

CITY OF CLINTON
CLINTON, NORTH CAROLINA
FINANCIAL STATEMENTS
For the year ended June 30, 2017

**City of Clinton, North Carolina
Table of Contents**

<u>Exhibit</u>		<u>Page</u>
	Financial Section:	
	Independent Auditor’s Report	1-3
	Management’s Discussion and Analysis	4-16
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	17
2	Statement of Activities	18
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	19
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund	23
6	Statement of Fund Net Position – Water and Sewer Fund	24
7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Water and Sewer Fund	25
8	Statement of Cash Flows – Water and Sewer Fund	26
	Notes to the Financial Statements	27-61

**City of Clinton, North Carolina
Table of Contents**

<u>Exhibit</u>		<u>Page</u>
Required Supplemental Financial Data:		
A-1	Law Enforcement Officers' Special Separation Allowance – Schedule of Changes in Total Pension Liability	62
A-2	Law Enforcement Officers' Special Separation Allowance – Schedule of Total Pension Liability as a Percentage of Covered Payroll	63
A-3	Schedule of Funding Progress – Retirement Health Care Plan	64
A-4	Schedule of Employer Contributions – Retirement Health Care Plan	65
A-5	Schedule of the Proportionate Share of the Net Pension Liability(Asset)-Local Government Employees' Retirement System	66
A-6	Schedule of Contributions-Local Government Employees' Retirement System	67
A-7	Secondary Market Disclosure	68
Individual Fund Statements and Schedules:		
B-1	Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	69-73
C-1	Combining Balance Sheet for Non-Major Governmental Funds	74
C-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balance for Non-Major Governmental Funds	75
C-3	Combining Balance Sheet for Special Revenue Funds	76
C-4	Combining Statement of Revenues, Expenditures and Changes in Fund Balances for Special Revenue Funds	77
C-5	Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - Community Development Fund	78
C-6	Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – Downtown Tax District Fund	79

City of Clinton, North Carolina
Table of Contents

<u>Exhibit</u>		<u>Page</u>
	Individual Fund Statements and Schedules (continued):	
C-7	Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – CDBG Commerce Fellows Fund	80
C-8	Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Fire Department Grant Fund	81
C-9	Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Open Space Fund	82
C-10	Combining Balance Sheet for Capital Project Funds	83
C-11	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for Capital Project Funds	84
C-12	Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-From Inception-City Facility Renovations	85
C-13	Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – From Inception – Affordable Housing Project	86
C-14	Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-From Inception-ACE Parking Lot Project	87
C-15	Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-From Inception-Phase 1A PARTF Project	88
C-16	Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-From Inception-Police Evidence Room Project	89
C-17	Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-From Inception-Downtown Grant Project	90
D-1	Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-Water and Sewer Fund	91-92
D-2	Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-From Inception-Capital Project-Water Production Expansion	93

**City of Clinton, North Carolina
Table of Contents**

<u>Exhibit</u>		<u>Page</u>
Individual Fund Statements and Schedules (continued):		
D-3	Statement of Revenues, Expenditures and Changes in Budget and Actual-From Inception-Capital Project-Southwood Elevated Tank Project	94
D-4	Statement of Revenues, Expenditures and Changes in Budget and Actual-From Inception-Capital Project-NC 24 Industrial Park Infrastructure Project	95
D-5	Statement of Revenues, Expenditures and Changes in Budget and Actual-From Inception-Capital Project-Hwy 24 Infrastructure Relocation	96
D-6	Statement of Revenues, Expenditures and Changes in Budget and Actual-From Inception-Capital Project-Beaman Street Bridge	97
D-7	Statement of Revenues, Expenditures and Changes in Budget and Actual-From Inception-Capital Project-Water & Sewer Capital Reserve Fund	98
D-8	Statement of Revenues, Expenditures and Changes in Budget and Actual-From Inception-Capital Project-WWTP Expansion	99
 Other Schedules:		
E-1	Schedule of Ad Valorem Taxes Receivable	100
E-2	Analysis of Current Tax Levy – City-Wide Levy	101
 Compliance Section:		
	Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	102-103
	Report on Compliance for the Major Federal Programs; Report on Internal Control Over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	104-105
	Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	106-107

**City of Clinton, North Carolina
Table of Contents**

<u>Exhibit</u>		<u>Page</u>
	Compliance Section (continued):	
	Schedule of Findings, Responses, Corrective Action Plan and Summary Schedule of Prior Year Audit Findings for the Year Ended June 30, 2017	108-110
	Schedule of Expenditures of Federal and State Awards	111-112



Joyce and
Company,
CPA

Certified Public Accountants

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Clinton, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Clinton, North Carolina as of June 30, 2017, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Clinton, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2017 on our consideration of City of Clinton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Clinton's internal control over financial reporting and compliance.


JOYCE AND COMPANY, CPA
Cary, North Carolina

November 30, 2017

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, 2017. 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

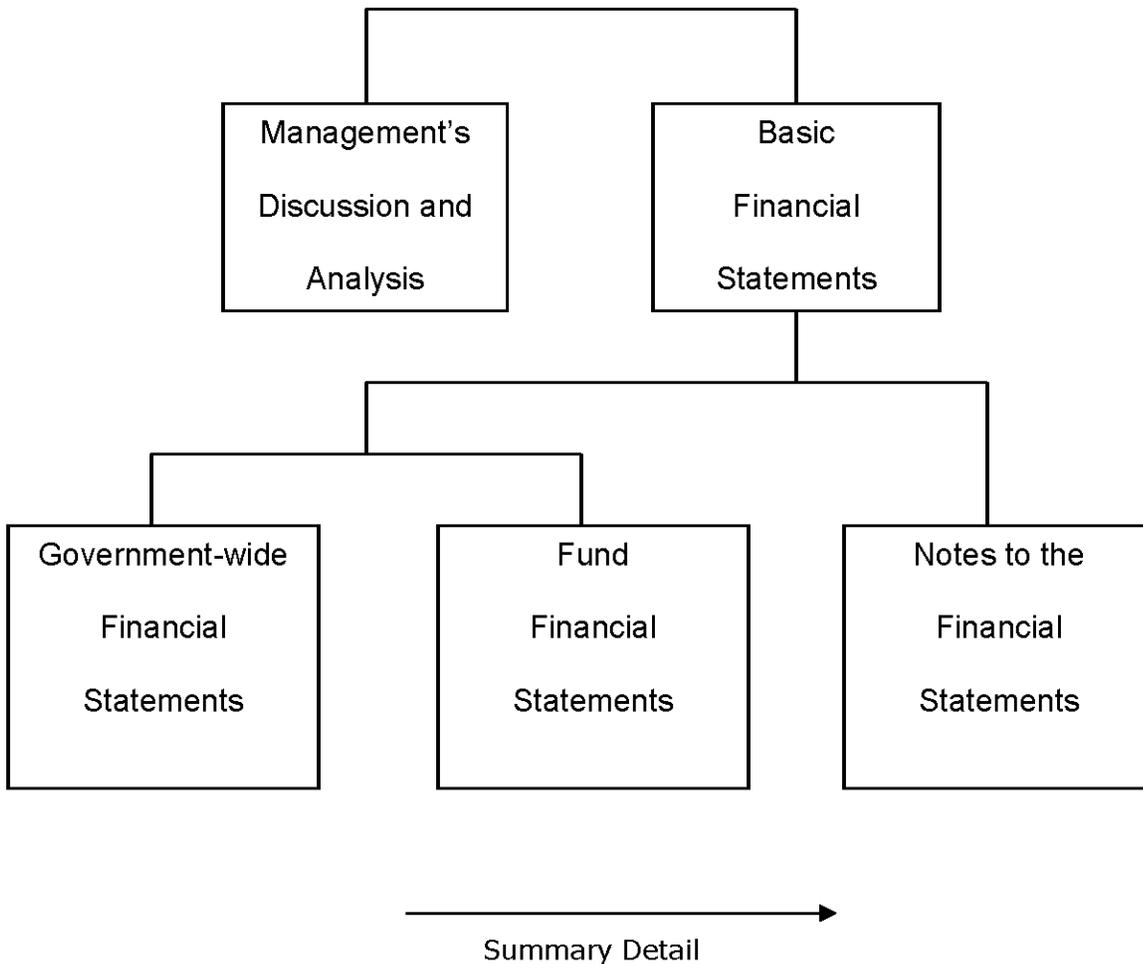
- The assets and deferred outflows of resources of the City of Clinton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,910,943 (*net position*). The assets of the governmental activities exceeded its liabilities by \$13,879,077. The assets of the business-type activities exceeded liabilities by \$20,031,866.
- The government's total net position increased by \$718,541 primarily due to increases in the governmental activities net position.
- Business-type net position increased \$116,015 and net position for governmental activities increased \$602,526.
- As of the close of Fiscal Year 2017, the City of Clinton's governmental funds reported combined ending fund balances of \$6,541,163 with a net change of \$145,097 in fund balance. Approximately 22% of this total amount, or \$1,426,823, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,712,156 or 40% of total general fund expenditures for the fiscal year. Total fund balance for the General Fund was \$6,213,691 (67%).
- The City of Clinton's total debt increased \$5,742,086 (96%) during the past fiscal year, due to the completion of the elevated tank project in business activities and the issuance of interim financing revenue bonds for the water plant expansion project.
- 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 27 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Clinton’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 62 of this report.

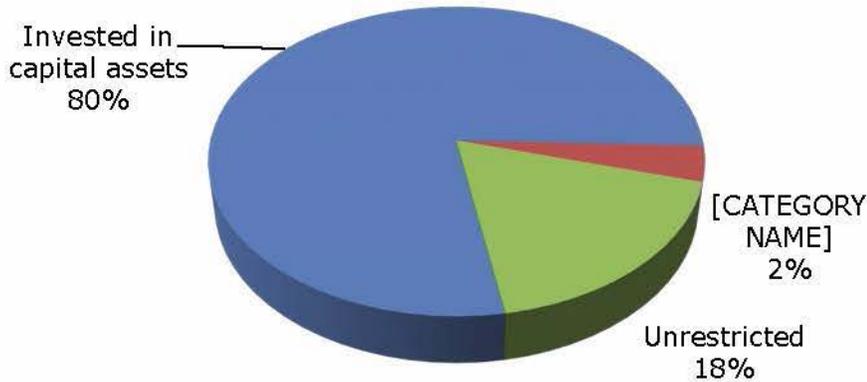
Interdependence with Other Entities – The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications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

Government-Wide Financial Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 7,385,966	\$ 6,733,181	\$ 7,342,253	\$ 3,627,319	\$14,728,219	\$10,360,500
Capital assets	12,197,794	12,044,910	23,731,266	20,434,805	\$35,929,060	32,479,715
Deferred outflows of resources	\$ 1,268,546	\$ 251,154	\$ 390,283	\$ 84,702	\$ 1,658,829	335,856
Total assets & deferred outflows of resources	20,852,306	19,029,245	31,463,802	24,146,826	52,316,108	43,176,071
Long-term liabilities outstanding	5,576,953	3,948,712	3,852,235	3,366,070	9,429,188	7,314,782
Other liabilities	1,239,985	985,786	7,534,576	790,013	8,774,561	1,775,799
Deferred inflows of resources	156,291	215,642	45,125	71,881	201,416	287,523
Total liabilities & deferred inflows of resources	6,973,229	5,150,140	11,431,936	4,227,964	18,405,165	9,378,104
Net position:						
Invested in capital assets, net of related debt	9,687,325	9,128,220	16,021,429	17,341,234	25,708,754	26,469,454
Restricted	1,410,699	1,261,906		-	1,410,699	1,261,906
Unrestricted	2,781,053	3,488,979	4,010,437	2,577,629	6,791,490	6,066,608
Net position before restatement						
Total net position after restatement	\$13,879,077	\$13,879,105	\$20,031,866	\$19,918,863	\$33,910,943	\$33,797,968

Figure 3
City of Clinton FY2017
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 \$33,910,943 as of June 30, 2017. The City's net position increased by \$718,541 for the fiscal year ended June 30, 2017. The largest portion of net position (80%) 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, \$1,410,699 (2%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,791,490 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.97% (97.81% excluding motor vehicles).
- Collection of ad valorem tax levies increased 4%
- Unrestricted intergovernmental revenues increased 5%
- Unrestricted investment earnings increase 22%
- Continued low cost of debt due to the City's strong financial position.

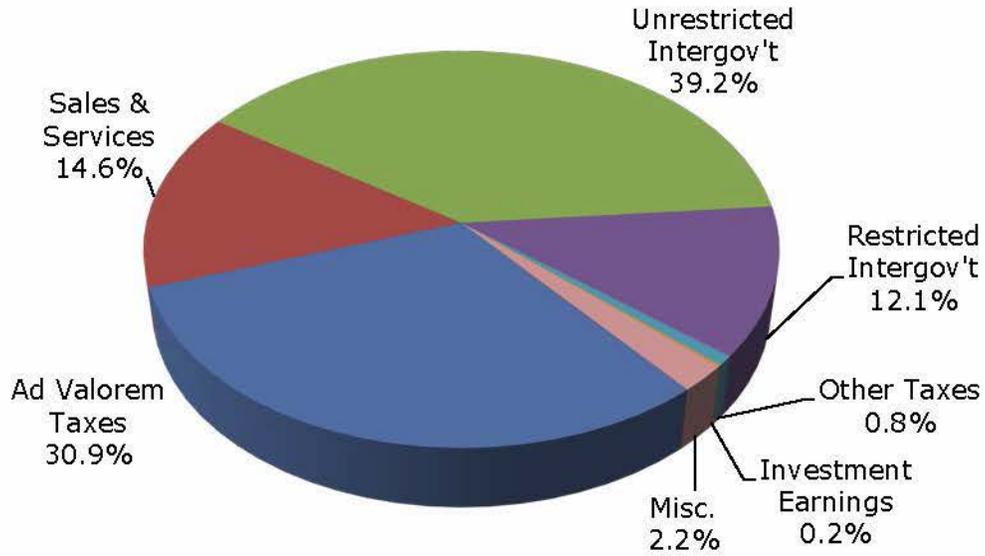
Figure 4
City of Clinton's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,532,924	\$ 1,604,089	\$ 4,882,570	\$ 4,656,158	\$ 6,415,494	\$ 6,260,247
Operating grants and contributions	885,551	707,436	113,505		999,056	707,436
Capital grants and contributions	298,139	200,000	91,825	146,304	389,964	346,304
General revenues:					-	-
Property taxes	3,028,100	2,920,966			3,028,100	2,920,966
Other taxes	73,778	45,528			73,778	45,528
Unrestricted intergovernmental revenues	3,831,941	3,643,670			3,831,941	3,643,670
Unrestricted investment earnings	17,391	14,212	10,234	9,117	27,625	23,329
Miscellaneous	213,769			38,475	213,769	38,475
Sale of surplus assets (loss)	(22,427)	(23,722)	(10,860)		(33,287)	(23,722)
Total revenues	9,859,166	9,112,179	5,087,274	4,850,054	14,946,440	13,962,233
Expenses:						
General Government	1,860,981	1,596,886	-	-	1,860,981	1,596,886
Public safety	3,852,673	3,510,690	-	-	3,852,673	3,510,690
Transportation	1,401,427	1,198,225	-	-	1,401,427	1,198,225
Economic and physical development	79,920	439,259	-	-	79,920	439,259
Environmental protection	1,009,380	819,568	-	-	1,009,380	819,568
Cultural and recreation	983,037	883,163	-	-	983,037	883,163
Interest on long-term debt	69,222	70,022	-	-	69,222	70,022
Water and Sewer		-	4,971,259	4,722,046	4,971,259	4,722,046
Total expenses	9,256,640	8,517,813	4,971,259	4,722,046	14,227,899	13,239,859
Increase in net position	602,526	594,366	116,015	128,008	718,541	722,374
Net position, July 1 as originally stated	13,879,105	13,284,739	19,918,863	19,790,855	33,797,968	33,075,594
Net position, beginning restated	13,276,551		19,915,851		33,192,402	-
Net position, June 30	\$ 13,879,077	\$ 13,879,105	\$ 20,031,866	\$ 19,918,863	\$ 33,910,943	\$ 33,797,968

Governmental Activities. Governmental activities increased the City's net position by \$602,526, 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 \$746,987 with the most significant increases in grants and contributions.

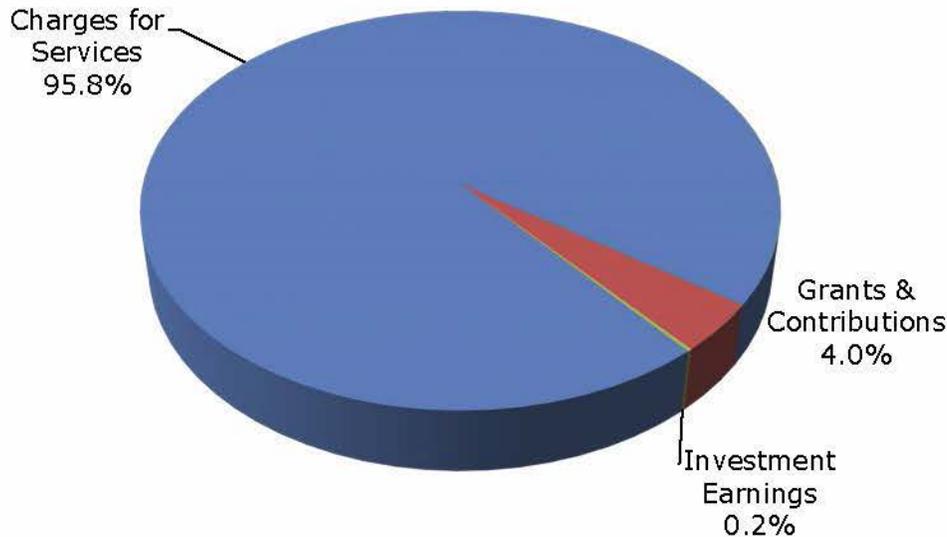
Figure 5
Revenues by Source: Governmental Activities



Business-type Activities. Business-type activities increased the City of Clinton's net position by \$116,015. Key elements of this increase are as follows:

- 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 \$3,712,156, while total fund balance was \$6,213,691. 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 49% of General Fund expenditures, while total fund balance represents 67% of the same amount. The City considers any available fund balance over 40% assigned for capital expenditures.

At June 30, 2017, the governmental funds of City of Clinton reported a combined fund balance of \$6,541,163 with a net increase in fund balance of \$145,097. Included in this change in fund balance is a \$144,180 increase in fund balance in the General Fund and a \$917 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 FY2016-2017 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 \$52,545 (0.5%) above the amended budget amounts. The General Fund expenditures were \$412,532 or 4.4% less than the amended budget amount.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$4,010,437. The total change in net position was \$116,015. The change in net position in the Water and Sewer Fund is in large part the result of an increase of charges for services over original projections.

Capital Asset and Debt Administration

Capital Assets. The City of Clinton's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totals \$35,929,060 (net of accumulated depreciation and amortization). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and infrastructure.

Major capital asset transactions during the year include the following:

- Various police and general government equipment, and motor vehicles increased governmental capital assets by \$244,600
- Various land, infrastructure, and improvements increased governmental capital assets by \$106,160
- Purchase of a backhoe increased governmental capital assets by \$79,970.
- Purchase of a sewer vacuum truck increased business-type capital assets by \$347,447
- Completion of the elevated tank project increased business-type activities by \$1.6 million
- Various asset improvements increased business-type capital assets by \$62,878
- Various equipment, vehicle, and infrastructure additions to business-type activities increased capital assets by \$48,869

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

- Various equipment and vehicles decreased governmental capital assets by \$639,827

Figure 7
City of Clinton's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,493,371	\$ 1,446,733	\$ 288,438	\$ 316,947	\$ 1,781,809	\$ 1,763,680
Buildings and other improvements	6,938,318	6,737,981	21,727,009	32,449	28,665,327	6,770,430
Intangible asset-brand	18,000	18,000			18,000	18,000
Construction in progress	538,384	66,993	5,017,236	2,715,454	5,555,620	2,782,447
Equipment	2,540,537	2,843,685	2,168,498	36,743,695	4,709,035	39,587,380
Vehicles and motorized equipment	5,988,947	6,011,144	818,238	551,818	6,807,185	6,562,962
Infrastructure	8,424,584	8,313,015	18,786,776	4,236,347	27,211,360	12,549,362
Subtotal	25,942,141	25,437,551	48,806,195	44,596,710	74,748,336	70,034,261
Less accumulated depreciation and amortization	13,744,347	13,392,640	25,074,929	24,161,906	38,819,276	37,554,546
Total Net Capital Assets	\$ 12,197,794	\$ 12,044,911	\$ 23,731,266	\$ 20,434,804	\$ 35,929,060	\$ 32,479,715

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, 2017, the City of Clinton has bond anticipation notes \$5,994,000 outstanding expected to be bought by USDA in the next fiscal year. 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	
	2017	2016	2017	2016	2017	2016
Installment notes	2,510,469	2,916,690	9,241,883	3,093,576	11,752,352	6,010,266
Total	\$ 2,510,469	\$ 2,916,690	\$ 9,241,883	\$ 3,093,576	\$11,752,352	\$ 6,010,266

City of Clinton’s Outstanding Debt

The City of Clinton’s total debt increased by \$5,742,086 (96%) during the past fiscal year. Governmental activity debt decreased by \$406,221 (14%). Business-type activity debt increased by \$6,148,307 (199%).

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 \$49,122,488. The City has no bonds authorized but unissued as of June 30, 2017.

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

Economic Factors and Next Year’s Budgets and Rates

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

- The City has continued expansion of its water production facilities with a funding agreement with USDA for approximately \$6 million to double the City’s water production capacity to support growth.
- The City has continued the planning stage for expansion of the Wastewater Treatment Plant.
- The City has begun construction for 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 4.5 as of April 2017.
- 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.

- 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, 2018

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 FY2016-201 and the trend is expected to continue in FY2017-2018 with an increase of 3.56% represented in the FY17-18 budget. Total General Fund revenues budgeted for the fiscal year ending June 30, 2018 are \$9,200,100.

Budgeted expenditures in the General Fund are equal to budgeted revenues and are approximately 0.15% less than the amended FY16-17 budget. The largest expenditure function is public safety and the largest components are in employee compensation and benefits.

Some key FY17-18 governmental budget highlights include:

- No change in the property tax rate of \$.40 per \$100 valuation. The expected revenue is \$3,075,000 on a 97.8 percent collection rate.
- Sales Tax revenues account for \$2,175,900.
- The residential garbage collection rate for FY17-18 is \$15.50, which is the same as the previous year's rate. Residential garbage collection accounts for \$600,000 in the FY17-18 budget and commercial collection accounts for \$748,000.
- The cost of healthcare continues to be a factor in the cost of personnel management with the City experiencing a 15% increase in FY17-18.
- The City expects to spend approximately \$225,000 on street paving and resurfacing.

Business-type Activities: The City estimates revenues of approximately \$4.9 million from water and sewer enterprise operations in FY17-18, a 2.62 percent increase from FY16-17 due to a slight rate increase. The City is adjusting water and sewer rates by 2 percent to match the 2016 Consumer Price Index inflation rate.

Some key FY17-18 business-type activity budget highlights include:

- Water and sewer charges, including bulk rate fees, account for \$4,467,200 (91%) in the FY17-18 Water and Sewer Fund budget.
- Sewer surcharges charges based on the pounds of pollutants in excess of the normal amount account for \$300,000.
- Direct department capital costs for Water & Sewer operations amount to 535,000; a decrease of 14.42% due to a decrease in capital improvements.
- Budgeted debt service stands at 387,300, an increase of 1.73% over FY17.

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.

CITY OF CLINTON, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,775,900	\$ 4,828,613	\$ 10,604,513	\$ 605,845
Taxes receivables (net)	54,120	-	54,120	-
Accrued interest receivable on taxes	7,639	-	7,639	-
Accounts receivable (net)	278,458	661,430	939,888	9,307
Due from other governments	1,008,922	162,762	1,171,684	-
Due from component unit	195,200	-	195,200	-
Inventories	16,124	25,105	41,229	209,045
Prepaid items	-	-	-	3,823
Restricted cash and cash equivalents	49,603	1,664,343	1,713,946	-
Total current assets	<u>7,385,966</u>	<u>7,342,253</u>	<u>14,728,219</u>	<u>828,020</u>
Noncurrent assets:				
Capital assets:				
Land, improvements and construction in progress	2,031,755	5,305,674	7,337,429	36,795
Other capital assets, net of depreciation and amortization	10,166,039	18,425,592	28,591,631	62,439
Total capital assets	<u>12,197,794</u>	<u>23,731,266</u>	<u>35,929,060</u>	<u>99,234</u>
Total noncurrent assets	<u>12,197,794</u>	<u>23,731,266</u>	<u>35,929,060</u>	<u>99,234</u>
Total assets	<u>19,583,760</u>	<u>31,073,519</u>	<u>50,657,279</u>	<u>927,254</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,268,546</u>	<u>390,283</u>	<u>1,658,829</u>	<u>19,784</u>
LIABILITIES				
Current liabilities:				
Accounts payable	655,385	945,441	1,600,826	101,783
Distributions payable	-	-	-	266,336
Accrued interest payable	33,737	57,991	91,728	-
Due to other governments	-	-	-	40,915
Current portion of long-term liabilities	550,863	6,398,846	6,949,709	-
Liabilities payable from restricted assets:				
Customer deposits	-	132,298	132,298	-
Total current liabilities	<u>1,239,985</u>	<u>7,534,576</u>	<u>8,774,561</u>	<u>409,034</u>
Long-term liabilities:				
Due in more than one year	5,576,953	3,852,235	9,429,188	21,646
Total liabilities	<u>6,816,938</u>	<u>11,386,811</u>	<u>18,203,749</u>	<u>430,680</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred grant revenues	8,465	-	8,465	-
Pension deferrals	147,826	45,125	192,951	2,625
Total deferred inflows of resources	<u>156,291</u>	<u>45,125</u>	<u>201,416</u>	<u>2,625</u>
NET POSITION				
Net investment in capital assets	9,687,325	16,021,429	25,708,754	99,234
Restricted for:				
Capital projects	-	-	-	3,491
Stabilization by State Statute	1,254,811	-	1,254,811	-
Economic development	90,952	-	90,952	-
Public safety	36,788	-	36,788	-
USDA reserve	28,148	-	28,148	-
Working capital	-	-	-	63,463
Unrestricted	<u>2,781,053</u>	<u>4,010,437</u>	<u>6,791,490</u>	<u>347,545</u>
Total net position	<u>\$ 13,879,077</u>	<u>\$ 20,031,866</u>	<u>\$ 33,910,943</u>	<u>\$ 513,733</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, 2017

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	\$ 1,860,981	\$ 63,389	\$ 421,693	\$ 185,875	\$ (1,190,024)	\$ -	\$ (1,190,024)	\$ -
Public safety	3,852,673	-	203,139	-	(3,649,534)	-	(3,649,534)	-
Transportation	1,401,427	-	254,911	27,800	(1,118,716)	-	(1,118,716)	-
Economic and physical development	79,920	-	-	-	(79,920)	-	(79,920)	-
Environmental protection	1,009,380	1,411,951	5,808	-	408,379	-	408,379	-
Cultural and recreation	983,037	57,584	-	84,464	(840,989)	-	(840,989)	-
Interest on long-term debt	69,222	-	-	-	(69,222)	-	(69,222)	-
Total governmental activities	9,256,640	1,532,924	885,551	298,139	(6,540,026)	-	(6,540,026)	-
Business-type activities:								
Water and sewer	4,971,259	4,882,570	113,505	91,825	-	116,641	116,641	-
Total primary government	\$ 14,227,899	\$ 6,415,494	\$ 999,056	\$ 389,964	\$ (6,540,026)	\$ 116,641	\$ (6,423,385)	\$ -
Component unit:								
ABC Board	\$ 1,634,009	\$ 1,652,323	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,314

General revenues:			
Taxes:			
Property taxes, levied for general purpose	3,028,100	-	3,028,100
Other taxes	73,778	-	73,778
Unrestricted intergovernmental revenues	3,831,941	-	3,831,941
Unrestricted investment earnings	17,391	10,234	27,625
Gain (loss) on sale of assets	(22,427)	(10,860)	(33,287)
Miscellaneous	213,769	-	213,769
Total general revenues, special item and transfers	7,142,552	(626)	7,141,926
Change in net position	602,526	116,015	718,541
Net position - beginning, as previously reported	13,879,105	19,918,863	33,797,968
Restatement	(602,554)	(3,012)	(605,566)
Net position - beginning, restated	13,276,551	19,915,851	33,192,402
Net position - ending	\$ 13,879,077	\$ 20,031,866	\$ 33,910,943

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

Exhibit 3

**City of Clinton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2017**

	<u>Major Fund</u> General	<u>Total</u> Non-major Funds	<u>Total</u> Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,495,460	280,440	\$ 5,775,900
Receivables, net:			
Taxes	52,773	1,347	54,120
Accounts	193,994	84,464	278,458
Due from other governments	984,811	24,111	1,008,922
Due from component unit	195,200	-	195,200
Inventory	16,124	-	16,124
Restricted cash and cash equivalents	44,734	4,869	49,603
Total assets	<u>\$ 6,983,096</u>	<u>\$ 395,231</u>	<u>\$ 7,378,327</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	<u>\$ 597,438</u>	<u>\$ 57,947</u>	<u>\$ 655,385</u>
DEFERRED INFLOWS OF RESOURCES			
Beer and wine revenue receivable	9,784	-	9,784
Property taxes receivable	52,773	1,347	54,120
Accounts receivable	109,410	-	109,410
Unearned grant revenues	-	8,465	8,465
Total deferred inflows of resources	<u>171,967</u>	<u>9,812</u>	<u>181,779</u>
FUND BALANCES			
Non Spendable			
Inventories	16,124	-	16,124
Restricted			
Stabilization by State Statute	1,254,811	-	1,254,811
Economic Development in the Downtown Tax District	-	90,952	90,952
USDA Reserve	28,148	-	28,148
Public Safety	31,635	5,153	36,788
Committed			
Cemetery Fund	340,054	-	340,054
Assigned			
Community Development	-	48,211	48,211
Capital projects	-	183,156	183,156
Capital Use Policy	830,763	-	830,763
Unassigned	<u>3,712,156</u>	<u>-</u>	<u>3,712,156</u>
Total fund balances	<u>6,213,691</u>	<u>327,472</u>	<u>6,541,163</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,983,096</u>	<u>\$ 395,231</u>	<u>\$ 7,378,327</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, 2017

Total fund balances \$ 6,541,163

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	25,942,141	
Accumulated depreciation and amortization	(13,744,347)	12,197,794

Deferred outflows of resources related to pension are not reported in the funds	1,268,546	1,268,546
---	-----------	-----------

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		7,639
---	--	-------

Liabilities for earned revenues considered deferred inflows of resources in the fund statements.		173,314
--	--	---------

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
---	--	--

Government bonds and notes payable	(2,510,469)	
Compensated absences	(267,848)	
Other postemployment benefits	(1,121,168)	
Net pension liability-LEO	(754,632)	
Net pension liability-LGERS	(1,473,699)	(6,127,816)

Deferred inflows of resources related to pensions are not reported in the funds		(147,826)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.		(33,737)

Net position of governmental activities		\$ 13,879,077
---	--	---------------

City of Clinton, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2017

	Major Fund General	Total Non-major Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,968,665	\$ 52,570	\$ 3,021,235
Other taxes and licenses	73,778	-	73,778
Unrestricted intergovernmental	3,831,739	-	3,831,739
Restricted intergovernmental	890,851	292,839	1,183,690
Sales and services	1,423,514	-	1,423,514
Investment earnings	16,928	463	17,391
Miscellaneous	191,874	21,114	212,988
Total revenues	<u>9,397,349</u>	<u>366,986</u>	<u>9,764,335</u>
EXPENDITURES:			
Current:			
General government	1,424,511	17,500	1,442,011
Public safety	3,457,362	4,057	3,461,419
Transportation	1,255,129	-	1,255,129
Economic and physical development	-	79,920	79,920
Environmental protection	878,031	-	878,031
Culture and recreation	879,512	-	879,512
Debt service:			
Principal	406,221	-	406,221
Interest	76,249	-	76,249
Capital outlay	501,957	666,011	1,167,968
Total expenditures	<u>8,878,972</u>	<u>767,488</u>	<u>9,646,460</u>
Excess (deficiency) of revenues over expenditures	<u>518,377</u>	<u>(400,502)</u>	<u>117,875</u>
OTHER FINANCING SOURCES (USES):			
Sale of assets	27,222	-	27,222
Transfers to other funds	(401,419)	(24,781)	(426,200)
Transfers from other funds	-	426,200	426,200
Total other financing sources (uses)	<u>(374,197)</u>	<u>401,419</u>	<u>27,222</u>
Net change in fund balance	<u>144,180</u>	<u>917</u>	<u>145,097</u>
Fund balances, beginning (as originally stated)	5,898,896	326,555	6,225,451
Adjustments to beginning fund balances	170,615	-	170,615
Fund balances, beginning (as restated)	<u>6,069,511</u>	<u>326,555</u>	<u>6,396,066</u>
Fund balances, ending	<u>\$ 6,213,691</u>	<u>\$ 327,472</u>	<u>\$ 6,541,163</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, 2017

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

Net change in fund balances - total governmental funds \$ 145,097

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	1,167,968	
Depreciation and amortization expenses for governmental assets	(971,176)	
Proceeds from sale of assets included in general government	<u>(48,868)</u>	147,924

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities

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

Change in unavailable revenues		115,520
Increase in accrued interest receivable		957

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.

Principal payments on long-term debt	406,221	
Decrease in accrued interest payable	<u>7,027</u>	413,248

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		(866)
Pension expense (LEO)		(8,413)
Pension expense (LGERS)		(101,286)
Other postemployment benefits		<u>(109,655)</u>

Total changes in net position of governmental activities		<u>\$ 602,526</u>
--	--	-------------------

City of Clinton, North Carolina
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2017

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 2,880,500	\$ 2,880,500	\$ 2,968,665	\$ 88,165
Other taxes and licenses	79,000	79,000	73,778	(5,222)
Unrestricted intergovernmental	3,793,800	3,804,200	3,831,739	27,539
Restricted intergovernmental	641,804	855,704	890,851	35,147
Sales and services	1,467,200	1,480,800	1,423,514	(57,286)
Investment earnings	13,000	13,000	16,928	3,928
Miscellaneous	236,000	231,900	191,874	(40,026)
Total revenues	<u>9,111,304</u>	<u>9,345,104</u>	<u>9,397,349</u>	<u>52,245</u>
Expenditures:				
Current:				
General government	1,553,200	1,639,300	1,560,119	79,181
Public safety	3,678,004	3,812,704	3,637,871	174,833
Transportation	1,531,600	1,462,800	1,376,028	86,772
Environmental protection	756,400	898,600	878,031	20,569
Cultural and recreation	1,124,500	995,500	944,453	51,047
Debt service				
Principal retirement	406,330	406,330	406,221	109
Interest expense	76,270	76,270	76,249	21
Total expenditures	<u>9,126,304</u>	<u>9,291,504</u>	<u>8,878,972</u>	<u>412,532</u>
Revenues over (under) expenditures	<u>(15,000)</u>	<u>53,600</u>	<u>518,377</u>	<u>464,777</u>
Other financing sources (uses):				
Sale of assets	15,000	15,000	27,222	12,222
Net transfers from (to) other funds	-	(426,200)	(401,419)	24,781
Fund balance appropriated	-	357,600	-	(357,600)
Total other financing sources (uses)	<u>15,000</u>	<u>(53,600)</u>	<u>(374,197)</u>	<u>(320,597)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>144,180</u>	<u>\$ 144,180</u>
Fund balances, beginning (as originally stated)			5,898,896	
Adjustments to beginning fund balance			170,615	
Fund balances, beginning (as restated)			<u>6,069,511</u>	
Fund balances, ending			<u>\$ 6,213,691</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, 2017

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,828,613
Accounts receivable (net) - billed	400,974
Accounts receivable (net) - unbilled	260,456
Due from other government	162,762
Inventories	25,105
Restricted cash and cash equivalents	1,664,343
Total current assets	7,342,253
Noncurrent assets:	
Capital assets:	
Land	288,438
Construction in progress	5,017,236
Other capital assets, net of depreciation	18,425,592
Capital assets (net)	23,731,266
Total noncurrent assets	23,731,266
Total assets	\$ 31,073,519
DEFERRED OUTFLOWS OF RESOURCES	\$ 390,283
LIABILITIES AND FUND BALANCES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 945,441
Compensated absences	50,224
Accrued interest payable	57,991
Bonds and notes payable	6,348,622
Liabilities payable from restricted assets:	
Customer deposits	132,298
Total current liabilities	7,534,576
Noncurrent liabilities:	
Compensated absences	48,035
OPEB liability	440,367
Net pension liability	470,573
Bonds and notes payable	2,893,260
Total noncurrent liabilities	3,852,235
Total liabilities	11,386,811
DEFERRED INFLOWS OF RESOURCES	\$ 45,125
NET POSITION	
Net investment in capital assets	16,021,429
Unrestricted	4,010,437
Total net position	\$ 20,031,866

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, 2017

	<u>Water and Sewer Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 4,821,731
Contribution from other agencies	113,505
Other operating revenues	<u>60,839</u>
Total operating revenues	<u>4,996,075</u>
OPERATING EXPENSES:	
Water department	2,181,877
Waste treatment	1,534,928
Depreciation	<u>1,159,582</u>
Total operating expenses	<u>4,876,387</u>
Operating income	<u>119,688</u>
NONOPERATING REVENUES (EXPENSES):	
Investment earnings	10,234
Interest and other charges	(80,522)
Loss disposal of capital assets	(10,860)
Debt issuance costs	<u>(14,350)</u>
Total nonoperating revenues (expenses)	<u>(95,498)</u>
Income before contributions and transfers	24,190
Capital contributions	<u>91,825</u>
Change in net position	<u>116,015</u>
Total net position - as previously reported	19,918,863
Adjustment to beginning net position	<u>(3,012)</u>
Total net position - as restated	<u>19,915,851</u>
Total net position - ending	<u>\$20,031,866</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, 2017

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,687,505
Contributions from other agencies	113,505
Cash paid for goods and services	(1,416,624)
Cash paid to or on behalf of employees for services	(1,596,099)
Decrease in customer deposits	(11,096)
Net cash provided by operating activities	<u>1,777,191</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(4,204,767)
Sale of capital assets	24,864
Principal retirement on long-term debt	(344,970)
Issuance of debt	6,305,997
Interest paid on long-term debt	(33,434)
Debt issuance costs	(14,350)
Net cash provided by capital and related financing activities	<u>1,733,340</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>10,234</u>
Net increase in cash and cash equivalents	3,520,765
Cash and cash equivalents at beginning of year	<u>2,972,191</u>
Cash and cash equivalents at end of year	<u>\$ 6,492,956</u>
Reconciliation of operating income to net cash provided by	
operating activities:	
Operating income	\$ 119,688
Adjustments to reconcile operating income to net cash provided by	
operating activities:	
Depreciation	1,159,582
Changes in assets and liabilities:	
Increase in accounts receivable	(195,065)
Decrease in inventory	896
Increase in deferred outflows of resources for pensions	(305,581)
Increase in net pension liability	364,287
Decrease in deferred inflows of resources - pensions	(26,756)
Decrease in accounts payable and accrued liabilities	618,647
Decrease in customer deposits	(11,096)
Decrease in accrued vacation pay	(4,967)
Increase in accrued OPEB liability	57,556
Total adjustments	<u>1,657,503</u>
Net cash provided by operating activities	<u>\$ 1,777,191</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Contributions of capital assets	\$ 91,825
Acquisition of capital assets through capital contributions	<u>(91,825)</u>
Net effect of non-cash contributions	<u>\$ -</u>

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

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, 2017

B. Basis of Presentation (continued)

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental fund:

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

The City reports the following non-major governmental funds:

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

Capital Project Funds – Various Capital Project funds are used to account for financial resources to be used for non-major acquisitions or construction. The City has six Capital Project Funds: City Facility Renovations Fund, Affordable Housing Project Fund, Ace Parking Lot Project, Phase 1A PARTF Project Fund, Police Evidence Room Fund and the Downtown Grant 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, 2017

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, 2017

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, 2017

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at 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, 2017.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

3. Restricted Assets (continued)

City of Clinton Restricted Cash

<u>Governmental Activities</u>			
	USDA Reserve	\$	28,148
	Police Grants		16,586
	Fire Department Grant Fund		4,869
	Total Governmental activities		<u>49,603</u>
 Business-type activities			
<u>Water & Sewer Fund</u>			
	Customer deposits		132,298
	Unspent loan proceeds		1,532,045
	Total Business-type activities		<u>1,664,343</u>
	Total Restricted Cash	\$	<u>1,713,946</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, 2016. As allowed by State law, the City has established a discount that applies to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Account

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

6. Inventory and Prepaid Items

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

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

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

6. Inventory and Prepaid Items (continued)

as the items are used. However, the City did not have any such items at June 30, 2017 that were material in amount.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of a year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

8. Deferred outflows/inflows of resources (continued)

not be recognized as an expense or expenditure until then. The City has several items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources.

This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activity, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the City provides for the accumulation of up to forty days earned vacation leave (based on length of service) with such leave being fully vested when earned. For both the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

10. Compensated Absences (continued)

Since neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State Statute – 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, 2017, 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, 2017

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.

Capital Projects – portion of fund balance that has been budgeted by the Board for various governmental capital improvements.

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, 2017

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, 2017

1. Deposits (continued)

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, 2017, the City's deposits had a carrying amount of \$9,689,806 and a bank balance of \$10,842,405. 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, 2017, the City's petty cash fund totaled \$350.

The carrying amount of deposits for the ABC Board was \$420,927 and the bank balance was \$413,182. The bank balances were covered by federal depository insurance in their entirety. At June 30, 2017 the ABC Board's cash on hand totaled \$2,900.

2. Investments

At June 30, 2017, the City of Clinton had \$2,628,303 invested with the North Carolina Capital Management Trust's (NCCMT) Government 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, 2017, The ABC Board had \$182,018 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The ABC Board has no formal policy regarding credit risk of its investments.

3. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$8,424.

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, 2017
General Fund:	
Taxes receivable	\$ 62,468
Accounts receivable	120,504
Total general fund	182,972
Enterprise Fund:	
Total Allowances for bad debts	2,779
	\$ 185,751

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,446,732	\$ 76,139	\$ 29,500	\$ 1,493,371
Construction in progress	66,992	666,012	194,620	538,384
Total capital assets being depreciated	<u>1,513,724</u>	<u>742,151</u>	<u>224,120</u>	<u>2,031,755</u>
Capital assets being depreciated:				
Buildings and other improvements	6,669,897	294,633	26,212	6,938,318
Intangible asset-brand	18,000	-	-	18,000
Equipment	2,786,015	172,912	418,390	2,540,537
Vehicles and motorized equipment	5,956,955	158,844	126,852	5,988,947
Infrastructure	8,492,957	-	68,373	8,424,584
Total capital assets being depreciated	<u>23,923,824</u>	<u>626,389</u>	<u>639,827</u>	<u>23,910,386</u>
Less accumulated depreciation and amortization for:				
Buildings and other improvements	2,300,626	174,070	18,743	2,455,953
Intangible asset-brand	950	600	-	1,550
Equipment	2,242,740	126,415	418,390	1,950,765
Vehicles and motorized equipment	3,784,109	383,954	126,852	4,041,211
Infrastructure	5,064,214	286,137	55,483	5,294,868
Total accumulated depreciation	<u>13,392,639</u>	<u>\$ 971,176</u>	<u>\$ 619,468</u>	<u>13,744,347</u>
Total capital assets being depreciated, net	<u>10,531,185</u>			<u>10,166,039</u>
Governmental activity capital assets, net	<u>\$ 12,044,909</u>			<u>\$ 12,197,794</u>

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

General government	\$ 382,966
Public safety	268,460
Transportation	123,004
Environmental protection	114,405
Cultural and recreation	82,341
Total depreciation expense	<u>\$ 971,176</u>

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

4. Capital Assets (continued)

Capital asset activity for the Enterprise Fund for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 316,947	\$ -	\$ 28,509	\$ 288,438
Construction in progress	2,715,453	3,949,492	1,647,709	5,017,236
Total capital assets not being depreciated	3,032,400	3,949,492	1,676,218	5,305,674
Capital assets being depreciated:				
Land Improvements	14,259,279	57,115	3,980	14,312,414
Equipment	2,253,360	54,632	139,494	2,168,498
Vehicles	484,791	347,447	14,000	818,238
Buildings	7,414,595	-	-	7,414,595
Infrastructure	17,152,284	1,739,534	105,042	18,786,776
Total capital assets being depreciated	41,564,309	2,198,728	262,516	43,500,521
Less accumulated depreciation for:				
Land Improvements	7,146,182	401,971	3,980	7,544,173
Equipment	1,610,727	104,010	138,117	1,576,620
Vehicles	356,862	35,133	1,055	390,940
Buildings	7,098,228	157,283	-	7,255,511
Infrastructure	7,949,907	461,185	103,407	8,307,685
Total accumulated depreciation	24,161,906	\$ 1,159,582	\$ 246,559	25,074,929
Total capital assets being depreciated, net	17,402,403			18,425,592
Water and Sewer fund capital assets, net	\$ 20,434,803			\$ 23,731,266

Beginning capital assets include reclassifications between types to agree with detailed records maintained by the City, but did not change the overall value of beginning capital assets.

Construction commitments and construction in progress

The government has active construction projects as of June 30, 2017. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Beaman Street Bridge Project	\$ 32,650	\$ 5,000
Water Production Expansion Project	4,529,974	1,414,192
Police Evidence Room Project	255,980	1,772
Phase 1A PARTF Project	170,528	516,086
Highway 24 Infrastructure Relocation		

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

4. Capital Assets (continued)

Discretely presented component unit

Capital assets and capital asset activity for the ABC Board for the year ended June 30, 2017, 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	192,456	-	-	192,456
Equipment	60,310	5,841	-	66,151
Total capital assets being depreciated	259,554	5,841	-	265,395
Less accumulated depreciation for:				
Paving	6,788	-	-	6,788
Buildings	145,032	2,614	-	147,646
Equipment	44,971	3,551	-	48,522
Total accumulated depreciation	196,791	\$ 6,165	\$ -	202,956
ABC capital assets being depreciated, net	62,763			62,439
ABC capital assets, net	\$ 99,558			\$ 99,234

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

a. Local Governmental Employees' Retirement System (continued)

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Clinton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Clinton's contractually required contribution rate for the year ended June 30, 2017 was 8.0% for law enforcement officers and 7.34% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Clinton were \$370,691 for the year ended June 30, 2017.

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, 2017

a. Local Governmental Employees' Retirement System (continued)

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

At June 30 2017, the City reported a liability of \$1,944,271 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the City's proportion was 0.09161% which was a decrease of 0.00312% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$484,338. At June 30, 2017, 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	\$ 36,529	\$ 68,129
Changes of assumptions	133,165	-
Net difference between projected and actual earnings on pension plan investments	1,074,937	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	112,970
City contributions subsequent to the measurement date	370,691	-
Total	\$ 1,615,322	\$ 181,099

\$370,691 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.

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

Year ended June 30:	
2018	\$ 143,271
2019	143,469
2020	482,424
2021	294,368
2022	-
Thereafter	-
Total	\$ 1,063,532

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

a. Local Governmental Employees' Retirement System (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.55 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

Actuarial Assumptions.(continued)

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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.

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)	\$ 4,614,662	\$ 1,994,271	\$ (286,238)

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

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The City of Clinton administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the City’s qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

b. Law Enforcement Officers Special Separation Allowance (continued)

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, 2016 the Separation Allowance’s membership consisted of:

Retirees receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>28</u>
Total plan members	<u><u>35</u></u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the yield of the Bond Buyer General Obligation 20 Municipal Bond Index as of December 31, 2016.

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

4. Contributions.

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

4. *Contributions (continued).*

Allowance are financed through investment earnings. The City paid \$85,369 as benefits came due for the reporting period.

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

At June 30, 2017, the City reported a total pension liability of \$754,632. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the City recognized pension expense of \$51,921.

	Deferred Outflows of	Deferred Inflows of
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	11,855
County benefit payments and plan administrative Expense made subsequent to the measurement date	43,507	-
Total	\$ 43,507	\$ 11,855

\$43,507 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2018	\$	2,646
2019		2,646
2020		2,646
2021		2,646
2022		1,271
Thereafter		-

\$43,507 paid as benefits came due subsequent to the measurement date are reported as deferred outflows or resources.

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.86 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

b. Law Enforcement Officers Special Separation Allowance (continued)

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 806,285	\$ 754,632	\$ 707,506

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

	2017
Beginning balance	\$ 799,935
Service Cost	27,533
Interest on the total pension liability	27,034
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(14,501)
Benefit payments	(85,369)
Other changes	-
Ending balance of the total pension liability	\$ <u>754,632</u>

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

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, 2017 were \$50,950, made exclusively by the law enforcement officers. No amounts were forfeited.

Effective July 1, 2010, the City discontinued the voluntary contribution of 2.25% made by the City to the plan for all employees who are not certified law enforcement personnel. Employees continue to be able to make voluntary contributions to the plan and the amounts contributed are fully vested when contributed. The contributions for the year ended June 30, 2017 totaled \$34,186, made exclusively by City employees.

d. Other Postemployment Benefit

Healthcare Benefits

Plan Description. According to a City resolution, the City provides post-employment health care benefits to retirees of the City, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the City. Employees hired as of July 1, 2010 are not eligible for this benefit. The City pays the full cost of coverage for these benefits until the retiree reaches age 65. 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	-
Terminated plan members entitled to but not yet receiving benefits	-	-
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 \$288 per month for family coverage, \$167 for spouse-only coverage and \$94 for

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

Funding Policy.(continued)

children-only coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 8.83% of annual covered payroll. For the current year, the city contributed \$99,075 or 3.24% 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 2.91% and 5.02% of covered payroll, respectively.

There were no contributions made by employees, except for dependent coverage in the amount of \$170,353. The City's obligation to contribute to the plan is established and may be amended by the City Council.

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

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

Annual required contribution	\$	269,977
Interest on net OPEB obligation		55,773
Adjustment to annual required contribution		<u>(59,464)</u>
Annual OPEB cost (expense)		266,286
Contributions made		<u>(99,075)</u>
Increase (decrease) in net OPEB obligation		167,211
Net OPEB obligation, beginning of year		1,394,324
Net OPEB obligation, end of year	\$	<u><u>1,561,535</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 \$99,075 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 2017 were as follows.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

Annual OPEB Cost and net OPEB Obligation.(continued)

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 286,207	41.80%	\$1,235,816
2016	\$ 250,691	44.47%	\$1,394,324
2017	\$ 266,286	37.21%	\$1,561,535

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.

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 7.50 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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

2. Other Employment Benefit

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

<u>LGERS Pension</u>		
Contributions to pension plan in the current fiscal year	\$	370,691
Differences between expected and actual experience		36,529
Changes of assumptions		133,165
Net difference between projected and actual earnings		1,074,937
LEO Pension		43,507
Benefit payments made and administrative expenses	\$	<u>1,658,829</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balances</u>
Unearned grant revenues	\$ 8,465	\$ 8,465
Taxes receivable	-	54,120
Other accounts receivable	-	119,194
LGERS Pension		
Differences between expected and actual experience	68,128	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	112,968	-
LEO Pension		
Changes of assumptions	11,855	-
	<u>\$ 201,416</u>	<u>\$ 181,779</u>

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

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. Installment Purchase

Serviced by the General Fund:

\$425,000 installment note issued August 2004 plus additional \$750,000 note issued February 2008 used to finance downtown revitalization projects. These notes were refinanced with BB&T in August 2012 to a remaining term of twelve years. Due in annual installments of \$83,997 including interest at 2.19%, through August 1, 2024. \$ 610,311

\$500,000 installment note issued June 1, 2010 to BB&T, due in annual payments of \$50,000 plus interest at 3.39%, for the renovation of City Hall 200,000

\$635,000 installment note issued August 27, 2012 to BB&T, due in annual payments of \$71,695 including interest at 2.27%, secured by equipment 397,959

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

a. Installment Purchase (continued)

\$1,000,000 installment note issued May 21, 2013 with the US Department of Agriculture, Rural Development, due in annual payments of \$70,370 including interest at 3.5% to finance downtown revitalization. \$ 853,378

\$482,000 installment note issued September 2, 2015 with Southern Bank and Trust, due in annual installments of \$120,705 plus interest at 1.55%, secured by equipment. 362,115

\$129,000 installment note issued December 9, 2015 with BB&T, due in annual payments of \$44,435 including interest at 1.66%, secured by equipment. 86,706

Total General Fund 2,510,469

Serviced by the Water and Sewer Funds:

\$2,525,018 unsecured installment note issued September 5, 2009 with NC Department of Environmental Quality (NCDEQ) for utility improvements, due in annual installments of \$168,335 plus interest at 2.1% 1,178,342

\$230,135 unsecured installment note issued June 8, 2010 with NCDEQ for utility improvements, due in annual installments of \$11,507 plus interest at 2.1% 149,588

\$142,850 unsecured installment note issued July 27, 2010 with NCDEQ for utility improvements, due in annual installments of \$7,143 with no interest. 92,852

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

\$1,646,334 installment note issued December 31, 2015 with the Environmental Protection Agency for utility improvements, due in annual installments of \$82,317 with no interest. 1,481,701

Total Water and Sewer Funds 3,247,883

Total installment notes \$ 5,758,352

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

D. Installment Purchase (continued)

Annual debt service payments of the installment purchase as of June 30, 2017, including interest, are as follows:

Year Ending June 30	<u>Governmental Activities</u>	
	Principal	Interest
2018	387,088	66,507
2019	392,249	57,781
2020	353,107	48,921
2021	237,094	40,663
2022	191,913	34,149
2023-2027	570,073	105,464
2028-2032	309,937	41,914
2033	69,008	1,363
Total	<u>\$ 2,510,469</u>	<u>\$ 396,762</u>

Year Ending June 30	<u>Water and Sewer Funds</u>	
	Principal	Interest
2018	353,454	33,828
2019	354,902	28,603
2020	356,374	23,354
2021	357,872	18,080
2022	269,301	12,780
2023-2027	841,499	17,854
2028-2032	467,531	1,450
2033	246,950	-
Total	<u>\$ 3,247,883</u>	<u>\$ 135,949</u>

b. Bond Anticipation Notes

\$5,994,000 Water and Sewer Notes issued October 12, 2016, and due on May 30, 2018; interest at 1.18%. The notes will be repaid from a \$5,994,000 private bond issue expected to be sold to the U.S. Department of Agriculture, Rural Development in the next fiscal year.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

c. Changes in Long-Term Liabilities

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

	Balance			Balance	
	July 1,			June 30,	Current
<u>Governmental activities:</u>	2016	Increases	Decreases	2017	Portion of
					Balance
Installment notes	\$ 2,916,690	\$ -	\$ 406,221	\$ 2,510,469	\$ 387,088
Compensated absences	266,982	164,111	163,245	267,848	163,775
Other postemployment benefits	1,011,513	197,019	87,364	1,121,168	-
Net pension obligation (LEO) (restated)	799,935	40,066	85,369	754,632	-
Net pension obligation (LGERS)	318,857	1,435,110	280,268	1,473,699	-
Governmental activity long-term liabilities	\$ 5,313,977	\$ 1,836,306	\$ 1,022,467	\$ 6,127,816	\$ 550,863

	Balance			Balance	
	July 1,			June 30,	Current
<u>Business-type activities:</u>	2016	Increases	Decreases	2017	Portion of
					Balance
Installment notes	\$ 3,093,576	\$ 499,277	\$ 344,970	\$ 3,247,883	\$ 354,622
Bond anticipation notes	-	5,994,000	-	5,994,000	5,994,000
Compensated absences	103,226	47,795	52,763	98,258	50,224
Other postemployment benefits	382,811	69,267	11,711	440,367	-
Net pension obligation (LGERS)	106,286	454,710	90,423	470,573	-
Business-type activity long-term liabilities	\$ 3,685,899	\$ 7,065,049	\$ 499,867	\$ 10,251,081	\$ 6,398,846

At June 30, 2017 the City of Clinton had bonds authorized but unissued of \$5,994,000 and a legal debt margin of \$49,122,488.

6. Net Investment in Capital Assets

	Governmental	Business Type
Capital Assets	\$ 12,197,794	\$ 23,731,266
Less: Long Term Debt	(2,510,469)	(9,241,883)
Add: Unspent Debt Proceeds	-	1,532,046
Net investment in capital assets	\$ 9,687,325	\$ 16,021,429

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

E. Interfund Activity and Balances

Transfers to/from other funds at June 30, 2017, consist of the following:

Description	Amount	Purpose
From Governmental Capital Project Fund (Affordable Housing Project) to General Fund	\$ 31	Close Capital Project
From Governmental Capital Project Fund to General Fund (Ace Parking Lot Project)	24,750	Close Capital Project
From General Fund to Governmental Capital Project Fund (Police Evidence Room Project)	291,200	Fund Improvements
From General Fund to Governmental Capital Project Fund (Phase 1A PARTF Project)	135,000	Fund Improvements
Transfer from the Water & Sewer Fund to Water & Sewer Capital Project Fund (Southwood Elevated Tank Project)	1,375	Fund Improvements
Transfer from the Water & Sewer Fund to Water & Sewer Capital Project Fund (Water Production Expansion Project)	147,500	Fund Improvements
Transfer from the Water & Sewer Fund to Water & Sewer Capital Reserve Fund	227,629	Allocate for future spending
Transfer from the Water & Sewer Fund to Water & Sewer Capital Project Fund (Hwy 24 Infrastructure Relocation)	<u>200,000</u>	Fund Improvements
Total	<u>\$ 1,027,485</u>	

Balances due to/from other funds at June 30, 2017 consist of the following:

Due to the Water and Sewer Fund from the NC Industrial Park Capital Project	\$ 268,141
Due to the Water and Sewer Fund from the Beaman Street Bridge Capital Project	32,650

**City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017**

D. Fund Balance

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

Total fund balance – General Fund		\$ 6,213,691
Less:		
Inventories		16,124
Stabilization by State Statute		1,254,811
USDA Reserve		28,148
Public Safety		31,635
Cemetery Fund		340,054
Capital Use Policy		830,763
Remaining fund balance		\$ 3,712,156

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. 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, 2017. 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, 2017.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

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, 2017. 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, 2017 was approximately \$119,100.

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, 2017 the City of Clinton received from Sampson County \$174,500 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.

IX. Significant Effects of Subsequent Events

City's management has evaluated subsequent events through November 30, 2017, the date on which the financial statements were available to be issued.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

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. 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 \$82,173.

XII. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENTS

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, in the fiscal year ending June 30, 2017. The implementation of the statement required the City to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance as of the measurement date, December 31, 2016. As a result, net position for the governmental activities decreased \$629,809.

It was noted while performing the audit for the fiscal year ending June 30, 2017 that vacation payable at June 30, 2016 was understated by \$123,001. An adjustment to beginning net position has been recorded to correct this which resulted in a decrease to beginning net position in the governmental funds of \$123,001.

It was noted while performing the audit for the fiscal year ending June 30, 2017 that although the City has a capitalization policy stating that purchases with an initial cost of \$5,000 or less will be expensed when purchased that there were numerous capital assets still included in the City's financial statements with costs below this level. Each of these assets have been deleted during the current year which resulted in a decrease to beginning net position of \$20,359 in the governmental funds and a decrease to beginning net position in the Water and Sewer Funds of \$3,012.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2017

XII. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENTS (continued)

In addition, the following adjustments were recorded in the General Fund to restate fund balance/net position at June 30, 2016:

Adjust sales tax receivable at June 30, 2016 to actual	\$	196,277
Adjust accounts receivable for garbage and tipping fees at June 30, 2016 to actual		(36,982)
Reclassify restricted police funds from accounts payable at June 30, 2016		11,320
		11,320
Total increase to Fund Balance-General Fund at June 30, 2016		170,615
Increases to Net Position-Governmental Funds		
Implementation of GASB 73		(629,809)
Correct beginning vacation liability		(123,001)
Adjust for capital assets less than \$5,000		(20,359)
		(602,554)
Total decrease in Net Position-Governmental funds at June 30, 2016	\$	(602,554)

CITY OF CLINTON, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

EXHIBIT A-1

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2017</u>
Beginning balance	\$ 799,935
Service cost	27,533
Interest on total pension liability	27,034
Changes of assumptions or other inputs	(14,501)
Benefit payments	<u>(85,369)</u>
Ending balance of the total pension liability	<u>\$ 754,632</u>

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

**CITY OF CLINTON, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY
AS A PERCENTAGE OF COVERED PAYROLL
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

EXHIBIT A-2

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

	<u>2017</u>
Total pension liability	\$ 754,632
Covered payroll	1,056,068
Total pension liability as a percentage of covered payroll	71.46%

Notes to the schedules

The City of Clinton has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

**CITY OF CLINTON, NORTH CAROLINA
RETIREMENT HEALTH CARE PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

EXHIBIT A-3

Actual Valuation Date December 31	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)
2005	\$ -	\$ 2,244,217	\$ 2,244,217	0.00%	\$ 3,683,332	60.93%
2007	-	2,386,161	2,386,161	0.00	4,065,438	58.69%
2011	-	2,795,135	2,795,135	0.00	3,939,179	70.96%
2014	-	2,860,870	2,860,870	0.00	2,929,378	97.66%

Note: The City of Clinton obtains an actuarial valuation bi-annually.

**CITY OF CLINTON, NORTH CAROLINA
RETIREMENT HEALTH CARE PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2017	\$ 269,977	36.70%
2016	250,691	44.47%
2015	286,207	41.80%
2014	288,902	40.23%

Notes to the Required Schedules:

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

Valuation date	December 31, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets

Actuarial assumptions:

Investment rate of return	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	7.50 - 5.00%
Year of ultimate trend rate	2020
Includes inflation at	3.00%
Cost-of-living adjustments	N/A

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

EXHIBIT A-5

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Clinton's proportion of the net pension liability (asset) (%)	0.09161%	0.09473%	-0.09690%	0.09440%
Clinton's proportion of the net pension liability (asset) (\$)	\$ 1,944,271	\$ 425,144	\$ (571,287)	\$ 1,137,882
Clinton's covered-employee payroll	\$ 4,699,383	\$ 4,874,305	\$ 4,734,391	\$ 4,293,097
Clinton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.37%	8.72%	-12.07%	26.50%
Plan fiduciary net position as a percentage of the total pension liability	94.47%	98.09%	102.64%	94.35%

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

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

EXHIBIT A-6

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 370,691	\$ 335,856	\$ 346,633	\$ 327,525
Contributions in relation to the contractually required contributions	<u>370,691</u>	<u>335,856</u>	<u>346,633</u>	<u>327,525</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Clinton's covered-employee payroll	\$ 4,957,515	\$ 4,699,383	\$ 4,874,305	\$ 4,734,391
Contributions as a percentage of covered- employee payroll	7.48%	7.15%	7.11%	6.92%

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

EXHIBIT A-7

TEN LARGEST TAXPAYERS BY ASSESSED VALUATION
 For the year ended June 30, 2017

	<u>Taxpayer</u>	<u>Assesses Valuation</u>	<u>Tax Levy</u>
1	Smithfield Packing, Smithfield Farmland Clinton Plant	89,704,794	358,819
2	Dubose National Energy Ser, Inc.,Dubose Strapping, Dubose Industries	18,492,833	73,971
3	Schindler Corporation, Schindler Elevator Corporation	13,405,194	53,621
4	Wal-Mart Stores Inc.	8,868,528	35,474
5	Liberty Healthcare Properties, Liberty Healthcare Services, Liberty Home Care	8,539,827	34,159
6	Duke Energy Progress Inc.	7,979,255	31,917
7	Faircloth Family Properties	7,482,061	29,928
8	Lowe's Home Center Inc.	6,171,432	24,686
9	Jordan Shopping Center	5,505,585	22,022
10	MHC Truck Leasing, Inc.	3,464,923	13,860
	Total	<u>\$ 169,614,432</u>	<u>\$ 678,458</u>

TOTAL ASSESSED VALUATION

Assessment Ratio	100%
Real Property	552,081,568
Personal Property	124,165,470
Public Service Property	15,730,712
	<u>\$ 691,977,750</u>
Tax Rate per \$100	0.40

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, 2017

	2017		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Ad valorem taxes:			
Current year	\$	\$ 2,918,045	\$
Prior year levies		38,671	
Interest and penalties		11,949	
Total	<u>2,880,500</u>	<u>2,968,665</u>	<u>88,165</u>
Other taxes and licenses:			
Auto licenses		56,158	
Vehicle rental taxes		17,035	
Privilege licenses		585	
Total	<u>79,000</u>	<u>73,778</u>	<u>(5,222)</u>
Unrestricted intergovernmental revenues:			
Local option sales tax		2,165,079	
Utility franchise tax		763,164	
Fire district tax		483,600	
ABC profit distribution		195,200	
Telecommunications sales tax		95,095	
Excise tax on piped gas		26,960	
Beer and wine tax		39,138	
CATV franchise fee		40,347	
Payments in lieu of taxes		17,059	
Sales tax reimbursements		6,097	
Total	<u>3,804,200</u>	<u>3,831,739</u>	<u>27,539</u>
Restricted intergovernmental revenues:			
Powell bill allocation		254,911	
Sampson County contribution		174,500	
City schools - police		105,250	
Federal grants		252,256	
State grants		71,648	
Rescue technical assistance		12,000	
ABC revenue for law enforcement		8,356	
Solid Waste Disposal tax		5,808	
Local Fire Protection Service		5,053	
State substance abuse tax		1,069	
Total	<u>855,704</u>	<u>890,851</u>	<u>35,147</u>

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

CITY OF CLINTON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the year ended June 30, 2017

	2017		Variance Favorable (Unfavorable)
	Budget	Actual	
Sales and services:			
Garbage collection fees	\$	\$ 1,302,541	\$
Recreation department fees		57,584	
Cemetery lot sales and maintenance		40,200	
Other services and materials		14,421	
Cemetery lot cleaning		8,768	
Total	<u>1,480,800</u>	<u>1,423,514</u>	<u>(57,286)</u>
Investment earnings:			
General fund		15,673	
Cemetery trust fund		1,255	
Total	<u>13,000</u>	<u>16,928</u>	<u>3,928</u>
Miscellaneous:			
Other		23,775	
Rent industrial buildings		82,173	
Sale of recyclables		39,088	
Insurance revenue		27,681	
False alarm ordinance		2,450	
Fire Department special fees		14,702	
Officer arrest fees		1,360	
Parking violations		645	
Total	<u>231,900</u>	<u>191,874</u>	<u>(40,026)</u>
Total revenues	<u>9,345,104</u>	<u>9,397,349</u>	<u>52,245</u>

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

CITY OF CLINTON, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the year ended June 30, 2017

	2017		Variance Favorable (Unfavorable)
	Budget	Actual	
EXPENDITURES:			
General government:			
Governing body:			
Mayor and council salaries and benefits	\$	\$ 56,509	\$
Mayor and council expenses		32,840	
Total	<u>89,600</u>	<u>89,349</u>	<u>251</u>
Administrative:			
Salaries and employee benefits		194,964	
Operating expenses		25,625	
Total	<u>233,600</u>	<u>220,589</u>	<u>13,011</u>
Finance:			
Salaries and employee benefits		181,293	
Operating expenses		44,171	
Total	<u>236,100</u>	<u>225,464</u>	<u>10,636</u>
Planning and zoning:			
Salaries and employee benefits		291,270	
Operating expenses		30,279	
Total	<u>335,000</u>	<u>321,549</u>	<u>13,451</u>
Cemetery and public grounds:			
Salaries and employee benefits		129,827	
Operating expenses		88,999	
Capital outlay		49,765	
Total	<u>304,900</u>	<u>268,591</u>	<u>36,309</u>
Non-departmental:			
Capital outlay		85,843	
Various operating expenses		72,378	
Retirees medical insurance		87,364	
Insurance		45,142	
Professional services		42,429	
Downtown incentive program		11,779	
Employee relations		31,491	
Utilities		11,130	
Other agency contributions		13,000	
Economic development		10,010	
Lot maintenance		10,653	

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, 2017

	2017		Variance Favorable (Unfavorable)
	Budget	Actual	
Non-departmental (continued):			
Maintenance - City Hall	\$	\$ 13,358	\$
Total	440,100	434,577	5,523
Total general government	1,639,300	1,560,119	79,181
Public safety:			
Police department:			
Salaries and employee benefits		1,680,521	
Operating expenses		400,242	
Capital outlay		158,844	
Total	2,357,504	2,239,607	117,897
Fire:			
Salaries and employee benefits		1,118,934	
Operating expenses		257,665	
Capital outlay		21,665	
Total	1,455,200	1,398,264	56,936
Total public safety	3,812,704	3,637,871	174,833
Transportation:			
Street administration:			
Salaries and employee benefits		380,486	
Operating expenses		70,068	
Total	437,000	450,554	(13,554)
Materials and supplies:			
Asphalt and concrete		14,268	
Signs, signals, paints and supplies		18,463	
Operating expenses		9,010	
Total	48,500	41,741	6,759
Equipment expenses:			
Automotive supplies		17,921	
Equipment rental and maintenance		38,729	
Small tools and equipment		6,042	
Total	69,000	62,692	6,308
Other costs and services:			
Street lighting contract		206,376	
Repairs to pavement, drainage and sidewalks		262,072	
Total	522,300	468,448	53,852
Capital outlay	149,800	120,899	28,901
Total street	1,226,600	1,144,334	82,266

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, 2017

	2017		Variance Favorable (Unfavorable)
	Budget	Actual	
Garage:			
Salaries and employee benefits	\$	\$ 161,725	\$
Operating expenses		69,969	
Total	<u>236,200</u>	<u>231,694</u>	<u>4,506</u>
Total transportation	<u>1,462,800</u>	<u>1,376,028</u>	<u>86,772</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		412,092	
Operating expenses		465,939	
Total environmental protection	<u>898,600</u>	<u>878,031</u>	<u>20,569</u>
Cultural and recreation:			
Salaries and employee benefits		530,799	
Operating expenses		348,713	
Capital outlay		64,941	
Total cultural and recreation	<u>995,500</u>	<u>944,453</u>	<u>51,047</u>
Debt service:			
Principal retirement		406,221	
Interest expense		76,249	
Total debt service	<u>482,600</u>	<u>482,470</u>	<u>130</u>
Total expenditures	<u>9,291,504</u>	<u>8,878,972</u>	<u>412,532</u>
Revenues over expenditures	<u>53,600</u>	<u>518,377</u>	<u>464,777</u>
Other financing sources (uses):			
Sale of surplus assets	15,000	27,222	12,222
Transfers in (out)			
Transfer from Capital Project Fund	-	24,781	24,781
Transfer to PARTF Grant Fund	(135,000)	(135,000)	-
Transfer to Capital Project Fund	(291,200)	(291,200)	-
Fund balance appropriated	<u>357,600</u>	<u>-</u>	<u>(357,600)</u>
Total other financing sources (uses) - net	<u>(53,600)</u>	<u>(374,197)</u>	<u>(320,597)</u>
Net change in fund balance	<u>\$ -</u>	<u>144,180</u>	<u>\$ 144,180</u>
Beginning of year, July 1 (as originally stated)		5,898,896	
Prior period adjustments		<u>170,615</u>	
Beginning of year, July 1 (as restated)		<u>6,069,511</u>	
End of year, June 30		<u>\$ 6,213,691</u>	

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

**CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-major Governmental Funds June 30, 2017</u>
Assets:			
Cash and investments	\$ 134,349	\$ 146,091	\$ 280,440
Receivables, net			
Taxes	1,347	-	1,347
Accounts	-	84,464	84,464
Due from other government	5,323	18,788	24,111
Restricted cash	4,869	-	4,869
	<u>\$ 145,888</u>	<u>\$ 249,343</u>	<u>\$ 395,231</u>
Liabilities and Fund Equity:			
Current Liabilities			
Accounts Payable	\$ 225	\$ 57,722	\$ 57,947
			-
Deferred Inflows of Resources:			
Property taxes receivable	1,347	-	1,347
Unearned grant revenue	-	8,465	8,465
Total deferred inflows of resources	<u>1,347</u>	<u>8,465</u>	<u>9,812</u>
			-
Total Liabilities and Deferred Inflows of Resources	<u>1,572</u>	<u>66,187</u>	<u>67,759</u>
Fund balances			
Assigned - Community Development	48,211	-	48,211
Restricted - Economic Development	90,952	-	90,952
Restricted - Public Safety	5,153	-	5,153
Committed - Capital Projects	-	183,156	183,156
Total fund balances	<u>144,316</u>	<u>183,156</u>	<u>327,472</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 145,888</u>	<u>\$ 249,343</u>	<u>\$ 395,231</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, 2017

	Special Revenue Funds	Capital Project Funds	Total Non-major Governmental Funds June 30, 2017
Revenues			
Ad valorem taxes - net	\$ 52,570	\$ -	\$ 52,570
Grant revenue	22,500	270,339	292,839
Investment earnings	463	-	463
Miscellaneous	21,114	-	21,114
Total Revenues	<u>96,647</u>	<u>270,339</u>	<u>366,986</u>
Expenditures			
Capital Outlay	-	666,011	666,011
General government	17,500	-	17,500
Public safety	4,057	-	4,057
Economic and physical development	79,920	-	79,920
Total Expenditures	<u>101,477</u>	<u>666,011</u>	<u>767,488</u>
Revenues under expenditures	<u>(4,830)</u>	<u>(395,672)</u>	<u>(400,502)</u>
Other financing sources / uses			
Transfer in (out)			
General Fund	-	426,200	426,200
General Fund	-	(24,781)	(24,781)
Total other financing sources (uses)	<u>-</u>	<u>401,419</u>	<u>401,419</u>
Net change in fund balance	(4,830)	5,747	917
Fund balance:			
Beginning of year, July 1	149,146	177,409	326,555
End of year, June 30	<u>\$ 144,316</u>	<u>\$ 183,156</u>	<u>\$ 327,472</u>

**CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2017**

	<u>Community Development Fund</u>	<u>Downtown Tax District Fund</u>	<u>Fire Department Grant Fund</u>	<u>Open Space Fund</u>	<u>Total Special Revenue Funds June 30, 2017</u>
Assets:					
Cash and investments	\$ 45,421	\$ 86,138	\$ -	\$ 2,790	\$ 134,349
Receivables, net:					
Taxes	-	1,347	-	-	1,347
Due from other government	-	5,039	284	-	5,323
Restricted cash	-	-	4,869	-	4,869
Total Assets	<u>\$ 45,421</u>	<u>\$ 92,524</u>	<u>\$ 5,153</u>	<u>\$ 2,790</u>	<u>\$ 145,888</u>
Liabilities					
Current Liabilities					
Accounts Payable	-	225	-	-	225
Deferred Inflows of Resources					
Property taxes receivable	-	1,347	-	-	1,347
Fund balances					
Assigned - Community Development	45,421	-	-	2,790	48,211
Restricted - Economic Development	-	90,952	-	-	90,952
Restricted - Public Safety	-	-	5,153	-	5,153
Total fund balances	<u>45,421</u>	<u>90,952</u>	<u>5,153</u>	<u>2,790</u>	<u>144,316</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 45,421</u>	<u>\$ 92,524</u>	<u>\$ 5,153</u>	<u>\$ 2,790</u>	<u>\$ 145,888</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, 2017

	<u>Community Development Fund</u>	<u>Downtown Tax District Fund</u>	<u>CDBG Commerce Fellows Fund</u>	<u>Fire Department Grant Fund</u>	<u>Open Space</u>	<u>Total Special Revenue Funds June 30, 2017</u>
Revenues						
Ad valorem taxes - net	\$ -	\$ 52,570	\$ -	\$ -	\$ -	\$ 52,570
Grant revenue	-	-	17,500	5,000	-	22,500
Investment earnings	158	305	-	-	-	463
Miscellaneous	336	20,778	-	-	-	21,114
Total Revenues	<u>494</u>	<u>73,653</u>	<u>17,500</u>	<u>5,000</u>	<u>-</u>	<u>96,647</u>
Expenditures						
Staff training	-	-	17,500	-	-	17,500
Public safety grant expenditure	-	-	-	4,057	-	4,057
Economic and physical development	-	79,920	-	-	-	79,920
Total Expenditures	<u>-</u>	<u>79,920</u>	<u>17,500</u>	<u>4,057</u>	<u>-</u>	<u>101,477</u>
Net change in fund balance	494	(6,267)	-	943	-	(4,830)
Fund balance:						
Beginning of year, July 1	44,927	97,219	-	4,210	2,790	149,146
End of year, June 30	<u>\$ 45,421</u>	<u>\$ 90,952</u>	<u>\$ -</u>	<u>\$ 5,153</u>	<u>\$ 2,790</u>	<u>\$ 144,316</u>

CITY OF CLINTON, NORTH CAROLINA
SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Program Income	\$ 500	\$ -	\$ (500)
Investment Earnings	500	158	(342)
Miscellaneous	-	336	336
Total Revenues	<u>1,000</u>	<u>494</u>	<u>(506)</u>
Expenditures			
Legal Service	500	-	500
Miscellaneous	500	-	500
Total Expenditures	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net change in fund balance	<u>\$ -</u>	<u>494</u>	<u>\$ 494</u>
Fund balance:			
Beginning of year, July 1		<u>44,927</u>	
End of year, June 30		<u>\$ 45,421</u>	

CITY OF CLINTON, NORTH CAROLINA
SPECIAL REVENUE FUND - DOWNTOWN TAX DISTRICT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Ad valorem taxes-net	\$ 54,800	\$ 52,570	\$ (2,230)
Investment Earnings	500	305	(195)
Miscellaneous	29,200	20,778	(8,422)
Total Revenues	<u>84,500</u>	<u>73,653</u>	<u>(10,847)</u>
Expenditures			
Special Events	18,800	18,762	38
Downtown Façade Grant Program	7,700	7,500	200
Projects	24,300	26,252	(1,952)
Advertising	12,000	11,405	595
Supplies and materials	3,700	1,118	2,582
Other	18,000	14,883	3,117
Total Expenditures	<u>84,500</u>	<u>79,920</u>	<u>4,580</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (6,267)</u>	<u>\$ (6,267)</u>
Fund balance:			
Beginning of year, July 1		<u>97,219</u>	
End of year, June 30		<u>\$ 90,952</u>	

**CITY OF CLINTON, NORTH CAROLINA
 SPECIAL REVENUE FUND - CDBG COMMERCE FELLOWS FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For the Year Ended June 30, 2017**

	<u>Budget</u>	<u>Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
CDBG Grant	\$ 19,200	\$ 17,500	\$ (1,700)
Expenditures			
Staff training	17,500	17,500	-
Adiministration	1,700	-	1,700
Total Expenditures	<u>19,200</u>	<u>17,500</u>	<u>1,700</u>
Net change in fund balance	<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
 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, 2017

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	\$ 5,000	\$ 500	\$ 5,000	\$ 5,500	\$ 500
Expenditures					
Grant expenditures	<u>11,845</u>	<u>3,135</u>	<u>4,057</u>	<u>7,192</u>	<u>4,653</u>
Revenues over (under) expenditures	(6,845)	(2,635)	943	(1,692)	5,153
Other financing sources					
Transfer from General Fund	<u>6,845</u>	<u>6,845</u>	<u>-</u>	<u>6,845</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,210</u>	943	<u>\$ 5,153</u>	<u>\$ 5,153</u>
Fund balance:					
Beginning of year, July 1			<u>4,210</u>		
End of year, June 30			<u>\$ 5,153</u>		

CITY OF CLINTON, NORTH CAROLINA
 SPECIAL REVENUE FUND - OPEN SPACE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2017

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	-	-	-	-	-
Net change in fund balance	\$ -	\$ 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
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2017

Non - Major

	<u>City Facility Renovations</u>	<u>Phase 1A PARTF Project</u>	<u>Police Evidence Room Project</u>	<u>Downtown Grant</u>	<u>Total Capital Project Funds June 30, 2017</u>
Assets:					
Cash and investments	\$ 49,000	\$ 41,789	\$ 52,294	\$ 3,008	\$ 146,091
Accounts receivable	-	84,464	-	-	84,464
Due from other governments	-	4,680	7,662	6,446	18,788
Total Assets	<u>\$ 49,000</u>	<u>\$ 130,933</u>	<u>\$ 59,956</u>	<u>\$ 9,454</u>	<u>\$ 249,343</u>
Liabilities, Deferred inflows of resources and Fund Equity:					
Liabilities:					
Accounts payable	\$ -	\$ 31,997	\$ 24,736	\$ 989	\$ 57,722
Deferred inflows of resources:					
Unearned grant revenues	-	-	-	8,465	8,465
Fund balances					
Committed - capital projects	49,000	98,936	35,220	-	183,156
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 49,000</u>	<u>\$ 130,933</u>	<u>\$ 59,956</u>	<u>\$ 9,454</u>	<u>\$ 249,343</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, 2017

	Non - Major						Total Capital Project Funds June 30, 2017
	City Facility Renovations	Affordable Housing Project	Ace Parking Lot Project	Phase 1A PARTF Project	Police Evidence Room	Downtown Grant	
Revenues							
Grants	\$ -	\$ -	\$ 100,000	\$ 84,464	\$ -	\$ 85,875	\$ 270,339
Expenditures							
Capital Outlay	-	-	162,862	161,294	255,980	85,875	666,011
Revenues under expenditures	-	-	(62,862)	(76,830)	(255,980)	-	(395,672)
Other financing sources (uses)							
Transfer from General Fund	-	-	-	135,000	291,200	-	426,200
Transfer to General Fund	-	(31)	(24,750)	-	-	-	(24,781)
Total other financing sources (uses)	-	(31)	(24,750)	135,000	291,200	-	401,419
Net change in fund balance	-	(31)	(87,612)	58,170	35,220	-	5,747
Fund balance:							
Beginning of year, July 1	49,000	31	87,612	40,766	-	-	177,409
End of year, June 30	<u>\$ 49,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,936</u>	<u>\$ 35,220</u>	<u>\$ -</u>	<u>\$ 183,156</u>

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT FUND - CITY FACILITY RENOVATIONS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2017

EXHIBIT C-12

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues					
Private Contribution	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Expenditures					
Renovations	<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	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 49,000</u>	<u>-</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, 2017

EXHIBIT C-13

	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	1,998	-	1,998	(498)
Grading	500	-	-	-	500
Maintenance and repair	3,000	2,640	-	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	<u>86,900</u>	<u>86,869</u>	<u>-</u>	<u>86,869</u>	<u>31</u>
Revenues over (under) expenditures	<u>(86,900)</u>	<u>(86,869)</u>	<u>-</u>	<u>(86,869)</u>	<u>31</u>
Other financing sources (uses)					
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	<u>(25,900)</u>	<u>(25,900)</u>	<u>(31)</u>	<u>(25,931)</u>	<u>(31)</u>
Total other financing sources (uses)	<u>86,900</u>	<u>86,900</u>	<u>(31)</u>	<u>86,869</u>	<u>(31)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 31</u>	<u>(31)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year, July 1			<u>31</u>		
End of year, June 30			<u>\$ -</u>		

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, 2017

EXHIBIT C-14

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
USDA grant	\$ 100,000	\$ -	\$ 100,000	\$ 100,000	\$ -
Expenditures					
Engineering Service	16,300	12,388	4,260	16,648	(348)
Construction	172,800	-	158,602	158,602	14,198
Contingency	10,900	-	-	-	10,900
Total expenditures	<u>200,000</u>	<u>12,388</u>	<u>162,862</u>	<u>175,250</u>	<u>24,750</u>
Revenues over (under) expenditures	<u>(100,000)</u>	<u>(12,388)</u>	<u>(62,862)</u>	<u>(75,250)</u>	<u>24,750</u>
Other financing sources (uses)					
Operating transfers - in (out)					
General Fund	100,000	100,000	-	100,000	-
General Fund	<u>-</u>	<u>-</u>	<u>(24,750)</u>	<u>(24,750)</u>	<u>(24,750)</u>
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>(24,750)</u>	<u>75,250</u>	<u>(24,750)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 87,612</u>	<u>(87,612)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year, July 1			<u>87,612</u>		
End of year, June 30			<u>\$ -</u>		

CITY OF CLINTON, NORTH CAROLINA
 CAPITAL PROJECT FUND - PHASE 1A PART F PROJECT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2017

EXHIBIT C-15

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
PARTF grant	\$ 250,000	\$ -	\$ 84,464	\$ 84,464	\$ (165,536)
Expenditures					
Engineering/design	74,200	9,234	61,306	70,540	3,660
Construction	400,000	-	99,988	99,988	300,012
Contingency	25,800	-	-	-	25,800
Total expenditures	500,000	9,234	161,294	170,528	329,472
Revenues over (under) expenditures	(250,000)	(9,234)	(76,830)	(86,064)	163,936
Other financing sources					
Operating transfers - in General Fund	250,000	50,000	135,000	185,000	(65,000)
Net change in fund balance	\$ -	\$ 40,766	58,170	\$ 98,936	\$ 98,936
Fund balance:					
Beginning of year, July 1			40,766		
End of year, June 30			<u>\$ 98,936</u>		

CITY OF CLINTON, NORTH CAROLINA
 CAPITAL PROJECT FUND - POLICE EVIDENCE ROOM PROJECT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2017

EXHIBIT C-16

	<u>Actual</u>			Total to Date	Variance Favorable (Unfavorable)
	Project Authorization	Prior Years	Current Year		
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Engineering/design	37,400	-	28,243	28,243	9,157
Furniture	35,000	-	21,226	21,226	13,774
Construction	198,900	-	205,926	205,926	(7,026)
Contingency	19,900	-	585	585	19,315
Total expenditures	<u>291,200</u>	<u>-</u>	<u>255,980</u>	<u>255,980</u>	<u>35,220</u>
Revenues over (under) expenditures	(291,200)	-	(255,980)	(255,980)	35,220
Other financing sources					
Operating transfers - in General Fund	<u>291,200</u>	<u>-</u>	<u>291,200</u>	<u>291,200</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	35,220	<u>\$ 35,220</u>	<u>\$ 35,220</u>
Fund balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ 35,220</u>		

CITY OF CLINTON, NORTH CAROLINA
 CAPITAL PROJECT FUND - DOWNTOWN GRANT PROJECT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2017

EXHIBIT C-17

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues					
Downtown Grant	\$ 94,340	\$ -	\$ 85,875	\$ 85,875	\$ (8,465)
Expenditures					
Crosswalk improvements	70,500	-	74,570	74,570	(4,070)
Landscaping improvements	23,840	-	11,305	11,305	12,535
Total expenditures	94,340	-	85,875	85,875	8,465
Net change in fund balance	<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
Water and Sewer Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP)
For the year ended June 30, 2017

	2017		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Operating revenues:			
Charges for services:			
Water and sewer charges	\$	\$ 4,369,944	\$
Sewer surcharge		323,442	
Water and sewer tap fees		42,334	
Service fees		36,150	
Fireline fees		49,861	
Miscellaneous		66,569	
FEMA - Federal		60,641	
FEMA - State		20,214	
Total operating revenues	4,887,700	4,969,155	81,455
Nonoperating revenues:			
Investment earnings	10,000	9,734	(266)
Total revenues	4,897,700	4,978,889	81,189
EXPENDITURES:			
Operating expenditures other than depreciation:			
Water department:			
Salaries and employee benefits		1,052,160	
Operating expenditures		590,502	
Repairs and maintenance		411,714	
Total water department	2,228,500	2,054,376	174,124
Waste treatment department:			
Salaries and employee benefits		560,724	
Operating expenditures		756,246	
Repairs and maintenance		220,521	
Total waste treatment department	1,619,800	1,537,491	82,309
Total operating expenditures other than depreciation	3,848,300	3,591,867	256,433
Debt service:			
Principal payments		344,970	
Interest and fees		33,434	
Total debt service	380,700	378,404	2,296
Capital outlay:			
Water department		390,374	
Waste treatment department		68,820	
Total capital outlay	548,100	459,194	88,906
Total expenditures	4,777,100	4,429,465	347,635
Revenues over expenditures	120,600	549,424	428,824

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, 2017

	2017		Variance Favorable (Unfavorable)
	Budget	Actual	
Other financing sources (uses):			
Installment purchase proceeds	\$	\$ 345,400	\$
Sale of surplus property		24,864	
Transfers to other funds			
Water & Sewer Capital Reserve Fund		(227,629)	
Water & Sewer Capital Projects		(348,875)	
Total other financing uses	(120,600)	(206,240)	(85,640)
Revenues and other financing sources over (under) expenditures and other uses	\$ -	343,184	\$ 343,184
Reconciliation of modified accrual basis to full accrual basis:			
Revenues over expenses and supplemental budget expenditures			
Reconciling items:			
Capital outlay		459,194	
Installment noted issued		(345,400)	
Principal retirement		344,970	
Decrease in accrued vacation pay		4,968	
Increase in accrued interest		(47,088)	
Increase in accrued OPEB liability		(57,556)	
Depreciation		(1,159,582)	
Capital contributions		91,825	
Loss on disposal of assets		(41,454)	
Transfers to capital project funds		576,504	
Increase in net pension liability		(364,287)	
Increase in deferred outflows of resources - pensions		305,581	
Decrease in deferred inflows of resources - pensions		26,756	
Water Production Expansion Capital Project Fund			
Interest income		500	
Debt issuance costs		(14,350)	
Beaman Street Bridge Capital Project Fund			
Grant revenues		32,650	
Professional services		(40,400)	
Total reconciling items		(227,169)	
Change in net position		\$ 116,015	

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, 2017

EXHIBIT D-2

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
USDA grant	\$ 200,000	\$ -	\$ -	\$ -	\$ (200,000)
Investment earnings	-	-	500	500	500
Total Revenues	<u>200,000</u>	<u>-</u>	<u>500</u>	<u>500</u>	<u>(199,500)</u>
Expenditures					
Engineering and design	562,643	317,790	100,998	418,788	143,855
Legal	50,000	1,560	14,350	15,910	34,090
Construction	5,638,857	606,950	3,401,350	4,008,300	1,630,557
Property acquisition	90,000	86,976	-	86,976	3,024
Total Expenditures	<u>6,341,500</u>	<u>1,013,276</u>	<u>3,516,698</u>	<u>4,529,974</u> ^a	<u>1,811,526</u>
Revenues under expenditures	<u>(6,141,500)</u>	<u>(1,013,276)</u>	<u>(3,516,198)</u>	<u>(4,529,474)</u>	<u>1,612,026</u>
Other financing sources					
Loan proceeds - USDA	5,994,000	187,280	5,806,720	5,994,000	-
Operating transfers - in Water and Sewer Fund	<u>147,500</u>	<u>-</u>	<u>147,500</u>	<u>147,500</u>	<u>-</u>
Total other financing sources	<u>6,141,500</u>	<u>187,280</u>	<u>5,954,220</u>	<u>6,141,500</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (825,996)</u>	<u>\$ 2,438,022</u>	<u>\$ 1,612,026</u>	<u>\$ 1,612,026</u>

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

CITY OF CLINTON, NORTH CAROLINA
 CAPITAL PROJECT FUND - 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, 2017

EXHIBIT D-3

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Engineering and design	113,000	165,763	-	165,763	(52,763)
Construction	1,326,000	1,230,440	143,997	1,374,437	(48,437)
Construction administration & observation	93,500	61,346	11,256	72,602	20,898
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>1,492,456</u>	<u>155,253</u>	<u>1,647,709</u>	<u>21,991</u>
Revenues under expenditures	<u>(1,669,700)</u>	<u>(1,492,456)</u>	<u>(155,253)</u>	<u>(1,647,709)</u>	<u>21,991</u>
Other financing sources					
Loan proceeds	1,669,700	1,492,457	153,877	1,646,334	(23,366)
Operating transfers - in					
Water and Sewer Fund	-	-	1,375	1,375	1,375
Total other financing sources	<u>1,669,700</u>	<u>1,492,457</u>	<u>155,252</u>	<u>1,647,709</u>	<u>(21,991)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2017

EXHIBIT D-4

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
NC Rural Center	\$ 650,000	\$ -	\$ -	\$ -	\$ (650,000)
EDA grant	1,758,150	-	-	-	(1,758,150)
Total Revenues	<u>2,408,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,408,150)</u>
Expenditures					
Engineering and design	335,200	47,075	3,630	50,705	284,495
Grant administration	35,000	7,562	5,471	13,033	21,967
Land, Structures, ROW Appraisal	98,000	-	-	-	98,000
Construction	2,802,700	-	253,537	253,537	2,549,163
Legal Expense	15,500	15,904	-	15,904	(404)
Contingency	280,400	-	-	-	280,400
Total Expenditures	<u>3,566,800</u>	<u>70,541</u>	<u>262,638</u>	<u>333,179</u>	<u>3,233,621</u>
Total revenues over (under) expenditures	<u>(1,158,650)</u>	<u>(70,541)</u>	<u>(262,638)</u>	<u>(333,179)</u>	<u>825,471</u>
Other financing sources					
Loan proceeds	1,089,150	-	-	-	(1,089,150)
Operating transfers - in 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 over (under) expenditures	<u>\$ -</u>	<u>\$ (1,041)</u>	<u>\$ (262,638)</u>	<u>\$ (263,679)</u>	<u>\$ (263,679)</u>

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, 2017

EXHIBIT D-5

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
NCDOT reimbursement for Hwy 24 ext	500,000	-	-	-	500,000
Professional services	93,000	98,955	-	98,955	(5,955)
Equipment	70,000	69,334	-	69,334	666
Total Expenditures	663,000	168,289	-	168,289	494,711
Revenues under expenditures	(663,000)	(168,289)	-	(168,289)	494,711
Other financing sources					
Operating transfers - in Water & Sewer Fund	663,000	663,000	200,000	863,000	200,000
Revenues and other financing sources over expenditures	\$ -	\$ 494,711	\$ 200,000	\$ 694,711	\$ 694,711

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT FUND - BEAMAN STREET BRIDGE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Year Ended June 30, 2017

EXHIBIT D-6

	<u>Actual</u>			Variance Favorable (Unfavorable)	
	Project Authorization	Prior Years	Current Year		Total to Date
Revenues					
NCDOT Reimbursement	\$ 46,400	\$ -	\$ 32,650	\$ 32,650	\$ (13,750)
Expenditures					
Professional Services (non-capitalized)	46,400	-	40,400	40,400	6,000
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,750)</u>	<u>\$ (7,750)</u>	<u>\$ (7,750)</u>

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, 2017

EXHIBIT D-7

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Other financing sources (uses)					
Operating transfers - in					
Water & Sewer Fund	\$ 654,200	\$ 654,200	\$ 227,629	\$ 881,829	\$ 227,629
Operating transfers - out					
Utility Lines Maintenance Project	<u>(654,200)</u>	<u>(386,000)</u>	<u>-</u>	<u>(386,000)</u>	<u>268,200</u>
Total other financing sources (uses)	<u>-</u>	<u>268,200</u>	<u>227,629</u>	<u>495,829</u>	<u>495,829</u>
Revenues and other financing sources over other financing uses	<u>\$ -</u>	<u>\$ 268,200</u>	<u>\$ 227,629</u>	<u>\$ 495,829</u>	<u>\$ 495,829</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, 2017

EXHIBIT D-8

	<u>Actual</u>			Variance Favorable (Unfavorable)
	Project Authorization	Prior Years	Current Year	
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Professional services	65,000	26,000	29,250	9,750
Revenues over (under) expenditures	(65,000)	(26,000)	(29,250)	9,750
Other financing sources				
Operating transfers - in Water & Sewer Fund	65,000	65,000	-	-
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 39,000</u>	<u>\$ (29,250)</u>	<u>\$ 9,750</u>

CITY OF CLINTON, NORTH CAROLINA
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2017

Fiscal Year	Uncollected June 30, 2016	Additions	Collections & Credits	Uncollected June 30, 2017
2016-2017	\$ -	\$ 3,046,868	\$ (2,985,086)	\$ 61,782
2015-2016	41,886	-	(29,663)	12,223
2014-2015	12,743	-	(5,697)	7,046
2013 & prior	42,148	-	(7,957)	34,191
	<u>\$ 96,777</u>	<u>\$ 3,046,868</u>	<u>\$ (3,028,403)</u>	<u>115,242</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>62,468</u>
Ad valorem taxes receivable - net				<u><u>52,774</u></u>

Reconciliation with revenues:

Taxes - Ad Valorem - General Fund	\$ 2,968,665
Collection fee	67,041
Taxes written off and other adjustments	4,646
Subtotal	<u>3,040,352</u>
Less interest and penalties collected	<u>(11,949)</u>
Total collections and credits	<u><u>\$ 3,028,403</u></u>

CITY OF CLINTON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
For the Year Ended June 30, 2017

	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax levy - General Fund					
Property taxed at current rate	745,986,000	0.40	\$ 2,983,944	\$ 2,704,988	\$ 278,956
Utilities	15,730,750	0.40	62,923	62,923	-
Penalties			3,126	1,418	1,708
Abatements and discoveries	<u>(781,250)</u>		<u>(3,125)</u>	<u>(1,418)</u>	<u>(1,707)</u>
Total for year	<u>\$ 760,935,500</u>		3,046,868	2,767,911	278,957
Less uncollected tax at June 30, 2017 (Exhibit E-1)			<u>61,782</u>	<u>60,675</u>	<u>1,107</u>
Current year's taxes collected			<u>\$ 2,985,086</u>	<u>\$ 2,707,236</u>	<u>\$ 277,850</u>
Percent current year collected			97.97%	97.81%	99.60%

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clinton, North Carolina, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprises the City of Clinton's basic financial statements and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Clinton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clinton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. [2017-1].

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. [2017-2, 2017-3].

Compliance and Other Matters

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

City of Clinton’s Response to Findings

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

Purpose of this Report

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


JOYCE AND COMPANY, CPA
Cary, North Carolina

November 30, 2017

**Report on Compliance for the Major Federal Programs;
Report on Internal Control Over Compliance in Accordance with OMB Uniform Guidance
and the State Single Audit Implementation Act**

Independent Auditor's Report

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

Report on Compliance for the Major Federal Programs

We have audited the City of Clinton, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City of Clinton's major federal programs for the year ended June 30, 2017. The City of Clinton's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Clinton's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Clinton's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the City of Clinton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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


JOYCE AND COMPANY, CPA
Cary, North Carolina

November 30, 2017

**Report On Compliance For Each Major State Program; Report on Internal Control Over
Compliance in accordance with OMB Uniform Guidance and the State Single Audit
Implementation Act**

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Clinton, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Clinton's major state programs for the year ended June 30, 2017. The City of Clinton's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Clinton's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Clinton's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City of Clinton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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


JOYCE AND COMPANY, CPA
Cary, North Carolina

November 30, 2017

CITY OF CLINTON, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, CORRECTIVE ACTION PLAN AND SUMMARY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
• Significant deficiency (s) identified that are not considered to be material weaknesses?	<u> X </u> <u> </u> yes	none reported
Noncompliance material to financial statement noted	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major federal program:		
• Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
• Significant deficiency (s) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported

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

Identification of major federal programs: CFDA 10.760 - Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee:	<u> </u> yes	<u> X </u> no
--	-------------------	-----------------

State Awards

Internal control over major state program:		
• Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
• Significant deficiency (s) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported

Type of auditor's report issued on compliance for major state program: Unmodified

Identification of major state programs: Powell Bill

Section II. Financial Statement Findings

Item 2017-1

Material Weakness

Review of internal financial statements

Criteria

City staff should perform a more detailed review of monthly financial statements and record all needed adjustments.

<u>Condition</u>	There were material adjustments that had not been recorded by staff.
<u>Effect</u>	The unadjusted financial statements were materially misstated due to both material adjustments needed and a combination of numerous smaller items that had not been recorded.
<u>Cause</u>	Lack of a detailed review of financial statements.
<u>Recommendation</u>	Staff should timely review all monthly internal financial statements and record any needed adjustments at that time.
<u>Name of Contact Person</u>	Kristin Stafford, Finance Director
<u>Corrective Action</u>	The City's budget analyst and finance director will begin reviewing financial statements monthly for these items.
<u>Proposed Completion Date</u>	March 31, 2018

Item 2017-2
Significant Deficiency

Purchase orders

<u>Criteria</u>	The City has a formal purchasing policy to provide reasonable assurance that purchase orders, payment requisitions and purchase order approval are handled appropriately.
<u>Condition</u>	Instances of invoices and/or delivery dates of goods received by the City dated prior to purchase orders or there was no purchase order issued.
<u>Effect</u>	Financial statements could be materially misstated and not be detected and corrected.
<u>Cause</u>	Lack of review and enforcement of City purchasing policy.
<u>Recommendation</u>	Strict enforcement of City approved policies and procedures and timely review.
<u>Name of Contact Person</u>	Kristin Stafford, Finance Director
<u>Corrective Action</u>	Purchase manager/budget analyst will require contracts to be requested in the full amount before work is initiated or items purchased. The finance director will emphasize the importance of following the purchasing policy to the management team.
<u>Proposed Completion Date</u>	January 31, 2018

Item 2017-3
Significant Deficiency

Review of utility billings and related accounts receivable

<u>Criteria</u>	The City has a water/sewer system that bills clients monthly based on meter readings and some manually calculated amounts
<u>Condition</u>	We noted bills that were posted for the wrong amounts, errors in bills sent to customers and lack of adjustments to reconcile the utility billing subledger of accounts receivable to the general ledger.
<u>Effect</u>	Financial statements could be materially misstated and not be detected and corrected.

<u>Cause</u>	Lack of review of bills and related utility reports.
<u>Recommendation</u>	Staff should review utility bills for obvious billing errors prior to being mailed, provide additional training to identify these errors and maximize usage of various utility billing reports, and record all adjustments that need to be reflected in the general ledger as well as the customer's bill.
<u>Name of Contact Person</u>	Kristin Stafford, Finance Director
<u>Corrective Action</u>	Additional training for new staff will be implemented and additional monitoring to billing registers before bills are sent to customers will be implemented.
<u>Proposed Completion Date</u>	March 31, 2018

Section III. Federal Award Findings and Questioned Costs

None.

Section IV. State Award Findings and Questioned Costs

None.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding: 2015-01

Corrected

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

For the fiscal year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass - Through/State Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
<u>FEDERAL GRANTS:</u>					
<u>Cash Programs</u>					
<u>US Department of Housing and Urban Development</u>					
Passed through NC Department of Commerce Community Development Block Grant <i>Commerce Fellows Capacity Building</i>	14.228-2	04-D-2707	17,500	-	-
Direct Program Public and Indian Housing Drug Elimination <i>HUD Community Officer</i>	14.854	N/A	44,065	-	-
<u>US Department of Justice</u>					
Passed through NC Department of Public Safety Governor's Crime Commission <i>Byrne Justice Assistance Grant</i>	16.738	PROJ011674	21,310	-	-
Direct Programs Bureau of Justice Assistance <i>Bullet Proof Vest Partnership Program</i>	16.607	N/A	1,036	-	1,036
<i>Asset Forfeiture and Money Laundering Section Federal Equitable Sharing Program</i>	16.922	N/A	583	-	-
<u>US Department of Agriculture</u>					
Rural Business Development <i>Rural Business and Cooperative Service Grant</i>	10.351	690388704	100,000	-	57,833
<u>US Department of Homeland Security</u>					
Passed through NC Department of Public Safety <i>Disaster Grants-Public Assistance (Presidentially Declared Disasters)</i>	97.036	FEMA-4285-DR-NC	246,487	64,061	-
<u>Non-Cash Programs</u>					
<u>US Department of Agriculture</u>					
Water and Waste Disposal Systems for Rural Communities <i>Water System Improvements</i>	10.760	N/A	3,517,571	-	125,000
<u>US Environmental Protection Agency</u>					
Passed-through NC Department of Environmental Quality <i>Capitalization Grants for Drinking Water State Revolving Funds</i>	66.468	FD-984338.13□	153,877	-	-
Total assistance-federal programs			<u>4,102,429</u>	<u>64,061</u>	<u>183,869</u>
<u>STATE GRANTS:</u>					
<u>NC Department of Transportation</u>					
<i>Powell Bill Fund</i>	N/A		-	254,911	-
<i>Transportation Improvement Program</i>	N/A	WBS Element 46021.1.1	-	32,650	-
<i>Small Construction Agreement</i>	N/A	WBS Element 44790	-	27,800	-
<u>NC Department of Commerce</u>					
<i>Downtown Revitalization Program</i>	N/A	2017-009-1257-1537	-	85,875	-
<u>NC Department of Natural and Cultural Resources</u>					
<i>Park and Recreation Trust Fund</i>	N/A	2016-791	-	84,464	84,464
Total assistance-state programs			<u>-</u>	<u>485,700</u>	<u>84,464</u>
Total assistance			<u>\$ 4,102,429</u>	<u>\$ 549,761</u>	<u>\$ 268,333</u>

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

For the fiscal year ended June 30, 2017

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

Basis of Presentation - The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City of Clinton under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Clinton, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Clinton.

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

Loans Outstanding - The City of Clinton had the following loan balances outstanding at June 30, 2017 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The activity and balances for the year ended June 30, 2017 are as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FD-984338.13	\$ 1,481,701
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	5,994,000