158,650)	(38,160)	(13,483)	(51,643)	1,107,007
Other financing sources (uses)					
Operating transfers - in					
Loan proceeds	1,089,150	-	-	-	(1,089,150)
Water & Sewer Fund	69,500	69,500	-	69,500	-
Total other financing sources	<u>1,158,650</u>	<u>69,500</u>	<u>-</u>	<u>69,500</u>	<u>(1,089,150)</u>
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 31,340	\$ (13,483)	\$ 17,857	\$ 17,857

a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2015.

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, 2015

EXHIBIT D-6

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Expenditures					
Professional services	93,000	59,500	21,247	80,747	12,253
Equipment	70,000	-	69,334	69,334	666
Total Expenditures	163,000	59,500	90,581	150,081	12,919
Revenues over (under) expenditures	(163,000)	(59,500)	(90,581)	(150,081)	(12,919)
Other financing sources					
Operating transfers - in Water & Sewer Fund	163,000	65,000	98,000	163,000	-
Total other financing sources	163,000	65,000	98,000	163,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 5,500	\$ 7,419	\$ 12,919	\$ 12,919

a Components of this project were capitalized as construction in progress as of June 30, 2015.

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, 2015

EXHIBIT D-7

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
CDBG Grant (10-C-2195)	\$ 750,000	\$ 99,290	\$ 498,131	\$ 597,421	\$ (152,579)
Total Revenues	750,000	99,290	498,131	597,421	(152,579)
Expenditures					
Administration	50,000	19,585	6,805	26,390	23,610
Water improvements	700,000	78,757	492,275	571,032	128,968
City contribution	40,000	948	39,051	39,999	1
Total Expenditures	790,000	99,290	538,131	637,421	152,579
Revenues over (under) expenditures	(40,000)	-	(40,000)	(40,000)	-
Other financing sources (uses)					
Operating transfers - in Water & Sewer Fund	40,000	-	40,000	40,000	-
Total other financing sources	40,000	-	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, 2015.

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, 2015

EXHIBIT D-8

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Expenditures					
Construction	573,405	487,675	85,730	573,405	-
Miscellaneous	13,742	13,742		13,742	-
Contingency	13,653	-	13,653	13,653	-
Total Expenditures	600,800	501,417	99,383	600,800 ^a	-
Revenues over (under) expenditures	(600,800)	(501,417)	(99,383)	(600,800)	-
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)	\$ -	\$ -

a Components of this project were capitalized as fixed assets as of June 30, 2015.

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, 2015

EXHIBIT D-9

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Other financing sources (uses)					
Operating transfers - in					
Water & Sewer Fund	654,200	354,200	300,000	654,200	-
Operating transfers - out					
Utility Lines Maintenance Project	(654,200)	(65,000)	(163,000)	(228,000)	426,200
Total other financing sources	-	289,200	137,000	426,200	426,200
Revenues and other financing sources over (under) expenditures	\$ -	\$ 289,200	\$ 137,000	\$ 426,200	\$ 426,200

CITY OF CLINTON, NORTH CAROLINA
 CAPITAL PROJECT FUND - WWTP EXPANSION
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)
 From Inception and for the Year Ended June 30, 2015

EXHIBIT D-10

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Expenditures					
Professional services	65,000		3,250	3,250	61,750
Total Expenditures	65,000	-	3,250	3,250	61,750 ^a
Revenues over (under) expenditures	(65,000)	-	(3,250)	(3,250)	(61,750)
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,750</u>	<u>\$ 61,750</u>	<u>\$ 61,750</u>

a Components of this project were capitalized as construction in progress as of June 30, 2015.

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, 2015

Fiscal Year Ended June 30,	Uncollected June 30, 2014	Additions	Collections & Credits	Uncollected June 30, 2015
2015	\$ -	\$ 2,852,518	\$ (2,788,391)	\$ 64,127
2014	68,343	-	(51,193)	17,150
2013	21,904	-	(11,535)	10,369
2012 & prior	50,928	-	(15,114)	35,814
	<u>\$ 141,175</u>	<u>\$ 2,852,518</u>	<u>\$ (2,866,233)</u>	<u>127,460</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>49,000</u>
Ad valorem taxes receivable - net				<u><u>78,460</u></u>

Reconciliation with revenues:

Taxes - Ad Valorem - General Fund	\$ 2,843,181
Discounts allowed & collection fee	62,073
Taxes written off and other adjustments	<u>(18,102)</u>
Subtotal	2,887,152
Less interest and penalties collected	<u>(20,919)</u>
Total collections and credits	<u><u>\$ 2,866,233</u></u>

CITY OF CLINTON, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 For the Year Ended June 30, 2015

	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax levy - City Wide	\$ 660,217,395	0.40	\$ 2,640,870	\$ 2,640,870	\$ -
Motor vehicles taxes at prior year rate	62,560,063	0.40	250,240	-	250,240
Abatements and discoveries	<u>(9,647,944)</u>		<u>(38,592)</u>	<u>(38,592)</u>	<u>-</u>
Total for year	<u>\$ 713,129,514</u>		2,852,518	2,602,278	250,240
Less uncollected tax at June 30, 2015 (Exhibit E-1)			<u>64,127</u>	<u>64,127</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,788,391</u>	<u>\$ 2,538,151</u>	<u>\$ 250,240</u>
Percent current year collected			97.75%	97.54%	100.00%

Compliance Section

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

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Clinton, NC 28328

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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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2015, and the related notes to the financial statements, which collectively comprise the City of Clinton, North Carolina's basic financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Clinton, North Carolina'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 of Clinton, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Clinton, North Carolina'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 limitations, during our audit we did not identify any deficiencies in internal control that we consider to be 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, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of

our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

November 24, 2015

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

Certified Public Accountants
Clinton, NC 28328

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

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's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Clinton, North Carolina's major federal programs for the year ended June 30, 2015. City of Clinton, North Carolina'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, North Carolina'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, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that 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, North Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Clinton, North Carolina, 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, 2015.

Report on Internal Control over Compliance

Management of the City of Clinton, North Carolina, 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, North Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of

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expressing an 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 of Clinton, North Carolina'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 a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 material weaknesses or significant deficiencies. 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

November 24, 2015

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REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

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 State Program

We have audited the City of Clinton, North Carolina, compliance with the types of compliance requirements described in 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 state programs for the year ended June 30, 2015. The City of Clinton's major state 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 state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Clinton's major state 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 applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act 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 state 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 that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City of Clinton's compliance.

Opinion on Each Major State 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 state programs for the year ended June 30, 2015.

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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major

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state 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 a type of compliance requirement of a state 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 state 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state 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
November 24, 2015

CITY OF CLINTON, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's/Contract Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
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	12-C-2511	499,080	-	39,051
<u>U.S. Department of Housing and Urban Development</u>					
Public and Indian Housing Drug Elimination Program Small Cities	14.854		43,565	-	-
<u>U.S. Department of Commerce</u>					
Economic Development Administration (EDA)	04-01-06878		-		51,643
<u>Federal Highway Administration</u>					
Passed through NC Department of Transportaion Division of Bicycle and Pedestrian Transportation	20.205		11,000	-	-
<u>U.S. Department of Agriculture</u>					
Water Treatment Plant Expansion	10.76		463,722	-	-
Total assistance - federal programs			1,017,367	-	90,694
State Grants:					
Cash Assistance:					
The Rural Center					
<u>DENR</u>					
State Revolving Loan		WIF-1792		1,146,385.7	
<u>N.C. Department of Transportation:</u>					
Powell Bill		DOT-4	-	260,392	-
			-	1,406,777	-
Total assistance - state programs					
			-	1,406,777	-
Total assistance					
			\$ 1,017,367	\$ 1,406,777	\$ 90,694

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, 2015

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	CDBG IF – Waterline Improvements
10.76	Water Treatment plant expansion

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

Auditee qualified as low-risk auditee? ___yes X no

State Awards

Internal control over major state 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 state programs: Unmodified.

City of Clinton, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2015

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.