

**Audited Financial Statements  
And Other Financial Information**

City of Clinton, North Carolina

As of June 30, 2012

City Council Members

Mr. Lew Starling, Mayor  
Ms. Maxine Harris, Mayor Pro-Tem  
Mr. Steve Stefanovich  
Mr. Neal Strickland  
Rev. Marcus Becton  
Ms. Jean Turlington

Administrative and Financial Staff

Mr. John Connet, City Manager  
Mr. Shawn Purvis, Assistant City Manager-Finance Director

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

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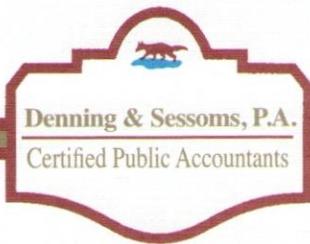
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Financial Section



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Clinton, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Clinton, North Carolina's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clinton, North Carolina, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, on our consideration of the City of Clinton, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Law Enforcements Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 3 through 14 and 57 through 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Clinton, North Carolina's basic financial statements. The combining and individual fund statements, budgetary schedules and other schedules, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements, budgetary schedules and other schedules and the schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and State awards are fairly stated in all material respects in relation to the financial statements as a whole.

*Denning & Sessoms PA*

Denning & Sessoms, PA

Clinton, North Carolina

November 2, 2012

## Management Discussion and Analysis

## **Management's Discussion and Analysis**

As management of the City of Clinton, we offer readers of the City of Clinton's financial statements this narrative overview and analysis of the financial activities of the City of Clinton for the fiscal year ended June 30, 2012. 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**

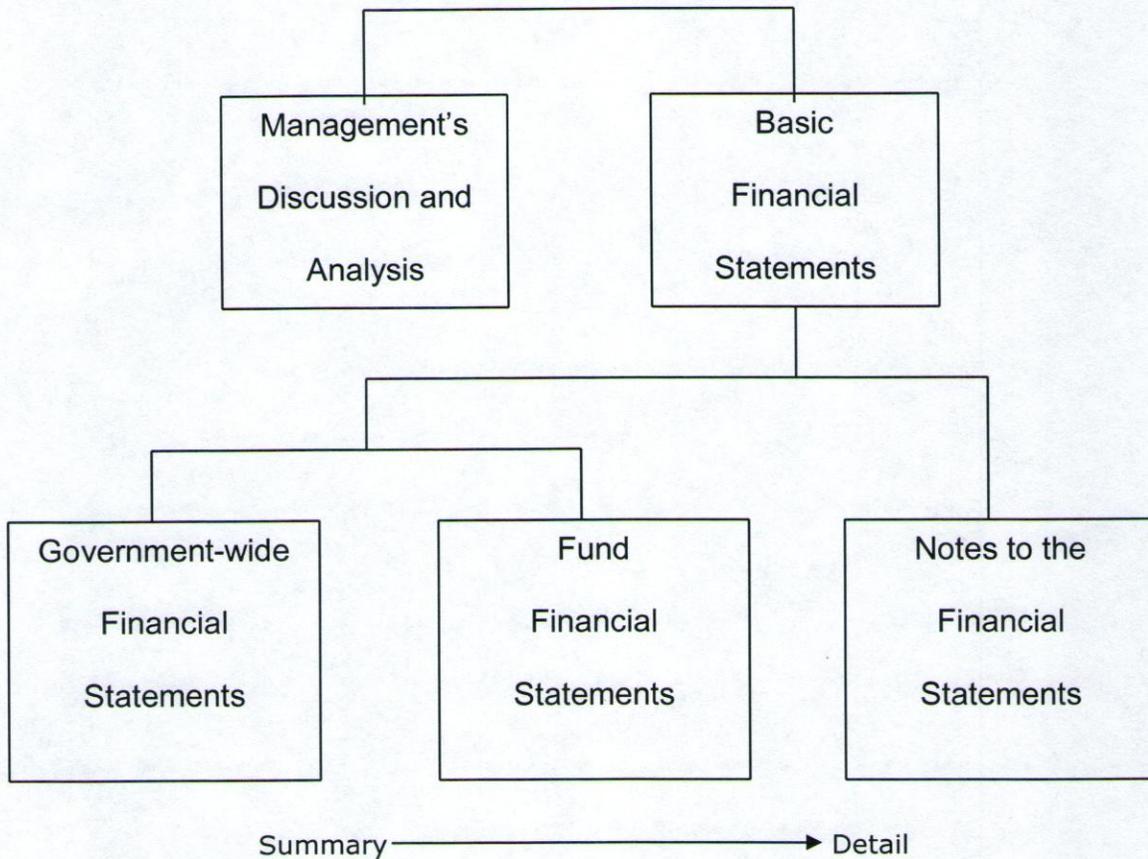
- The assets of the City of Clinton exceeded its liabilities at the close of the fiscal year by \$30,428,360. The assets of the governmental activities exceeded its liabilities by \$12,607,721. The assets of the business-type activities exceeded liabilities by \$17,820,639.
- The government's total net assets decreased by \$59,012 due to decreases in the governmental activities net assets.
- Business-type net assets increased \$951,821 and net assets for governmental activities decreased \$1,010,833.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$5,213,174 with a net change of (\$104,226) in fund balance. Approximately 50% of this total amount, or \$2,600,940, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,177,459, or 24.54% of total general fund expenditures for the fiscal year. Total fund balance for the General Fund was \$5,094,287 (57.42%)
- The City of Clinton's total debt decreased by \$1,013,542 (-17.65%) during the past fiscal year, primarily due to the reduction in debt principal in business-type activities.
- The City maintained its bond rating of A+ from Standard & Poor's and A3 from Moody's Investors. The North Carolina Municipal Council continues issue a rating of 82 for the City.

### **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 assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets 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 Assets 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 Assets 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 26 of this report.

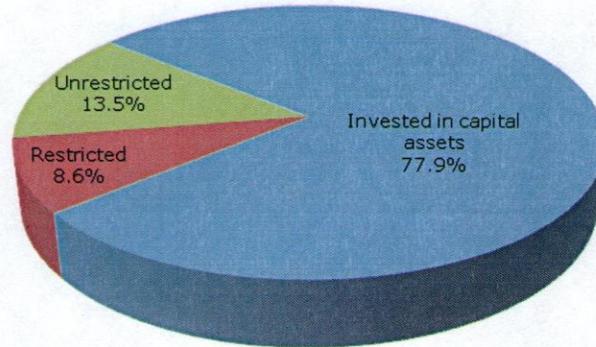
**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Clinton’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 57 of this report.

**Government-Wide Financial Analysis**

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

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$ 6,008,396	\$ 4,753,750	\$ 4,001,665	\$ 4,285,559	\$ 10,010,061	\$ 9,039,309
Capital assets	10,747,205	10,802,481	18,421,728	18,431,908	29,168,933	29,234,389
Total assets	<u>16,755,601</u>	<u>15,556,231</u>	<u>22,423,393</u>	<u>22,717,467</u>	<u>39,178,994</u>	<u>38,273,698</u>
Long-term liabilities outstanding	2,515,080	2,527,586	5,212,828	4,396,940	7,727,908	6,924,526
Other liabilities	621,967	420,924	341,747	499,888	963,714	920,812
Total liabilities	<u>3,137,047</u>	<u>2,948,510</u>	<u>5,554,575</u>	<u>4,896,828</u>	<u>8,691,622</u>	<u>7,845,338</u>
Net assets:						
Invested in capital assets, net of related debt	8,992,111	9,222,858	13,548,729	14,480,722	22,540,840	23,703,580
Restricted	1,644,611	2,615,795	-	-	1,644,611	2,615,795
Unrestricted	2,981,832	769,068	3,320,089	3,339,917	6,301,921	4,108,985
Total net assets	<u>\$ 13,618,554</u>	<u>\$ 12,607,721</u>	<u>\$ 16,868,818</u>	<u>\$ 17,820,639</u>	<u>\$ 30,487,372</u>	<u>\$ 30,428,360</u>

**Figure 3**  
**City of Clinton FY2012**  
**Total Net Assets by Type**



As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Clinton exceeded liabilities by \$30,428,360 as of June 30, 2012. The City's net assets decreased by \$59,012 for the fiscal year ended June 30, 2012. The largest portion of net assets (77.9%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City of Clinton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Clinton's 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 assets \$2,615,795 (8.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,108,985 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.33%.
- Increased privilege license revenues of approximately \$25,000 due to internet sweepstakes regulations.
- Sales Tax revenues of approximately \$50,000 more than original projections.
- Hold Harmless revenues of approximately \$65,000 more than original projections.
- Continued low cost of debt due to the City's good bond rating.

Management Discussion and Analysis  
City of Clinton

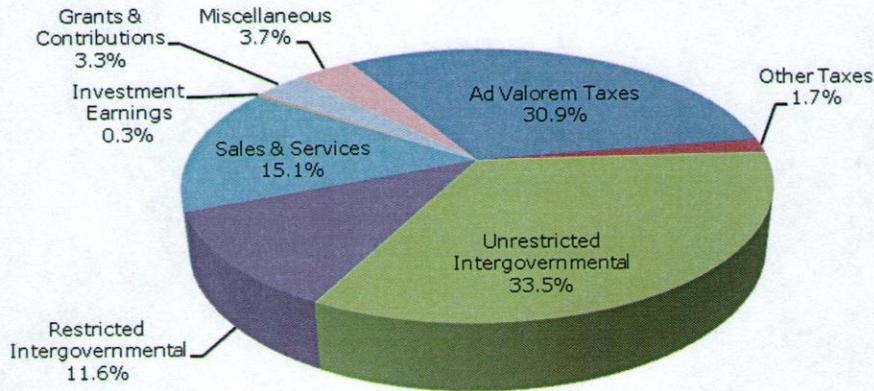
**Figure 4**  
**City of Clinton's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,507,005	\$ 1,593,327	\$ 4,445,834	\$ 4,727,222	\$ 5,952,839	\$ 6,320,549
Operating grants and contributions	965,461	868,656	105,499	133,234	1,070,960	1,001,890
Capital grants and Contributions	856,402	544,019	785,698	560,783	1,642,100	1,104,802
General revenues:						
Property taxes	2,532,016	2,774,645	-	-	2,532,016	2,774,645
Other taxes	221,166	150,669	-	-	221,166	150,669
Unrestricted intergovernmental revenues	2,933,756	2,996,092	-	-	2,933,756	2,996,092
Unrestricted investment Earnings	16,754	24,855	14,780	9,484	31,534	34,339
Gain on sale of surplus Assets	-	33,990	-	3,971	-	37,961
Miscellaneous	-	-	-	-	-	-
Write off of land purchased	-	-	-	-	-	-
<b>Total revenues</b>	<b>9,032,560</b>	<b>8,986,253</b>	<b>5,351,811</b>	<b>5,434,694</b>	<b>14,384,371</b>	<b>14,420,947</b>
<b>Expenses:</b>						
General Government	2,128,629	2,014,619	-	-	2,128,629	2,014,619
Public safety	3,451,266	3,468,077	-	-	3,451,266	3,468,077
Transportation	1,210,995	1,546,684	-	-	1,210,995	1,546,684
Environmental protection	278,423	924,553	-	-	278,423	924,553
Economic and physical development	741,459	1,052,903	-	-	741,459	1,052,903
Cultural and recreation	963,481	1,221,469	-	-	963,481	1,221,469
Interest on long-term debt	76,313	65,781	164,077	128,306	240,390	194,087
Water and Sewer	-	-	3,876,787	4,057,567	3,876,787	4,057,567
<b>Total expenses</b>	<b>8,850,566</b>	<b>10,294,086</b>	<b>4,040,864</b>	<b>4,185,873</b>	<b>12,891,430</b>	<b>14,479,959</b>
Increase (decrease) in net assets before transfers	261,579	(1,307,833)	1,353,255	1,248,821	1,614,834	(59,012)
Transfers	347,145	297,000	(347,145)	(297,000)	-	-
Increase in net assets	575,862	(1,010,833)	1,006,110	951,821	1,581,972	(59,012)
Net assets, July 1	13,042,692	13,618,554	15,862,708	16,868,818	28,905,400	30,487,372
Net assets, June 30	\$ 13,618,554	\$ 12,607,721	\$ 16,868,818	\$ 17,820,639	\$ 30,487,372	\$ 30,428,360

**Governmental Activities.** Governmental activities decreased the City's net assets by \$1,010,833, thereby accounting for overall decrease in the net assets of the City of Clinton. Key elements of this decrease are as follows:

- City elected to self-finance \$1.455 million for its Downtown Phase III capital project, reducing available cash until the project closes and the City receives loan and grant proceeds from USDA.

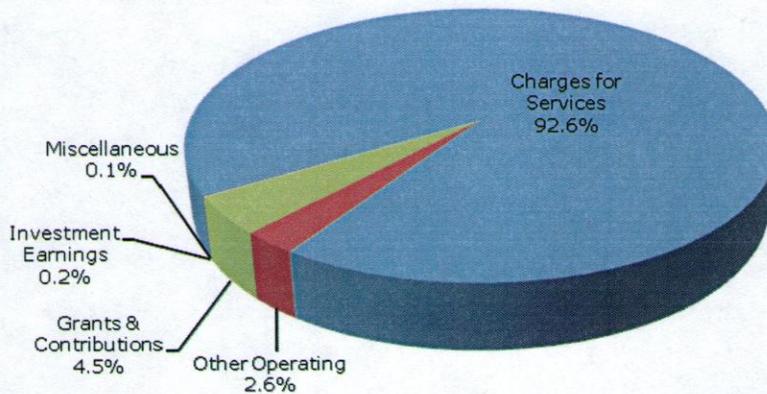
**Figure 5**  
**Revenues by Source:**  
**Governmental Activities**



**Business-type Activities.** Business-type activities increased the City of Clinton’s net assets by \$951,821. Key elements of this increase are as follows:

- Grant revenues increased both capital and operational revenues.
- Installation and upgrades of new utility lines increased infrastructure capital assets.

**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 \$2,177,459, while total fund balance was \$5,094,287. The Clinton City Council has determined that the City should maintain an available fund balance of 38% 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 24.54% of General Fund expenditures, while total fund balance represents 57.42% of the same amount. The City considers any available fund balance over 38% assigned for capital expenditures. Although the available fund balance percentage is below the City's goal, \$1.45 million is due the General Fund at the closing of the Downtown Phase III capital project. This amount is reflected in the Stabilization by State Statute restricted fund balance total. At the completion of the project, the city anticipates the available fund balance for the General Fund to return to 40.94%.

At June 30, 2012, the governmental funds of City of Clinton reported a combined fund balance of \$5,213,174 with a net decrease in fund balance of \$104,226. Included in this change in fund balance are increases in fund balance in both the Non-major and Capital Projects 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 FY2011-2012 budget represent increases in intergovernmental revenues resulting primarily from grants and additional local option sales tax revenues. Expenditure amendments comply with statutory budget requirements and most increases are representative of projects associated with grants, repairs resulting from natural disasters, and purchase of new equipment. General Fund Revenues were \$14,137 (.17%) below the amended budget amounts. The City's expenditures were \$571,055 or 6.05% 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 assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,339,917. The total change in net assets was \$951,821. The change in net assets in the Water and Sewer Fund is in large part the result of an increase of sewer surcharge revenues over original estimates and the completion of several CDBG infrastructure projects that increased water and sewer capital assets.

### 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, 2012, totals \$29,234,389 (net of accumulated depreciation).

Management Discussion and Analysis  
City of Clinton

These assets include buildings, land, machinery and equipment, park facilities, vehicles, and infrastructure.

Major capital asset transactions during the year include the following:

- Downtown Revitalization Phase III construction in progress for governmental capital assets of \$1,249,747
- Recreation amenity and facility improvements including Royal Lane restroom, Newkirk Park walking trail, and Royal Lane pool refurbishment increased governmental capital assets by \$292,377
- Sanitation vehicle purchase increased governmental capital assets by \$137,870
- Wastewater Treatment Plant improvements increased water and sewer capital assets by \$149,767
- Community Development Block Grants for Pugh Road and Russell Street increased water and sewer capital assets by \$557,645
- Utility line maintenance infrastructure and equipment increased water and sewer capital assets by \$146,841.
- Community Development Block Grant for Eliza Lane construction in progress for water and sewer capital assets of \$103,849

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

- Various building, equipment, and vehicle decreased governmental capital assets by \$136,545

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

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$ 1,414,095	\$ 1,414,095	\$ 261,872	\$ 261,872	\$ 1,675,967	\$ 1,675,967
Buildings and other improvements	5,692,892	6,033,700	32,449	32,449	5,725,341	6,066,149
Construction in progress	1,556,027	1,732,252	294,724	346,810	1,850,751	2,079,062
Equipment	2,289,244	2,286,614	35,729,754	35,988,589	38,018,998	38,275,203
Vehicles and motorized equipment	4,509,225	4,641,088	438,700	446,372	4,947,925	5,087,460
Infrastructure	6,119,134	6,119,134	630,982	1,280,867	6,750,116	7,400,001
Subtotal	21,580,617	22,226,883	37,388,481	38,356,959	58,969,098	60,583,842
Less accumulated depreciation	10,833,412	11,424,402	18,966,753	19,925,051	29,800,165	31,349,453
Total Net Capital Assets	\$ 10,747,205	\$ 10,802,481	\$ 18,421,728	\$ 18,431,908	\$ 29,168,933	\$ 29,234,389

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, 2012, the City of Clinton had total bonded debt outstanding of \$50,000. The remainder of the City's debt represents State Revolving loans, USDA loans, and installment purchases.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
General Obligation	\$ -	\$ -	\$ 300,000	\$ 50,000	\$ 300,000	\$ 50,000
Installment purchases	1,755,096	1,612,485	806,624	699,171	2,561,720	2,311,656
State Revolving Loan	-	-	3,894,934	3,381,521	3,894,934	3,381,521
<b>Total</b>	<b>\$ 1,755,096</b>	<b>\$ 1,612,485</b>	<b>\$ 5,001,558</b>	<b>\$ 4,130,692</b>	<b>\$ 6,756,654</b>	<b>\$ 5,743,177</b>

**City of Clinton's Outstanding Debt**

The City of Clinton's total debt decreased by \$1,013,477 (-17.65%) during the past fiscal year, primarily due to the reduction in debt principal in business-type activities. Business-type activity debt decreased by \$870,866 (-21.08%) with the city's general obligation debt decreasing by \$250,000. Governmental activity debt decreased by \$142,611 (-8.84%).

As mentioned in the financial highlights section of this document, the City of Clinton maintained its bond rating of A+ from Standard & Poor's, 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 three major rating agencies within its peer group. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

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 \$55,770,713. The City has no bonds authorized but unissued as of June 30, 2012.

Additional information regarding the City of Clinton's long-term debt can be found in Note III.B.6 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 will complete its \$1.7 million Downtown Revitalization Phase III efforts with the aid of a \$455,000 grant from USDA. In conjunction with the Sampson Arts Council, the project includes a \$140,000 public art piece funded 100% by grants and private donations.
- The City completed its \$522,000 (\$12,000 grant) Pugh Rd.-Russell St. CDBG project that included water and sewer installation and housing rehabilitation. The City received an additional \$572,000 in CDBG funds for another \$800,000 community revitalization project in the Eliza Lane neighborhood.

- The City has entered into a funding agreement with USDA for approximately \$5 million to double the city's water production capacity to support growth.
- The Downtown Special Tax District assessed value increased by more than 5 percent.
- 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.
- Sampson County has an unemployment rate of 8.8%, which is below the 9.9% state average, as of July 2012.
- Two local industries purchased large, vacant industrial buildings to expand their respective companies, and two other companies affirmed their commitment to the community by purchasing buildings they had previously been leasing.
- A bio-fuels company has chosen the City of Clinton and Sampson County as its location for its first facility, which represents a \$90 million dollar investment and more than 60 full-time employees.
- The City of Clinton is located in close proximity to Ft. Bragg Army Base, Camp Lejeune Marine Base, and Seymour Johnson Air Force Base. Sampson County is part of the All-American corridor expecting to experience growth with the Army's base realignment.

### **Budget Highlights for the Fiscal Year Ending June 30, 2013**

**Governmental Activities:** Ad valorem and sales tax revenues represent the largest portion of revenue resources for governmental activities. Sales tax revenues were greater than expected in FY2011-2012 and the trend is expected to continue in FY2012-2013 with an increase of 4.83% represented in the FY12-13 budget. Total General Fund revenues budgeted for the fiscal year ending June 30, 2013 are \$8,601,650.

Budgeted expenditures in the General Fund are equal to budgeted revenues and are approximately 7.3% less than the amended FY11-12 budget. The largest expenditure function is public safety and the largest components are in employee compensation and benefits.

Some key FY12-13 governmental budget highlights include:

- No change in the property tax rate of \$.40 per \$100 valuation. The expected revenue is \$2,721,650 on a 97.5 percent collection rate.
- Sales Tax revenues account for \$1,585,000.
- The residential garbage collection rate for FY12-13 is \$14.50, a \$1.00 increase from FY11-12. Residential garbage collection accounts for \$550,000 in the FY12-13 budget and commercial collection accounts for \$700,000.
- The rising cost of fuel represents an average 28% increase in fuel cost for departments.
- The City expects to spend approximately \$200,000 on street paving and resurfacing.
- The City plans to purchase a quint fire apparatus using a \$40,000 down payment and financing the remaining \$635,000 over ten years.
- The City plans to purchase a new sanitation truck and knuckle boom truck for \$302,000 with financing for three years.
- The City doubled its cemetery plot fees as part of a two-year program to bring fees closer to market rates and support cemetery operations.

**Business-type Activities:** The City estimates revenues of approximately \$4.05 million from water and sewer charges in FY12-13, a .83 percent increase over budgeted revenues for FY11-12. Although the City is not raising water and sewer rates, the growth is based on a continued meter-testing program that has already generated noticeable increases in water and sewer revenues and

growth in industrial sewer usage. The total Water and Sewer Fund budget for the year ending June 30, 2013 is \$4,740,150.

Some key FY12-13 business-type activity budget highlights include:

- Water and sewer charges, including bulk rate fees and capacity fees, account for \$4,052,300 (85.5%) in the FY12-13 Water and Sewer Fund budget.
- Sewer surcharges charges based on the pounds of pollutants in excess of the normal amount account for \$328,000.
- Capital costs in the Water & Sewer Non-departmental budget include \$84,000 for infrastructure improvements as part of the Eliza Lane CDBG project.
- The City has implemented a sewer main inspection program that is represented in the Line Maintenance budget with \$100,000.
- Capital costs in the Water Production budget include \$40,000 for a well site generator and \$45,000 for SCADA upgrades.
- The City has budgeted \$229,000 for a SCADA upgrade (\$44,000) and reconstruction of a trickle filter (\$185,000) at the wastewater facility.

### **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.

## Basic Financial Statements

**CITY OF CLINTON, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 3,377,303	\$ 3,541,386	\$ 6,918,689	\$ 555,990
Taxes receivables (net)	131,449	-	131,449	-
Accrued interest receivable on taxes	17,906	-	17,906	-
Accounts receivable (net)	261,175	718,093	979,268	-
Due from other governments	827,833	-	827,833	-
Due from component unit	112,000	-	112,000	-
Inventories	26,084	26,080	52,164	165,804
Prepaid items	-	-	-	4,611
Total current assets	<u>4,753,750</u>	<u>4,285,559</u>	<u>9,039,309</u>	<u>726,405</u>
Capital assets:				
Land, improvements and construction in progress	3,146,347	608,682	3,755,029	36,795
Other capital assets, net of depreciation	<u>7,656,134</u>	<u>17,823,226</u>	<u>25,479,360</u>	<u>53,947</u>
Total capital assets	<u>10,802,481</u>	<u>18,431,908</u>	<u>29,234,389</u>	<u>90,742</u>
Total assets	<u>\$ 15,556,231</u>	<u>\$ 22,717,467</u>	<u>\$ 38,273,698</u>	<u>\$ 817,147</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 380,023	\$ 357,169	\$ 737,192	\$ 105,628
Distributions payable	-	-	-	139,144
Accrued interest payable	40,901	-	40,901	-
Customer deposits	-	142,719	142,719	-
Due to other governments	-	-	-	41,657
Long-term liabilities:				
Due within one year	525,269	785,055	1,310,324	-
Due in more than one year	<u>2,002,317</u>	<u>3,611,885</u>	<u>5,614,202</u>	<u>-</u>
Total liabilities	<u>2,948,510</u>	<u>4,896,828</u>	<u>7,845,338</u>	<u>286,429</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9,222,858	14,480,722	23,703,580	90,742
Restricted for:				
Capital projects	554	-	554	3,491
Stabilization by State Statute	2,484,349	-	2,484,349	-
Economic development	79,240	-	79,240	-
Loan agreement	51,652	-	51,652	-
Working capital	-	-	-	49,837
Unrestricted	<u>769,068</u>	<u>3,339,917</u>	<u>4,108,985</u>	<u>386,648</u>
TOTAL NET ASSETS	<u>\$ 12,607,721</u>	<u>\$ 17,820,639</u>	<u>\$ 30,428,360</u>	<u>\$ 530,718</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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net-Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 2,014,619	\$ 87,720	\$ 177,065	\$ -	\$ (1,749,834)	\$ -	\$ (1,749,834)	\$ -
Public safety	3,468,077	23,880	255,644	-	(3,188,553)	-	(3,188,553)	-
Transportation	1,546,684	-	265,065	-	(1,281,619)	-	(1,281,619)	-
Economic and physical development	924,553	85,954	158,702	544,019	(135,878)	-	(135,878)	-
Environmental protection	1,052,903	1,326,623	-	-	273,720	-	273,720	-
Cultural and recreation	1,221,469	69,150	12,180	-	(1,140,139)	-	(1,140,139)	-
Interest on long-term debt	65,781	-	-	-	(65,781)	-	(65,781)	-
Total governmental activities	10,294,086	1,593,327	868,656	544,019	(7,288,084)	-	(7,288,084)	-
Business-type activities:								
Water and sewer	4,185,873	4,727,222	133,234	560,783	-	1,235,366	1,235,366	-
Total primary government	\$ 14,479,959	\$ 6,320,549	\$ 1,001,890	\$ 1,104,802	\$ (7,288,084)	\$ 1,235,366	\$ (6,052,718)	\$ -
Component unit:								
ABC Board	\$ 1,650,362	\$ 1,683,535	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,173

General revenues:				
Taxes:				
Property taxes, levied for general purpose	2,774,645	-	2,774,645	-
Other taxes	150,669	-	150,669	-
Unrestricted intergovernmental revenues	2,996,092	-	2,996,092	-
Unrestricted investment earnings	24,855	9,484	34,339	443
Miscellaneous	33,990	3,971	37,961	-
Transfers:	297,000	(297,000)	-	-
Total general revenues, special item and transfers	6,277,251	(283,545)	5,993,706	443
Change in net assets	(1,010,833)	951,821	(59,012)	33,616
Net assets - beginning	13,571,831	16,826,510	30,398,341	497,102
Prior Period Adjustment (see Note XII)	46,723	42,308	89,031	-
Net assets - ending	\$ 12,607,721	\$ 17,820,639	\$ 30,428,360	\$ 530,718

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

**City of Clinton, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	Major Funds			Total Governmental Funds
	General	Capital Project Downtown Revitalization Phase III	Total Non-major Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,209,683	\$ 23,169	144,451	\$ 3,377,303
Receivables, net:				
Taxes	129,487	1,962	-	131,449
Accounts	259,195	-	1,980	261,175
Due from other governments	570,748	1,415,144	-	1,985,892
Due from other funds	1,427,234	-	-	1,427,234
Due from component unit	112,000	-	-	112,000
Inventory	26,084	-	-	26,084
Total assets	\$ 5,734,431	\$ 1,440,275	\$ 146,431	\$ 7,321,137
<b>LIABILITIES AND FUND BALANCES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 391,091	\$ 2,328	\$ 38,257	\$ 431,676
Deferred revenue	249,053	-	-	249,053
Due to General Fund	-	1,427,234	-	1,427,234
Total current liabilities	640,144	1,429,562	38,257	2,107,963
Total liabilities	640,144	1,429,562	38,257	2,107,963
Fund balances:				
Non Spendable				
Inventories	26,084	-	-	26,084
Restricted				
Stabilization by State Statute	2,484,349	-	-	2,484,349
Economic Development in the Downtown Tax District	-	-	79,240	79,240
Capital Projects	-	10,713	554	11,267
Committed				
Cemetery Fund	406,395	-	-	406,395
Assigned				
Community Development	-	-	28,380	28,380
Unassigned	2,177,459	-	-	2,177,459
Total fund balances	5,094,287	10,713	108,174	5,213,174
Total liabilities and fund balances	\$ 5,734,431	\$ 1,440,275	\$ 146,431	\$ 7,321,137

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

**City of Clinton, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

Total fund balances		\$ 5,213,174
Amounts reported for governmental activities in the statement of net assets (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	22,226,885	
Accumulated depreciation	<u>(11,424,404)</u>	10,802,481
Receivable from USDA for capital project funds expended and due for reimbursement in the fund statements.		(1,158,059)
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.		17,906
Liabilities for earned but deferred revenues in fund statements.		249,053
A liability in the fund statements is reported as a restricted net asset in the statement of net assets.		51,652
Some liabilities, including bonds payable, accrued interest, pension and other postemployment benefits, and compensated absences are not due and payable in the current period and therefore are not reported in the funds.		<u>(2,568,486)</u>
Net assets of governmental activities		<u>\$ 12,607,721</u>

**City of Clinton, North Carolina**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2012**

	Major Funds			Total Governmental Funds
	General	Capital Project Downtown Revitalization Phase III	Total Non-major Funds	
<b>REVENUES</b>				
Ad valorem taxes	\$ 2,698,942	\$ -	\$ 51,914	\$ 2,750,856
Other taxes and licenses	150,669	-	-	150,669
Unrestricted intergovernmental	2,987,177	-	-	2,987,177
Restricted intergovernmental	774,965	257,085	-	1,032,050
Sales and services	1,345,633	-	-	1,345,633
Investment earnings	9,591	-	15,264	24,855
CDBG grants	-	-	273,269	273,269
Private contribution	-	-	10,290	10,290
Program income	-	-	7,825	7,825
Miscellaneous	318,646	3,375	10,702	332,723
Total revenues	8,285,623	260,460	369,264	8,915,347
<b>EXPENDITURES:</b>				
Current:				
General government	1,985,404	-	-	1,985,404
Public safety	3,267,325	-	-	3,267,325
Transportation	1,456,874	-	-	1,456,874
Economic and physical development	-	-	58,966	58,966
Environmental protection	1,019,169	-	-	1,019,169
Culture and recreation	1,143,479	-	-	1,143,479
Capital outlay	-	1,249,747	291,005	1,540,752
Total expenditures	8,872,251	1,249,747	349,971	10,471,969
Excess (deficiency) of revenues over expenditures	(586,628)	(989,287)	19,293	(1,556,622)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers to other funds	(25,000)	-	(13,274)	(38,274)
Transfers from other funds	335,275	-	-	335,275
Debt proceeds	110,200	1,000,000	-	1,110,200
Insurance recovery	45,195	-	-	45,195
Total other financing sources (uses)	465,670	1,000,000	(13,274)	1,452,396
Net change in fund balance	(120,958)	10,713	6,019	(104,226)
Fund balances, beginning	5,227,370	-	102,155	5,329,525
Change in reserve for inventories	(12,125)	-	-	(12,125)
Fund balances, ending	\$ 5,094,287	\$ 10,713	\$ 108,174	\$ 5,213,174

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, 2012**

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

Net change in fund balances - total governmental funds	\$	(104,226)
Change in fund balance due to change in reserve for inventory		(12,125)

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	782,810	
Depreciation expenses for governmental assets	(693,215)	
Gain on disposal of assets included in general government	(34,320)	55,275

Receivable in Governmental Fund for proceeds which will be received to reimburse expenditures on a capital project; these proceeds do not meet the criteria to be recorded under the full accrual method of accounting.		(1,000,000)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. Increase in deferred revenues		51,124
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A liability in the fund statements is reported as a restricted net asset in the statement of net assets.		8,908
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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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from issuance of long-term debt	(110,200)	
Principal payments on long-term debt	252,811	
Decrease in accrued interest payable	2,716	145,327

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	(13,600)	
Net pension obligation	(11,907)	
Other postemployment benefits	(129,609)	(155,116)

Total changes in net assets of governmental activities	\$	(1,010,833)
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**City of Clinton, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the year ended June 30, 2012**

	<b>General Fund</b>			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
<b>Revenues:</b>				
Advalorem taxes	2,724,220	2,741,976	2,698,942	(43,034)
Other taxes and licenses	125,000	125,000	150,669	25,669
Unrestricted intergovernmental	2,916,000	2,982,000	2,987,177	5,177
Restricted intergovernmental	643,434	771,938	774,965	3,027
Sales and services	1,323,500	1,328,500	1,345,633	17,133
Investment earnings	25,000	25,000	9,591	(15,409)
Miscellaneous	179,326	325,346	318,646	(6,700)
Total revenues	<u>7,936,480</u>	<u>8,299,760</u>	<u>8,285,623</u>	<u>(14,137)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,966,396	2,086,723	1,985,404	101,319
Public safety	3,219,750	3,456,304	3,267,325	188,979
Transportation	1,332,260	1,426,505	1,456,874	(30,369)
Environmental protection	788,824	1,213,624	1,019,169	194,455
Cultural and recreation	956,250	1,260,150	1,143,479	116,671
Total expenditures	<u>8,263,480</u>	<u>9,443,306</u>	<u>8,872,251</u>	<u>571,055</u>
Revenues over (under) expenditures	(327,000)	(1,143,546)	(586,628)	556,918
<b>Other financing sources (uses):</b>				
Net transfers from (to) other funds	275,000	310,461	310,275	(186)
Insurance recovery	-	50,000	45,195	(4,805)
Debt proceeds	-	210,200	110,200	(100,000)
Total other financing sources (uses)	<u>275,000</u>	<u>570,661</u>	<u>465,670</u>	<u>(104,991)</u>
Revenues and other sources over (under) expenditures and other uses	(52,000)	(572,885)	(120,958)	<u>\$ 451,927</u>
Fund balance appropriated	52,000	572,885		
Fund balances, beginning	-	-	5,227,370	
Change in reserve for inventories	-	-	(12,125)	
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,094,287</u>	

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

**City of Clinton, North Carolina**  
**Statement of Net Assets**  
**Water & Sewer Fund**  
**June 30, 2012**

	Water and Sewer Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,541,386
Accounts receivable (net) - billed	440,276
Accounts receivable (net) - unbilled	277,817
Inventories	26,080
Total current assets	4,285,559
Capital assets:	
Land	261,872
Construction in progress	346,811
Other capital assets, net of depreciation	17,823,225
Capital assets (net)	18,431,908
Total assets	\$ 22,717,467
<b>LIABILITIES AND FUND BALANCES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 357,169
Customer deposits	142,719
Compensated absences - current	31,000
BB&T Installment Purchase (Track Loader)	19,039
Clearwater Project Loan	7,143
State Revolving Loan - 06 (2010)	11,507
State Revolving Loan - 0066 (2007)	76,837
Well Fill Purification Project	164,461
Sanitary Sewer Series 1994	50,000
State Revolving Loan - 0030 (1994)	256,733
State Revolving Loan - 0166 (2009)	168,335
Total current liabilities	1,284,943
Noncurrent liabilities:	
Compensated absences	55,289
OPEB liability	179,959
BB&T Installment Loan (Track Loader)	39,045
Clearwater Project Loan	121,422
State Revolving Loan - 06 (2010)	195,614
State Revolving Loan - 0066 (2007)	307,350
Well Fill Purification Project	348,061
State Revolving Loan - 0030 (1994)	513,466
State Revolving Loan - 0166 (2009)	1,851,679
Total noncurrent liabilities	3,611,885
Total liabilities	4,896,828
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	14,480,722
Unrestricted	3,339,917
Total net assets	\$ 17,820,639

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

Exhibit 7

**City of Clinton, North Carolina**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Water & Sewer Fund**  
**June 30, 2012**

	Water and Sewer Fund
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 4,727,222
Other operating revenues	133,234
Total operating revenues	4,860,456
<b>OPERATING EXPENSES:</b>	
Water department	1,477,374
Waste treatment	1,613,451
Depreciation	966,742
Total operating expenses	4,057,567
Operating income	802,889
<b>NONOPERATING REVENUES (EXPENSES):</b>	
CDBG Grant - Pugh Road Project	193,757
CDBG Grant - Eliza Lane Project	35,450
Investment earnings	9,484
Sale of surplus property	3,971
Interest and other charges	(128,306)
Total nonoperating revenues (expenses)	114,356
Income before contributions and transfers	917,245
Capital contributed by Russell Street	
Capital Project	331,576
Transfers to other funds	(322,000)
Transfers from other funds	25,000
Change in net assets	951,821
Total net assets - beginning	16,826,510
Prior period adjustment (see Note XII)	42,308
Total net assets - ending	\$ 17,820,639

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, 2012**

	<u>Water and Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	4,635,380
Cash paid for goods and services	(1,799,243)
Cash paid to or on behalf of employees for services	(1,066,724)
Customer deposits received	6,020
Other operating cash receipts	<u>122,201</u>
Net cash provided by operating activities	1,897,634
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	<u>(322,000)</u>
Total cash flows from non-capital financing activities	(322,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
CDBG Grant - Pugh Road Project	193,757
CDBG Grant - Eliza Lane Project	35,450
Principal retirement on State Revolving Loan - 0238 (2010)	(11,507)
Interest paid on State Revolving Loan - 0238 (2010)	(4,591)
Principal retirement on State Revolving Loan - 0166 (2009)	(168,335)
Interest paid on State Revolving Loan - 0166 (2009)	(56,582)
Principal retirement on State Revolving Loan - 0066 (2007)	(76,837)
Interest paid on State Revolving Loan - 0066 (2007)	(10,627)
Principal retirement on Well Fill Purification Project	(158,395)
Interest paid on Well Fill Purification Project	(25,696)
Principal retirement on State Revolving Loan - 0030 (1994)	(256,733)
Interest paid on State Revolving Loan - 0030 (1994)	(34,762)
Principal retirement on Sanitary Sewer Series 1994	(250,000)
Interest paid on Sanitary Sewer Series 1994	(18,000)
Principal retirement on Clearwater Project Loan	(7,142)
Acquisition of capital assets	<u>(536,644)</u>
Net cash used by capital and related financing activities	(1,386,644)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>9,484</u>
Net increase in cash and cash equivalents	198,474
Cash and cash equivalents at beginning of year	<u>3,342,912</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,541,386</u></u>

**City of Clinton, North Carolina  
Statement of Cash Flows  
Water & Sewer Fund  
June 30, 2012**

	Water and Sewer Fund
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 802,889
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	966,742
Changes in assets and liabilities:	
Decrease in accounts receivable	(102,877)
Decrease in inventory	6,437
Increase in accounts payable and accrued liabilities	187,497
Increase in customer deposits	6,020
Decrease in accrued salaries	(24,052)
Increase in accrued vacation pay	704
Increase in accrued OPEB liability	54,274
Total adjustments	1,094,745
Net cash provided by operating activities	\$ 1,897,634

**Non-cash transactions:** The Russell Street Capital Project, accounted for as a governmental capital project fund, was completed during the fiscal year ended June 30, 2012. This project produced capital assets for both the water and sewer systems of the City of Clinton. Therefore, a non-cash transfer of these assets was recorded as contributed capital on the Water & Sewer Fund Statement of Revenues, Expenses and Changes in Fund Net Assets in the amount of \$331,576. These assets are included in the capital assets of the Water & Sewer Fund as of June 30, 2012.

Equipment was acquired during the year, paid for by increasing existing debt to cover the purchase price. The total cost of the equipment was \$87,570 and a downpayment of \$29,486 was made, reducing the ending liability at June 30, 2012 to a total of \$58,084.

Notes to the Financial Statements

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

**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 assets 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 activity 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, 2012**

**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 funds:

**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.

**Capital Project – Downtown Revitalization Phase III.** This fund is used to account for revitalization of the downtown area; activities of this fund are intended to beautify and increase commercial investment in that part of the City.

The City reports the following non-major governmental funds:

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

**Capital Project Funds** – Various Capital Project funds are used to account for financial resources to be used for non-major acquisitions or construction. The City has four Capital Project Funds: Russell Street Project Fund, Russell Street Add-on Project Fund, City Hall Renovation Project Fund and Affordable Housing Project Fund. These funds have been combined in the accompanying financial statements.

The City reports the following major enterprise fund:

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

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

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

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

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

C. Measurement Focus and Basis of Accounting (continued)

Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Sampson County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Clinton. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Sampson County from March 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.(See Exhibit E-1)

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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 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, 2012**

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT- Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and cash equivalents are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

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, 2012.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2010. 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.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

5. Allowances for Doubtful Account

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

6. Inventory and Prepaid Items

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

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

Typically certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used. However, the City did not have any such items at June 30, 2012 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 are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

7. Capital Assets (continued)

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. 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 activities, or proprietary fund type statement of net assets. 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.

9. 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 accumulated vacation that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The ABC Board employees may not accumulate vacation and such leave must be taken in the year earned or forfeited. However, terminated ABC Board employees are entitled to be compensated for unused vacation at the time of termination. The amount of this liability is not readily determinable and is not considered to be material. Therefore, the ABC Board did not accrue a liability or expense for unused vacation.

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

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

10. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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 Statue – portion of fund balance that is restricted by State Statue [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, 2012, 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 certain capital projects that had not been completed as of June 30, 2012.

**Committed Fund Balance** – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Clinton's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

10. Net Assets/Fund Balances (continued)

Net Assets (continued)

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.

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

Capital Use Policy – All revenue in excess of expenditures realized at the end of any given fiscal year will be credited to unrestricted available fund balance until a minimum goal of 38% 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 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-eight percent (38%) 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 thirty-eight (38%) percent goal is realized, all revenue in excess of expenditures realized at the end of any given fiscal year will be credited as capital reserves.

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

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

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

None

C. Excess of Expenditures over Appropriations in Government Activities Funds

None

**III. Detail Notes on All Funds**

A. Assets

1. Deposits

All the deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the pooling method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the pooling method. The City and the ABC Board have no formal policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City and the ABC Board comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2012, the City's deposits had a carrying amount of \$4,099,452 and a bank balance of \$4,280,920. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2012, the City's petty cash fund totaled \$800.

The carrying amount of deposits for the ABC Board was \$373,375 and the bank balance was \$358,720. The first \$250,000 of the ABC Board bank deposits are protected by federal deposit insurance. The amount above \$250,000 is protected by the Pooling Method of collateralization.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

**III. Detail Notes on All Funds (continued)**

**2. Investments**

At June 30, 2012, the City of Clinton had \$2,794,956 invested with the North Carolina Capital Management Trust's (NCCMT) Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no formal investment policy and has no formal policy regarding credit risk.

At June 30, 2012, The ABC Board had \$180,716 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The ABC Board has no formal policy regarding credit risk of its investments.

**3. Receivables - Allowances for Doubtful Accounts**

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Assets includes penalties levied and outstanding in the amount of \$17,284.

The amounts presented in the Balance Sheet and the Statement of Net Assets (Exhibit 1) are presented net of the following allowances for doubtful accounts:

Fund	June 30, 2012
General Fund:	
Taxes receivable	\$ 49,000
Accounts receivable	20,598
Total general fund	69,598
Enterprise Fund:	
Total Allowances for bad debts	\$ 83,705

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

4. Capital Assets

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,414,095	\$ -	\$ -	\$ 1,414,095
Construction in progress	1,556,027	1,249,747	1,073,522	1,732,252
Total capital assets being depreciated	<u>2,970,122</u>	<u>1,249,747</u>	<u>1,073,522</u>	<u>3,146,347</u>
<b>Capital assets being depreciated:</b>				
Buildings and other improvements	5,692,892	349,956	9,150	6,033,700
Equipment	2,289,244	20,346	22,976	2,286,614
Vehicles and motorized equipment	4,509,225	236,281	104,416	4,641,088
Infrastructure	6,119,134	-	-	6,119,134
Total capital assets being depreciated	<u>18,610,495</u>	<u>606,583</u>	<u>136,542</u>	<u>19,080,536</u>
<b>Less accumulated depreciation for:</b>				
Buildings and other improvements	1,722,405	111,503	6,969	1,826,939
Equipment	2,075,673	93,056	20,568	2,148,161
Vehicles and motorized equipment	3,502,515	295,334	74,685	3,723,164
Infrastructure	3,532,819	193,319	-	3,726,138
Total accumulated depreciation	<u>10,833,412</u>	<u>693,212</u>	<u>102,222</u>	<u>11,424,402</u>
Total capital assets being depreciated, net	<u>7,777,083</u>			<u>7,656,134</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 10,747,205</u>			<u>\$ 10,802,481</u>

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

General government	\$ 251,429
Public safety	210,888
Transportation	78,352
Environmental protection	90,626
Cultural and recreation	61,917
Total depreciation expense	<u>\$ 693,212</u>

**City of Clinton, North Carolina**  
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Capital asset activity for the Enterprise Fund for the year ended June 30, 2012, was as follows:

<b>Business-type activities:</b>	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b>Water and Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 261,872	\$ -	\$ -	\$ 261,872
Construction in progress	294,724	115,397	63,311	346,810
Total capital assets not being depreciated	<u>556,596</u>	<u>115,397</u>	<u>63,311</u>	<u>608,682</u>
<b>Capital assets being depreciated:</b>				
Land Improvements	32,449	-	-	32,449
Equipment	35,729,754	267,279	8,444	35,988,589
Vehicles	438,700	7,672	-	446,372
Infrastructure	630,982	649,885	-	1,280,867
Total capital assets being depreciated	<u>36,831,885</u>	<u>924,836</u>	<u>8,444</u>	<u>37,748,277</u>
<b>Less accumulated depreciation for:</b>				
Land Improvements	14,505	-	-	14,505
Equipment	18,384,138	388,618	8,444	18,764,312
Vehicles	296,385	40,966	-	337,351
Infrastructure	271,725	537,158	-	808,883
Total accumulated depreciation	<u>18,966,753</u>	<u>966,742</u>	<u>8,444</u>	<u>19,925,051</u>
Total capital assets being depreciated, net	<u>17,865,132</u>			<u>17,823,226</u>
Water and Sewer fund capital assets, net	<u>\$ 18,421,728</u>			<u>\$ 18,431,908</u>

The beginning balances for accumulated depreciation for both the Governmental and Business-type activities include prior period adjustments, for a net decrease in accumulated depreciation of \$89,031. This adjustment is due varying amounts of depreciation that were taken incorrectly in prior periods relating to equipment, motor vehicles and infrastructure for both Governmental and Business-type assets. The depreciation for these assets was appropriately calculated and applied in the current year.

**Construction commitments and construction in progress**

The government has active construction projects as of June 30, 2012. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Russell Street Project Add-on CDBG	295,016	5,000
Pugh Road CDBG	226,069	-
City Hall Renovations	513,144	-
Eliza Lane CDBG	103,849	686,701
Downtown Revitalization, Phase III	1,705,131	39,856
Wall Street Alley	11,546	161,908

**City of Clinton, North Carolina**  
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**Discretely presented component unit**

Capital assets and capital asset activity for the ABC Board for the year ended June 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 36,795	-	\$ -	\$ 36,795
<b>Capital assets being depreciated:</b>				
Paving	6,788	-	-	6,788
Buildings	161,351	7,750	-	169,101
Office Equipment	2,708	-	-	2,708
Store Equipment	61,822	-	-	61,822
Total capital assets being depreciated	232,669	7,750	-	240,419
<b>Less accumulated depreciation for:</b>				
Paving	6,788	-	-	6,788
Buildings	137,149	1,110	-	138,259
Office Equipment	2,608	85	-	2,693
Store Equipment	34,380	4,352	-	38,732
Total accumulated depreciation	180,925	5,547	-	186,472
<b>ABC capital assets being depreciated, net</b>	<b>51,744</b>			<b>53,947</b>
<b>ABC capital assets, net</b>	<b>\$ 88,539</b>			<b>\$ 90,742</b>

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

*Plan Description.* The City of Clinton contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement, disability and death benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**City of Clinton, North Carolina**  
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*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.980% and 7.040%, respectively, of annual covered payroll which includes .10% and .14%, respectively for a death benefit. The contribution requirements of members and of the City of Clinton is established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$314,729, \$280,406, and \$216,597, respectively. The contributions made by the City equaled the required contributions for each year.

**b. Law Enforcement Officers Special Separation Allowance**

*1. Plan Description.*

The City of Clinton administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2011 the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>33</u>
Total plan members	<u>38</u>

A separate report was not issued for the plan.

*2. Summary of Significant Accounting Policies:*

*Basis of Accounting.* The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

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

**City of Clinton, North Carolina**  
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*3. Contributions.*

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

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. The inflation component was 3.00%. The assumptions do not include post retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2009 was 19 years.

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

Employer annual required contribution	\$ 64,148
Interest on net pension obligation	5,362
Adjustment to annual required contribution	<u>(5,994)</u>
Annual pension cost	63,516
Employer contributions made	<u>(51,565)</u>
Increase in net pension obligation	11,951
Net pension obligation beginning of fiscal year	<u>107,236</u>
Net pension obligation end of fiscal year	\$ <u>119,187</u>

**3 Year Trend Information**

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
2010	45,015	73.01%	104,541
2011	63,778	95.77%	107,236
2012	63,516	81.18%	119,187

*4. Funded Status and Funding Progress.*

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$616,841. The covered payroll (annual payroll of active employees covered by the plan) was \$1,117,007, and the ratio of the UAAL to the covered payroll was 55.22 percent. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

During the fiscal year ended June 30, 2012 the City of Clinton paid directly to five eligible retired law enforcement officers a total of \$65,192 under this plan.

**City of Clinton, North Carolina**  
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c. Supplemental Retirement Income Plan for Law Enforcement Officers and Other Employees

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2012 were \$75,523, which consisted of \$57,203 from the City and \$18,320 from the law enforcement officers.

Effective July 1, 2010, the City discontinued the voluntary contribution of 2.25% made by the City to the plan for all employees who are not certified law enforcement personnel. Employees continue to be able to make voluntary contributions to the plan and the amounts contributed are fully vested when contributed. The contributions for the year ended June 30, 2012 totaled \$42,997, made exclusively by City employees.

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

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

*Funding Policy.* Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. For the fiscal year ended June 30, 2012, the City of Clinton has recognized on behalf of payments for pension contributions made by the state as a revenue and an expenditure of \$6,088 for the thirty employed firemen who perform firefighting duties for the city.

**City of Clinton, North Carolina**  
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e. Other Post-employment 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.

Membership of the plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	15	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	99	28
Total	114	28

*Funding Policy.* The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by City Council. The City's members pay \$503 per month for family coverage, \$292 for spouse-only coverage and \$164 for children-only coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 7.690% of annual covered payroll. For the current year, the city contributed \$97,700 or 1.81% 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 70% and 30% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$128,766. 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.

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

Annual required contribution	\$	302,896
Interest on net OPEB obligation		20,336
Adjustment to annual required contribution		(28,271)
Annual OPEB cost (expense)	\$	294,961
Contributions made		(97,700)
Increase (decrease) in net OPEB obligation		197,261
Net OPEB obligation, beginning of year		508,411
Net OPEB obligation, end of year	\$	705,672

Under GASB Statement No. 43 and GASB Statements 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 \$71,314 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 2012 were as follows.

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 224,544	23.02%	\$ 350,925
2011	\$ 225,254	30.08%	\$ 508,411
2012	\$ 294,961	33.10%	\$ 705,672

*Funded Status and Funding Progress.* As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$2,795,135. The covered payroll (annual payroll of active employees covered by the plan) was \$3,979,179, and the ratio of the UAAL to the covered payroll was 71.0%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**City of Clinton, North Carolina**  
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The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

## 2. Other Employment Benefit

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits.

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The City considers these contributions to be immaterial.

**City of Clinton, North Carolina**  
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**3. Deferred Revenues**

The balance in deferred at year-end is composed of the following:

	Deferred Revenue
General Fund:	
Property taxes net of penalties	\$ 132,781
Beer and wine tax	18,622
Sanitation receivables	81,325
Sticker Licenses	16,325
Total	\$ 249,053

**4. Risk Management**

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

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

The City of Clinton carries flood insurance at certain locations at the waste-treatment facility. Flood insurance is carried on the lift-station, lab building and digester facility. The City carries flood insurance through the National Flood Insurance Plan (NFIP). In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$75,000.

**5. Long-Term Obligations**

**a. Capital Leases**

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

**City of Clinton, North Carolina**  
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b. Installment Purchase-General Long-Term Debt

In August 2003, the city entered into an installment purchase loan with the US Department of Agriculture, Rural Development to finance downtown revitalization construction with an interest rate of 4.25% and a beginning principal balance of \$425,000. Payments on this debt began August 2004 in the amount of \$31,969 and will continue until 2024.

On December 1, 2007, the city entered into an installment purchase contract with BB&T to finance a Mack refuse truck with an interest rate of 3.51% and a beginning principal balance of \$203,752. A principal payment of \$50,000 was made during the year. Annual loan payments are \$41,869 for the remaining four years of the contract. The final payment on the contract was made on 12/01/2011.

On February 6<sup>th</sup>, 2008, the city entered into an installment purchase loan with the US Department of Agriculture, Rural Development to finance the second phase of the downtown revitalization construction with a interest rate of 4.375% and a beginning principal amount was \$750,000. Annual loan payments are \$57,038 for twenty years until 2028.

On March 26, 2008, the city entered into an installment purchase contract with RBC to finance a Rosenbauer Pumper for the new fire truck with an interest rate of 3.23% and a beginning principal balance of \$328,886. Annual loan payments are \$72,286 for five years and will end on 2013.

On December 8, 2009, the city entered into an installment purchase contract with BB&T to finance a Mack refuse truck with an interest rate of 3.040% and a beginning principal balance of \$116,431. Annual loan payments are \$41,194 for the remaining four years of the contract. The anticipated end date of contract is 12/08/2012.

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

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

**City of Clinton, North Carolina**  
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Annual debt service payments of the installment purchase as of June 30, 2012, including interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	244,269	61,403
2014	136,944	53,553
2015	139,721	49,081
2016	104,669	44,504
2017	107,033	40,445
2018-2022	524,368	137,598
2023-2027	300,787	48,305
2028-2032	54,694	2,391
Total	\$ 1,612,485	\$ 437,280

**c. State Revolving Loans**

In 1994, the City financed construction of a waste treatment plant expansion with general long-term debt and funds provided by the North Carolina Clean Water Revolving Loan and Grant Fund. The long-term debt is a liability of the Water and Sewer Fund. The funds provided by the State are “not secured by a pledge of faith and credit of the State of North Carolina or of the unit, but is payable solely from the revenues received under Articles 40, 41, and 42 of Chapter 105 and so allocated by the Unit.” The principal sum shall be required in not more than 20 annual installments payable on May 1<sup>st</sup> of each year. The City signed a \$5,134,658 promissory note bearing interest at 3.385 percent per annum. The following table summarizes the annual requirements to amortize the principal owed at June 30, 2012:

	Principal	Interest	Total
2013	256,733	26,071	282,804
2014	256,733	17,381	274,114
2015	256,733	8,690	265,423
	\$ 770,199	\$ 52,142	\$ 822,341

The City has established a sewer capacity fee for large industrial users to help service the additional debt incurred to expand the waste treatment plant. At June 30, 2011, the capacity fee only applies to one industrial user. Normal water and sewer charges and additional fees for this user are approximately 15% of the City’s total water and sewer revenues. The City received approval from the Local Government Commission on July 5, 2005 for an additional Wastewater Collection System Revolving Loan.

**City of Clinton, North Carolina**  
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The following table summarizes the annual requirements to amortize the principal owed at June 30, 2012:

	Principal	Interest	Total
2013	76,837	8,856	85,693
2014	76,837	7,084	83,921
2015	76,837	5,313	82,150
2016	76,837	3,542	80,379
2017	76,839	1,771	78,610
	<u>\$ 384,187</u>	<u>\$ 26,566</u>	<u>\$ 410,753</u>

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

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2012:

	Principal	Interest	Total
2013	168,335	42,420	210,755
2014	168,335	38,885	207,220
2015	168,335	35,350	203,685
2016	168,335	31,815	200,150
2017	168,335	28,280	196,615
2017-2022	841,673	88,376	930,049
2023-2024	336,666	10,605	347,271
	<u>\$ 2,020,014</u>	<u>\$ 275,731</u>	<u>\$ 2,295,745</u>

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

**City of Clinton, North Carolina**  
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The following table summarizes the annual requirements to amortize the principal owed at June 30, 2012:

	Principal	Interest	Total
2013	11,507	4,350	15,856
2014	11,507	4,108	15,615
2015	11,507	3,866	15,373
2016	11,507	3,625	15,131
2017	11,507	3,383	14,890
2018-2022	57,534	13,290	70,824
2023-2027	57,534	7,249	64,783
2028-2030	34,518	1,448	35,968
	<u>\$ 207,121</u>	<u>\$ 41,319</u>	<u>\$ 248,440</u>

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

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2012:

	Principal	Interest	Total
2013	7,143	-	7,143
2014	7,143	-	7,143
2015	7,143	-	7,143
2016	7,143	-	7,143
2017	7,143	-	7,143
2018-2022	35,713	-	35,713
2023-2027	35,713	-	35,713
2028-2030	21,424	-	21,425
	<u>\$ 128,565</u>	<u>\$ -</u>	<u>\$ 128,545</u>

**d. BB&T Installment Purchase**

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

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

	Principal	Interest	Total
2013	164,461	19,630	184,091
2014	170,760	13,331	184,091
2015	177,301	6,791	184,092
	<u>\$ 512,522</u>	<u>\$ 39,752</u>	<u>\$ 552,274</u>

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

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

	Principal	Interest	Total
2013	19,039	977	20,016
2014	19,360	657	20,017
2015	19,685	331	20,016
	<u>\$ 58,084</u>	<u>\$ 1,965</u>	<u>\$ 60,049</u>

e. General Obligation Indebtedness

The City does not have any general obligation bonds serviced by the governmental funds. The City does have general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2012 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

\$2,500,000, October 1994 Sanitary Sewer serial bonds due in annual installments of \$100,000 through April 1, 2007, then annual installments of \$250,000 through April 1, 2012, and a final installment of \$50,000 due April 1, 2013. Interest rates graduate from 5% to 6% over the term of the bonds. The outstanding balance at June 30, 2010 was \$550,000.

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Business-type Activities		
	Principal	Interest	Total
2013	50,000	3,000	53,000
Total	<u>\$ 50,000</u>	<u>\$ 3,000</u>	<u>\$ 53,000</u>

At June 30, 2012, the City of Clinton had no bonds authorized but unissued and had a legal debt margin of approximately \$47,893,239.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

**f. Changes in Long-Term Liabilities**

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

<b><u>Governmental activities:</u></b>	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Installment purchase	\$ 1,755,096	\$ 110,200	\$ 252,811	\$ 1,612,485	\$ 244,269
Compensated absences	256,600	134,873	121,273	270,200	121,000
Other postemployment benefits	396,104	227,310	97,700	525,714	120,000
Net pension obligation	107,280	51,565	39,658	119,187	40,000
Governmental activity long-term liabilities	<u>\$ 2,515,080</u>	<u>\$ 523,948</u>	<u>\$ 511,442</u>	<u>\$ 2,527,586</u>	<u>\$ 525,269</u>
	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
<b><u>Business-type activities:</u></b>					
Sanitary Sewer Series 1994	\$ 300,000	\$ -	\$ 250,000	\$ 50,000	\$ 50,000
State revolving loan-0030 (1994) Well Fill Purification Project (1999)	1,026,932	-	256,733	770,199	256,733
BB&T Installment Loan (Loader)	-	58,084	-	58,084	19,039
State revolving loan-0066 (2007)	461,024	-	76,837	384,187	76,837
State revolving loan-0166 (2009)	2,188,349	-	168,335	2,020,014	168,335
State revolving loan-0166 (2010)	218,628	-	11,507	207,121	11,507
Clearwater loan	135,708	-	7,143	128,565	7,143
Compensated absences	85,585	31,879	31,175	86,289	31,000
Other postemployment benefits	125,684	59,477	5,202	179,959	-
Business-type activity long-term liabilities	<u>\$ 5,212,827</u>	<u>\$ 149,440</u>	<u>\$ 965,327</u>	<u>\$ 4,396,940</u>	<u>\$ 785,055</u>

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

**C. Interfund Activity and Balances**

Transfers to/from other funds at June 30, 2012, consist of the following:

From the Water & Sewer Fund to the General Fund	\$ 322,000
From the General Fund to	
Capital Project (Eliza Lane)	25,000
From the Water & Sewer Fund to	
Capital Project (Eliza Lane)	83,785
From the Water & Sewer Fund to	
Capital Project (Wall Street Alley)	11,700
From Capital Project Fund (City Hall) to	
General Fund	13,274
Total	\$ 455,759

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

**D. On-Behalf Payments for Fringe Benefits and Salaries**

For the fiscal year ended June 30, 2012, the City of Clinton has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$6,088 for the thirty employed firemen who perform firefighting duties for the town's fire department. The employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

**E. Fund Balance**

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

Total fund balance – General Fund	\$ 5,094,287
Less:	
Inventories	26,084
Stabilization by State Statute	2,484,349
Cemetery Fund	406,395
Unassigned	2,177,459
Remaining Fund Balance	0

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

**IV. Joint Ventures**

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the fund for the on-behalf payments for retirement benefits made to eligible members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2012, the City reported revenues and expenditures in the amount of \$14,034 for funds passing through the Firemen's Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2012. 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, 2012.

**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, 2012. The City of Clinton pays one half of the operating costs and one half of any required match for grants. The City of Clinton is not under any contractual obligation to continue support of the airport.

**VII. Commitments**

In 2004 the City entered into a ten year agreement to dispose of liquid and dried waste from the waste-treatment facility. The total amount paid under the contract for the year ended June 30, 2012 was approximately \$280,588.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2012**

**VII. Commitments (continued)**

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, 2012 the City of Clinton received from Sampson County \$149,858 under the terms of this agreement.

Effective July 1, 2006, Sampson County collects real estate and motor vehicle taxes levied by the City of Clinton. The County's fee for collection is 2 percent of the amounts collected. The amount of collection fees for the year ended June 30, 2012 was \$55,426.

**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**

After June 30, 2010, the City renewed planning and expenditures relating to the Downtown Revitalization – Phase III project. The City expects to complete this project during the fiscal year ended June 30, 2013. The funding for Downtown Revitalization – Phase III will come from the USDA in the form of a loan for \$1,000,000 and grant proceeds of \$455,000. Debt proceeds of \$1,000,000 and grant revenues of \$425,144 have been recorded in the fund statement as due from other government. The Statement of Net Assets will not reflect the corresponding debt until the loan is officially closed, which the City, barring any unforeseen circumstances anticipates to occur by June 30, 2013.

During the June 30, 2011 fiscal year, the Russell Street Add-On Capital Project had been started. This project has an ordinance of \$320,000 and will be completed in the June 30, 2013 fiscal year.

During the June 30, 2012 fiscal year, the Eliza Lane Capital Project had been started. This project has an ordinance of \$790,550 and will be completed in the June 30, 2013 fiscal year.

City's management has evaluated subsequent events through November 2, 2012, 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, 2012**

**X. Related Party Transactions**

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

**XI. Other Agreements**

The City owns a property that it leases to another business. The total amount received by the City in lease payments during the year was \$61,427.

**XII. Prior Period Adjustment**

The City determined that certain fixed assets were depreciated incorrectly in prior years for both the Governmental and Business-type Activities. The accumulated depreciation was adjusted and therefore, adjustments to beginning net asset balances have been recorded in the amounts of \$46,723 and \$42,308 for Governmental and Business-type Activities respectively.

Required  
Supplementary Financial Data

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

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

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

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

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

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

## Notes to the required Schedules:

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

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

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

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

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 223,566	20.30%
2010	224,544	23.00%
2011	225,254	30.10%
2012	294,961	33.10%

Notes to the required Schedules:

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

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

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

TEN LARGEST TAXPAYERS BY ASSESSED VALUATION  
For the Year Ended June 30, 2012

TAXPAYER	ASSESSED VALUATION	TAX LEVY
1 LPC Transport Clinton Plant, LLC Smithfield Packing	\$ 55,019,059	\$ 220,076
2 Schindler Corporation Schindler Elevator Corporation	13,275,903	53,104
3 Dubose Industries Dubose National Energy Service Dubse Strapping, Inc.	10,457,704	42,399
4 Wal-Mart Stores East, LP #2580 Wal-Mart, Inc.	8,674,899	34,700
5 Liberty Healthcare Services Liberty Healthcare Properties Liberty Home Care	8,536,083	34,144
6 Progress Energy	7,973,379	31,894
7 Faircloth Family Properties	7,467,048	29,868
8 Carolina Telephone & Telegraph	7,219,685	28,879
9 Lowe's Home Center, Inc.	5,942,653	22,771
10 Sampson Crossing LP	5,938,472	23,754

TOTAL ASSESSED VALUATION

Assessment Ratio	100%
Real Property	\$ 538,837,589
Personal Property	141,890,069
Public Service Companies	17,246,063
	<u>697,973,721</u>
Tax rate per \$100	0.40
Levy (includes discoveries, releases and abatements)	\$ 2,791,895

**Individual Fund Statements and Schedules**

CITY OF CLINTON, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the year ended June 30, 2012

	2012		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES:</b>			
Ad valorem taxes:			
Current year	\$	\$ 2,640,424	\$
Prior year levies		41,234	
Interest and penalties		17,284	
Total	2,741,976	2,698,942	(43,034)
Other taxes and licenses:			
Privilege licenses		120,421	
Auto licenses		30,248	
Total	125,000	150,669	25,669
Unrestricted intergovernmental revenues:			
Local option sales tax		1,561,703	
Utility franchise tax		556,327	
Fire district tax		355,128	
Telecommunications sales tax		186,073	
ABC profit distribution		99,200	
Hold harmless funds		85,764	
Excise tax on piped gas		48,303	
Beer and wine tax		37,244	
CATV franchise fee		32,096	
Payments in lieu of taxes		18,291	
Sales tax reimbursements		7,048	
Total	2,982,000	2,987,177	5,177
Restricted intergovernmental revenues:			
Powell bill allocation		249,735	
Sampson County contribution		158,702	
City schools - police		96,889	
FEMA funds		85,840	
Community college - police		47,111	
HUD grant - police		42,565	
NCDOT funds		15,330	
DWI Police Grant		15,035	
Firemen's relief tax		14,315	
Rescue technical assistance		12,000	
Justice Assistance Grant		10,554	
Local Fire Protection Service		6,088	
Solid Waste Disposal tax		5,869	
ABC revenue for law enforcement		5,000	
State substance abuse tax		3,701	
Federal drug forfeiture		2,386	
NC Department of Health		2,220	
Region M - Aging		1,625	
Total	771,938	774,965	3,027

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, 2012

	2012		Variance Favorable (Unfavorable)
	Budget	Actual	
Sales and services:			
Garbage collection fees		1,197,669	
Recreation department fees		69,150	
Cemetery lot sales and maintenance		57,816	
Other services and materials		10,765	
Cemetery lot cleaning		10,233	
Total	1,328,500	1,345,633	17,133
Investment earnings:			
General fund		7,545	
Cemetery trust fund		2,046	
Total	25,000	9,591	(15,409)
Miscellaneous:			
Other		135,816	
Insurance revenue		62,739	
Rent industrial buildings		67,427	
False alarm ordinance		16,650	
Demolition reimbursement		16,604	
Restricted miscellaneous revenues		12,180	
Officer arrest fees		5,140	
Parking violations		2,090	
Total	325,346	318,646	(6,700)
<b>Total revenues</b>	<b>8,299,760</b>	<b>8,285,623</b>	<b>(14,137)</b>
<b>EXPENDITURES:</b>			
General government:			
Governing body:			
Mayor and councilmen salaries		50,383	
Mayor and councilment expenses		79,551	
Election expense		4,428	
Total	143,026	134,362	8,664
Administrative:			
Salaries and employee benefits		324,702	
Operating expenses		32,574	
Capital outlay		1,175	
Total	372,010	358,451	13,559

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, 2012

	2012		Variance Favorable (Unfavorable)
	Budget	Actual	
Finance:			
Salaries and employee benefits		279,845	
Operating expenses		49,452	
Capital outlay		-	
Total	347,468	329,297	18,171
Planning and zoning:			
Salaries and employee benefits		250,913	
Operating expenses		39,123	
Capital outlay		-	
Total	299,715	290,036	9,679
Cemetery and public grounds:			
Salaries and employee benefits		170,991	
Operating expenses		101,076	
Capital outlay		34,660	
Total	327,940	306,727	21,213
Non-departmental:			
Various operating expenses		303,513	
Housing demolition		55,926	
Other agency contributions		15,623	
Real Property		10,170	
Economic development		10,010	
Capital outlay		7,672	
Rescue squad expense		6,031	
Downtown incentive program		1,632	
Total	440,610	410,577	30,033
Debt service	155,954	155,954	-
<b>Total general government</b>	<b>2,086,723</b>	<b>1,985,404</b>	<b>101,319</b>
Public safety:			
Police department:			
Salaries and employee benefits		1,699,411	
Operating expenses		389,124	
Capital outlay		61,832	
Total	2,276,954	2,150,367	126,587

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, 2012

	2012		Variance Favorable (Unfavorable)
	Budget	Actual	
Fire:			
Salaries and employee benefits		744,557	
Operating expenses		290,115	
Capital outlay		72,286	
Debt service		10,000	
Total	1,179,350	1,116,958	62,392
Maintenance:			
Salaries and employee benefits		-	
Operating expenses		-	
Total	-	-	-
<b>Total public safety</b>	<b>3,456,304</b>	<b>3,267,325</b>	<b>188,979</b>
Transportation:			
Street administration:			
Salaries and employee benefits		491,626	
Operating expenses		58,672	
Capital outlay		-	
Total	567,226	550,298	16,928
Materials and supplies:			
Signs, signals, paints and supplies		15,587	
Operating expenses		10,465	
Asphalt and concrete		15,939	
Total	44,950	41,991	2,959
Equipment expenses:			
Automotive supplies		42,723	
Equipment rental and maintenance		55,628	
Small tools and equipment		17,021	
Total	107,100	115,372	(8,272)
Other costs and services:			
Street lighting contract		237,689	
Paving		229,230	
Landfill		-	
Total	470,000	466,919	3,081
Capital outlay:			
Improvements		27,585	
Total	27,585	27,585	-
Total street	1,216,861	1,202,165	14,696

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, 2012

	2012		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Garage:</b>			
Salaries and employee benefits		145,649	
Operating expenses		59,096	
<b>Total</b>	209,644	204,745	4,899
<b>Airport:</b>			
Sampson Co. Airport Grant		49,964	
<b>Total</b>	-	49,964	(49,964)
<b>Total transportation</b>	1,426,505	1,456,874	(30,369)
<b>Environmental protection:</b>			
<b>Sanitation:</b>			
Salaries and employee benefits		289,392	
Operating expenses		508,844	
Capital outlay		220,933	
<b>Total environmental protection</b>	1,213,624	1,019,169	194,455
<b>Cultural and recreation:</b>			
Salaries and employee benefits		534,671	
Operating expenses		338,115	
Capital outlay		270,693	
<b>Total cultural and recreation</b>	1,260,150	1,143,479	116,671
<b>Total expenditures</b>	9,443,306	8,872,251	571,055
<b>Revenues over (under) expenditures</b>	(1,143,546)	(586,628)	556,918
<b>Other financing sources (uses):</b>			
Transfers in (out)			
Water and Sewer Fund	322,317	322,000	(317)
Transfer from City Hall Renovation			
Capital Project Fund	13,144	13,275	131
Transfer to Eliza Lane Capital Project Fund	(25,000)	(25,000)	-
Insurance Recovery	50,000	45,195	(4,805)
Debt Proceeds	210,200	110,200	(100,000)
<b>Total other financing sources (uses) - net</b>	570,661	465,670	(104,991)
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	(572,885)	(120,958)	<u>\$ 451,927</u>
<b>Fund balance appropriated</b>	572,885		
<b>Beginning of year, July 1</b>		5,227,370	
<b>Change in reserve for inventories</b>		(12,125)	
<b>End of year, June 30</b>		<u>\$ 5,094,287</u>	

**CITY OF CLINTON, NORTH CAROLINA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-major Governmental Funds June 30, 2012</u>
<b>Assets:</b>			
Cash and investments	\$ 143,897	\$ 554	\$ 144,451
Accounts receivable	1,980	-	1,980
Total Assets	<u>\$ 145,877</u>	<u>\$ 554</u>	<u>\$ 146,431</u>
<b>Liabilities and Fund Equity:</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 38,257	\$ -	\$ 38,257
Total Current Liabilities	<u>38,257</u>	<u>-</u>	<u>38,257</u>
Total Liabilities	<u>38,257</u>	<u>-</u>	<u>38,257</u>
<b>Fund balances</b>			
Unreserved (available for appropriation)	<u>107,620</u>	<u>554</u>	<u>108,174</u>
Total liabilities and fund balances	<u>\$ 145,877</u>	<u>\$ 554</u>	<u>\$ 146,431</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, 2012**

	Special Revenue Funds	Capital Project Funds	Total Non-major Governmental Funds June 30, 2012
<b>Revenues</b>			
Ad valorem taxes - net	\$ 51,914	\$ -	\$ 51,914
Program Income	7,825	-	7,825
CDBG Grant	-	273,269	273,269
Private contribution	-	10,290	10,290
Investment earnings	2,120	13,144	15,264
Miscellaneous	10,702	-	10,702
Total Revenues	<u>72,561</u>	<u>296,703</u>	<u>369,264</u>
<b>Expenditures</b>			
Capital Outlay	-	291,005	291,005
Economic and physical development	58,966	-	58,966
Total Expenditures	<u>58,966</u>	<u>291,005</u>	<u>349,971</u>
Revenues over (under) expenditures	13,595	5,698	19,293
<b>Other financing sources / uses</b>			
Transfer in (out)			
General Fund	-	(13,274)	(13,274)
Total other financing sources	<u>-</u>	<u>(13,274)</u>	<u>(13,274)</u>
Revenues and other financing sources over (under) expenditures	13,595	\$ (7,576)	\$ 6,019
<b>Fund balance:</b>			
Beginning of year, July 1	94,025	8,130	102,155
End of year, June 30	<u>\$ 107,620</u>	<u>\$ 554</u>	<u>\$ 108,174</u>

**CITY OF CLINTON, NORTH CAROLINA  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2012**

**EXHIBIT C-3**

	<u>Special Revenue Community Development Fund</u>	<u>Special Revenue Downtown Tax District Fund</u>	<u>Total Special Revenue Funds June 30, 2012</u>
<b>Assets:</b>			
Cash and investments	\$ 28,805	\$ 115,092	\$ 143,897
Accounts receivable	-	1,980	1,980
Total Assets	<u>\$ 28,805</u>	<u>\$ 117,072</u>	<u>\$ 145,877</u>
<b>Liabilities and Fund Equity:</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 425	\$ 37,832	\$ 38,257
Total Current Liabilities	<u>425</u>	<u>37,832</u>	<u>38,257</u>
Total Liabilities	<u>425</u>	<u>37,832</u>	<u>38,257</u>
<b>Fund balances</b>			
Unreserved (available for appropriation)	<u>28,380</u>	<u>79,240</u>	<u>107,620</u>
Total liabilities and fund balances	<u>\$ 28,805</u>	<u>\$ 117,072</u>	<u>\$ 145,877</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, 2012**

	Special Revenue Community Development Fund	Special Revenue Downtown Tax District Fund	Total Special Revenue Funds June 30, 2012
<b>Revenues</b>			
Ad valorem taxes - net	\$ -	\$ 51,914	\$ 51,914
CDBG Grant	-	-	-
Program Income	7,825	-	7,825
Investment earnings	1,828	292	2,120
Miscellaneous	-	10,702	10,702
Total Revenues	<u>9,653</u>	<u>62,908</u>	<u>72,561</u>
<b>Expenditures</b>			
Economic and physical development	-	58,966	58,966
Total Expenditures	<u>-</u>	<u>58,966</u>	<u>58,966</u>
<b>Excess of revenues over expenditures</b>	<u>9,653</u>	<u>3,942</u>	<u>13,595</u>
<b>Net change in fund balance</b>	\$ 9,653	\$ 3,942	\$ 13,595
<b>Fund balance:</b>			
Beginning of year, July 1	18,727	75,298	94,025
End of year, June 30	<u>\$ 28,380</u>	<u>\$ 79,240</u>	<u>\$ 107,620</u>

**CITY OF CLINTON, NORTH CAROLINA  
COMMUNITY DEVELOPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Program Income	\$	\$ 7,825	\$
Investment Earnings		1,828	
Total Revenues	<u>3,300</u>	<u>9,653</u>	<u>6,353</u>
<b>Expenditures</b>			
Legal Service		-	
Miscellaneous		-	
Total Expenditures	<u>3,300</u>	<u>-</u>	<u>3,300</u>
<b>Excess of revenues over expenditures</b>	<u>-</u>	<u>9,653</u>	<u>9,653</u>
<b>Other Financing Sources (Uses)</b>			
Affordable Housing Project	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>\$ 9,653</u>	<u>\$ 9,653</u>
<b>Fund balance appropriated</b>	<u>-</u>		
<b>Fund balance:</b>			
Beginning of year, July 1		<u>18,727</u>	
End of year, June 30		<u>\$ 28,380</u>	

**CITY OF CLINTON, NORTH CAROLINA**  
**DOWNTOWN TAX DISTRICT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Ad valorem taxes-net	\$	\$ 51,914	\$
Investment Earnings		292	
Miscellaneous		10,702	
Total Revenues	<u>60,200</u>	<u>62,908</u>	<u>2,708</u>
<b>Expenditures</b>			
Special Events		18,940	
Supplies and materials		17,269	
USDA loan payment		8,901	
Projects		5,089	
Advertising		4,372	
Other		4,395	
Total Expenditures	<u>76,700</u>	<u>58,966</u>	<u>17,734</u>
<b>Excess of revenues over expenditures</b>	<u>(16,500)</u>	<u>3,942</u>	<u>20,442</u>
<b>Net change in fund balance</b>	(16,500)	\$ 3,942	<u>\$ 20,442</u>
<b>Fund balance appropriated</b>	<u>16,500</u>		
<b>Fund balance:</b>			
Beginning of year, July 1		<u>75,298</u>	
End of year, June 30		<u>\$ 79,240</u>	

**CITY OF CLINTON, NORTH CAROLINA**  
**COMBINING BALANCE SHEET**  
**CAPITAL PROJECT FUNDS**  
For the Year Ended June 30, 2012

Non - Major

	<u>Capital Project Russell Street</u>	<u>Capital Project Russell Street Add-on</u>	<u>Capital Project City Hall Renovation</u>	<u>Affordable Housing Project</u>	<u>Total Capital Project Funds June 30, 2012</u>
<b>Assets:</b>					
Cash and investments	\$ -	\$ -	\$ -	\$ 554	\$ 554
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 554</u>	<u>\$ 554</u>
<b>Liabilities and Fund Equity:</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>					
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>554</u>	<u>554</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 554</u>	<u>\$ 554</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, 2012**

Non - Major

	Capital Project Russell Street	Capital Project Russell Street Add- on	Capital Project City Hall Renovation	Affordable Housing Project	Total Capital Project Funds June 30, 2012
<b>Revenues</b>					
CDBG Grant	\$ -	\$ 273,269	\$ -	\$ -	\$ 273,269
Private contribution	-	10,290	-	-	10,290
Interest income	-	-	13,144	-	13,144
Total Revenues	<u>-</u>	<u>283,559</u>	<u>13,144</u>	<u>-</u>	<u>296,703</u>
<b>Expenditures</b>					
Capital Outlay	4,612	283,559	250	2,584	291,005
Total Expenditures	<u>4,612</u>	<u>283,559</u>	<u>250</u>	<u>2,584</u>	<u>291,005</u>
<b>Revenues over (under) expenditures</b>	(4,612)	-	12,894	(2,584)	5,698
<b>Other financing sources (uses)</b>					
Transfer to General Fund	-	-	(13,274)	-	(13,274)
Total other financing sources	<u>-</u>	<u>-</u>	<u>(13,274)</u>	<u>-</u>	<u>(13,274)</u>
<b>Revenues and other financing sources over (under) expenditures</b>	(4,612)	-	(380)	(2,584)	(7,576)
<b>Fund balance:</b>					
Beginning of year, July 1	4,612	-	380	3,138	8,130
End of year, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 554</u>	<u>\$ 554</u>

CITY OF CLINTON, NORTH CAROLINA  
 CAPITAL PROJECT FUND - RUSSELL STREET PROJECT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 From Inception and for the Year Ended June 30, 2012

EXHIBIT C-9

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
CDBG Grant (08-C-1874)	\$ 850,000	\$ 850,000	\$ -	\$ 850,000	\$ -
Private Contribution	23,921	23,921	-	23,921	-
Total Revenues	873,921	873,921	-	873,921	-
<b>Expenditures</b>					
Administration	44,000	44,000	-	44,000	-
Clearance	41,500	27,710	-	27,710	13,790
Rehabilitation Private	421,000	433,716	-	433,716	(12,716)
Relocation	170,000	181,891	-	181,891	(11,891)
Water Improvements	61,220	60,397	-	60,397	823
Sewer	112,280	112,280	-	112,280	-
Local Contribution - Water & Sewer	154,814	140,208	4,612	144,820	9,994
Total Expenditures	1,004,814	1,000,202	4,612	1,004,814	-
<b>Revenues over (under) expenditures</b>	<b>(130,893)</b>	<b>(126,281)</b>	<b>(4,612)</b>	<b>(130,893)</b>	<b>-</b>
<b>Other financing sources</b>					
Operating transfers - in From Water & Sewer Fund	130,893	130,893	-	130,893	-
Total other financing sources	130,893	130,893	-	130,893	-
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 4,612</b>	<b>(4,612)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balance:</b>					
Beginning of year, July 1			4,612		
End of year, June 30			\$ -		

CITY OF CLINTON, NORTH CAROLINA  
 CAPITAL PROJECT FUND - RUSSELL STREET PROJECT ADD-ON  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 From Inception and for the Year Ended June 30, 2012

EXHIBIT C-10

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
CDBG Grant (07-D-2178)	\$ 320,000	\$ 11,458	\$ 273,269	\$ 284,727	\$ (35,273)
Private contribution	10,290	-	10,290	10,290	-
Total Revenues	330,290	11,458	283,559	295,017	(35,273)
<b>Expenditures</b>					
Administration	32,000	11,458	20,542	32,000	-
Clearance	10,000	-	6,930	6,930	3,070
Rehabilitation Private	125,290	-	97,166	97,166	28,124
Relocation	163,000	-	158,921	158,921	4,079
Total Expenditures	330,290	11,458	283,559	295,017	35,273
<b>Revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balance:</b>					
Beginning of year, July 1			-		
End of year, June 30			\$ -		

CITY OF CLINTON, NORTH CAROLINA  
 CAPITAL PROJECT FUND - CITY HALL RENOVATION  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 From Inception and for the Year Ended June 30, 2012

EXHIBIT C-11

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Interest income	\$ 13,144	\$ -	\$ 13,144	\$ 13,144	\$ -
Loan proceeds	500,000	500,000	-	500,000	-
Total Revenues	513,144	500,000	13,144	513,144	-
<b>Expenditures</b>					
Administration and engineering	23,266	23,266	-	23,266	-
Electrical and computer relocation	11,679	11,299	250	11,549	130
Borings/construction testing	11,937	11,937	-	11,937	-
Administration renovation	201,034	201,034	-	201,034	-
City Hall renovation	209,453	209,453	-	209,453	-
City Hall renovation - furniture	42,631	42,631	-	42,631	-
Total Expenditures	500,000	499,620	250	499,870	130
<b>Revenues over (under) expenditures</b>	<b>13,144</b>	<b>380</b>	<b>12,894</b>	<b>13,274</b>	<b>130</b>
<b>Other financing uses</b>					
Operating transfers - out To General Fund	13,274	-	(13,274)	(13,274)	-
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ (130)</b>	<b>\$ 380</b>	<b>(380)</b>	<b>\$ -</b>	<b>\$ 130</b>
<b>Fund balance:</b>					
Beginning of year, July 1			380		
End of year, June 30			\$ -		

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, 2012

EXHIBIT C-12

	<u>Budget</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Expenditures</b>					
Appraisal	\$ 450	\$ -	\$ -	\$ -	\$ 450
Plumbing connection	1,000	3,074	-	3,074	(2,074)
Electrical connection	1,000	1,000	-	1,000	-
Grading	500	-	-	-	500
Maintenance and repair	2,000	-	2,034	2,034	(34)
Driveway extension	1,000	-	550	550	450
House moving	4,800	4,800	-	4,800	-
Home appliance	52,855	52,917	-	52,917	(62)
Contingency	1,395	71	-	71	1,324
Total Expenditures	65,000	61,862	2,584	64,446	554
<b>Other financing sources</b>					
Operating transfers - in					
Community Development Fund	43,000	43,000	-	43,000	-
Community Development Revolving Loan Fund	22,000	22,000	-	22,000	-
Total other financing sources	65,000	65,000	-	65,000	-
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 3,138</u>	(2,584)	<u>\$ 554</u>	<u>\$ 554</u>
<b>Fund balance:</b>					
Beginning of year, July 1			3,138		
End of year, June 30			<u>\$ 554</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, 2012

	2012		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES:</b>			
Operating revenues:			
Charges for services:			
Water and sewer charges		\$ 4,253,628	
Sewer surcharge		408,202	
Water and sewer tap fees		13,780	
Service fees		28,380	
Fireline fees		23,232	
Sale of surplus property		3,971	
Miscellaneous		135,423	
Total operating revenues	4,676,716	4,866,616	189,900
Nonoperating revenues:			
Investment earnings		9,484	
Total nonoperating revenues	20,000	9,484	(10,516)
Total revenues	4,696,716	4,876,100	179,384
<b>EXPENDITURES:</b>			
Operating expenditures other than depreciation:			
Water department:			
Salaries and employee benefits		615,628	
Operating expenditures		581,073	
Repairs and maintenance		203,836	
Total water department	1,465,867	1,400,537	65,330
Waste treatment department:			
Salaries and employee benefits		438,155	
Operating expenditures		1,007,634	
Repairs and maintenance		283,939	
Total waste treatment department	1,828,451	1,729,728	98,723
Total operating expenditures other than depreciation	3,294,318	3,130,265	164,053
Debt service:			
Principal payments		928,949	
Interest and fees		139,631	
Total debt service	1,068,581	1,068,580	1
Capital outlay:			
Water department		193,192	
Waste treatment department		6,500	
Total capital outlay	230,636	199,692	30,944
Total expenditures	4,593,535	4,398,537	194,998

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, 2012

	2012		Variance Favorable (Unfavorable)
	Budget	Actual	
Other financing sources (uses):			
Transfers from other funds		67,849	
Transfers to other funds		(397,955)	
Total other financing uses	(350,037)	(330,106)	19,931
Total expenditures and other financing uses	4,943,572	4,728,643	214,929
Fund balance appropriated	(246,856)	-	(246,856)
Revenue over (under) expenditures and other uses	\$ -	\$ 147,457	\$ 147,457
Reconciliation of modified accrual basis to full accrual basis:		\$ 147,457	
Revenues over expenses and supplemental budget expenditures			
Reconciling items:			
Principal retirement		928,949	
Capital outlay		364,548	
Decrease in inventory		(6,437)	
Increase in accrued vacation pay		(704)	
Decrease in accrued interest		11,325	
Increase in accrued OPEB liability		(54,274)	
Depreciation		(966,742)	
Capital contributions		229,207	
Transfer in to Water & Sewer Fund of capital assets from Russell Street Capital Project		331,576	
Transfer of capital asset from General Fund		(58,084)	
Transfer to Eliza Lane Project from General Fund		25,000	
Total reconciling items		804,364	
Change in net assets		\$ 951,821	

CITY OF CLINTON, NORTH CAROLINA  
 CAPITAL PROJECT - RALEIGH ROAD SEWER  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)  
 From Inception and for the Year Ended June 30, 2012

EXHIBIT D-2

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Expenditures</b>					
Engineering & Design	\$ 26,235	\$ 26,235	\$ -	\$ 26,235	\$ -
Total Expenditures	26,235	26,235	-	26,235	a -
<b>Revenues over (under) expenditures</b>	(26,235)	(26,235)	-	(26,235)	-
<b>Other financing sources (uses)</b>					
Operating transfers - in (out)					
To Water & Sewer Fund	(9,765)	-	(9,765)	(9,765)	-
From Water & Sewer Fund	36,000	36,000	-	36,000	-
Total other financing sources	26,235	36,000	(9,765)	26,235	-
<b>Revenues and other financing sources over (under) expenditures</b>	\$ -	\$ 9,765	\$ (9,765)	\$ -	\$ -

a This capital project was fully capitalized as of June 30, 2009.

CITY OF CLINTON, NORTH CAROLINA  
 CAPITAL PROJECT FUND - PUGH ROAD PROJECT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)  
 From Inception and for the Year Ended June 30, 2012

EXHIBIT D-3

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
CDBG Grant (04-D-2088)	\$ 214,069	\$ 20,312	\$ 193,757	\$ 214,069	\$ -
Total Revenues	214,069	20,312	193,757	214,069	-
<b>Expenditures</b>					
Administration	24,000	23,970	30	24,000	-
Water improvements	96,025	756	95,269	96,025	-
Sewer improvements	94,044	890	93,154	94,044	-
City contribution	12,000	11,460	540	12,000	-
Total Expenditures	226,069	37,076	188,993	226,069	a -
<b>Revenues over (under) expenditures</b>	<b>(12,000)</b>	<b>(16,764)</b>	<b>4,764</b>	<b>(12,000)</b>	<b>-</b>
<b>Other financing sources</b>					
Operating transfers - in From Water & Sewer Fund	12,000	-	12,000	12,000	-
Total other financing sources	12,000	-	12,000	12,000	-
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (16,764)</b>	<b>\$ 16,764</b>	<b>\$ -</b>	<b>\$ -</b>

a This capital project was capitalized in its entirety as of June 30, 2012.

CITY OF CLINTON, NORTH CAROLINA  
 CAPITAL PROJECT FUND - ELIZA LANE PROJECT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)  
 From Inception and for the Year Ended June 30, 2012

EXHIBIT D-4

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
CDBG Grant (10-C-2195)	\$ 572,765	\$ -	\$ 34,450	\$ 34,450	\$ (538,315)
Total Revenues	572,765	-	34,450	34,450	(538,315)
<b>Expenditures</b>					
Administration	47,500	-	46,600	46,600	900
Road construction	141,900	-	-	-	141,900
Water improvements	114,375	-	-	-	114,375
Sewer improvements	268,990	-	-	-	268,990
City contribution	217,785	-	57,249	57,249	160,536
Total Expenditures	790,550	-	103,849	103,849	686,701
<b>Revenues over (under) expenditures</b>	<b>(217,785)</b>	<b>-</b>	<b>(69,399)</b>	<b>(69,399)</b>	<b>148,386</b>
<b>Other financing sources</b>					
Operating transfers - in From Water & Sewer Fund	217,785	-	108,785	108,785	(109,000)
Total other financing sources	217,785	-	108,785	108,785	(109,000)
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 39,386</b>	<b>\$ 39,386</b>	<b>\$ 39,386</b>

a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2012.

CITY OF CLINTON, NORTH CAROLINA  
 CAPITAL PROJECT FUND - WALL STREET ALLEY PROJECT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)  
 From Inception and for the Year Ended June 30, 2012

EXHIBIT D-5

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Expenditures</b>					
Engineering and design	11,700	-	11,548	11,548	152
Total Expenditures	11,700	-	11,548	11,548	152
<b>Revenues over (under) expenditures</b>	(11,700)	-	(11,548)	(11,548)	152
<b>Other financing sources</b>					
Operating transfers - in From Water & Sewer Fund	11,700	-	11,700	11,700	-
Total other financing sources	11,700	-	11,700	11,700	-
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152</u>	<u>\$ 152</u>	<u>\$ 152</u>

a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2012.

## Other Schedules

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This section contains additional information on property taxes.

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

CITY OF CLINTON, NORTH CAROLINA  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 June 30, 2012

Fiscal Year Ended June 30,	Uncollected June 30, 2010	Additions	Collections & Credits	Uncollected June 30, 2011
2012	\$ -	\$ 2,787,649	\$ (2,683,394)	\$ 104,255
2011	74,542	-	(53,550)	20,992
2010	18,187	-	(6,705)	11,482
2009 & prior	59,480	-	(17,722)	41,758
	<u>\$ 152,209</u>	<u>\$ 2,787,649</u>	<u>\$ (2,761,371)</u>	<u>178,487</u>
Less allowance for uncollectible ad valorem taxes receivable				49,000
Ad valorem taxes receivable - net				<u>129,487</u>

## Reconciliation with revenues:

Taxes - Ad Valorem - General Fund	\$ 2,686,945
Discounts allowed & collection fee	86,542
Taxes written off and other adjustments	5,167
Subtotal	<u>2,778,655</u>
Less interest and penalties collected	(17,284)
Total collections and credits	<u>\$ 2,761,371</u>

CITY OF CLINTON, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
For the Year Ended June 30, 2012

	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax levy - City Wide	\$ 650,192,416	0.4	\$ 2,600,770	\$ 2,600,770	\$ -
Motor vehicles taxes at prior year rate	55,809,560	0.4	223,238	-	223,238
Abatements and discoveries	<u>(8,868,065)</u>		<u>(36,359)</u>	<u>(32,113)</u>	<u>(4,246)</u>
Total for year	<u>\$ 697,133,911</u>		2,787,649	2,568,657	218,992
Less uncollected tax at June 30, 2012 (Exhibit E-1)			<u>104,255</u>	<u>68,491</u>	<u>35,764</u>
Current year's taxes collected			<u>\$ 2,683,394</u>	<u>\$ 2,500,166</u>	<u>\$ 183,228</u>
Percent current year collected			96.26%	97.33%	83.67%

## 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 *GOVERNMENT AUDITING STANDARDS***

**Independent Auditor's Report**

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

We have audited the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Clinton, North Carolina, as of and for the year ended June 30, 2012, which collectively comprise City of Clinton, North Carolina's basic financial statements and have issued our report thereon dated November 2, 2012. 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. The financial statements of the Clinton ABC Board were not audited in accordance with *Governmental Auditing Standards*.

**Internal Control Over Financial Reporting**

Management of City of Clinton, North Carolina, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Clinton, North Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Clinton, North Carolina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Clinton, North Carolina's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 questioned costs to be a material weakness. 2012-01

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 did not identify any deficiencies in internal control over financial reporting other than the material weakness identified in the preceding paragraph that we consider to be a significant deficiency.

### **Compliance and Other Matters**

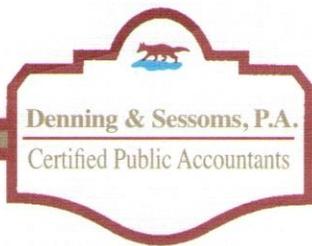
As part of obtaining reasonable assurance about whether City of Clinton, North Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 *Governmental Auditing Standards*.

City of Clinton, North Carolina's response to the finding, 2012-01, identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Clinton, North Carolina's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Denning & Sessoms PA*

Denning & Sessoms, PA  
Clinton, North Carolina  
November 2, 2012



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

**Independent Auditor's Report**

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

Compliance

We have audited City of Clinton, North Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Clinton, North Carolina's major federal programs for the year ended June 30, 2012. City of Clinton, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Clinton, North Carolina's management. Our responsibility is to express an opinion on City of Clinton, North Carolina's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Clinton, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Clinton, North Carolina's compliance with those requirements.

In our opinion, City of Clinton, North Carolina, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

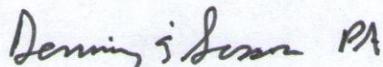
Management of City of Clinton, North Carolina, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Clinton, North Carolina's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion

on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Clinton, North Carolina's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Denning & Sessoms, PA

Clinton, North Carolina

November 2, 2012

**CITY OF CLINTON, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2012**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's/Contract Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Grants:</b>					
<b>Cash Programs:</b>					
<u>U.S. Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce, Division of Community Assistance					
	14.228	10-C-2195	46,600	-	57,249
		08-C-1874	-	-	4,612
		04-D-2088	188,993	-	-
		07-D-2178	273,269	-	10,290
<u>U.S. Department of Federal Emergency Management</u>					
Passed-through N.C. Department of Crime Control and Public Safety					
	97.110	SRL-PJ-04-NC-2009-001 FEMA-1969-DR-NC	123,950	-	
<u>U.S. Department of Housing and Urban Development</u>					
Public and Indian Housing Drug Elimination Program Small Cities					
	14.854		42,565	-	-
<u>U.S. Department of Health and Human Services</u>					
Passed-through Mid-Carolina Council of Government: Special Programs for the Aging Title IIIB - Senior Citizens					
	93.004		1,625	-	-
<u>U.S. Department of Agriculture</u>					
ARRA - Community Facilities Loans Downtown Revitalization Phase III (See note 3 below)					
	10.780		1,249,747	-	
			1,926,749	-	67,539
<b>State Grants:</b>					
<b>Cash Assistance:</b>					
<u>N.C. Department of Transportation:</u>					
Division of Bicycle and Pedestrian Transportation Powell Bill					
	20.205	1416 DOT-4	-	22,000 249,735	5,500 -
			-	271,735	5,500
			<u>\$ 1,926,749</u>	<u>\$ 271,735</u>	<u>\$ 73,039</u>

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

- The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Clinton and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
- Loans Outstanding  
The City of Clinton had a loan balance outstanding at June 30, 2012 in the amount of \$128,565 from funding passed through NC Department of Environmental and Natural Resources from American Recovery and Reinvestment Act of 2009 (ARRA) for loan proceeds in the amount of \$142,850 for the Clear Well project.
- The City of Clinton had two loans outstanding at June 30, 2012 in the amounts of \$295,715 and \$646,567 from installment loans financed with Community Facilities Loans with the US Department of Agriculture. These loans along with contributions from the City funded two downtown revitalization projects. Phase I was completed during the year ended June 30, 2005 and Phase II was completed during the year ended June 30, 2008. Phase III was begun during year ended June 30, 2010 with construction anticipated to be complete year ended June 30, 2013. For year ended June 30, 2012 the City expended funds of \$1,249,747 that management anticipates will be financed in part by USDA loan proceeds and a USDA grant.

City of Clinton, North Carolina  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2012

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

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted      yes   X   no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

CFDA No.	Names of Federal Program or Cluster
14.228	Community Development Block Grant (Russell Street, Russell Street Add-on, Pugh Road and Eliza Lane)
10.780	Downtown Phase III

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

Auditee qualified as low-risk auditee?      yes   X   no

City of Clinton, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2012

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**Section II – Financial Statement Findings**

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MATERIAL WEAKNESS

2012-01 Deficiency in the Capital Asset Reporting System

Criteria: Reports supporting the amounts of capital assets and the related depreciation should be available to City personnel in a timely manner to allow for adequate review and re-calculation.

Condition: Capital Asset listings are not available in a timely manner, thereby not allowing City personnel an adequate period of time to review and re-calculate amounts used in the Financial Reporting required of the City.

Effect: Amounts reported for capital assets, depreciation and accumulated depreciation could be misstated.

Cause: Data for capital asset reporting is accumulated throughout the year and entered into a software program specifically designed for that reporting. However, the assets are not entered until after the close of the fiscal year. The reports generated from that software are not received in a timely manner, preventing City personnel from adequately reviewing the report for potential errors and effectively eliminating the possibility of timely corrections.

Recommendation: Capital assets should be updated on an on-going basis to allow for adequate time to process the data input into the system.

Views of responsible officials and planned corrective actions: The City agrees with this finding.

City of Clinton, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2012

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

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None reported.

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

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None reported.

City of Clinton, North Carolina  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2012

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**Section II – Financial Statement Findings**

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MATERIAL WEAKNESS

2012 – 1 Deficiency in the Capital Asset Reporting System

Name of contact person: Shawn Purvis, Assistant City Management – Finance Director

Corrective Action: City staff will update the capital assets listing during the course of the fiscal year. Upon transition into the new fiscal year, staff will review the capital assets listing to ensure accuracy of the data including amounts reported for capital assets, depreciation, and accumulated depreciation. Staff will review, make any necessary corrections and finalize the report within 45 days of the new fiscal year beginning. In addition, the City will explore alternatives to its current capital asset management software programs.

Proposed Completion Date: Internal practices will be implemented immediately for updating the capital assets listing throughout the fiscal year. Staff will solicit proposals for alternative capital assets management software upon Council approval of these financial reports with intent to secure and implement the new system prior to the final quarter of the new fiscal year.

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

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None reported.

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

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None reported.

City of Clinton, North Carolina  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2012

**Finding: 2011-01**

Status: Corrected.

- (i) Training session held with department personnel emphasizing compliance with the City's purchasing policy.
- (ii) City Finance Department closely monitors transactions occurring near the end and beginning of accounting periods.