

**Audited Financial Statements
And Other Financial Information**

City of Clinton, North Carolina

As of June 30, 2016

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

Certified Public Accountants
Clinton, NC 28328

J. ANTHONY SESSOMS, CPA
BOBBY W. HERRING JR, CPA
JULIA B. HARRISON, CPA

PAULA M. CRUMPLER, CPA

1905 SUNSET AVENUE
P.O. BOX 2185
(910) 592-8172
1-800-283-8614
FAX (910) 590-2380
www.dhscompany.com

Independent Auditor's Report

To the Honorable Mayor
And Members of the City Council
Clinton, NC

Report on the Financial Statements

We have audited the accompanying 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The 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, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Clinton, North Carolina, as of June 30, 2016, 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 the Management's Discussion and Analysis on pages 4-17, the Law Enforcement Officers' Special Separation Allowance's and the Other Post Employment Benefit's Schedules of Funding Progress and Employer Contributions on pages 64 and 65, respectively and the Local Government Employees' Retirement System Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 66-67, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22 2016, on our consideration of the City of Clinton, North Carolina'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 the City of Clinton, North Carolina's internal control over financial reporting and compliance.

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

Denning, Herring, Sessoms & Company, P.A.
Clinton, NC
November 22, 2016

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, 2016. 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

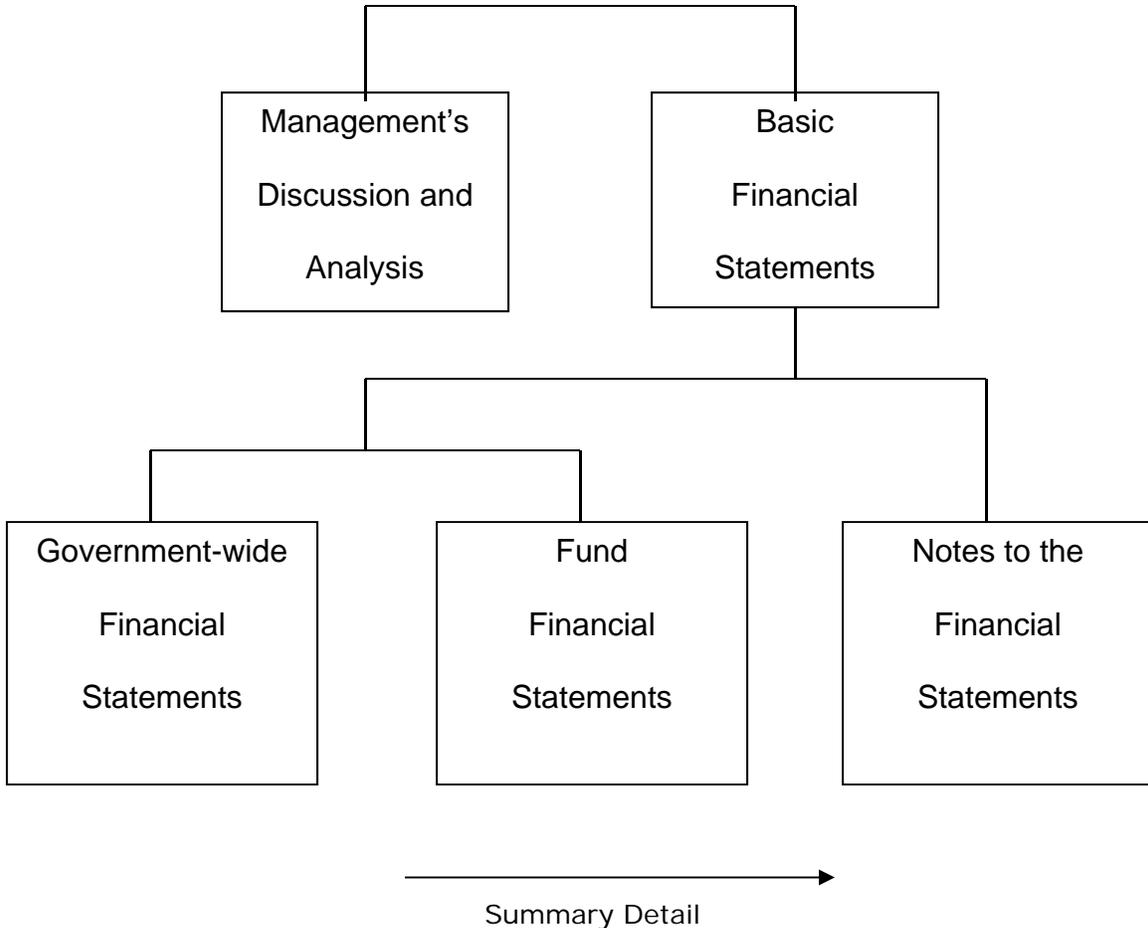
- The assets and deferred outflows of resources of the City of Clinton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,797,968 (*net position*). The assets of the governmental activities exceeded its liabilities by \$13,879,105. The assets of the business-type activities exceeded liabilities by \$19,918,863.
- The government's total net position increased by \$722,374 primarily due to increases in the governmental activities net position.
- Business-type net position increased \$128,008 and net position for governmental activities increased \$594,366.
- As of the close of Fiscal Year 2016, the City of Clinton's governmental funds reported combined ending fund balances of \$6,225,451 with a net change of \$431,639 in fund balance. Approximately 23% of this total amount, or \$1,453,389, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,699,849 or 40% of total general fund expenditures for the fiscal year. Total fund balance for the General Fund was \$5,898,896 (64%).
- The City of Clinton's total debt decreased \$30,389 (0.66%) 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 64 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.

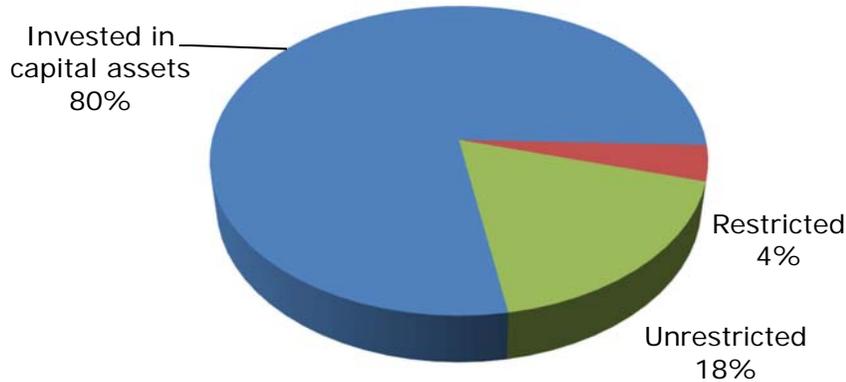
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Government-Wide Financial Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 6,733,181	\$7,026,193	\$ 3,627,319	\$ 4,047,622	\$10,360,500	\$11,073,815
Capital assets	12,044,910	11,744,258	20,434,805	20,608,737	32,479,715	32,352,995
Deferred outflows of resources	251,154	264,053	84,702	82,580	335,856	346,633
Total assets & deferred outflows of resources	19,029,245	19,034,504	24,146,826	24,738,939	43,176,071	43,773,443
Long-term liabilities outstanding	3,948,712	3,220,559	3,366,070	3,353,403	7,314,782	6,573,962
Other liabilities	985,786	1,399,260	790,013	1,312,194	1,775,799	2,711,454
Deferred inflows of resources	215,642	1,129,946	71,881	282,487	287,523	1,412,433
Total liabilities & deferred inflows of resources	5,150,140	5,749,765	4,227,964	4,948,084	9,378,104	10,697,849
Net position:						
Invested in capital assets, net of related debt	9,128,220	9,043,351	17,341,234	17,367,910	26,469,454	26,411,261
Restricted	1,261,906	1,188,370	-	-	1,261,906	1,188,370
Unrestricted	3,488,979	3,053,018	2,577,629	2,422,945	6,066,608	5,475,963
Net position before restatement						
Total net position after restatement	\$13,879,105	\$13,284,739	\$19,918,863	\$19,790,855	\$33,797,968	\$33,075,594

Figure 3
City of Clinton FY2016
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 \$33,797,968 as of June 30, 2016. The City's net position increased by \$722,374 for the fiscal year ended June 30, 2016. The largest portion of net position (78.3%) 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, \$1,261,906 (3.7%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,066,608 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.63% (98.5% excluding motor vehicles).
- Collection of ad valorem tax levies of approximately \$63,304 more than original projections, primarily due to the State's implementation of the tax and tag legislation.
- Unrestricted intergovernmental revenues increased 5%
- Continued low cost of debt due to the City's strong financial position.

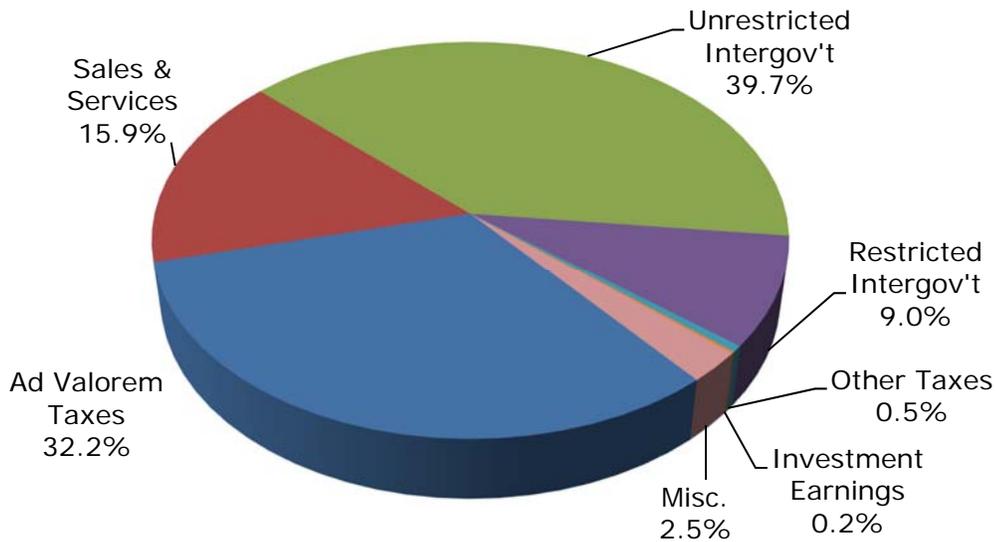
Figure 4
City of Clinton's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$1,604,089	\$1,579,522	\$4,656,158	\$4,575,806	\$6,260,247	\$6,155,328
Operating grants and contributions	707,436	749,305	-	-	707,436	749,305
Capital grants and contributions	200,000	-	146,304	498,131	346,304	498,131
General revenues:						
Property taxes	2,920,966	2,882,836	-	-	2,920,966	2,882,836
Other taxes	45,528	54,742	-	-	45,528	54,742
Unrestricted intergovernmental revenues	3,643,670	3,472,825	-	-	3,643,670	3,472,825
Unrestricted investment earnings	14,212	13,187	9,117	8,478	23,329	21,665
Miscellaneous	-	-	38,475	45,602	38,475	45,602
Sale of surplus assets (loss)	(23,722)	5,872	-	3,194	(23,722)	9,066
Total revenues	9,112,179	8,758,289	4,850,054	5,131,211	13,962,233	13,889,500
Expenses:						
General Government	1,596,886	1,573,575	-	-	1,596,886	1,573,575
Public safety	3,510,690	3,510,291	-	-	3,510,690	3,510,291
Transportation	1,198,225	1,187,599	-	-	1,198,225	1,187,599
Economic and physical development	439,259	230,429	-	-	439,259	230,429
Environmental protection	819,568	785,982	-	-	819,568	785,982
Cultural and recreation	883,163	907,799	-	-	883,163	907,799
Interest on long-term debt	70,022	83,559	-	-	70,022	83,559
Water and Sewer	-	-	4,722,046	4,322,790	4,722,046	4,322,790
Total expenses	8,517,813	8,279,234	4,722,046	4,322,790	13,239,859	12,602,024
Increase (decrease) in net position before transfers	594,366	479,055	128,008	808,421	722,374	1,287,476
Transfers	-	1,600	-	(1,600)	-	-
Increase in net position	594,366	480,655	128,008	806,821	722,374	1,287,476
Net position, July 1	13,284,739	13,442,257	19,790,855	19,146,105	33,075,594	32,588,362
Net position, beginning restated	-	12,804,084	-	18,984,034	-	31,788,118
Net position, June 30	\$ 13,879,105	\$13,284,739	\$19,918,863	\$19,790,855	\$33,797,968	\$ 33,075,594

Governmental Activities. Governmental activities increased the City's net position by \$594,366, thereby increasing the overall increase in the net position of the City of Clinton. Key elements of this increase are as follows:

- Revenues increased by \$353,890 with the most significant increases in unrestricted intergovernmental, unrestricted investment earnings, and charges.

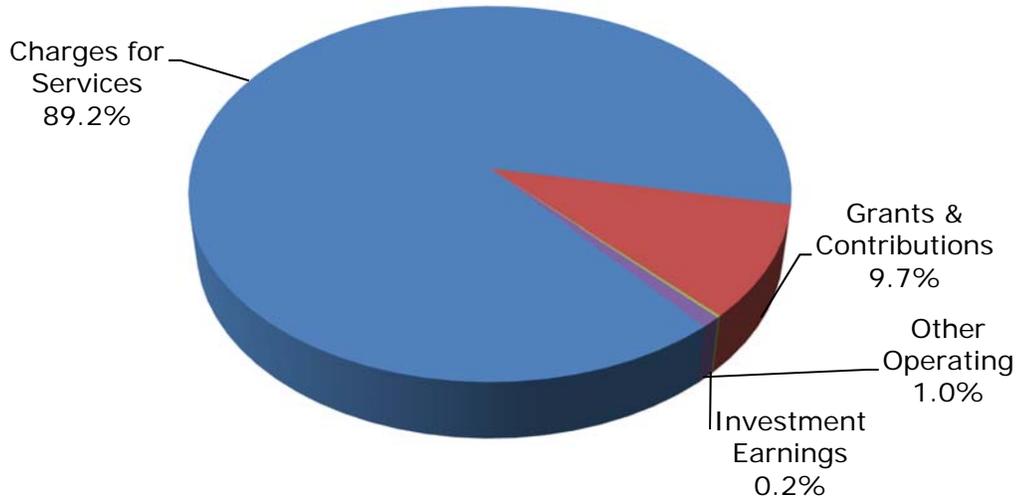
Figure 5
Revenues by Source: Governmental Activities



Business-type Activities. Business-type activities increased the City of Clinton's net position by \$128,008. Key elements of this increase are as follows:

- Decrease in debt service reduced liabilities
- Installation and upgrades of utility lines increased operating revenues

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 \$3,699,849, while total fund balance was \$5,898,896. 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 47% of General Fund expenditures, while total fund balance represents 63.7% of the same amount. The City considers any available fund balance over 40% assigned for capital expenditures.

At June 30, 2016, the governmental funds of City of Clinton reported a combined fund balance of \$6,225,451 with a net increase in fund balance of \$431,639. Included in this change in fund balance is a \$277,074 increase in fund balance in the General Fund and a \$154,565 increase in Non-major Funds.

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

Amendments to the FY2015-2016 budget represent increases in intergovernmental and miscellaneous revenues resulting primarily from grants, debt proceeds, and capital opportunities. Expenditure amendments comply with statutory budget requirements and most increases are representative of projects associated with grants and purchase of new equipment. General Fund Revenues were \$413,066 (4.8%) above the amended budget amounts. The General Fund expenditures were \$337,795 or 3.5% 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 \$2,577,629. The total change in net position was \$128,008. The change in net position in the Water and Sewer Fund is in large part the result of an increase of sewer surcharge 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, 2016, totals \$32,479,715 (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 2 garbage trucks increased governmental capital assets by \$484,820
- Various police and general government equipment, and motor vehicles increased governmental capital assets by \$258,225
- Various land, infrastructure, and improvements increased governmental capital assets by \$476,454
- Purchase of a tractor with a side mount mower increased governmental capital assets by \$129,000.
- Various asset improvements increased business-type capital assets by \$124,736
- Replacement of utility lines through the community development block grant increase business-type assets by \$783,726
- Various equipment, vehicle, and infrastructure additions to business-type activities increased capital assets by \$140,876

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

- Various equipment and vehicles decreased governmental capital assets by \$493,147.

Figure 7
City of Clinton's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$1,446,733	\$1,378,802	\$316,947	\$316,947	\$1,763,680	\$1,695,749
Buildings and other improvements	6,737,980	6,438,017	32,449	32,449	6,770,430	6,470,466
Intangible asset-brand	18,000	18,000	-	-	18,000	18,000
Construction in progress	66,993	126,227	2,715,453	2,793,648	2,782,447	2,919,875
Equipment	2,843,685	2,766,425	36,743,695	36,712,105	39,587,380	39,478,530
Vehicles and motorized equipment	6,011,144	5,651,524	551,819	503,542	6,562,962	6,155,066
Infrastructure	8,313,015	8,262,437	4,236,347	3,327,886	12,549,362	11,590,323
Subtotal	25,437,550	24,641,432	44,596,711	43,686,577	70,034,261	68,328,009
Less accumulated depreciation and amortization	13,392,640	12,897,174	24,161,906	23,077,840	37,554,546	35,975,014
Total Net Capital Assets	\$12,044,910	\$11,744,258	\$20,434,805	\$20,608,737	\$32,479,715	\$32,352,995

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, 2016, 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	
	2016	2015	2016	2015	2016	2015
Installment purchases	2,916,690	2,683,257	99,993	107,136	3,016,683	2,790,393
State Revolving Loan	-	-	1,584,606	1,841,285	1,584,606	1,841,285
Total	\$ 2,916,690	\$ 2,683,257	\$ 1,684,599	\$ 1,948,421	\$ 4,601,289	\$ 4,631,678

City of Clinton’s Outstanding Debt

The City of Clinton’s total debt increased by \$30,389 (0.66%) during the past fiscal year. Governmental activity debt decreased by \$233,433 (8.7%). Business-type activity debt increased by \$263,822 (13.54%).

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 \$49,908,700. The City has no bonds authorized but unissued as of June 30, 2016.

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 \$6 million to double the City’s water production capacity to support growth.
- The City has begun the planning stage for expansion of the Wastewater Treatment Plant.
- The City has begun Phase 1A of the Royal Lane Recreation Master Plan.
- 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 5.2 as of September 2016.
- 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 2017 with a projected investment of \$150 million and more than 65 full-time employees.

- 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.
- A 72-unit apartment complex was completed in 2016.
- A 9-unit subdivision began construction in 2016.
- The North Carolina Department of Transportation has continued the construction and expansion of NC-24, which will provide uninterrupted, four-lane access between Fayetteville and Clinton, reducing travel time by as much as 30 minutes.
- The City of Clinton is located in close proximity to Ft. Bragg Army Base, Camp Lejeune Marine Base, and Seymour Johnson Air Force Base. Sampson County is part of the All-American corridor.

Budget Highlights for the Fiscal Year Ending June 30, 2017

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 FY2015-2016 and the trend is expected to continue in FY2016-2017 with an increase of 15.10% represented in the FY16-17 budget. Total General Fund revenues budgeted for the fiscal year ending June 30, 2017 are \$9,102,000.

Budgeted expenditures in the General Fund are equal to budgeted revenues and are approximately 4.54% less than the amended FY15-16 budget. The largest expenditure function is public safety and the largest components are in employee compensation and benefits.

Some key FY16-17 governmental budget highlights include:

- No change in the property tax rate of \$.40 per \$100 valuation. The expected revenue is \$2,896,500 on a 97.8 percent collection rate.
- Sales Tax revenues account for \$2,101,000.
- The residential garbage collection rate for FY16-17 is \$15.50, which is the same as the previous year's rate. Residential garbage collection accounts for \$590,000 in the FY16-17 budget and commercial collection accounts for \$744,800.
- The cost of healthcare continues to be a factor in the cost of personnel management with the City experiencing a 4% increase in FY16-17.
- The City expects to spend approximately \$225,000 on street paving and resurfacing.

Business-type Activities: The City estimates revenues of approximately \$4.78 million from water and sewer enterprise operations in FY16-17, a 1.27 percent increase from FY15-16 due to a slight rate increase. The City is adjusting water and sewer rates by 0.5 percent to match the 2015 Consumer Price Index inflation rate.

Some key FY16-17 business-type activity budget highlights include:

- Water and sewer charges, including bulk rate fees, account for \$4,382,700 (92%) in the FY16-17 Water and Sewer Fund budget.
- Sewer surcharges charges based on the pounds of pollutants in excess of the normal amount account for \$275,000.
- Direct department capital costs for Water & Sewer operations amount to 358,000; a decrease of 44.8% due to a decrease in capital improvements.
- Budgeted debt service stands at 505,700, an increase of 30.91% over FY16.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Clinton, PO Box 199, Clinton, NC 28329-0199. The Clinton Finance Director can also be contacted by phone at 910-592-1961 or by email at kstafford@cityofclintonnc.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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,430,958	\$ 2,828,797	\$ 8,259,755	\$ 649,871
Taxes receivables (net)	48,212	-	48,212	-
Accrued interest receivable on taxes	6,682	-	6,682	-
Accounts receivable (net)	195,872	623,247	819,119	-
Due from other governments	697,355	5,880	703,235	-
Due from component unit	278,400	-	278,400	-
Inventories	13,898	26,001	39,899	174,721
Prepaid items	-	-	-	3,071
Other assets	25,319	-	25,319	-
Restricted cash and cash equivalents	36,485	143,394	179,879	-
Total current assets	<u>6,733,181</u>	<u>3,627,319</u>	<u>10,360,500</u>	<u>827,663</u>
Noncurrent assets:				
Capital assets:				
Land, improvements and construction in progress	1,513,726	3,032,400	4,546,126	36,795
Other capital assets, net of depreciation and amortization	10,531,184	17,402,405	27,933,589	45,357
Total capital assets	<u>12,044,910</u>	<u>20,434,805</u>	<u>32,479,715</u>	<u>82,152</u>
Total noncurrent assets	<u>12,044,910</u>	<u>20,434,805</u>	<u>32,479,715</u>	<u>82,152</u>
Total assets	<u>\$ 18,778,091</u>	<u>\$ 24,062,124</u>	<u>\$ 42,840,215</u>	<u>\$ 909,815</u>
DEFERRED OUTFLOWS OF RESOURCES	251,154	84,702	335,856	5,135
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 417,934	\$ 326,794	\$ 744,728	\$ 67,828
Distributions payable	-	-	-	223,540
Accrued interest payable	40,764	-	40,764	-
Due to other governments	-	-	-	42,202
Long-term debt due within one year	704,088	319,824	1,023,912	-
Liabilities payable from restricted assets:				
Customer deposits	-	143,394	143,394	-
Long-term liabilities:				
Net pension liability	318,858	106,286	425,144	-
Long-term debt - noncurrent	<u>3,452,854</u>	<u>3,259,784</u>	<u>6,712,638</u>	<u>-</u>
Total liabilities	<u>4,934,498</u>	<u>4,156,082</u>	<u>9,090,580</u>	<u>333,570</u>
DEFERRED INFLOWS OF RESOURCES	215,642	71,881	287,523	20,666
NET POSITION				
Net investment in capital assets	9,128,220	17,341,234	26,469,454	82,152
Restricted for:				
Capital projects	-	-	-	3,491
Stabilization by State Statute	1,128,222	-	1,128,222	-
Economic development	97,219	-	97,219	-
Public safety	15,354	-	15,354	-
Planning grants	-	-	-	-
USDA reserve	21,111	-	21,111	-
Working capital	-	-	-	56,555
Unrestricted	<u>3,488,979</u>	<u>2,577,629</u>	<u>6,066,608</u>	<u>426,182</u>
TOTAL NET POSITION	<u>\$ 13,879,105</u>	<u>\$ 19,918,863</u>	<u>\$ 33,797,968</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, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
Primary government:								
Governmental activities:								
General government	\$ 1,596,886	\$ 56,630	\$ 90,980	\$ -	\$ (1,449,276)	\$ -	\$ (1,449,276)	\$ -
Public safety	3,510,690	18,121	178,130	-	(3,314,439)	-	(3,314,439)	-
Transportation	1,198,225	-	259,926	-	(938,299)	-	(938,299)	-
Economic and physical development	439,259	81,178	178,400	200,000	20,319	-	20,319	-
Environmental protection	819,568	1,385,416	-	-	565,848	-	565,848	-
Cultural and recreation	883,163	62,744	-	-	(820,419)	-	(820,419)	-
Interest on long-term debt	70,022	-	-	-	(70,022)	-	(70,022)	-
Total governmental activities	8,517,813	1,604,089	707,436	200,000	(6,006,288)	-	(6,006,288)	-
Business-type activities:								
Water and sewer	4,722,046	4,656,158	-	146,304	-	80,416	80,416	-
Total primary government	\$ 13,239,859	\$ 6,260,247	\$ 707,436	\$ 346,304	\$ (6,006,288)	\$ 80,416	\$ (5,925,872)	\$ -
Component unit:								
ABC Board	\$ 1,880,147	\$ 1,907,331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,184
General revenues:								
Taxes:								
Property taxes, levied for general purpose					2,920,966	-	2,920,966	-
Other taxes					45,528	-	45,528	-
Unrestricted intergovernmental revenues					3,643,670	-	3,643,670	-
Unrestricted investment earnings					14,212	9,117	23,329	49
Gain (loss) on sale of assets					(23,722)	-	(23,722)	-
Miscellaneous					-	38,475	38,475	-
Transfers:					-	-	-	-
Total general revenues, special item and transfers					6,600,654	47,592	6,648,246	49
Change in net position					594,366	128,008	722,374	27,233
Net position - beginning, as previously reported					13,284,739	19,790,855	33,075,594	554,163
Restatement					-	-	-	(13,016)
Net position - beginning, restated					13,284,739	19,790,855	33,075,594	541,147
Net position - ending					\$ 13,879,105	\$ 19,918,863	\$ 33,797,968	\$ 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, 2016

	<u>Major Fund</u>	Total	Total
	General	Non-major	Governmental
		Funds	Funds
ASSETS			
Cash and cash equivalents	\$ 5,103,396	327,562	\$ 5,430,958
Receivables, net:			
Taxes	46,189	2,023	48,212
Accounts	195,690	182	195,872
Due from other governments	696,143	1,211	697,354
Due from other funds	-	-	-
Due from component unit	278,400	-	278,400
Inventory	13,898	-	13,898
Restricted cash and cash equivalents	32,431	4,054	36,485
Total assets	<u>\$ 6,366,147</u>	<u>\$ 335,032</u>	<u>\$ 6,701,179</u>
LIABILITIES			
Current liabilities:			
Due to other funds	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	411,480	6,454	417,934
Total current liabilities	<u>411,480</u>	<u>6,454</u>	<u>417,934</u>
DEFERRED INFLOWS OF RESOURCES			
Beer and wine revenue receivable	9,582	-	9,582
Property taxes receivable	46,189	2,023	48,212
Total deferred inflows of resources	<u>55,771</u>	<u>2,023</u>	<u>57,794</u>
FUND BALANCES			
Non Spendable			
Inventories	13,898	-	13,898
Restricted			
Stabilization by State Statute	1,128,222	-	1,128,222
Economic Development in the Downtown Tax District	-	97,219	97,219
USDA Reserve	21,111	-	21,111
Planning Projects	-	-	-
Capital Projects	-	177,409	177,409
Public Safety	11,320	4,210	15,530
Committed			
Cemetery Fund	338,599	-	338,599
Assigned			
Community Development	-	47,717	47,717
Capital Use Policy	685,897	-	685,897
Subsequent year's expenditures	-	-	-
Unassigned	3,699,849	-	3,699,849
Total fund balances	<u>5,898,896</u>	<u>326,555</u>	<u>6,225,451</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,366,147</u>	<u>\$ 335,032</u>	<u>\$ 6,701,179</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, 2016

Total fund balances \$ 6,225,451

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

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

Gross capital assets at historical cost	25,437,549	
Accumulated depreciation and amortization	<u>(13,392,639)</u>	12,044,910

Real estate acquired and held for sale is not a current financial resource and therefore is not reported in the funds		25,319
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Deferred outflows of resources related to pension are not reported in the funds		251,154
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Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		6,682
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Liabilities for earned revenues considered deferred inflows of resources in the fund statements.		57,794
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Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.

Gross long-term debt - beginning	(3,940,946)	
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.	(215,995)	
Net pension liability	(318,858)	(4,475,799)

Deferred inflows of resources related to pensions are not reported in the funds		(215,642)
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Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		<u>(40,764)</u>
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Net position of governmental activities		<u>\$ 13,879,105</u>
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City of Clinton, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2016

	<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	\$ 2,903,404	\$ 53,970	\$ 2,957,374
Other taxes and licenses	45,528	-	45,528
Unrestricted intergovernmental	3,644,483	-	3,644,483
Restricted intergovernmental	622,104	200,000	822,104
Sales and services	1,458,986	-	1,458,986
Investment earnings	13,681	531	14,212
Miscellaneous	175,280	55,155	230,435
Total revenues	<u>8,863,466</u>	<u>309,656</u>	<u>9,173,122</u>
EXPENDITURES:			
Current:			
General government	1,525,213	-	1,525,213
Public safety	3,422,992	2,228	3,425,220
Transportation	1,521,575	-	1,521,575
Economic and physical development	-	331,269	331,269
Environmental protection	1,193,822	-	1,193,822
Culture and recreation	981,769	-	981,769
Debt service:			
Principal	378,387	-	378,387
Interest	75,867	-	75,867
Capital outlay	-	27,635	27,635
Total expenditures	<u>9,099,625</u>	<u>361,132</u>	<u>9,460,757</u>
Excess (deficiency) of revenues over expenditures	(236,159)	(51,476)	(287,635)
OTHER FINANCING SOURCES (USES):			
Sale of assets	25,513	81,948	107,461
Debt proceeds	611,820	-	611,820
Transfers to other funds	(150,000)	-	(150,000)
Transfers from other funds	25,900	124,093	149,993
Total other financing sources (uses)	<u>513,233</u>	<u>206,041</u>	<u>719,274</u>
Net change in fund balance	277,074	154,565	431,639
Fund balances, beginning	5,637,893	171,990	5,809,883
Change in reserve for inventories	(16,071)	-	(16,071)
Fund balances, ending	<u>\$ 5,898,896</u>	<u>\$ 326,555</u>	<u>\$ 6,225,451</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, 2016

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

Net change in fund balances - total governmental funds		\$ 431,639
Change in fund balance due to change in reserve for inventory		(16,071)

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	1,376,134	
Depreciation and amortization expenses for governmental assets	(944,299)	
Proceeds from sale of assets included in general government	<u>(107,461)</u>	324,374

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		251,154
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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		(32,789)
Decrease in accrued interest receivable		(4,432)

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	(611,820)	
Principal payments on long-term debt	378,387	
Decrease in accrued interest payable	<u>5,845</u>	(227,588)

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	109,344	
Pension expense	(149,358)	
Net pension obligation (LEO)	13,392	
Other postemployment benefits	<u>(105,299)</u>	(131,921)

Total changes in net position of governmental activities		<u>\$ 594,366</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, 2016

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual	
	Original	Final	Amounts	
Revenues:				
Ad valorem taxes	2,840,100	2,840,100	2,903,404	63,304
Other taxes and licenses	45,000	45,000	45,528	528
Unrestricted intergovernmental	3,305,900	3,305,900	3,644,483	338,583
Restricted intergovernmental	629,400	629,400	622,104	(7,296)
Sales and services	1,432,000	1,432,000	1,458,986	26,986
Investment earnings	13,000	13,000	13,681	681
Miscellaneous	185,000	185,000	175,280	(9,720)
Total revenues	<u>8,450,400</u>	<u>8,450,400</u>	<u>8,863,466</u>	<u>413,066</u>
Expenditures:				
Current:				
General government	1,516,100	1,583,000	1,525,213	57,787
Public safety	3,586,900	3,571,700	3,422,992	148,708
Transportation	1,406,900	1,568,700	1,521,575	47,125
Environmental protection	722,300	1,220,320	1,193,822	26,498
Cultural and recreation	1,005,500	1,039,100	981,769	57,331
Debt service				
Principal retirement	410,600	410,600	378,387	32,213
Interest expense	44,000	44,000	75,867	(31,867)
Total expenditures	<u>8,692,300</u>	<u>9,437,420</u>	<u>9,099,625</u>	<u>337,795</u>
Revenues over (under) expenditures	(241,900)	(987,020)	(236,159)	750,861
Other financing sources (uses):				
Sale of assets	45,000	45,000	25,513	(19,487)
Debt proceeds	-	611,820	611,820	
Net transfers from (to) other funds	-	(150,000)	(124,100)	(25,900)
Total other financing sources (uses)	<u>45,000</u>	<u>506,820</u>	<u>513,233</u>	<u>(45,387)</u>
Revenues and other sources over (under) expenditures and other uses	(196,900)	(480,200)	277,074	<u>\$ 757,274</u>
Fund balance appropriated	196,900	480,200	-	
Fund balances, beginning	-	-	5,637,893	
Change in reserve for inventories	-	-	(16,071)	
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,898,896</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, 2016**

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,828,797
Accounts receivable (net) - billed	355,022
Accounts receivable (net) - unbilled	268,225
Due from other government	5,880
Inventories	26,001
Restricted cash and cash equivalents	143,394
Total current assets	3,627,319
Noncurrent assets:	
Capital assets:	
Land	316,947
Construction in progress	2,715,453
Other capital assets, net of depreciation	17,402,405
Capital assets (net)	20,434,805
Total noncurrent assets	20,434,805
Total assets	\$ 24,062,124
DEFERRED OUTFLOWS OF RESOURCES	\$ 84,702
LIABILITIES AND FUND BALANCES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 326,794
Compensated absences	49,000
Other post employment benefits	7,000
Clearwater Project Loan	7,143
State Revolving Loan - 06 (2010)	11,507
State Revolving Loan - 0066 (2007)	76,839
State Revolving Loan - 0166 (2009)	168,335
Liabilities payable from restricted assets:	
Customer deposits	143,394
Total current liabilities	790,012
Noncurrent liabilities:	
Compensated absences	54,226
OPEB liability	375,811
Net pension liability	106,286
Clearwater Project Loan	92,850
State Revolving Loan - 06 (2010)	149,586
State Revolving Loan - 0166 (2009)	1,178,339
State Revolving Loan - 1972 (2015)	1,408,972
Total noncurrent liabilities	3,366,070
Total liabilities	4,156,082
DEFERRED INFLOWS OF RESOURCES	\$ 71,881
NET POSITION	
Net investment in capital assets	17,341,234
Unrestricted	2,577,629
Total net position	\$ 19,918,863

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, 2016

	<u>Water and Sewer Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 4,656,158
Other operating revenues	<u>38,475</u>
Total operating revenues	4,694,633
OPERATING EXPENSES:	
Water department	1,998,962
Waste treatment	1,534,478
Depreciation	<u>1,145,077</u>
Total operating expenses	<u>4,678,517</u>
Operating income	16,116
NONOPERATING REVENUES (EXPENSES):	
CDBG Grant - Infrastructure - Waterline Improvements	146,304
Investment earnings	9,117
Interest and other charges	<u>(43,529)</u>
Total nonoperating revenues (expenses)	<u>111,892</u>
Income before contributions and transfers	<u>128,008</u>
Change in net position	128,008
Total net position - previously reported	<u>19,790,855</u>
Total net position - ending	<u><u>\$19,918,863</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, 2016

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	4,847,924
Cash paid for goods and services	(2,431,285)
Cash paid to or on behalf of employees for services	(1,616,437)
Customer deposits received	3,717
Other operating cash receipts	<u>33,790</u>
Net cash provided by operating activities	837,709
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
CDBG Grant - Infrastructure Project	146,304
Principal retirement on long-term debt	(347,306)
Proceeds received on Southwood Elevated Tank Project	200,054
Interest paid on long-term debt	(42,791)
Acquisition of capital assets	<u>(265,613)</u>
Net cash used by capital and related financing activities	(309,352)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>9,117</u>
Net increase in cash and cash equivalents	537,474
Cash and cash equivalents at beginning of year	<u>2,434,717</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,972,191</u></u>

City of Clinton, North Carolina
Statement of Cash Flows
Water & Sewer Fund
June 30, 2016

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 16,116
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,145,077
Changes in assets and liabilities:	
Decrease in accounts receivable	148,606
Decrease in inventory	7,469
Decrease in net pension asset	114,258
(Increase) in deferred outflows of resources for pensions	(2,122)
Increase in net pension liability	106,286
Decrease in deferred inflows of resources - pensions	(210,606)
(Decrease) in accounts payable and accrued liabilities	(558,090)
Increase in customer deposits	(3,717)
Increase in accrued salaries	13,795
Increase in accrued vacation pay	7,427
Increase in accrued OPEB liability	53,210
Total adjustments	<u>821,593</u>
Net cash provided by operating activities	<u>\$ 837,709</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, 2016. The amount of the accounts payable in these funds was \$131,584.

Notes to the Financial Statements

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

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, 2016

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 six Special Revenue Funds: Community Development Fund, Downtown Tax District Fund, the Planning Grants Fund, the Fire Department Grant Fund, the Open Space Fund and the Main Street Solution Grant. 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 four Capital Project Funds: City Facility Renovations Fund, Affordable Housing Project Fund, Ace Parking Lot Project and the Phase 1A PARTF Project Fund. These funds have been combined in the accompanying financial statements.

The City reports the following major enterprise fund:

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

C. Measurement Focus and Basis of Accounting (continued)

At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

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

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

1. Deposits and Investments

All deposits of the City and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, 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, 2016.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

<u>City of Clinton Restricted Cash</u>		
Governmental Activities		
	USDA Reserve	\$ 21,111
	Fire Department Grant Fund	<u>15,374</u>
Total governmental activities		<u>\$ 36,485</u>
Business-type activities		
Water & Sewer Fund		
	Customer deposits	<u>\$ 143,394</u>
Total Business-type activities		<u>\$ 143,394</u>
Total Restricted Cash		<u>\$ 179,879</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2015. As allowed by State law, the City has established a discount that applies to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Account

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

6. Inventory and Prepaid Items

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

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used. However, the City did not have any such items at June 30, 2016 that were material in amount.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of a year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Paving	10
Buildings	25
Office equipment	10
Store equipment	10

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

8. Deferred outflows/inflows of resources (continued)

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.

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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

11. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – 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, 2016, the City had expended Powell Bill funds in their entirety.

Restricted for Economic Development in the Downtown Tax District – portion of fund balance restricted by revenue source for use for economic development specifically in the Downtown Tax District.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for public safety expenditures.

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

Fund Balances (continued)

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.

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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

12. Pensions

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

II. Stewardship, Compliance, and Accountability

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

None.

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

None.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the pooling method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the pooling method.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

The City and the ABC Board have no formal policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City and the ABC Board comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the City's deposits had a carrying amount of \$7,941,154 and a bank balance of \$8,028,200. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2016, the City's petty cash fund totaled \$650.

The carrying amount of deposits for the ABC Board was \$499,398 and the bank balance was \$466,120. The bank balances were covered by federal depository insurance in their entirety.

2. Investments

At June 30, 2016, the City of Clinton had \$497,830 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, 2016, The ABC Board had \$180,248 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 \$16,014.

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, 2016
General Fund:	
Taxes receivable	\$ 49,000
Accounts receivable	224,274
Total general fund	273,274
Enterprise Fund:	
Total Allowances for bad debts	11,116
	\$ 284,390

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,378,802	\$ 67,931	\$ -	\$ 1,446,733
Construction in progress	126,227	27,635	86,869	66,993
Total capital assets being depreciated	<u>1,505,029</u>	<u>95,566</u>	<u>86,869</u>	<u>1,513,726</u>
Capital assets being depreciated:				
Buildings and other improvements	6,438,017	357,945	57,982	6,737,980
Intangible asset – brand	18,000	-	-	18,000
Equipment	2,766,425	188,479	111,219	2,843,685
Vehicles and motorized equipment	5,651,524	683,566	323,946	6,011,144
Infrastructure	8,262,437	50,578	-	8,313,015
Total capital assets being depreciated	<u>23,136,403</u>	<u>1,280,568</u>	<u>493,147</u>	<u>23,923,824</u>
Less accumulated depreciation and amortization for:				
Buildings and other improvements	2,197,538	154,617	16,106	2,336,049
Intangible asset – brand	350	600	-	950
Equipment	2,397,695	131,222	108,781	2,420,136
Vehicles and motorized equipment	3,784,858	373,282	323,946	3,834,194
Infrastructure	4,516,733	284,578	-	4,801,311
Total accumulated depreciation	<u>12,897,174</u>	<u>944,299</u>	<u>448,833</u>	<u>13,392,640</u>
Total capital assets being depreciated, net	<u>10,239,229</u>			<u>10,531,184</u>
Governmental activity capital assets, net	<u><u>\$ 11,744,258</u></u>			<u><u>\$ 12,044,910</u></u>

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

General government	\$ 262,777
Public safety	265,280
Transportation	127,935
Economic development	107,990
Environmental protection	108,486
Cultural and recreation	71,831
Total depreciation expense	<u><u>\$ 944,299</u></u>

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

Capital asset activity for the Enterprise Fund for the year ended June 30, 2016, was as follows:

Business-type activities:	Beginning			Ending
<i>Water and Sewer Fund</i>	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 316,947	\$ -	\$ -	\$ 316,947
Construction in progress	2,793,647	559,228	637,422	2,715,453
Total capital assets not being depreciated	<u>3,110,594</u>	<u>559,228</u>	<u>637,422</u>	<u>3,032,400</u>
Capital assets being depreciated:				
Land Improvements	32,449	-	-	32,449
Equipment	36,712,105	51,469	19,879	36,743,695
Vehicles	503,542	89,408	41,131	551,819
Infrastructure	3,327,886	908,462	-	4,236,348
Total capital assets being depreciated	<u>40,575,982</u>	<u>1,049,339</u>	<u>61,010</u>	<u>41,564,311</u>
Less accumulated depreciation for:				
Land Improvements	14,505	-	-	14,505
Equipment	19,701,338	105,407	19,879	19,786,866
Vehicles	410,355	38,125	41,131	407,349
Infrastructure	2,951,641	1,001,545	-	3,953,186
Total accumulated depreciation	<u>23,077,839</u>	<u>1,145,077</u>	<u>61,010</u>	<u>24,161,906</u>
Total capital assets being depreciated, net	<u>17,498,143</u>			<u>17,402,405</u>
Water and Sewer fund capital assets, net	<u>\$ 20,608,737</u>			<u>\$ 20,434,805</u>

Construction commitments and construction in progress

The government has active construction projects as of June 30, 2016. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
NC 24 Industrial Park Infrastructure Project	70,540	3,496,260
Southwood Elevated Tank Project (Formerly Smithfield)	1,492,456	177,244
Water Production Expansion Project	935,618	5,405,882
Highway 24 Infrastructure Relocation	168,289	2,331,711

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

Discretely presented component unit

Capital assets and capital asset activity for the ABC Board for the year ended June 30, 2016, 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	17,995	-	192,456
Office Equipment	4,297	2,616	2,174	4,739
Store Equipment	56,233	5,432	6,094	55,571
Total capital assets being depreciated	241,779	26,043	8,268	259,554
Less accumulated depreciation for:				
Paving	6,788	-	-	6,788
Buildings	143,138	1,894	-	145,032
Office Equipment	2,859	145	867	2,137
Store Equipment	43,637	2,788	3,591	42,834
Total accumulated depreciation	196,422	4,827	4,458	196,791
ABC capital assets being depreciated, net	<u>45,357</u>			<u>62,763</u>
ABC capital assets, net	<u>\$ 82,152</u>			<u>\$ 99,558</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Clinton is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) 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, 2016

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, 2016 was 6.760% 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 \$335,856 for the year ended June 30, 2016.

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, 2016

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

At June 30 2016, the City reported a liability of \$425,144 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 0.09473% which was a decrease of 0.00214% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$30,788. At June 30, 2016, 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	-	99,933
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	121,037
Changes in proportion and differences between City contributions and proportionate share of contributions	-	66,553
City contributions subsequent to the measurement date	335,856	-
Total	\$ 335,856	\$ 287,523

\$335,856 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, 2017.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

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

Year ended June 30:	
2017	\$ (159,544)
2018	(159,544)
2019	(159,341)
2020	190,906
2021	-
Thereafter	-
Total	<u><u>\$ (287,523)</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 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, 2016

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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. 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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

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)	\$ 2,964,581	\$ 425,143	\$ (1,714,278)

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, 2015 the Separation Allowance's membership consisted of:

Retirees receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	23
Total plan members	29

A separate report was not issued for the plan.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

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	4,907
Adjustment to annual required contribution	<u>(5,254)</u>
Annual pension cost	71,977
Employer contributions made	<u>(85,369)</u>
Decrease in net pension obligation	(13,392)
Net pension obligation beginning of fiscal year, restated	<u>98,149</u>
Net pension obligation end of fiscal year	\$ <u>84,757</u>

In order to calculate the Annual Pension Cost and the Net Pension Obligation, the annual required contribution calculated as of December 31, 2014 by the actuary was used to estimate the annual required contributions for the fiscal years ending June 30, 2015 and June 30, 2016. For fiscal year ending 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, 2016

3 Year Trend Information

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
2014	57,614	121.14%	101,501
2015	68,825	104.87%	98,149
2016	71,977	84.32%	84,757

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, 2016 the City of Clinton paid directly to seven eligible retired law enforcement officers a total of \$85,369 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, 2016 were \$72,590, made exclusively by 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, 2016 totaled \$59,667, made exclusively by City employees.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

d. Other Postemployment Benefit

Healthcare Benefits

Plan Description. According to a City resolution, the City provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the City. Employees hired as of July 1, 2010 are not eligible for this benefit. The City pays the full cost of coverage for these benefits until the retiree reaches age 65. 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 \$111,469 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 \$96,487. 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, 2016

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	\$ 269,977
Interest on net OPEB obligation	49,433
Adjustment to annual required contribution	<u>(68,719)</u>
Annual OPEB cost (expense)	\$ 250,691
Contributions made	<u>(111,469)</u>
Increase (decrease) in net OPEB obligation	139,222
Net OPEB obligation, beginning of year	<u>1,235,816</u>
Net OPEB obligation, end of year	<u><u>\$ 1,375,038</u></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 \$81,364 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 2016 were as follows.

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 288,902	40.23%	\$1,069,379
2015	\$ 286,207	41.80%	\$1,235,816
2016	\$ 250,691	44.47%	\$1,375,038

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
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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. The City considers these contributions to be immaterial.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

3. Deferred Outflows and Inflows of Resources

The City had one deferred outflow of resources as of June 30, 2016, comprised of contributions to the pension plan in the current fiscal year of \$335,856.

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

Taxes receivable (Governmental Funds)	\$ 57,794
Pension deferrals	<u>287,523</u>
Total	<u>\$ 345,317</u>

4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; injuries to others; and natural disasters. The City participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability of one million and two million, respectively, per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, police professionals liability and public officials liability in excess of one million, property in excess of \$500,000 and one million up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City of Clinton carries flood insurance at certain locations at the waste-treatment facility. Flood insurance is carried on the lift-station, lab building and digester facility. The City carries flood insurance through the National Flood Insurance Plan (NFIP). In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond.

The finance officer is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$75,000.

5. Long-Term Obligations

a. Capital Leases

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

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 ended 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 ended 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 ended on September 27, 2015.

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

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

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

On September 2, 2015, the city entered into an installment purchase contract with Southern Bank and Trust to finance the purchase of two 2016 Mack garbage trucks with an interest rate of 1.55% and a beginning principal balance of \$482,820. Annual payments are variable and end on September 2, 2019.

On December 9, 2015, the city entered into an installment purchase contract with BB&T to finance the purchase of a 2015 Case tractor with an interest rate of 1.66% and a beginning principal balance of \$129,000. Annual payments are variable and end on December 9, 2018.

Annual debt service payments of the installment purchase as of June 30, 2016, including interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2017	243,222	66,604
2018	223,387	59,455
2019	227,834	53,313
2020	232,402	47,050
2021	237,094	40,663
2022-2026	706,450	124,779
2027-2031	298,919	52,933
2032-2033	135,562	5,179
Total	\$ 2,304,870	\$ 449,976

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, 2016:

	Principal	Interest	Total
2017	76,837	1,771	78,608
	\$ 76,837	\$ 1,771	\$ 78,608

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

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, 2016:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2021	168,335	14,140	182,475
2022-2024	505,001	21,210	526,211
	<u>\$ 1,346,676</u>	<u>\$ 127,260</u>	<u>\$ 1,473,936</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, 2016:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	11,507	2,416	13,923
2022-2026	57,534	8,457	65,991
2027-2030	46,026	2,416	48,442
	<u>\$ 161,095</u>	<u>\$ 25,371</u>	<u>\$ 186,466</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, 2016

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2016:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	7,143	-	7,143
2018	7,143	-	7,143
2019	7,143	-	7,143
2020	7,143	-	7,143
2021	7,143	-	7,143
2022-2026	35,713	-	35,713
2027-2030	28,567	-	28,567
	<u>\$ 99,995</u>	<u>\$ -</u>	<u>\$ 99,995</u>

d. 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 \$55,999,280 and had a legal debt margin of \$49,908,700.

e. 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 Environmental Protection Agency, through the Drinking Water State Revolving Fund, which is passed through the North Carolina Department of Environmental Quality. The total project ordinance calls for debt proceeds of \$1,669,700. As of June 30, 2016, \$1,492,457 of these funds had been requisitioned, all of which had been received prior to the end of the fiscal year. A payment of \$83,485 was required prior to the end of the year, and thus the outstanding balance for this loan is \$1,408,972. 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, 2016

f. Changes in Long-Term Liabilities

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

<u>Governmental activities:</u>	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
Installment purchase	\$ 2,683,257	\$ 611,820	\$ 378,387	\$ 2,916,690	\$ 387,088
Compensated absences	253,325	30,176	139,520	143,981	140,000
Other postemployment benefits	906,215	210,210	104,912	1,011,513	105,000
Net pension obligation (LEO) (restated)	98,149	71,977	85,369	84,757	72,000
Net pension obligation (LGERS)	-	318,857	-	318,857	-
Governmental activity long-term liabilities	<u>\$ 3,940,946</u>	<u>\$ 1,243,040</u>	<u>\$ 708,188</u>	<u>\$ 4,475,798</u>	<u>\$ 704,088</u>
<u>Business-type activities:</u>	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
State revolving loan-0066 (2007)	153,676	-	76,837	76,839	76,839
State revolving loan-0166 (2009)	1,515,009	-	168,335	1,346,674	168,335
State revolving loan-0166 (2010)	172,600	-	11,507	161,093	11,507
Clearwater loan	107,136	-	7,143	99,993	7,143
Compensated absences	95,799	56,558	49,131	103,226	49,000
Other postemployment benefits	329,601	59,767	6,557	382,811	7,000
Net pension obligation (LGERS)	-	106,286	-	106,286	-
Business-type activity long-term liabilities	<u>\$ 2,373,821</u>	<u>\$ 222,611</u>	<u>\$ 319,510</u>	<u>\$ 2,276,922</u>	<u>\$ 319,824</u>

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

C. Interfund Activity and Balances

Transfers to/from other funds at June 30, 2016, consist of the following:

From Governmental Special Revenue Fund (Affordable Housing Project) to General Fund	25,900
From General Fund to Governmental Capital Project Fund (Phase 1A PARTF Project)	50,000
From General Fund to Governmental Capital Project Fund (Ace Parking Lot Project)	100,000
From Governmental Special Revenue Fund (Affordable Housing Project) to Governmental Special Revenue Fund (Community Development Fund)	56,045
From Governmental Special Revenue Fund (Community Development Fund) to Governmental Special Revenue Fund (Affordable Housing Fund)	61,000
Transfer from the Water & Sewer Fund to Water & Sewer Capital Project Fund (Hwy 24 Infrastructure Relocation)	<u>342,000</u>
Transfer from Water & Sewer Capital Project Fund (W&S Capital Reserve Fund) to Water & Sewer Capital Project Fund (Hwy 24 Infrastructure Relocation)	<u>158,000</u>
Total	<u><u>\$ 792,945</u></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 2016 fiscal year, the City made transfers from the Affordable Housing Project Fund to the General Fund of \$29,500 to reimburse funding of that project to the General Fund. Additionally, transfers between the Community Development Fund and the Affordable Housing Project were made to facilitate the completion of the Affordable Housing Project. The net of these transfers was \$4,952. The City also made a transfers of \$342,000 from the Water & Sewer Fund and \$158,000 from the Water & Sewer Capital Reserve Fund to the Capital Project Fund – Hwy 24 Infrastructure Relocation to facilitate the expansion of NC Highway 24 and improvements to the Public Works facility of the City.

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 12,044,910	\$ 20,434,805
Less: long-term debt	<u>2,916,690</u>	<u>3,093,571</u>
Net investment in capital assets	<u><u>\$ 9,128,220</u></u>	<u><u>\$ 17,341,234</u></u>

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

E. 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	\$ 5,898,896
Less:	
Inventories	13,898
Stabilization by State Statute	1,128,222
USDA Reserve	21,111
Public Safety	11,320
Cemetery Fund	338,599
Capital Use Policy	685,897
Remaining fund balance	3,699,849

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, 2016, the City reported revenues and expenditures in the amount of \$13,230 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, 2016. 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.

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, 2016.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

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, 2016. 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, 2016 was approximately \$165,150.

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, 2016 the City of Clinton received from Sampson County \$171,500 under the terms of this agreement.

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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2016

IX. Significant Effects of Subsequent Events

City's management has evaluated subsequent events through November 22, 2016, the date on which the financial statements were available to be issued.

X . Related Party Transactions

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

XI. Other Agreements

The City owns property that it leases other businesses. The total amount received by the City in lease payments during the year was \$81,178.

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 Funding Progress 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
 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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2016	250,691	44.47%
2015	286,207	41.80%
2014	288,902	40.23%

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

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Clinton's proportion of the net pension liability (asset) %	0.0947%	-0.0969%	0.0944%
City of Clinton's proportion of the net pension liability (asset) \$	425,144	(571,287)	1,137,882
City of Clinton's covered-employee payroll	4,699,383	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	9.05%	-11.72%	24.03%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	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 THREE FISCAL YEARS

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	335,856	346,633	327,525
Contributions in relation to the contractually required contribution	<u>335,856</u>	<u>346,633</u>	<u>327,525</u>
Contribution deficiency (excess)	-	-	-
City of Clinton's covered-employee payroll	4,699,383	4,874,305	4,734,391
Contributions as a percentage of covered-employee payroll	7.15%	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, 2016

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	544,610,895
Personal Property	106,260,153
Public Service Companies	15,906,952
	<u>666,778,000</u>
Tax rate per \$100	0.40
Levy (includes discoveries, releases and abatements)	\$ 2,667,112

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, 2016

	2016		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Ad valorem taxes:			
Current year	\$	\$ 2,821,988	\$
Prior year levies		65,402	
Interest and penalties		16,014	
Total	2,840,100	2,903,404	63,304
Other taxes and licenses:			
Auto licenses		31,526	
Vehicle rental taxes		13,122	
Privilege licenses		880	
Total	45,000	45,528	528
Unrestricted intergovernmental revenues:			
Local option sales tax		1,891,110	
Utility franchise tax		779,806	
Fire district tax		460,000	
ABC profit distribution		278,400	
Telecommunications sales tax		95,773	
Excise tax on piped gas		30,135	
Beer and wine tax		38,328	
CATV franchise fee		40,683	
Payments in lieu of taxes		20,442	
Sales tax reimbursements		9,806	
Total	3,305,900	3,644,483	338,583
Restricted intergovernmental revenues:			
Powell bill allocation		259,926	
Sampson County contribution		178,400	
City schools - police		105,389	
HUD grant - police		44,065	
Rescue technical assistance		12,000	
ABC revenue for law enforcement		10,110	
Solid Waste Disposal tax		5,647	
Local Fire Protection Service		5,075	
State substance abuse tax		1,492	
Total	629,400	622,104	(7,296)

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, 2016

	2016		Variance Favorable (Unfavorable)
	Budget	Actual	
Sales and services:			
Garbage collection fees		1,339,612	
Recreation department fees		62,744	
Cemetery lot sales and maintenance		41,325	
Other services and materials		9,732	
Cemetery lot cleaning		5,573	
Total	1,432,000	1,458,986	26,986
Investment earnings:			
General fund		12,584	
Cemetery trust fund		1,097	
Total	13,000	13,681	681
Miscellaneous:			
Other		22,400	
Rent industrial buildings		81,178	
Sale of recyclables		32,458	
Insurance revenue		13,420	
False alarm ordinance		2,900	
Demolition reimbursement		7,700	
Fire Department special fees		13,581	
Officer arrest fees		1,360	
Parking violations		283	
Total	185,000	175,280	(9,720)
Total revenues	8,450,400	8,863,466	413,066

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, 2016

	2016		Variance Favorable (Unfavorable)
	Budget	Actual	
EXPENDITURES:			
General government:			
Governing body:			
Mayor and councilmen salaries		53,356	
Mayor and councilment expenses		35,325	
Election expenses		4,317	
Total	96,000	92,998	3,002
Administrative:			
Salaries and employee benefits		174,483	
Operating expenses		31,058	
Total	215,700	205,541	10,159
Finance:			
Salaries and employee benefits		171,852	
Operating expenses		47,285	
Total	221,800	219,137	2,663
Planning and zoning:			
Salaries and employee benefits		277,815	
Operating expenses		34,916	
Capital outlay		21,980	
Total	344,100	334,711	9,389
Cemetery and public grounds:			
Salaries and employee benefits		150,219	
Operating expenses		73,353	
Capital outlay		18,184	
Total	260,700	241,756	18,944
Non-departmental:			
Capital outlay		88,533	
Various operating expenses		80,900	
Retirees medical insurance		76,604	
Insurance		42,305	
Professional services		38,478	
Downtown incentive program		27,350	
Employee relations		24,811	
Utilities		12,537	
Other agency contributions		11,000	
Economic development		10,010	
Lot maintenance		9,526	

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, 2016

	2016		Variance Favorable (Unfavorable)
	Budget	Actual	
Non-departmental (continued):			
Maintenance - City Hall		9,016	
Total	444,700	431,070	13,630
Total general government	1,583,000	1,525,213	57,787
Public safety:			
Police department:			
Salaries and employee benefits		1,638,082	
Operating expenses		380,161	
Capital outlay		119,870	
Total	2,228,800	2,138,113	90,687
Fire:			
Salaries and employee benefits		1,056,615	
Operating expenses		228,264	
Capital outlay		-	
Total	1,342,900	1,284,879	58,021
Total public safety	3,571,700	3,422,992	148,708
Transportation:			
Street administration:			
Salaries and employee benefits		475,882	
Operating expenses		46,928	
Total	542,300	522,810	19,490
Materials and supplies:			
Asphalt and concrete		14,415	
Signs, signals, paints and supplies		12,828	
Operating expenses		10,835	
Total	43,500	38,078	5,422
Equipment expenses:			
Automotive supplies		21,658	
Equipment rental and maintenance		63,540	
Small tools and equipment		3,849	
Total	94,500	89,047	5,453
Other costs and services:			
Street lighting contract		234,332	
Paving		232,860	
Total	477,200	467,192	10,008
Capital outlay	189,400	189,492	(92)
Total street	1,346,900	1,306,619	40,281

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, 2016

	2016		Variance Favorable (Unfavorable)
	Budget	Actual	
Garage:			
Salaries and employee benefits		155,192	
Operating expenses		59,764	
Total	221,800	214,956	6,844
Total transportation	1,568,700	1,521,575	47,125
Environmental protection:			
Sanitation:			
Salaries and employee benefits		311,774	
Operating expenses		397,228	
Capital outlay		484,820	
Total environmental protection	1,220,320	1,193,822	26,498
Cultural and recreation:			
Salaries and employee benefits		491,354	
Operating expenses		319,239	
Capital outlay		171,176	
Total cultural and recreation	1,039,100	981,769	57,331
Debt service:			
Principal retirement		378,387	
Interest expense		75,867	
Total debt service	454,600	454,254	346
Total expenditures	9,437,420	9,099,625	337,795
Revenues over (under) expenditures	(987,020)	(236,159)	750,861
Other financing sources (uses):			
Sale of surplus assets	45,000	25,513	(19,487)
Loan proceeds	611,820	611,820	-
Transfers in (out)			
Transfer from Capital Project Fund	-	25,900	25,900
Transfer to PARTF Grant Fund	(50,000)	(50,000)	-
Transfer to Capital Project Fund	(100,000)	(100,000)	-
Total other financing sources (uses) - net	506,820	513,233	6,413
Revenues and other financing sources over (under) expenditures and other financing uses	(480,200)	277,074	\$ 757,274
Fund balance appropriated	480,200		
Beginning of year, July 1		5,637,893	
Change in reserve for inventories		(16,071)	
End of year, June 30		\$ 5,898,896	

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

EXHIBIT C-1

**CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-major Governmental Funds June 30, 2016</u>
Assets:			
Cash and investments	\$ 145,049	\$ 182,513	\$ 327,562
Receivables, net			
Taxes	2,023	-	2,023
Accounts	-	182	182
Due from other government	1,211	-	1,211
Restricted cash	4,054	-	4,054
Total Assets	<u>\$ 152,337</u>	<u>\$ 182,695</u>	<u>\$ 335,032</u>
Liabilities and Fund Equity:			
Current Liabilities			
Accounts Payable	\$ 1,168	\$ 5,286	\$ 6,454
Total Current Liabilities	<u>1,168</u>	<u>5,286</u>	<u>6,454</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>3,191</u>	<u>5,286</u>	<u>8,477</u>
Fund balances			
Assigned - Community Development	47,717	-	47,717
Restricted - Economic Development	97,219	-	97,219
Restricted - Public Safety	4,210	-	4,210
Restricted - Capital Projects	-	177,409	177,409
Total liabilities and fund balances	<u>\$ 149,146</u>	<u>\$ 177,409</u>	<u>\$ 326,555</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, 2016

	Special Revenue Funds	Capital Project Funds	Total Non-major Governmental Funds June 30, 2016
Revenues			
Ad valorem taxes - net	\$ 53,970	\$ -	\$ 53,970
Grant revenue	200,000	-	200,000
Investment earnings	531	-	531
Miscellaneous	55,155	-	55,155
Total Revenues	<u>309,656</u>	<u>-</u>	<u>309,656</u>
Expenditures			
Capital Outlay	-	27,635	27,635
Public safety	2,228	-	2,228
Economic and physical development	331,269	-	331,269
Total Expenditures	<u>333,497</u>	<u>27,635</u>	<u>361,132</u>
Revenues over (under) expenditures	(23,841)	(27,635)	(51,476)
Other financing sources / uses			
Sale of Ferrell Street house	-	81,948	81,948
Transfer in (out)			
Transfers between Community Development Fund and Affordable Housing Project	(4,952)	4,952	-
General Fund	(7)	124,100	124,093
Total other financing sources	<u>(4,959)</u>	<u>211,000</u>	<u>206,041</u>
Revenues and other financing sources over (under) expenditures	(28,800)	\$ 183,365	\$ 154,565
Fund balance:			
Beginning of year, July 1	<u>177,946</u>	<u>(5,956)</u>	<u>171,990</u>
End of year, June 30	<u>\$ 149,146</u>	<u>\$ 177,409</u>	<u>\$ 326,555</u>

**CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2016**

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	Main Street Solution Grant	Total Special Revenue Funds June 30, 2016
Assets:							
Cash and investments	\$ 45,263	\$ 96,996	\$ -	\$ -	\$ 2,790	\$ -	\$ 145,049
Receivables, net:							
Taxes	-	2,023	-	-	-	-	2,023
Due from other government	-	1,055	-	156	-	-	1,211
Restricted cash	-	-	-	4,054	-	-	4,054
Total Assets	<u>\$ 45,263</u>	<u>\$ 100,074</u>	<u>\$ -</u>	<u>\$ 4,210</u>	<u>\$ 2,790</u>	<u>\$ -</u>	<u>\$ 152,337</u>
Liabilities							
Current Liabilities							
Accounts Payable	336	832	-	-	-	-	1,168
Due to General Fund	-	-	-	-	-	-	-
Total Current Liabilities	<u>336</u>	<u>832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,168</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>-</u>	<u>2,023</u>
Fund balances							
Assigned - Community Development	44,927	-	-	-	2,790	-	47,717
Restricted - Economic Development	-	97,219	-	-	-	-	97,219
Restricted - Public Safety	-	-	-	4,210	-	-	4,210
Total liabilities and fund balances	<u>\$ 45,263</u>	<u>\$ 100,074</u>	<u>\$ -</u>	<u>\$ 4,210</u>	<u>\$ 2,790</u>	<u>\$ -</u>	<u>\$ 152,337</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, 2016**

	Community Development Fund	Downtown Tax District Fund	Planning Grants Fund	Fire Department Grant Fund	Open Space	Main Street Solution Grant	Total Special Revenue Funds June 30, 2016
Revenues							
Ad valorem taxes - net	\$ -	\$ 53,970	\$ -	\$ -	\$ -	\$ -	\$ 53,970
Main Street Solution grant revenue	-	-	-	-	-	200,000	200,000
Program Income	-	-	-	-	-	-	-
Investment earnings	206	325	-	-	-	-	531
Miscellaneous	26,400	28,755	-	-	-	-	55,155
Total Revenues	<u>26,606</u>	<u>83,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>309,656</u>
Expenditures							
Main Street Solution grant expenditure	-	-	-	-	-	200,000	200,000
Public safety grant expenditure	-	-	-	2,228	-	-	2,228
Economic and physical development	43,005	88,264	-	-	-	-	131,269
Total Expenditures	<u>43,005</u>	<u>88,264</u>	<u>-</u>	<u>2,228</u>	<u>-</u>	<u>200,000</u>	<u>333,497</u>
Excess of revenues over expenditures	(16,399)	(5,214)	-	(2,228)	-	-	(23,841)
Other Financing Sources (Uses)							
Transfer to Affordable Housing Project	(4,952)	-	-	-	-	-	(4,952)
Transfer to General Fund	-	-	(7)	-	-	-	(7)
Total other financing sources (uses)	<u>(4,952)</u>	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,959)</u>
Net change in fund balance	\$ (21,351)	\$ (5,214)	\$ (7)	\$ (2,228)	\$ -	\$ -	\$ (28,800)
Fund balance:							
Beginning of year, July 1	66,278	102,433	7	6,438	2,790	-	\$ 177,946
End of year, June 30	<u>\$ 44,927</u>	<u>\$ 97,219</u>	<u>\$ -</u>	<u>\$ 4,210</u>	<u>\$ 2,790</u>	<u>\$ -</u>	<u>\$ 149,146</u>

**CITY OF CLINTON, NORTH CAROLINA
COMMUNITY DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Program Income	\$	\$ -	\$
Investment Earnings		206	
Miscellaneous		26,400	
Total Revenues	<u>27,400</u>	<u>26,606</u>	<u>(794)</u>
Expenditures			
Legal Service		-	
Miscellaneous		43,005	
Total Expenditures	<u>84,000</u>	<u>43,005</u>	<u>40,995</u>
Excess of revenues over expenditures	<u>(56,600)</u>	<u>(16,399)</u>	<u>40,201</u>
Other Financing Sources (Uses)			
Transfer to Affordable Housing	(61,000)	(61,000)	
Transfer from Affordable Housing	56,600	56,048	
Total other financing sources (uses)	<u>(4,400)</u>	<u>(4,952)</u>	<u>(552)</u>
Net change in fund balance	(61,000)	\$ (21,351)	<u>\$ 39,649</u>
Fund balance appropriated	<u>61,000</u>		
Fund balance:			
Beginning of year, July 1		<u>66,278</u>	
End of year, June 30		<u>\$ 44,927</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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Ad valorem taxes-net	\$	\$ 53,970	\$
Investment Earnings		325	
Miscellaneous		28,755	
Total Revenues	<u>113,600</u>	<u>83,050</u>	<u>(30,550)</u>
Expenditures			
Special Events		20,636	
Downtown Façade Grant Program		18,173	
Projects		15,102	
Advertising		12,992	
Supplies and materials		1,374	
Other		19,987	
Total Expenditures	<u>113,600</u>	<u>88,264</u>	<u>25,336</u>
Excess of revenues over expenditures	<u>-</u>	<u>(5,214)</u>	<u>(5,214)</u>
Other financing sources (uses)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>\$ (5,214)</u>	<u>\$ (5,214)</u>
Fund balance appropriated	<u>-</u>		
Fund balance:			
Beginning of year, July 1		<u>102,433</u>	
End of year, June 30		<u>\$ 97,219</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, 2016

EXHIBIT C-7

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues					
NCDOT Grant	\$ 22,000	\$ 22,000	\$ -	\$ 22,000	\$ -
NCDOT Grant - Bike Plan	22,000	22,000	-	22,000	-
Community Transformation Grant	4,400	4,407	-	4,407	7
Total Revenues	48,400	48,407	-	48,407	7
Expenditures					
Long range planning services	73,200	73,200	-	73,200	-
Community Transformation Grant	4,400	4,400	-	4,400	-
Pedestrian and Bicycle Plan	55,000	55,000	-	55,000	-
Total Expenditures	132,600	132,600	-	132,600	-
Revenues over (under) expenditures	(84,200)	(84,193)	-	(84,193)	7
Other financing sources					
Transfer to General Fund	-	-	(7)	(7)	(7)
Transfer from Water & Sewer	1,600	1,600	-	1,600	-
Transfer from General Fund	82,600	82,600	-	82,600	-
Total other financing sources	84,200	84,200	(7)	84,193	(7)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 7	(7)	\$ -	\$ -
Fund balance:					
Beginning of year, July 1			7		
End of year, June 30			<u>\$ -</u>		

CITY OF CLINTON, NORTH CAROLINA
SPECIAL REVENUE FUND - FIRE DEPARTMENT GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2016

EXHIBIT C-8

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues					
Grant Revenue	-	500	-	500	500
Expenditures					
Grant expenditures	6,845	907	2,228	3,135	3,710
Total Expenditures	6,845	907	2,228	3,135	3,710
Revenues over (under) expenditures	(6,845)	(407)	(2,228)	(2,635)	4,210
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	\$ -	\$ 6,438	(2,228)	\$ 4,210	\$ 4,210
Fund balance:					
Beginning of year, July 1			6,438		
End of year, June 30			\$ 4,210		

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, 2016

EXHIBIT C-9

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

CITY OF CLINTON, NORTH CAROLINA
 SPECIAL REVENUE FUND - MAIN STREET SOLUTION GRANT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2016

EXHIBIT C-10

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues					
Grant Revenue	200,000	-	200,000	200,000	-
Expenditures					
Grant expenditures	200,000	-	200,000	200,000	-
Total Expenditures	200,000	-	200,000	200,000	-
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2016

Non - Major

	<u>City Facility Renovations</u>	<u>Affordable Housing Project</u>	<u>Ace Parking Lot Project</u>	<u>Phase 1A PARTF Project</u>	<u>Total Capital Project Funds June 30, 2016</u>
Assets:					
Cash and investments	\$ 49,000	\$ -	\$ 92,747	\$ 40,766	\$ 182,513
Accounts receivable	-	182	-	-	182
Total Assets	<u>\$ 49,000</u>	<u>\$ 182</u>	<u>\$ 92,747</u>	<u>\$ 40,766</u>	<u>\$ 182,695</u>
Liabilities and Fund Equity:					
Liabilities					
Accounts payable	\$ -	\$ 151	\$ 5,135	\$ -	\$ 5,286
Due to Community Development Fund	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>151</u>	<u>5,135</u>	<u>-</u>	<u>5,286</u>
Fund balances					
Restricted - capital projects	<u>49,000</u>	<u>31</u>	<u>87,612</u>	<u>40,766</u>	<u>177,409</u>
Total liabilities and fund balances	<u>\$ 49,000</u>	<u>\$ 182</u>	<u>\$ 92,747</u>	<u>\$ 40,766</u>	<u>\$ 182,695</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, 2016

	Non - Major				Total Capital Project Funds June 30, 2016
	City Facility Renovations	Affordable Housing Project	Ace Parking Lot Project	Phase 1A PARTF Project	
Expenditures					
Capital Outlay	-	6,013	12,388	9,234	27,635
Total Expenditures	-	6,013	12,388	9,234	27,635
Revenues over (under) expenditures	-	(6,013)	(12,388)	(9,234)	(27,635)
Other financing sources (uses)					
Sale of Ferrell Street house	-	81,948	-	-	81,948
Transfer (to) from Community Development	-	4,952	-	-	4,952
Transfer (to) from General Fund	-	(25,900)	100,000	50,000	124,100
Total other financing sources	-	61,000	100,000	50,000	211,000
Revenues and other financing sources over (under) expenditures	-	54,987	87,612	40,766	183,365
Fund balance:					
Beginning of year, July 1	49,000	(54,956)	-	-	\$ (5,956)
End of year, June 30	<u>\$ 49,000</u>	<u>\$ 31</u>	<u>\$ 87,612</u>	<u>\$ 40,766</u>	<u>\$ 177,409</u>

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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, 2016

EXHIBIT C-13

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

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT FUND - AFFORDABLE HOUSING PROJECT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2016

EXHIBIT C-14

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Expenditures					
Appraisal	\$ 3,500	3,950	\$ -	\$ 3,950	\$ (450)
Plumbing connection	3,000	-	3,000	3,000	-
Electrical connection	1,500	1,824	174	1,998	(498)
Grading	500	-	-	-	500
Maintenance and repair	3,000	1,485	1,155	2,640	360
Driveway	2,400	-	-	-	2,400
House moving	7,000	7,000	-	7,000	-
Home appliance	64,500	66,597	-	66,597	(2,097)
Contingency	1,500	-	1,684	1,684	(184)
Total Expenditures	86,900	80,856	6,013	86,869	31
Revenues over (under) expenditures	86,900	80,856	6,013	86,869	31
Other financing sources					
Operating transfers - in (out)					
Community Development Fund	61,000	-	61,000	61,000	-
General Fund	25,900	25,900	-	25,900	-
Sale of Ferrell Street house	82,500	-	81,948	81,948	(552)
Community Development Fund	(56,600)	-	(56,048)	(56,048)	552
General Fund	(25,900)	-	(25,900)	(25,900)	-
Total other financing sources	86,900	25,900	61,000	86,900	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ (54,956)	54,987	\$ 31	\$ 31
Fund balance:					
Beginning of year, July 1			(54,956)		
End of year, June 30			\$ 31		

CITY OF CLINTON, NORTH CAROLINA
 CAPITAL PROJECT FUND - ACE PARKING LOT PROJECT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2016

EXHIBIT C-15

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
USDA grant	\$ 100,000	\$ -	\$ -	\$ -	\$ (100,000)
Expenditures					
Engineering Service	16,300	-	12,388	12,388	3,912
Construction	172,800	-	-	-	172,800
Contingency	10,900	-	-	-	10,900
Total Expenditures	200,000	-	12,388 ^a	12,388	187,612
Revenues over (under) expenditures	(100,000)	-	(12,388)	(12,388)	87,612
Other financing sources					
Operating transfers - in General Fund	100,000	-	100,000	100,000	-
Total other financing sources	100,000	-	100,000	100,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	87,612	\$ 87,612	\$ 87,612
Fund balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ 87,612		

a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2016.

CITY OF CLINTON, NORTH CAROLINA
 CAPITAL PROJECT FUND - PHASE 1A PARTF PROJECT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2016

EXHIBIT C-16

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
PARTF grant	\$ 250,000	\$ -	\$ -	\$ -	\$ (250,000)
Expenditures					
Engineering/design	\$ 74,200	\$ -	\$ 9,234	\$ 9,234	\$ 64,966
Construction	400,000	-	-	-	400,000
Contingency	25,800	-	-	-	25,800
Total Expenditures	500,000	-	9,234 ^a	9,234	490,766
Revenues over (under) expenditures	(250,000)	-	(9,234)	(9,234)	240,766
Other financing sources					
Operating transfers - in General Fund	250,000	-	50,000	50,000	(200,000)
Total other financing sources	250,000	-	50,000	50,000	(200,000)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	40,766	\$ 40,766	\$ 40,766
Fund balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ 40,766		

a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2016.

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, 2016

	2016		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Operating revenues:			
Charges for services:			
Water and sewer charges		\$ 4,235,067	
Sewer surcharge		328,560	
Water and sewer tap fees		13,331	
Service fees		27,454	
Fireline fees		51,746	
Miscellaneous		38,475	
Total operating revenues	4,716,300	4,694,633	(21,667)
Nonoperating revenues:			
Investment earnings		9,117	
Total nonoperating revenues	10,000	9,117	(883)
Total revenues	4,726,300	4,703,750	(22,550)
EXPENDITURES:			
Operating expenditures other than depreciation:			
Water department:			
Salaries and employee benefits		1,049,479	
Operating expenditures		680,600	
Repairs and maintenance		218,448	
Total water department	2,112,750	1,948,527	164,223
Waste treatment department:			
Salaries and employee benefits		527,195	
Operating expenditures		797,888	
Repairs and maintenance		183,850	
Total waste treatment department	1,572,350	1,508,933	63,417
Total operating expenditures other than deprecia	3,685,100	3,457,460	227,640
Debt service:			
Principal payments		347,306	
Interest and fees		38,982	
Total debt service	386,300	386,288	12
Capital outlay:			
Water department		171,323	
Waste treatment department		80,551	
Total capital outlay	312,900	251,874	61,026
Total expenditures	4,384,300	4,095,622	288,678

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, 2016

	2016		Variance
	Budget	Actual	Favorable (Unfavorable)
Other financing sources (uses):			
Sale of surplus property		-	
Transfers to other funds			
Water & Sewer Capital Reserve Fund		-	
Water & Sewer Capital Projects		(342,000)	
Total other financing uses	(342,000)	(342,000)	-
Total expenditures and other financing uses	4,726,300	4,437,622	288,678
Fund balance appropriated	-	-	-
Revenue over (under) expenditures and other uses	\$ -	\$ 266,128	\$ 266,128
Reconciliation of modified accrual basis to full accrual basis:		\$ 266,128	
Revenues over expenses and supplemental budget expenditures			
Reconciling items:			
Capital outlay		265,613	
Principal retirement		347,306	
Decrease in inventory		(7,469)	
Increase in accrued salaries		(13,795)	
Increase in accrued vacation pay		(7,427)	
Increase in accrued interest		(4,547)	
Increase in accrued OPEB liability		(53,210)	
Depreciation		(1,145,077)	
Capital contributions		146,304	
Transfers to other Water & Sewer Capital Project Funds		342,000	
Decrease in net pension asset		(114,258)	
Increase in deferred outflows of resources - pensions		2,120	
Increase in net pension liability		(106,286)	
Decrease in deferred inflows of resources - pensions		210,606	
Total reconciling items		(138,120)	
Change in net position		\$ 128,008	

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, 2016

EXHIBIT D-2

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures					
Engineering and design	527,000	270,147	47,643	317,790	209,210
Legal	1,000	-	1,560	1,560	(560)
Construction	644,900	386,827	220,123	606,950	37,950
Property acquisition	87,000	56,981	29,995	86,976	24
Total Expenditures	1,259,900	713,955	299,321	1,013,276	246,624
Other financing sources (uses)					
Loan proceeds - USDA	\$ 1,259,900	\$ 187,280	\$ -	\$ 187,280	\$ (1,072,620)
Total other financing sources (uses)	1,259,900	187,280	-	187,280	(1,072,620)
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (526,675)</u>	<u>\$ (299,321)</u>	<u>\$ (825,996)</u>	<u>\$ (825,996)</u>

- a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2013, 2014, 2015 and 2016.
- 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, 2016

EXHIBIT D-3

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures					
Engineering and design	113,000	165,763	-	165,763	(52,763)
Construction	1,326,000	1,078,231	152,209	1,230,440	95,560
Construction administration & observation	93,500	13,532	47,814	61,346	32,154
Loan administration	15,000	900	-	900	14,100
Legal	10,000	-	30	30	9,970
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>1,292,403</u>	<u>200,053</u>	<u>1,492,456</u>	<u>177,244</u>
Other financing sources (uses)					
Loan proceeds	<u>\$ 1,669,700</u>	<u>\$ 1,292,403</u>	<u>\$ 200,054</u>	<u>\$ 1,492,457</u>	<u>\$ (177,243)</u>
Total other financing sources (uses)	<u>1,669,700</u>	<u>1,292,403</u>	<u>200,054</u>	<u>1,492,457</u>	<u>(177,243)</u>
Revenues and other financing sources (uses)					
over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>

- a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2015 and 2016.
- 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, 2016

EXHIBIT D-4

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
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	11,470	47,075	288,125
Grant administration	35,000	5,792	1,770	7,562	27,438
Land, Structures, ROW Appraisal	98,000	-	-	-	98,000
Construction	2,802,700	-	-	-	2,802,700
Legal Expense	15,500	10,246	5,658	15,904	(404)
Contingency	280,400	-	-	-	280,400
Total Expenditures	<u>3,566,800</u>	<u>51,643</u>	<u>18,898</u>	<u>70,541</u>	<u>3,496,259</u>
Total revenues over (under) expenditures	(1,158,650)	(51,643)	(18,898)	(70,541)	1,088,109
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	\$ -	\$ 17,857	\$ (18,898)	\$ (1,041)	\$ (1,041)

a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2015 and 2016.

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, 2016

EXHIBIT D-5

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures					
NCDOT reimbursement for Hwy 24 ext	500,000	-	-	-	500,000
Professional services	93,000	80,747	18,208	98,955	(5,955)
Equipment	70,000	69,334	-	69,334	666
Total Expenditures	663,000	150,081	18,208	168,289	494,711 ^a
Revenues over (under) expenditures	(663,000)	(150,081)	(18,208)	(168,289)	(494,711)
Other financing sources					
Operating transfers - in					
Water & Sewer Fund	663,000	163,000	500,000	663,000	-
Total other financing sources	663,000	163,000	500,000	663,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 12,919	\$ 481,792	\$ 494,711	\$ 494,711

a Components of this project were capitalized as construction in progress as of June 30, 2015 and 2016.

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, 2016

EXHIBIT D-6

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues					
CDBG Grant (10-C-2195)	\$ 750,000	\$ 597,421	\$ 146,304	\$ 743,725	\$ (6,275)
Total Revenues	<u>750,000</u>	<u>597,421</u>	<u>146,304</u>	<u>743,725</u>	<u>(6,275)</u>
Expenditures					
Administration	50,000	26,390	17,336	43,726	6,274
Water improvements	700,000	571,032	128,968	700,000	-
City contribution	40,000	39,999	-	39,999	1
Total Expenditures	<u>790,000</u>	<u>637,421</u>	<u>146,304</u>	<u>783,725</u> ^a	<u>6,275</u>
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	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

a This project was completed as of June 30, 2016; its components were removed from construction in progress and added to depreciable capital assets of the Water & Sewer Fund.

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, 2016

EXHIBIT D-7

	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>	
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>		<u>Total to Date</u>
Other financing sources (uses)					
Operating transfers - in					
Water & Sewer Fund	654,200	654,200	-	654,200	-
Operating transfers - out					
Utility Lines Maintenance Project	<u>(654,200)</u>	<u>(228,000)</u>	<u>(158,000)</u>	<u>(386,000)</u>	<u>268,200</u>
Total other financing sources	<u>-</u>	<u>426,200</u>	<u>(158,000)</u>	<u>268,200</u>	<u>268,200</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 426,200</u>	<u>\$ (158,000)</u>	<u>\$ 268,200</u>	<u>\$ 268,200</u>

**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, 2016**

EXHIBIT D-8

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures					
Professional services	65,000	3,250	22,750	26,000	39,000
Total Expenditures	<u>65,000</u>	<u>3,250</u>	<u>22,750</u>	<u>26,000</u>	<u>39,000</u>
Revenues over (under) expenditures	(65,000)	(3,250)	(22,750)	(26,000)	(39,000)
Other financing sources					
Operating transfers - in Water & Sewer Fund	65,000	65,000	-	65,000	-
Total other financing sources	<u>65,000</u>	<u>65,000</u>	<u>-</u>	<u>65,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 61,750</u>	<u>\$ (22,750)</u>	<u>\$ 39,000</u>	<u>\$ 39,000</u>

a Components of this project were capitalized as construction in progress as of June 30, 2015 and 2016.

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, 2016

Fiscal Year Ended June 30,	Uncollected June 30, 2016	Additions	Collections & Credits	Uncollected June 30, 2016
2015	\$ -	\$ 2,949,964	\$ (2,909,666)	\$ 40,298
2014	64,127	-	(53,774)	10,353
2013	17,150	-	(8,871)	8,279
2012 & prior	46,183	-	(9,924)	36,259
	<u>\$ 127,460</u>	<u>\$ 2,949,964</u>	<u>\$ (2,982,235)</u>	<u>95,189</u>
Less allowance for uncollectible ad valorem taxes receivable				49,000
Ad valorem taxes receivable - net				<u>46,189</u>

Reconciliation with revenues:

Taxes - Ad Valorem - General Fund	\$ 2,903,404
Discounts allowed & collection fee	98,534
Taxes written off and other adjustments	<u>(3,689)</u>
Subtotal	2,998,249
Less interest and penalties collected	<u>(16,014)</u>
Total collections and credits	<u>\$ 2,982,235</u>

CITY OF CLINTON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
For the Year Ended June 30, 2016

	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax levy - City Wide	\$ 666,778,000	0.40	\$ 2,667,112	\$ 2,667,112	\$ -
Motor vehicles taxes at prior year rate	67,075,500	0.40	268,302	-	268,302
Abatements and discoveries	<u>3,637,500</u>		<u>14,550</u>	<u>14,550</u>	<u>-</u>
Total for year	<u>\$ 737,491,000</u>		2,949,964	2,681,662	268,302
Less uncollected tax at June 30, 2016 (Exhibit E-1)			<u>40,298</u>	<u>40,298</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,909,666</u>	<u>\$ 2,641,364</u>	<u>\$ 268,302</u>
Percent current year collected			98.63%	98.50%	100.00%

Compliance Section

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

Certified Public Accountants
Clinton, NC 28328

J. ANTHONY SESSOMS, CPA
BOBBY W. HERRING JR, CPA
JULIA B. HARRISON, CPA

PAULA M. CRUMPLER, CPA

1905 SUNSET AVENUE
P.O. BOX 2185
(910) 592-8172
1-800-283-8614
FAX (910) 590-2380
www.dhscompany.com

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, 2016, 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 22, 2016.

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 22, 2016

CITY OF CLINTON, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:
Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____ yes	_____ <input checked="" type="checkbox"/> no
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ yes	_____ <input checked="" type="checkbox"/> no
Noncompliance material to financial statements noted	_____ yes	_____ <input checked="" type="checkbox"/> no

Federal Awards

Identification of major federal programs:

There are no major Federal awards.

State Awards

Identification of major State programs:

There are no major State awards.

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

CITY OF CLINTON, NORTH CAROLINA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

Finding: 2012-01

Corrected.

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 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. Additionally, the Financial Analyst position is responsible for overseeing project management and ensuring all activities are administered properly, documentation is appropriate and maintained as required, and that reporting responsibilities are fulfilled. Management will reemphasize expectations mentioned above immediately.

Finding: 2015-01

Corrected.