

**Audited Financial Statements
And Other Financial Information**

City of Clinton, North Carolina

As of June 30, 2013

City Council Members

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

Administrative and Financial Staff

Mr. Shawn Purvis, Interim City Manager
Mrs. Kristin Stafford, Interim Finance Director

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

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clinton, North Carolina as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Clinton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Clinton ABC Board were not audited in accordance with *Governmental Auditing Standards*.

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

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

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

Opinions

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Clinton, North Carolina as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note XII. to the financial statements, in 2013 the city adopted new accounting guidance, GASB 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clinton's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office and Management and Budget Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2013 on our consideration of the City of Clinton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Clinton's internal control over financial reporting and compliance.

Denning, Herring, Sessoms & Company - PA

Denning, Herring, Sessoms & Company, P.A.
Clinton, North Carolina
October 25, 2013

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, 2013. 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

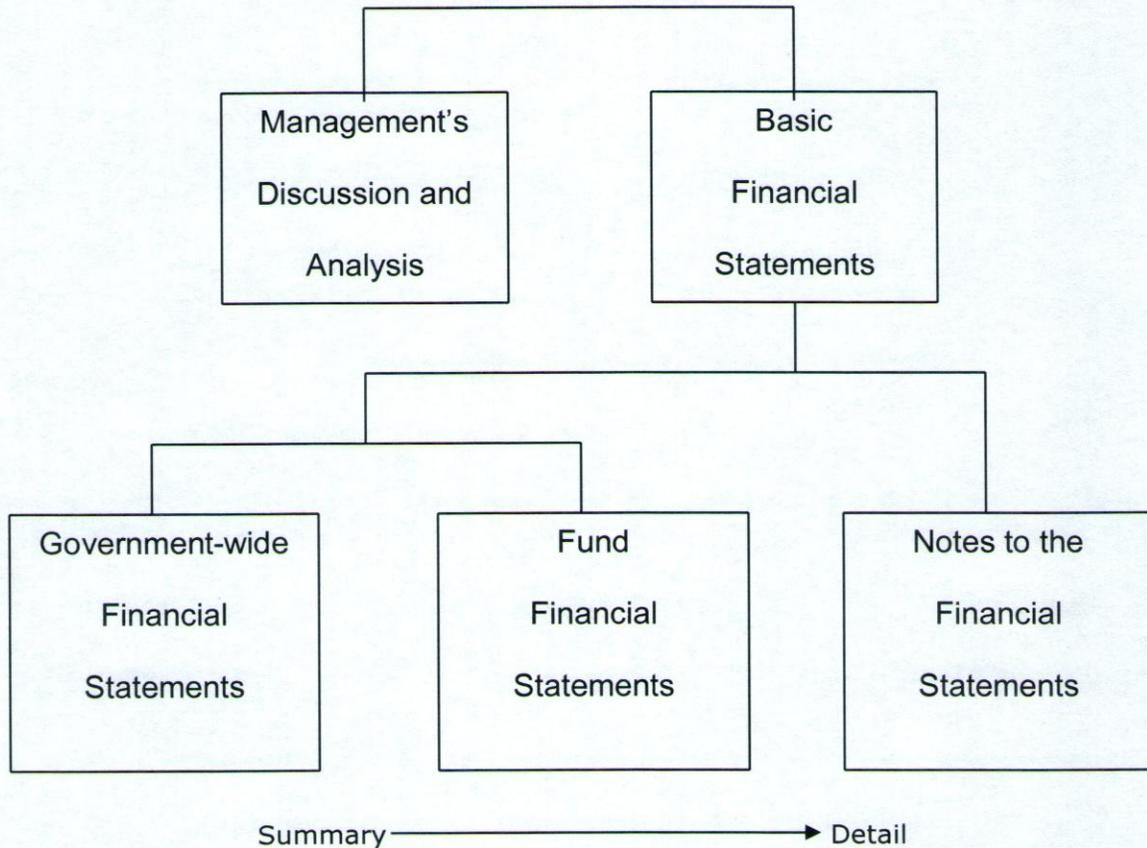
- The assets of the City of Clinton exceeded its liabilities at the close of the fiscal year by \$31,274,892 (*net position*). The assets of the governmental activities exceeded its liabilities by \$12,789,579. The assets of the business-type activities exceeded liabilities by \$18,485,313.
- The government's total net position increased by \$846,532 due to increases in both governmental and business-type activities net position.
- Business-type net position increased \$664,674 and net position for governmental activities increased \$181,858.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$5,559,905 with a net change of \$351,810 in fund balance. Approximately 23% of this total amount, or \$1,275,125, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,702,487 or 38.49% of total general fund expenditures for the fiscal year. Total fund balance for the General Fund was \$5,250,716 (54.58%).
- The City of Clinton's capital debt increased \$1,050,237 (15.46%) during the past fiscal year, primarily due to new debt obligations in governmental 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 position and its changes. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

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

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

Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 27 of this report.

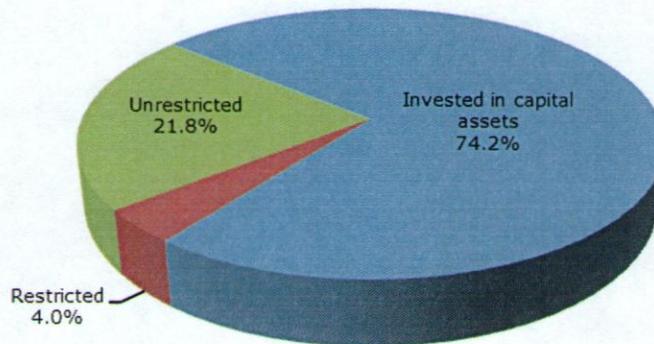
Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Clinton’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information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

Government-Wide Financial Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 4,753,750	\$ 6,005,243	\$ 4,285,559	\$ 4,175,165	\$ 9,039,309	\$ 10,180,408
Capital assets	10,802,481	11,620,664	18,431,908	18,393,728	29,234,389	30,014,392
Total assets	15,556,231	17,625,907	22,717,467	22,568,893	38,273,698	40,194,800
Long-term liabilities outstanding	2,527,586	4,459,865	4,396,940	3,703,656	6,924,526	8,163,521
Other liabilities	420,924	376,463	499,888	379,924	920,812	756,387
Total liabilities	2,948,510	4,836,328	4,896,828	4,083,580	7,845,338	8,919,908
Net assets:						
Invested in capital assets, net of related debt	9,222,858	8,196,863	14,480,722	15,016,991	23,703,580	23,213,854
Restricted	2,615,795	1,254,121	-	-	2,615,795	1,254,121
Unrestricted	769,068	3,338,595	3,339,917	3,468,322	4,108,985	6,806,917
Total net position	\$ 12,607,721	\$ 12,789,579	\$ 17,820,639	\$ 18,485,313	\$ 30,428,360	\$ 31,274,892

Figure 3
City of Clinton FY2013
Total Net Position by Type



As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Clinton exceeded liabilities by \$31,274,892 as of June 30, 2013. The City's net position increased by \$846,532 for the fiscal year ended June 30, 2013. The largest portion of net position (74.2%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City of Clinton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Clinton's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Clinton's net position, \$1,254,121 (4.0%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,806,917 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.0% (98.2% excluding motor vehicles).
- Collection of prior year tax levies of approximately \$22,000 more than original projections.
- Sales Tax revenues of approximately \$11,000 more than original projections.
- Garbage collection revenues of approximately \$84,000 more than original projections.
- Continued low cost of debt due to the City's good bond rating.

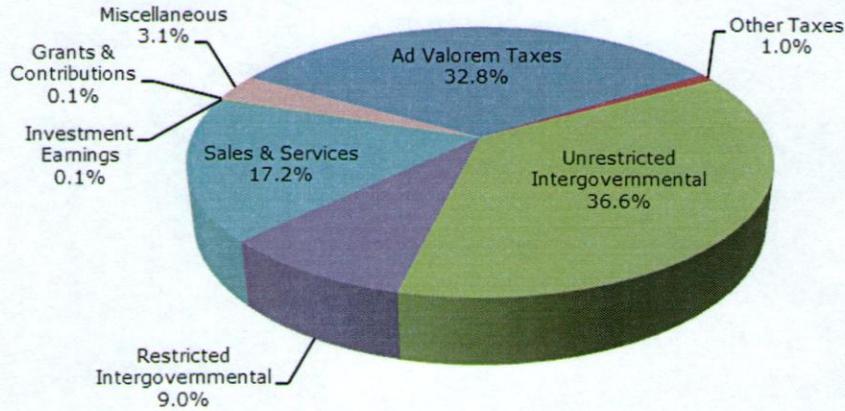
Figure 4
City of Clinton's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,593,327	\$ 1,562,226	\$ 4,727,222	\$ 5,015,930	\$ 6,320,549	\$ 6,578,156
Operating grants and contributions	868,656	863,185	133,234	-	1,001,890	863,185
Capital grants and Contributions	544,019	45,427	560,783	73,949	1,104,802	119,376
General revenues:						
Property taxes	2,774,645	2,761,465	-	-	2,774,645	2,761,465
Other taxes	150,669	85,387	-	-	150,669	85,387
Unrestricted intergovernmental revenues	2,996,092	3,112,794	-	-	2,996,092	3,112,794
Unrestricted investment Earnings	24,855	12,456	9,484	12,954	34,339	25,410
Miscellaneous	33,990	33,934	3,971	-	37,961	33,934
Sale of surplus assets (loss)	-	(26,092)	-	-	-	(26,092)
Total revenues	8,986,253	8,450,782	5,434,694	5,102,833	14,420,947	13,553,615
Expenses:						
General Government	2,014,619	1,957,318	-	-	2,014,619	1,957,318
Public safety	3,468,077	3,350,549	-	-	3,468,077	3,350,549
Transportation	1,546,684	1,390,714	-	-	1,546,684	1,390,714
Economic and physical development	924,553	83,367	-	-	924,553	83,367
Environmental protection	1,052,903	972,535	-	-	1,052,903	972,535
Cultural and recreation	1,221,469	919,601	-	-	1,221,469	919,601
Interest on long-term debt	65,781	34,103	128,306	-	194,087	34,103
Water and Sewer	-	-	4,057,567	3,998,896	4,057,567	3,998,896
Total expenses	10,294,086	8,708,187	4,185,873	3,998,896	14,479,959	12,707,083
Increase (decrease) in net position before transfers	(1,307,833)	(257,405)	1,248,821	1,103,937	(59,012)	846,532
Transfers	297,000	439,263	(297,000)	(439,263)	-	-
Increase in net position	(1,010,833)	181,858	951,821	664,674	(59,012)	846,532
Net assets, July 1	13,618,554	12,607,721	16,868,818	17,820,639	30,487,372	30,428,360
Net assets, June 30	\$ 12,607,721	\$ 12,789,579	\$ 17,820,639	\$ 18,485,313	\$ 30,428,360	\$ 31,274,892

Governmental Activities. Governmental activities increased the City's net position by \$181,858, thereby contributing to the overall increase in the net position of the City of Clinton. Key elements of this increase are as follows:

- The closeout of the City's Downtown Phase III capital project enabled the City to reimburse its reserve funds, which it had used for interim financing to reduce potential interest costs on the \$1.75 million project.

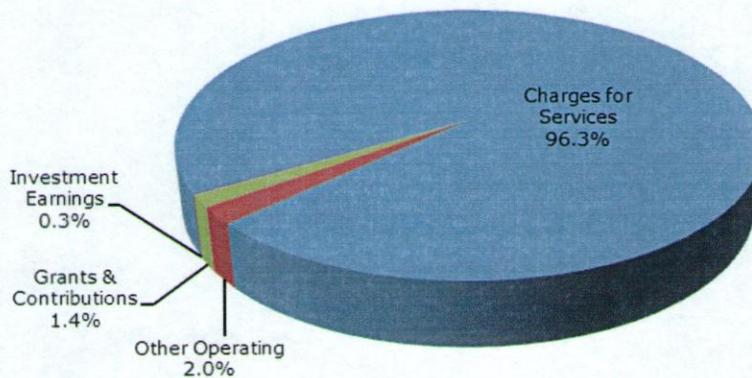
Figure 5
Revenues by Source:
Governmental Activities



Business-type Activities. Business-type activities increased the City of Clinton's net position by \$664,674. Key elements of this increase are as follows:

- Installation and upgrades of new utility lines increased operating revenues.
- Decrease in debt obligation reduced liabilities.

Figure 6
Revenues by Source:
Business-type Activities



Financial Analysis of the City's Funds

As noted earlier, the City of Clinton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Clinton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Clinton's financing requirements.

The General Fund is the chief operating fund of the City of Clinton. At the end of the current fiscal year, Clinton's fund balance unassigned in the General Fund was \$3,702,487, while total fund balance was \$5,250,716. The Clinton City Council has determined that the City should maintain an available fund balance between 35% and 40% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available (unassigned and assigned) fund balance of 39.84% of General Fund expenditures, while total fund balance represents 54.58% of the same amount. The City considers any available fund balance over 40% assigned for capital expenditures.

At June 30, 2013, the governmental funds of City of Clinton reported a combined fund balance of \$5,559,905 with a net increase in fund balance of \$351,810. Included in this change in fund balance are increases in fund balance in both the General, Capital Project, and Non-major Funds.

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

Amendments to the FY2012-2013 budget represent increases in intergovernmental and miscellaneous revenues resulting primarily from grants and insurance reimbursements. Expenditure amendments comply with statutory budget requirements and most increases are representative of projects associated with grants and purchase of new equipment. General Fund Revenues were \$32,894 (.39%) below the amended budget amounts. The City's expenditures were \$365,037 or 3.66% less than the amended budget amount.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,468,322. The total change in net position was \$664,674. The change in net position in the Water and Sewer Fund is in large part the result of an increase of sewer surcharge revenues over original estimates and a significant decrease in liabilities from debt obligation.

Capital Asset and Debt Administration

Capital Assets. The City of Clinton's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totals \$30,014,392 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and infrastructure.

Management Discussion and Analysis
City of Clinton

Major capital asset transactions during the year include the following:

- Downtown Revitalization Phase III increased governmental capital assets by \$1,745,515
- Aerial Fire Truck increased governmental capital assets by \$697,921
- Various police equipment, software, and motor vehicles increased governmental capital assets by \$235,212
- Sanitation vehicles increased governmental capital assets by \$458,435
- Community Development Block Grant for Eliza Lane construction in progress for water and sewer capital assets of \$279,148
- Wall Street Alley infrastructure increased water and sewer capital assets by \$171,642
- Waste Water Treatment Plant improvements increased water and sewer capital assets by \$217,513

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

- Various building, equipment, and vehicle decreased governmental capital assets by \$373,764

Figure 7
City of Clinton's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Land	\$ 1,414,095	\$ 1,376,302	\$ 261,872	\$ 261,872	\$ 1,675,967	\$ 1,638,174
Buildings and other improvements	6,033,700	6,043,833	32,449	32,449	6,066,149	6,076,282
Construction in progress	1,732,252	84,134	346,810	532,745	2,079,062	616,879
Equipment	2,286,614	2,498,692	35,988,589	36,316,138	38,275,203	38,814,830
Vehicles and motorized equipment	4,641,088	5,656,881	446,372	449,397	5,087,460	6,106,278
Infrastructure	6,119,134	7,879,259	1,280,867	1,715,562	7,400,001	9,594,821
Subtotal	22,226,883	23,539,101	38,356,959	39,308,163	60,583,842	62,847,264
Less accumulated depreciation	11,424,402	11,918,437	19,925,051	20,914,435	31,349,453	32,832,872
Total Net Capital Assets	\$ 10,802,481	\$ 11,620,664	\$ 18,431,908	\$ 18,393,728	\$ 29,234,389	\$ 30,014,392

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, 2013, the City of Clinton has no outstanding bonded debt. The City's debt is comprised of State Revolving loans, USDA loans, and installment purchases.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
General Obligation	\$ -	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ -
Installment purchases	1,612,485	3,416,826	699,171	508,628	2,311,656	3,925,454
State Revolving Loan	-	-	3,381,521	2,868,109	3,381,521	2,868,109
Total	\$ 1,612,485	\$ 3,416,826	\$ 4,130,692	\$ 3,376,737	\$ 5,743,177	\$ 6,793,563

City of Clinton's Outstanding Debt

The City of Clinton's total debt increased by \$1,050,386 (15.46%) during the past fiscal year, primarily due to new debt obligations in governmental activities. Governmental activity debt increased by \$1,804,341 (52.81%) with the purchase of a new fire truck and two garbage trucks and the closing of the \$1 million USDA loan for downtown revitalization. Business-type activity debt decreased by \$753,955 (-22.33%) including the complete amortization of the city's general obligation debt (\$50,000).

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. In April 2013, the city amortized its outstanding general obligation bonds.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for City of Clinton is \$55,839,614. The city has no bonds authorized but unissued as of June 30, 2013.

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

Economic Factors and Next Year's Budgets and Rates

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

- The City completed its \$1.7 million Downtown Revitalization Phase III efforts with the aid of a \$455,000 grant from USDA.
- The City will complete its \$800,000 (\$572,000 grant) Eliza Lane CDBG project that includes water and sewer installation and street construction.
- The City has received an additional \$750,000 in CDBG funds for an \$800,000 project to improve water lines throughout the city.

- The City will begin expansion of its water production facilities with a funding agreement with USDA for approximately \$5 million to double the city's water production capacity to support growth.
- The City of Clinton is the commercial center of Sampson County and its strong agriculturally based economy, which traditionally remains stable relative to economic trends.
- Sampson County has an unemployment rate of 7.6%, which is below the 8.3% state average, as of August 2013.
- A significant local business affirmed their commitment to the community by purchasing a larger vacant industrial building to establish its corporate offices and expand production.
- A bio-fuels company has chosen the City of Clinton and Sampson County as its location for its first North American facility. The company expects to begin construction in 2013 with a projected investment of \$150 million and more than 60 full-time employees.
- The city has experienced its highest commercial growth since before the recession of 2008 with construction of four freestanding stores, expansion of an existing shopping center, and construction of a new car dealership.
- The city has received site plans for three new residential subdivisions totaling 62 units.
- The North Carolina Department of Transportation has started the construction and expansion of NC-24, which will provide uninterrupted, four-lane access between Fayetteville and Clinton, reducing travel time by as much as 30 minutes.
- The City of Clinton is located in close proximity to Ft. Bragg Army Base, Camp Lejeune Marine Base, and Seymour Johnson Air Force Base. Sampson County is part of the All-American corridor expecting to experience growth with the Army's base realignment.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: Ad valorem and sales tax revenues represent the largest portion of revenue resources for governmental activities. Sales tax revenues continued to increase in FY2012-2013 and the trend is expected to continue in FY2013-2014 with an increase of 2.02% represented in the FY13-14 budget. Total General Fund revenues budgeted for the fiscal year ending June 30, 2014 are \$8,818,300.

Budgeted expenditures in the General Fund are equal to budgeted revenues and are approximately 12.6% less than the amended FY12-13 budget. The largest expenditure function is public safety and the largest components are in employee compensation and benefits.

Some key FY13-14 governmental budget highlights include:

- No change in the property tax rate of \$.40 per \$100 valuation. The expected revenue is \$2,743,400 on a 97.5 percent collection rate.
- Sales Tax revenues account for \$1,617,000.
- The residential garbage collection rate for FY13-14 is \$15.00, a \$.50 increase from FY12-13. Residential garbage collection accounts for \$573,000 in the FY13-14 budget and commercial collection accounts for \$655,000.
- The rising cost of healthcare is the driving factor in an average 9.5% increase in personnel benefits for departments.
- The City expects to spend approximately \$200,000 on street paving and resurfacing.
- The City increased its cemetery plot fees by 50% as part of a three-year program to bring fees closer to market rates and support cemetery operations.

Business-type Activities: The City estimates revenues of approximately \$4.26 million from water and sewer charges in FY13-14, a 7.2 percent increase over budgeted revenues for FY12-13. The City is raising water and sewer rates by 1.6 percent to match the 2012 Consumer Price Index inflation rate. The City last raised rates in FY10-11. The total Water and Sewer Fund budget for the year ending June 30, 2014 is \$5,203,600.

Some key FY13-14 business-type activity budget highlights include:

- Water and sewer charges, including bulk rate fees and capacity fees, account for \$4,256,300 (81.8%) in the FY13-14 Water and Sewer Fund budget.
- Sewer surcharges charges based on the pounds of pollutants in excess of the normal amount account for \$400,000.
- Capital costs in the Water & Sewer Non-departmental budget include \$550,000 for infrastructure engineering at the NC-24 Industrial Park and renovations to the Public Works and Utilities 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.

Financial Section

Basic Financial Statements

CITY OF CLINTON, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2013

EXHIBIT 1

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,874,773	\$ 3,330,447	\$ 8,205,220	\$ 598,653
Taxes receivables (net)	100,714	-	100,714	-
Accrued interest receivable on taxes	13,959	-	13,959	-
Accounts receivable (net)	232,367	740,109	972,476	-
Due from other governments	650,426	79,536	729,962	-
Due from component unit	112,000	-	112,000	-
Inventories	21,004	25,073	46,077	154,609
Prepaid items	-	-	-	4,542
Total current assets	<u>6,005,243</u>	<u>4,175,165</u>	<u>10,180,408</u>	<u>757,804</u>
Capital assets:				
Land, improvements and construction in progress	1,460,436	794,618	2,255,054	36,795
Other capital assets, net of depreciation	10,160,228	17,599,110	27,759,338	48,333
Total capital assets	<u>11,620,664</u>	<u>18,393,728</u>	<u>30,014,392</u>	<u>85,128</u>
Total assets	<u>\$ 17,625,907</u>	<u>\$ 22,568,893</u>	<u>\$ 40,194,800</u>	<u>\$ 842,932</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 321,958	\$ 244,289	\$ 566,247	\$ 95,338
Distributions payable	-	-	-	164,000
Accrued interest payable	54,505	-	54,505	-
Customer deposits	-	135,635	135,635	-
Due to other governments	-	-	-	40,940
Long-term liabilities:				
Due within one year	730,506	737,675	1,468,181	-
Due in more than one year	3,729,359	2,965,981	6,695,340	-
Total liabilities	<u>4,836,328</u>	<u>4,083,580</u>	<u>8,919,908</u>	<u>300,278</u>
NET POSITION				
Net investment in capital assets	8,196,863	15,016,991	23,213,854	85,128
Restricted for:				
Capital projects	86,736	-	86,736	3,491
Stabilization by State Statute	987,927	-	987,927	-
Economic development	109,944	-	109,944	-
Planning grants	69,514	-	69,514	-
Working capital	-	-	-	51,957
Unrestricted	<u>3,338,595</u>	<u>3,468,322</u>	<u>6,806,917</u>	<u>402,078</u>
TOTAL NET POSITION	<u>\$ 12,789,579</u>	<u>\$ 18,485,313</u>	<u>\$ 31,274,892</u>	<u>\$ 542,654</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, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Component Unit
Primary government:								
Governmental activities:								
General government	\$ 1,957,318	\$ 46,395	\$ 150,127	\$ -	\$ (1,760,796)	\$ -	\$ (1,760,796)	\$ -
Public safety	3,350,549	26,376	233,804	-	(3,090,369)	-	(3,090,369)	-
Transportation	1,390,714	-	255,898	-	(1,134,816)	-	(1,134,816)	-
Economic and physical development	83,367	68,394	210,602	45,427	241,056	-	241,056	-
Environmental protection	972,535	1,353,773	-	-	381,238	-	381,238	-
Cultural and recreation	919,601	67,288	12,754	-	(839,559)	-	(839,559)	-
Interest on long-term debt	34,103	-	-	-	(34,103)	-	(34,103)	-
Total governmental activities	8,708,187	1,562,226	863,185	45,427	(6,237,349)	-	(6,237,349)	-
Business-type activities:								
Water and sewer	3,998,896	5,015,930	-	73,949	-	1,090,983	1,090,983	-
Total primary government	\$ 12,707,083	\$ 6,578,156	\$ 863,185	\$ 119,376	\$ (6,237,349)	\$ 1,090,983	\$ (5,146,366)	\$ -
Component unit:								
ABC Board	\$ 1,743,441	\$ 1,754,883	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,442

General revenues:

Taxes:			
Property taxes, levied for general purpose	2,761,465	-	2,761,465
Other taxes	85,387	-	85,387
Unrestricted intergovernmental revenues	3,112,794	-	3,112,794
Unrestricted investment earnings	12,456	12,954	25,410
Loss on sale of assets	(26,092)	-	(26,092)
Miscellaneous	33,934	-	33,934
Transfers:	439,263	(439,263)	-
Total general revenues, special item and transfers	6,419,207	(426,309)	5,992,898
Change in net position	181,858	664,674	846,532
Net position - beginning	12,607,721	17,820,639	30,428,360
Net position - ending	\$ 12,789,579	\$ 18,485,313	\$ 31,274,892

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

City of Clinton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds			Total Governmental Funds
	General	Capital Project Downtown Revitalization Phase III	Total Non-major Funds	
ASSETS				
Cash and cash equivalents	\$ 4,567,288	\$ -	307,485	\$ 4,874,773
Receivables, net:				
Taxes	100,714	-	-	100,714
Accounts	227,969	-	4,398	232,367
Due from other governments	650,426	-	-	650,426
Due from component unit	112,000	-	-	112,000
Inventory	21,004	-	-	21,004
Total assets	<u>\$ 5,679,401</u>	<u>\$ -</u>	<u>\$ 311,883</u>	<u>\$ 5,991,284</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 319,264	\$ -	\$ 2,694	\$ 321,958
Total current liabilities	<u>319,264</u>	<u>-</u>	<u>2,694</u>	<u>321,958</u>
DEFERRED INFLOWS OF RESOURCES				
Beer and wine revenue receivable	8,707	-	-	8,707
Property taxes receivable	100,714	-	-	100,714
Total deferred inflows of resources	<u>109,421</u>	<u>-</u>	<u>-</u>	<u>109,421</u>
FUND BALANCES				
Non Spendable				
Inventories	21,004	-	-	21,004
Restricted				
Stabilization by State Statute	987,927	-	-	987,927
Economic Development in the Downtown Tax District	-	-	109,944	109,944
Planning Projects	-	-	69,514	69,514
Capital Projects	-	-	86,736	86,736
Committed				
Cemetery Fund	409,298	-	-	409,298
Assigned				
Community Development	-	-	42,995	42,995
Subsequent year's expenditures	130,000	-	-	130,000
Unassigned	3,702,487	-	-	3,702,487
Total fund balances	<u>5,250,716</u>	<u>-</u>	<u>309,189</u>	<u>5,559,905</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,679,401</u>	<u>\$ -</u>	<u>\$ 311,883</u>	<u>\$ 5,991,284</u>

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

City of Clinton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

Total fund balances \$ 5,559,905

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

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

Gross capital assets at historical cost	23,539,101	
Accumulated depreciation	<u>(11,918,436)</u>	11,620,664

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

13,959

Liabilities for earned revenues considered deferred inflows of resources in the fund statements.

109,421

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

Gross long-term debt - beginning	(2,582,091)	
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Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	<u>(1,932,279)</u>	<u>(4,514,370)</u>
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\$ 12,789,579

Net position of governmental activities

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, 2013

	Major Funds			Total Governmental Funds
	General	Capital Project Downtown Revitalization Phase III	Total Non-major Funds	
REVENUES				
Ad valorem taxes	\$ 2,735,888	\$ -	\$ 58,002	\$ 2,793,890
Other taxes and licenses	85,387	-	-	85,387
Unrestricted intergovernmental	3,122,709	-	-	3,122,709
Restricted intergovernmental	728,512	39,856	-	768,368
Sales and services	1,463,626	-	-	1,463,626
Investment earnings	11,778	-	678	12,456
CDBG grants	-	-	2,970	2,970
Community transformation grant	-	-	4,407	4,407
Program income	-	-	2,162	2,162
Miscellaneous	244,506	2,001	18,232	264,739
Total revenues	8,392,406	41,857	86,451	8,520,714
EXPENDITURES:				
Current:				
General government	1,689,339	-	-	1,689,339
Public safety	3,997,515	-	-	3,997,515
Transportation	1,416,890	-	-	1,416,890
Economic and physical development	-	-	83,367	83,367
Environmental protection	1,334,675	-	-	1,334,675
Culture and recreation	873,548	-	-	873,548
Debt service:				
Principal	286,896	-	-	286,896
Interest	20,500	-	-	20,500
Capital outlay	-	40,384	4,402	44,786
Total expenditures	9,619,363	40,384	87,769	9,747,516
Excess (deficiency) of revenues over expenditures	(1,226,957)	1,473	(1,318)	(1,226,802)
OTHER FINANCING SOURCES (USES):				
Release of debt reserve	-	-	34,533	34,533
Transfers to other funds	(118,000)	(12,186)	-	(130,186)
Transfers from other funds	399,500	-	105,186	504,686
Sale of property	56,930	-	62,614	119,544
Debt proceeds	1,050,035	-	-	1,050,035
Total other financing sources (uses)	1,388,465	(12,186)	202,333	1,578,612
Net change in fund balance	161,508	(10,713)	201,015	351,810
Fund balances, beginning	5,094,287	10,713	108,174	5,213,174
Change in reserve for inventories	(5,079)	-	-	(5,079)
Fund balances, ending	\$ 5,250,716	\$ -	\$ 309,189	\$ 5,559,905

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, 2013

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

Net change in fund balances - total governmental funds	\$ 351,810
Change in fund balance due to change in reserve for inventory	(5,079)

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

Capital outlay expenditures which were capitalized	1,651,377	
Transfer of capital asset from Water & Sewer Fund	64,763	
Depreciation expenses for governmental assets	(759,956)	
Loss on disposal of assets included in general government	<u>(26,092)</u>	930,092

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

Change in unavailable revenue for tax revenues	(138,632)
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A liability in the fund statements was reported as restricted net position in the statement of net position.	(51,652)
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The issuance of long-term debt provides current financial resources to governmental funds, while

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

New long-term debt issued	(1,050,035)	
Principal payments on long-term debt	286,896	
Increase in accrued interest payable	<u>(13,604)</u>	(776,743)

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	9,527	
Net pension obligation	1,511	
Other postemployment benefits	<u>(138,976)</u>	(127,938)

Total changes in net position of governmental activities	<u>\$ 181,858</u>
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City of Clinton, North Carolina
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2013

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	2,709,650	2,722,150	2,735,888	13,738
Other taxes and licenses	157,000	157,000	85,387	(71,613)
Unrestricted intergovernmental	3,124,500	3,142,900	3,122,709	(20,191)
Restricted intergovernmental	657,050	736,050	728,512	(7,538)
Sales and services	1,404,400	1,390,400	1,463,626	73,226
Investment earnings	17,500	17,500	11,778	(5,722)
Miscellaneous	187,200	259,300	244,506	(14,794)
Total revenues	<u>8,257,300</u>	<u>8,425,300</u>	<u>8,392,406</u>	<u>(32,894)</u>
Expenditures:				
Current:				
General government	1,749,950	1,750,850	1,689,339	61,511
Public safety	3,424,650	4,130,050	3,997,515	132,535
Transportation	1,340,300	1,464,900	1,416,890	48,010
Environmental protection	704,100	1,365,500	1,334,675	30,825
Cultural and recreation	967,200	947,000	873,548	73,452
Debt service				
Principal retirement	376,400	304,400	286,896	17,504
Interest expense	21,700	21,700	20,500	1,200
Total expenditures	<u>8,584,300</u>	<u>9,984,400</u>	<u>9,619,363</u>	<u>365,037</u>
Revenues over (under) expenditures	(327,000)	(1,559,100)	(1,226,957)	332,143
Other financing sources (uses):				
Net transfers from (to) other funds	310,000	281,500	281,500	-
Sale of property	17,000	18,000	56,930	(38,930)
Debt proceeds	-	1,049,700	1,050,035	(335)
Total other financing sources (uses)	<u>327,000</u>	<u>1,349,200</u>	<u>1,388,465</u>	<u>(39,265)</u>
Revenues and other sources over (under) expenditures and other uses	-	(209,900)	161,508	<u>\$ 371,408</u>
Fund balance appropriated	-	209,900	-	
Fund balances, beginning	-	-	5,094,287	
Change in reserve for inventories	-	-	(5,079)	
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,250,716</u>	

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

City of Clinton, North Carolina
Statement of Net Position
Water & Sewer Fund
June 30, 2013

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,330,447
Accounts receivable (net) - billed	417,600
Accounts receivable (net) - unbilled	322,509
Due from other government	79,536
Inventories	<u>25,073</u>
Total current assets	4,175,165
Capital assets:	
Land	261,872
Construction in progress	532,745
Other capital assets, net of depreciation	<u>17,599,111</u>
Capital assets (net)	<u>18,393,728</u>
Total assets	<u>\$ 22,568,893</u>
 LIABILITIES AND FUND BALANCES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 244,289
Customer deposits	135,635
Compensated absences - current	27,000
BB&T Installment Purchase (Track Loader)	19,360
Clearwater Project Loan	7,143
State Revolving Loan - 06 (2010)	11,507
State Revolving Loan - 0066 (2007)	76,837
Well Fill Purification Project	170,760
State Revolving Loan - 0030 (1994)	256,733
State Revolving Loan - 0166 (2009)	<u>168,335</u>
Total current liabilities	1,117,599
Noncurrent liabilities:	
Compensated absences	67,919
OPEB liability	232,000
BB&T Installment Loan (Track Loader)	19,685
Clearwater Project Loan	114,279
State Revolving Loan - 06 (2010)	184,107
State Revolving Loan - 0066 (2007)	230,513
Well Fill Purification Project	177,401
State Revolving Loan - 0030 (1994)	256,733
State Revolving Loan - 0166 (2009)	<u>1,683,344</u>
Total noncurrent liabilities	<u>2,965,981</u>
Total liabilities	4,083,580
 NET POSITION	
Net investment in capital assets	15,016,991
Unrestricted	<u>3,468,322</u>
Total net position	<u>\$ 18,485,313</u>

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

City of Clinton, North Carolina
Statement of Revenues, Expenses and Changes in Fund Net Position
Water & Sewer Fund
June 30, 2013

	<u>Water and Sewer Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 4,912,714
Other operating revenues	<u>103,216</u>
Total operating revenues	5,015,930
OPERATING EXPENSES:	
Water department	1,423,000
Waste treatment	1,468,307
Depreciation	<u>1,010,972</u>
Total operating expenses	<u>3,902,279</u>
Operating income	1,113,651
NONOPERATING REVENUES (EXPENSES):	
County contribution	7,650
CDBG Grant - Eliza Lane Project	66,299
Investment earnings	12,954
Interest and other charges	<u>(96,617)</u>
Total nonoperating revenues (expenses)	<u>(9,714)</u>
Income before contributions and transfers	1,103,937
Capital contributed to General Fund	(64,763)
Transfers to other funds	(399,500)
Transfers from other funds	<u>25,000</u>
Change in net position	664,674
Total net position - beginning	<u>17,820,639</u>
Total net position - ending	<u><u>\$18,485,313</u></u>

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

City of Clinton, North Carolina
Statement of Cash Flows
Water & Sewer Fund
June 30, 2013

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	4,891,810
Cash paid for goods and services	(1,874,330)
Cash paid to or on behalf of employees for services	(1,062,237)
Customer deposits refunded	(7,084)
Other operating cash receipts	<u>72,826</u>
Net cash provided by operating activities	2,020,985
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>(399,500)</u>
Total cash flows from non-capital financing activities	(399,500)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfer from General Fund	25,000
CDBG Grant - Eliza Lane Project	26,538
Principal retirement on State Revolving Loan - 0238 (2010)	(11,507)
Interest paid on State Revolving Loan - 0238 (2010)	(4,350)
Principal retirement on State Revolving Loan - 0166 (2009)	(168,335)
Interest paid on State Revolving Loan - 0166 (2009)	(43,159)
Principal retirement on State Revolving Loan - 0066 (2007)	(76,837)
Interest paid on State Revolving Loan - 0066 (2007)	(8,856)
Principal retirement on Well Fill Purification Project	(164,461)
Interest paid on Well Fill Purification Project	(19,630)
Principal retirement on State Revolving Loan - 0030 (1994)	(256,733)
Interest paid on State Revolving Loan - 0030 (1994)	(26,071)
Principal retirement on Sanitary Sewer Series 1994	(50,000)
Interest paid on Sanitary Sewer Series 1994	(2,262)
Principal retirement on BB&T Installment Purchase (Track Loader)	(19,039)
Interest paid on BB&T Installment Purchase (Track Loader)	(977)
Principal retirement on Clearwater Project Loan	(7,143)
Acquisition of capital assets	<u>(1,037,556)</u>
Net cash used by capital and related financing activities	(1,845,378)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>12,954</u>
Net increase in cash and cash equivalents	(210,939)
Cash and cash equivalents at beginning of year	<u>3,541,386</u>
Cash and cash equivalents at end of year	<u>\$ 3,330,447</u>

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

City of Clinton, North Carolina
Statement of Cash Flows
Water & Sewer Fund
June 30, 2013

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,113,651
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,010,973
Changes in assets and liabilities:	
Increase in accounts receivable	(21,918)
Increase in other receivable	(32,125)
Decrease in inventory	1,007
Decrease in accounts payable and accrued liabilities	(103,651)
Decrease in customer deposits	(7,084)
Decrease in accrued salaries	(541)
Increase in accrued vacation pay	8,630
Increase in accrued OPEB liability	52,043
Total adjustments	<u>907,334</u>
Net cash provided by operating activities	<u>\$ 2,020,985</u>

Non-cash transactions: The Eliza Lane Capital Project, accounted for as a Water & Sewer Fund capital project fund, included components which were capitalized during the fiscal year ending June 30, 2013. This project has a road construction component that will ultimately be included in capital assets of the General Fund as well as aspects that will increase the capital assets of the water and sewer systems of the City of Clinton. Therefore, a non-cash transfer of the governmental construction in progress was recorded as a transfer of capital from the Water & Sewer Fund Statement of Revenues, Expenses and Changes in Fund Net Assets in the amount of \$64,763. These assets are included in the construction in progress of the General Fund as of June 30, 2013.

Notes to the Financial Statements

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

I. Summary of Significant Accounting Policies

The accounting policies of the City of Clinton and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Clinton is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of Clinton ABC Board

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute a portion of its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the store's office at City of Clinton ABC Board, 414 Southeast Boulevard, Clinton, NC 28328.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type 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, 2013

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 either legally or contractually restricted to expenditures for specified purposes. The City has three Special Revenue Funds: Community Development Fund, Downtown Tax District Fund, and Planning Grants Fund. These funds have been combined in the accompanying financial statements.

Capital Project Funds – Various Capital Project funds are used to account for financial resources to be used for non-major acquisitions or construction. The City has three Capital Project Funds: City Facility Renovations Fund, Affordable Housing Project Fund and Russell Street Add-On 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, 2013

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, 2013

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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred inflows of resources.(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 position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

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

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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, 2013.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2011. As allowed by State law, the City has established a discount that applies to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

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, 2013 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:

Asset Class	Estimated Useful Lives
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, 2013

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. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only one item that meets the criterion for this category – property taxes receivable.

9. Long-Term Obligations

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

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

10. Compensated Absences

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

10. Compensated Absences (continued)

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 has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

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, 2013, the City had expended Powell Bill funds in their entirety.

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

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

Restricted for Capital Projects – portion of fund balance that is restricted by revenue source for certain capital projects that had not been completed as of June 30, 2013.

Restricted for Planning Projects – portion of fund balance that is restricted by revenues source for certain planning projects that had not been completed as of June 30, 2013.

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

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

Assigned Fund Balance – portion of fund balance that City of Clinton intends to use for specific purposes.

Assigned for Community Development – portion of fund balance that has been budgeted by the Board for use in on-going community development needs.

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

Capital Use Policy – All revenue in excess of expenditures realized at the end of any given fiscal year will be credited to unrestricted available fund balance until a minimum goal of 40% is realized. All revenue in excess of expenditures over and above this goal will be credited as capital reserves.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

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-five to forty percent (35-40%) is realized. The City will adjust this minimum as appropriate based upon recommendation from the Local Government Commission and the current financial outlook. Once the forty (40%) percent goal is realized, all revenue in excess of expenditures realized at the end of any given fiscal year will be credited as capital reserves.

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None

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

None

C. Excess of Expenditures over Appropriations in Government Activities Funds

For the fiscal year ended June 30, 2013, the expenditures made in the City's Downtown Revitalization Phase III Capital Project Fund exceeded the authorized appropriations by \$12,186. This over-expenditure occurred because of unplanned excesses of revenues in the fund that were transferred to the Community Development Special Revenue Fund in order to close out the capital project fund due to the project's completion. Additionally, an expenditure for debt recorded in the Water & Sewer Fund was appropriated as a transfer to the General Fund; the single debt issuance services two pieces of equipment, one in the General Fund and one in the Water & Sewer Fund. The entire debt payment was budgeted for and made from the General Fund. The debt service appears to be over-expended in the Water & Sewer Fund by \$19,858 because the payment was budgeted in that fund as a transfer, rather than a debt service payment. Management and the Council will closely review the budget reports to ensure compliance in future years.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

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, 2013, the City's deposits had a carrying amount of \$5,628,312 and a bank balance of \$5,811,017. 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, 2013, the City's petty cash fund totaled \$650.

The carrying amount of deposits for the ABC Board was \$415,954 and the bank balance was \$373,375. The first \$250,000 of the ABC Board bank deposits are protected by federal deposit insurance. The amount above \$250,000 is protected by the Pooling Method of collateralization. At June 30, 2013, the ABC Board's petty cash fund totaled \$1,900.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

2. Investments

At June 30, 2013, the City of Clinton had \$2,576,258 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, 2013, The ABC Board had \$180,799 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The ABC Board has no formal policy regarding credit risk of its investments.

3. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$23,399.

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

Fund	June 30, 2013
General Fund:	
Taxes receivable	\$ 49,000
Accounts receivable	26,852
Total general fund	75,852
Enterprise Fund:	9,595
Total Allowances for bad debts	\$ 85,447

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,414,095	\$ -	\$ 37,793	\$ 1,376,302
Construction in progress	1,732,252	64,763	1,712,881	84,134
Total capital assets being depreciated	<u>3,146,347</u>	<u>64,763</u>	<u>1,750,674</u>	<u>1,460,436</u>
Capital assets being depreciated:				
Buildings and other improvements	6,033,700	89,869	79,736	6,043,833
Equipment	2,286,614	231,616	19,538	2,498,692
Vehicles and motorized equipment	4,641,088	1,290,283	274,490	5,656,881
Infrastructure	6,119,134	1,760,125	-	7,879,259
Total capital assets being depreciated	<u>19,080,536</u>	<u>3,371,893</u>	<u>373,764</u>	<u>22,078,665</u>
Less accumulated depreciation for:				
Buildings and other improvements	1,826,939	117,458	10,193	1,934,204
Equipment	2,148,161	121,228	18,338	2,251,051
Vehicles and motorized equipment	3,723,164	293,092	237,390	3,778,866
Infrastructure	3,726,138	228,178	-	3,954,316
Total accumulated depreciation	<u>11,424,402</u>	<u>759,956</u>	<u>265,921</u>	<u>11,918,437</u>
Total capital assets being depreciated, net	<u>7,656,134</u>			<u>10,160,228</u>
Governmental activity capital assets, net	<u>\$ 10,802,481</u>			<u>\$ 11,620,664</u>

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

General government	\$ 260,080
Public safety	231,905
Transportation	80,420
Environmental protection	91,242
Cultural and recreation	96,309
Total depreciation expense	<u>\$ 759,956</u>

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

Capital asset activity for the Enterprise Fund for the year ended June 30, 2013, was as follows:

Business-type activities:	Beginning			Ending
<i>Water and Sewer Fund</i>	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 261,872	\$ -	\$ -	\$ 261,872
Construction in progress	346,810	493,659	307,724	532,745
Total capital assets not being depreciated	<u>608,682</u>	<u>493,659</u>	<u>307,724</u>	<u>794,617</u>
Capital assets being depreciated:				
Land Improvements	32,449	-	-	32,449
Equipment	35,988,589	327,549	-	36,316,138
Vehicles	446,372	24,613	21,588	449,397
Infrastructure	1,280,867	434,695	-	1,715,562
Total capital assets being depreciated	<u>37,748,277</u>	<u>786,857</u>	<u>21,588</u>	<u>38,513,546</u>
Less accumulated depreciation for:				
Land Improvements	14,505	-	-	14,505
Equipment	18,764,312	401,137	-	19,165,449
Vehicles	337,351	38,959	21,588	354,722
Infrastructure	808,883	570,876	-	1,379,759
Total accumulated depreciation	<u>19,925,051</u>	<u>1,010,972</u>	<u>21,588</u>	<u>20,914,435</u>
Total capital assets being depreciated, net	<u>17,823,226</u>			<u>17,599,111</u>
Water and Sewer fund capital assets, net	<u>\$ 18,431,908</u>			<u>\$ 18,393,728</u>

Construction commitments and construction in progress

The government has active construction projects as of June 30, 2013. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Utility Lines Maintenance Project	7,650	180,850
Water Production Expansion Project	187,280	391,721
Smithfield Elevated Tank Project	112,050	121,951
NC 24 Industrial Park Infrastructure Project	11,381	8,119
Eliza Lane CDBG Project	279,148	511,402

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

Discretely presented component unit

Capital assets and capital asset activity for the ABC Board for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 36,795	-	\$ -	\$ 36,795
Capital assets being depreciated:				
Paving	6,788	-	-	6,788
Buildings	169,101	-	-	169,101
Office Equipment	2,708	-	-	2,708
Store Equipment	61,822	-	-	61,822
Total capital assets being depreciated	240,419	-	-	240,419
Less accumulated depreciation for:				
Paving	6,788	-	-	6,788
Buildings	138,259	1,358	-	139,617
Office Equipment	2,693	15	-	2,708
Store Equipment	38,732	4,241	-	42,973
Total accumulated depreciation	186,472	5,614	-	192,086
ABC capital assets being depreciated, net	<u>53,947</u>			<u>48,333</u>
ABC capital assets, net	<u>\$ 90,742</u>			<u>\$ 85,128</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

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 6.740% and 6.770%, respectively, of annual covered payroll. The contribution requirements of members and of the City of Clinton are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$298,627, \$314,729 and \$280,406, 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, 2012 the Separation Allowance's membership consisted of:

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

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

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

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

3. Contributions.

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

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

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

Employer annual required contribution	\$ 64,148
Interest on net pension obligation	5,959
Adjustment to annual required contribution	<u>(6,380)</u>
Annual pension cost	63,727
Employer contributions made	<u>(65,238)</u>
Increase in net pension obligation	(1,511)
Net pension obligation beginning of fiscal year	<u>119,187</u>
Net pension obligation end of fiscal year	\$ <u>117,676</u>

3 Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
June 30 2011	63,778	95.77%	107,236
2012	63,516	81.18%	119,187
2013	63,727	102.37%	117,676

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, 2013 the City of Clinton paid directly to five eligible retired law enforcement officers a total of \$65,238 under this plan.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

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, 2013 were \$69,445, which consisted of \$53,695 from the City and \$15,750 from the law enforcement officers.

Effective July 1, 2010, the City discontinued the voluntary contribution of 2.25% made by the City to the plan for all employees who are not certified law enforcement personnel. Employees continue to be able to make voluntary contributions to the plan and the amounts contributed are fully vested when contributed. The contributions for the year ended June 30, 2013 totaled \$42,631, 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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

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, 2013, the City of Clinton has recognized on behalf of payments for pension contributions made by the state as a revenue and an expenditure of \$4,546 for the thirty employed firemen who perform firefighting duties for the city.

e. Other Postemployment Benefit

Healthcare Benefits

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

Membership of the plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

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

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by City Council. The City's members pay \$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 \$100,865 or 2.56% 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 \$129,947. The City's obligation to contribute to the plan is established and may be amended by the City Council.

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

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

Annual required contribution	\$	302,896
Interest on net OPEB obligation		28,227
Adjustment to annual required contribution		(39,240)
Annual OPEB cost (expense)	\$	291,883
Contributions made		(100,865)
Increase (decrease) in net OPEB obligation		191,018
Net OPEB obligation, beginning of year		705,672
Net OPEB obligation, end of year	\$	896,690

Under GASB Statement No. 43 and GASB Statement No. 45, the OPEB liability may include an implicit subsidy amount based upon age adjusted costs reflecting the higher cost of benefits associated with older participants. For the purpose of determining the Net OPEB Obligation (NOO), the annual OPEB contributions for medical and prescription drug costs that are determined on a combined basis for actives and retirees (in this case the pre-65 retirees) has been increased to include the impact of the 37% implicit subsidy and actual cash contributions of \$73,678 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 2013 were as follows.

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 225,254	30.08%	\$ 508,411
2012	\$ 294,961	33.10%	\$ 705,672
2013	\$ 291,883	34.55%	\$ 896,690

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

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

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

2. Other Employment Benefit

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

3. Deferred Outflows and Inflows of Resources

The City had no deferred outflows of resources as of June 30, 2013.

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

	Unavailable Revenue
General Fund:	
Beer and Wine revenue receivable	\$ 9,707
Property taxes receivable	100,714
Total	\$ 110,421

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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

5. Long-Term Obligations

a. Capital Leases

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

b. Installment Purchase-General Long-Term Debt

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

On 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. The final loan payment on this agreement was made on March 4, 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 final loan payment on this agreement was made on December 3, 2012 in the amount of \$41,194.

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

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

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

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

City of Clinton, North Carolina
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For the fiscal year ended June 30, 2013

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

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

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

Annual debt service payments of the installment purchase as of June 30, 2013, including interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2014	394,506	23,772
2015	386,268	82,324
2016	355,296	73,668
2017	219,057	65,480
2018	223,387	59,455
2019-2023	1,086,108	204,372
2024-2028	430,791	89,055
2029-2033	321,413	30,489
Total	\$ 3,416,826	\$ 628,615

c. State Revolving Loans

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

City of Clinton, North Carolina
Notes to the Financial Statements
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The following table summarizes the annual requirements to amortize the principal owed at June 30, 2013:

	Principal	Interest	Total
2014	256,733	17,381	274,114
2015	256,733	8,690	265,423
	<u>\$ 513,466</u>	<u>\$ 26,071</u>	<u>\$ 539,537</u>

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, 2013, the capacity fee only applies to one industrial user. Normal water and sewer charges and additional fees for this user are approximately 15% of the City's total water and sewer revenues. The City received approval from the Local Government Commission on July 5, 2005 for an additional Wastewater Collection System Revolving Loan.

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2013:

	Principal	Interest	Total
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>\$ 307,350</u>	<u>\$ 17,710</u>	<u>\$ 325,060</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, 2013:

	Principal	Interest	Total
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
2018-2022	841,673	88,376	930,049
2023-2024	336,666	10,605	347,271
	<u>\$ 1,851,679</u>	<u>\$ 233,311</u>	<u>\$ 2,084,990</u>

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

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2013:

	Principal	Interest	Total
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
	\$ 195,614	\$ 36,969	\$ 232,584

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, 2013:

	Principal	Interest	Total
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	-	21,424
	\$ 121,422	\$ -	\$ 121,422

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%.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

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

	Principal	Interest	Total
2014	170,760	13,331	184,091
2015	177,301	6,791	184,092
	\$ 348,061	\$ 20,122	\$ 368,183

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
2014	19,360	657	20,017
2015	19,685	331	20,016
	\$ 39,045	\$ 988	\$ 40,033

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, 2013 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. Interest rates graduate from 5% to 6% over the term of the bonds. The final payment of \$50,000 was made on April 1, 2013.

At June 30, 2013, the City of Clinton had no bonds authorized but unissued, had a legal debt limit of approximately \$55,839,614 and a legal debt margin of \$49,046,051.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

f. Changes in Long-Term Liabilities

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

<u>Governmental activities:</u>	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion of Balance
Installment purchase	\$ 1,612,485	\$ 2,091,237	\$ 286,896	\$3,416,826	\$ 394,506
Compensated absences	270,200	142,037	151,564	260,673	151,000
Other postemployment benefits	525,714	239,841	100,865	664,690	120,000
Net pension obligation	119,187	63,727	65,238	117,676	65,000
Governmental activity long-term liabilities	<u>\$ 2,527,586</u>	<u>\$ 2,536,842</u>	<u>\$ 604,563</u>	<u>\$ 4,459,865</u>	<u>\$ 730,506</u>
	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion of Balance
<u>Business-type activities:</u>					
Sanitary Sewer Series 1994	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ -
State revolving loan-0030 (1994)	770,199	-	256,733	513,466	256,733
Well Fill Purification Project (1999)	512,522	-	164,361	348,161	170,760
BB&T Installment Loan (Loader)	58,084	-	19,039	39,045	19,360
State revolving loan-0066 (2007)	384,187	-	76,837	307,350	76,837
State revolving loan-0166 (2009)	2,020,014	-	168,335	1,851,679	168,335
State revolving loan-0166 (2010)	207,121	-	11,507	195,614	11,507
Clearwater loan	128,565	-	7,143	121,422	7,143
Compensated absences	86,289	35,813	27,183	94,919	27,000
Other postemployment benefits	179,959	59,037	6,996	232,000	-
Business-type activity long-term liabilities	<u>\$ 4,396,940</u>	<u>\$ 94,850</u>	<u>\$ 788,134</u>	<u>\$ 3,703,656</u>	<u>\$ 737,675</u>

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

C. Interfund Activity and Balances

Transfers to/from other funds at June 30, 2013, consist of the following:

From the Water & Sewer Fund to the General Fund	\$ 399,500
From the General Fund to	
Capital Project (City Facility Renovations Fund)	25,000
From the General Fund to	
Capital Project (Eliza Lane)	25,000
From the Water & Sewer Fund to	
Capital Project (Eliza Lane)	84,000
From the Water & Sewer Fund to	
Capital Project (Wall Street Alley)	159,942
From the Water & Sewer Fund to	
Capital Project (NC 24 Industrial Park Infrastructure Project)	19,500
From the General Fund to	
Special Revenue Fund (Planning Grants Fund)	68,000
From Capital Project (Downtown Revitalization Phase III) to	
Special Revenue Fund (Community Development Fund)	<u>12,186</u>
Total	<u>\$ 793,128</u>

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

During the 2013 fiscal year, the City made transfers from the General Fund of \$25,000 and from the Water & Sewer Fund of \$84,000 to the Capital Project Fund – Eliza Lane Project as per the terms of a matching grant for revitalization of the Eliza Lane area. The City also made a transfer of \$68,000 from the General Fund to the Special Revenue Fund – Planning Grants Fund to further facilitate pedestrian and bike plans for which NC DOT funding is also being used.

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2013, the City of Clinton has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$4,546 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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

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	\$ 5,250,716
Less:	
Inventories	21,004
Stabilization by State Statute	987,927
Cemetery Fund	409,298
Subsequent year's expenditures	130,000
Remaining fund balance	3,702,487

The City of Clinton has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 35-40% of budgeted expenditures.

IV. Joint Ventures

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the fund for the on-behalf payments for retirement benefits made to eligible members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2013, the City reported revenues and expenditures in the amount of \$14,375 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, 2013. 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, 2013.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

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, 2013. 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, 2013 was approximately \$276,228.

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, 2013 the City of Clinton received from Sampson County \$158,950 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, 2013 was \$55,252.

VIII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2013

IX. Significant Effects of Subsequent Events

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, 2014 fiscal year.

City's management has evaluated subsequent events through October 25, 2013, the date on which the financial statements were available to be issued.

X. Related Party Transactions

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

XI. Other Agreements

The City owns a property that it leases to another business. The total amount received by the City in lease payments during the year was \$48,000.

XII. Change in Accounting Principles/Restatement

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement 65, *Items Previously Reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position, items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

Required
Supplementary Financial Data

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

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

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

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

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

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

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%
2013	291,883	34.56%

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, 2013

TAXPAYER	ASSESSED VALUATION	TAX LEVY
1 Clinton Plant/Smithfield	\$ 54,275,792	\$ 217,103
2 Schindler Corporation	12,827,886	51,312
3 Dubose Industries Dubose National Energy Service Dubse Strapping, Inc.	10,874,254	43,497
4 Liberty Healthcare Services Liberty Home Care	8,665,688	34,663
5 Wal-Mart	8,443,418	33,774
6 Progress Energy	7,927,332	31,709
7 Faircloth Family Properties	7,277,941	29,112
8 Carolina Telephone & Telegraph	6,780,654	27,123
9 Sampson Crossing, LLC	5,938,472	23,754
10 Lowe's Home Improvement	5,132,123	20,528

TOTAL ASSESSED VALUATION

Assessment Ratio	100%
Real Property	538,135,451
Personal Property	142,573,747
Public Service Companies	17,285,981
	<u>697,995,179</u>
Tax rate per \$100	0.40
Levy (includes discoveries, releases and abatements)	\$ 2,791,981

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, 2013

	2013		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Ad valorem taxes:			
Current year	\$	\$ 2,652,288	\$
Prior year levies		60,201	
Interest and penalties		23,399	
Total	2,722,150	2,735,888	13,738
Other taxes and licenses:			
Privilege licenses		41,630	
Auto licenses		30,375	
Vehicle rental taxes		13,382	
Total	157,000	85,387	(71,613)
Unrestricted intergovernmental revenues:			
Local option sales tax		1,596,151	
Utility franchise tax		623,407	
Fire district tax		449,527	
Telecommunications sales tax		112,529	
ABC profit distribution		110,400	
Hold harmless funds		71,853	
Excise tax on piped gas		44,452	
Beer and wine tax		34,831	
CATV franchise fee		54,560	
Payments in lieu of taxes		17,246	
Sales tax reimbursements		7,753	
Total	3,142,900	3,122,709	(20,191)
Restricted intergovernmental revenues:			
Powell bill allocation		255,898	
Sampson County contribution		158,950	
City schools - police		94,328	
Curbside Rollout Recycling grant		75,000	
Community college - police		55,464	
HUD grant - police		42,565	
Firemen's relief tax		15,390	
Rescue technical assistance		12,000	
ABC revenue for law enforcement		6,144	

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, 2013

	2013		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Restricted intergovernmental revenues (continued)			
Solid Waste Disposal tax		4,860	
Local Fire Protection Service		4,546	
State substance abuse tax		3,367	
Total	736,050	728,512	(7,538)
Sales and services:			
Garbage collection fees		1,333,618	
Recreation department fees		67,288	
Cemetery lot sales and maintenance		45,560	
Other services and materials		9,131	
Cemetery lot cleaning		8,029	
Total	1,390,400	1,463,626	73,226
Investment earnings:			
General fund		9,701	
Cemetery trust fund		2,077	
Total	17,500	11,778	(5,722)
Miscellaneous:			
Other		78,911	
Rent industrial buildings		48,000	
Sale of recyclables		38,035	
Insurance revenue		33,181	
False alarm ordinance		11,900	
Demolition reimbursement		11,656	
Fire Department special fees		10,665	
Restricted miscellaneous revenues		8,347	
Officer arrest fees		2,856	
Parking violations		955	
Total	259,300	244,506	(14,794)
Total revenues	8,425,300	8,392,406	(32,894)

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, 2013

	2013		Variance Favorable (Unfavorable)
	Budget	Actual	
EXPENDITURES:			
General government:			
Governing body:			
Mayor and councilmen salaries		50,432	
Mayor and councilment expenses		77,640	
Total	135,100	128,072	7,028
Administrative:			
Salaries and employee benefits		352,202	
Operating expenses		31,630	
Total	391,800	383,832	7,968
Finance:			
Salaries and employee benefits		289,424	
Operating expenses		43,788	
Total	340,550	333,212	7,338
Planning and zoning:			
Salaries and employee benefits		263,986	
Operating expenses		36,575	
Total	305,100	300,561	4,539
Cemetery and public grounds:			
Salaries and employee benefits		132,598	
Operating expenses		84,465	
Capital outlay		23,484	
Total	259,300	240,547	18,753
Non-departmental:			
Various operating expenses		132,994	
Employees medical insurance		75,850	
Insurance		57,800	
Real Property		17,426	
Economic development		10,010	
Other agency contributions		5,000	
Rescue squad expense		2,403	
Downtown incentive program		1,632	
Total	319,000	303,115	15,885
Total general government	1,750,850	1,689,339	61,511

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, 2013

	2013		Variance Favorable (Unfavorable)
	Budget	Actual	
Public safety:			
Police department:			
Salaries and employee benefits		1,655,859	
Operating expenses		364,498	
Capital outlay		84,323	
Total	2,164,950	2,104,680	60,270
Fire:			
Salaries and employee benefits		821,271	
Operating expenses		382,974	
Capital outlay		688,590	
Total	1,965,100	1,892,835	72,265
Total public safety	4,130,050	3,997,515	132,535
Transportation:			
Street administration:			
Salaries and employee benefits		445,847	
Operating expenses		51,683	
Total	503,400	497,530	5,870
Materials and supplies:			
Asphalt and concrete		13,687	
Signs, signals, paints and supplies		10,801	
Operating expenses		6,622	
Total	43,500	31,110	12,390
Equipment expenses:			
Automotive supplies		39,569	
Equipment rental and maintenance		42,365	
Small tools and equipment		5,440	
Total	104,200	87,374	16,826
Other costs and services:			
Street lighting contract		241,128	
Paving		207,143	
Total	450,000	448,271	1,729
Capital outlay:			
Improvements		116,019	
Total	117,600	116,019	1,581
Total street	1,218,700	1,180,304	38,396

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, 2013

	2013		Variance Favorable (Unfavorable)
	Budget	Actual	
Garage:			
Salaries and employee benefits		141,880	
Operating expenses		94,706	
Total	246,200	236,586	9,614
Total transportation	1,464,900	1,416,890	48,010
Environmental protection:			
Sanitation:			
Salaries and employee benefits		299,704	
Operating expenses		576,554	
Capital outlay		458,417	
Total environmental protection	1,365,500	1,334,675	30,825
Cultural and recreation:			
Salaries and employee benefits		468,523	
Operating expenses		355,919	
Capital outlay		49,106	
Total cultural and recreation	947,000	873,548	73,452
Debt service:			
Principal retirement	304,400	286,896	17,504
Interest expense	21,700	20,500	1,200
Total debt service	326,100	307,396	18,704
Total expenditures	9,984,400	9,619,363	365,037
Revenues over (under) expenditures	(1,559,100)	(1,226,957)	332,143
Other financing sources (uses):			
Transfers in (out)			
Water and Sewer Fund	399,500	399,500	-
Transfer to Eliza Lane Capital Project Fund	(93,000)	(93,000)	-
Transfer to Capital Project Fund	(25,000)	(25,000)	-
Sale of property	18,000	56,930	
Debt proceeds	1,049,700	1,050,035	335
Total other financing sources (uses) - net	1,349,200	1,388,465	335
Revenues and other financing sources over (under) expenditures and other financing uses	(209,900)	161,508	\$ 371,408
Fund balance appropriated	209,900		
Beginning of year, July 1		5,094,287	
Change in reserve for inventories		(5,079)	
End of year, June 30		\$ 5,250,716	

CITY OF CLINTON, NORTH CAROLINA
MAJOR FUND - DOWNTOWN REVITALIZATION PHASE III
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2013

EXHIBIT B-2

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
USDA Grant	\$ 455,000	\$ 415,144	\$ 39,856	\$ 455,000	\$ -
Other revenues	600	3,374	2,003	5,377	4,777
Total Revenues	455,600	418,518	41,859	460,377	4,777
Expenditures					
Administration	4,500	8,741	-	8,741	(4,241)
Engineering and design	199,150	191,240	3,650	194,890	4,260
Insurance	1,750	1,381	350	1,731	19
Utility changes	287,200	287,174	-	287,174	26
Construction	1,099,249	1,099,249	-	1,099,249	-
Cosntruction observation	46,000	44,808	1,200	46,008	(8)
Miscellaneous	107,738	72,536	35,186	107,722	16
Total Expenditures	1,745,587	1,705,129	40,386	1,745,515	72
Revenues over (under) expenditures	(1,289,987)	(1,286,611)	1,473	(1,285,138)	4,849
Other financing sources (uses)					
Debt proceeds	1,000,000	1,000,000	-	1,000,000	-
Transfer from Community Development Fund	127,450	127,450	-	127,450	-
Transfer from General Fund	121,392	121,392	-	121,392	-
Transfer from Phase II	-	7,337	-	7,337	7,337
Transfer from Water & Sewer Fund	41,145	41,145	-	41,145	-
Transfer to Community Development Fund	-	-	(12,186)	(12,186)	(12,186)
Total other financing sources (uses)	1,289,987	1,297,324	(12,186)	1,285,138	(4,849)
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 10,713	(10,713)	\$ -	\$ -
Fund balance:					
Beginning of year, July 1			10,713		
End of year, June 30			<u>\$ -</u>		

a This project was capitalized in its entirety and included in the fixed assets of the City as of June 30, 2013.

**CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Non-major Governmental Funds June 30, 2013</u>
Assets:			
Cash and investments	\$ 220,762	\$ 86,723	\$ 307,485
Accounts receivable	4,385	13	4,398
Total Assets	<u>\$ 225,147</u>	<u>\$ 86,736</u>	<u>\$ 311,883</u>
Liabilities and Fund Equity:			
Current Liabilities			
Accounts Payable	\$ 2,694	\$ -	\$ 2,694
Total Current Liabilities	<u>2,694</u>	<u>-</u>	<u>2,694</u>
Total Liabilities	<u>2,694</u>	<u>-</u>	<u>2,694</u>
Fund balances			
Assigned - Community Development	42,995	-	42,995
Restricted - Economic Development	109,944	-	109,944
Restricted - Planning Projects	69,514	-	69,514
Restricted - Capital Projects	<u>-</u>	<u>86,736</u>	<u>86,736</u>
Total liabilities and fund balances	<u>\$ 225,147</u>	<u>\$ 86,736</u>	<u>\$ 311,883</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, 2013

	Special Revenue Funds	Capital Project Funds	Total Non-major Governmental Funds June 30, 2013
Revenues			
Ad valorem taxes - net	\$ 58,002	\$ -	\$ 58,002
City contribution	5,500	-	5,500
Community transformation grant	4,407	-	4,407
Program income	2,162	-	2,162
Investment earnings	678	-	678
CDBG grant	-	2,970	2,970
Miscellaneous	12,732	-	12,732
Total Revenues	83,481	2,970	86,451
Expenditures			
Capital Outlay	-	4,402	4,402
Economic and physical development	83,367	-	83,367
Total Expenditures	83,367	4,402	87,769
Revenues over (under) expenditures	114	(1,432)	(1,318)
Other financing sources / uses			
Release of debt reserve	34,533	-	34,533
Sale of property	-	62,614	62,614
Transfer in (out)			
General Fund	68,000	25,000	93,000
Downtown Phase III	12,186	-	12,186
Total other financing sources	114,719	87,614	202,333
Revenues and other financing sources over (under) expenditures	114,833	\$ 86,182	\$ 201,015
Fund balance:			
Beginning of year, July 1	107,620	554	108,174
End of year, June 30	<u>\$ 222,453</u>	<u>\$ 86,736</u>	<u>\$ 309,189</u>

**CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013**

EXHIBIT C-3

	<u>Special Revenue Community Development Fund</u>	<u>Special Revenue Downtown Tax District Fund</u>	<u>Special Revenue Planning Grants Fund</u>	<u>Total Special Revenue Funds June 30, 2013</u>
Assets:				
Cash and investments	\$ 42,425	\$ 108,680	\$ 69,657	\$ 220,762
Accounts receivable	995	3,390	-	4,385
Total Assets	<u>\$ 43,420</u>	<u>\$ 112,070</u>	<u>\$ 69,657</u>	<u>\$ 225,147</u>
Liabilities and Fund Equity:				
Current Liabilities				
Accounts Payable	\$ 425	\$ 2,126	\$ 143	\$ 2,694
Total Current Liabilities	<u>425</u>	<u>2,126</u>	<u>143</u>	<u>2,694</u>
Total Liabilities	<u>425</u>	<u>2,126</u>	<u>143</u>	<u>2,694</u>
Fund balances				
Assigned - Community Development	42,995	-	-	42,995
Restricted - Economic Development	-	109,944	-	109,944
Restricted - Planning Projects	-	-	69,514	69,514
Total liabilities and fund balances	<u>\$ 43,420</u>	<u>\$ 112,070</u>	<u>\$ 69,657</u>	<u>\$ 225,147</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, 2013

	Special Revenue Community Development Fund	Special Revenue Downtown Tax District Fund	Special Revenue Planning Grants Fund	Total Special Revenue Funds June 30, 2013
Revenues				
Ad valorem taxes - net	\$ -	\$ 58,002	\$ -	\$ 58,002
City contribution	-	-	5,500	5,500
Community Transformation grant	-	-	4,407	4,407
Program Income	2,162	-	-	2,162
Investment earnings	267	411	-	678
Miscellaneous	-	12,732	-	12,732
Total Revenues	<u>2,429</u>	<u>71,145</u>	<u>9,907</u>	<u>83,481</u>
Expenditures				
Economic and physical development	-	74,974	8,393	83,367
Total Expenditures	<u>-</u>	<u>74,974</u>	<u>8,393</u>	<u>83,367</u>
Excess of revenues over expenditures	2,429	(3,829)	1,514	114
Other Financing Sources (Uses)				
Release of debt reserve	-	34,533	-	34,533
Transfer from General Fund	-	-	68,000	68,000
Transfer from Downtown Phase III	12,186	-	-	12,186
Total other financing sources (uses)	<u>12,186</u>	<u>34,533</u>	<u>68,000</u>	<u>114,719</u>
Net change in fund balance	\$ 14,615	\$ 30,704	\$ 69,514	\$ 114,833
Fund balance:				
Beginning of year, July 1	28,380	79,240	-	107,620
End of year, June 30	<u>\$ 42,995</u>	<u>\$ 109,944</u>	<u>\$ 69,514</u>	<u>\$ 222,453</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, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Program Income	\$	\$ 2,162	\$
Investment Earnings		267	
Total Revenues	<u>7,000</u>	<u>2,429</u>	<u>(4,571)</u>
Expenditures			
Legal Service		-	
Miscellaneous		-	
Total Expenditures	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Excess of revenues over expenditures	<u>-</u>	<u>2,429</u>	<u>2,429</u>
Other Financing Sources (Uses)			
Transfer from Downtown Phase III	<u>-</u>	<u>12,186</u>	<u>12,186</u>
Net change in fund balance	<u>-</u>	<u>\$ 14,615</u>	<u>\$ 14,615</u>
Fund balance appropriated	<u>-</u>		
Fund balance:			
Beginning of year, July 1		<u>28,380</u>	
End of year, June 30		<u>\$ 42,995</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, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Ad valorem taxes-net	\$	\$ 58,002	\$
Investment Earnings		411	
Miscellaneous		12,732	
Total Revenues	<u>79,100</u>	<u>71,145</u>	<u>(7,955)</u>
Expenditures			
Interest and fees		16,511	
Special Events		14,939	
Projects		14,427	
Advertising		7,042	
Supplies and materials		1,241	
Other		20,814	
Total Expenditures	<u>79,100</u>	<u>74,974</u>	<u>4,126</u>
Excess of revenues over expenditures	<u>-</u>	<u>(3,829)</u>	<u>(3,829)</u>
Other financing sources (uses)			
Release of debt reserve	<u>-</u>	<u>34,533</u>	<u>34,533</u>
Total other financing sources (uses)	<u>-</u>	<u>34,533</u>	<u>34,533</u>
Net change in fund balance	<u>-</u>	<u>\$ 30,704</u>	<u>\$ 30,704</u>
Fund balance appropriated	<u>-</u>		
Fund balance:			
Beginning of year, July 1		<u>79,240</u>	
End of year, June 30		<u>\$ 109,944</u>	

**CITY OF CLINTON, NORTH CAROLINA
PLANNING GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
NCDOT grant funding	\$	\$ -	\$
City contribution		5,500	
Community Transformation grant		4,407	
Total Revenues	<u>31,900</u>	<u>9,907</u>	<u>(21,993)</u>
Expenditures			
Community Transformation grant		143	
Bike plan grant		8,250	
Total Expenditures	<u>99,900</u>	<u>8,393</u>	<u>91,507</u>
Excess of revenues over expenditures	(68,000)	1,514	69,514
Other financing sources (uses)			
Transfer from General Fund	<u>68,000</u>	<u>68,000</u>	<u>-</u>
Net change in fund balance	-	69,514	<u>\$ 69,514</u>
Fund balance appropriated	<u>-</u>		
Fund balance:			
Beginning of year, July 1		<u>-</u>	
End of year, June 30		<u>\$ 69,514</u>	

CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2013

Non - Major

	<u>City Facility Renovations</u>	<u>Affordable Housing Project</u>	<u>Russell Street Add-on</u>	<u>Total Capital Project Funds June 30, 2013</u>
Assets:				
Cash and investments	\$ 25,000	\$ 61,723	\$ -	\$ 86,723
Accounts receivable	-	13	-	13
Total Assets	<u>\$ 25,000</u>	<u>\$ 61,736</u>	<u>\$ -</u>	<u>\$ 86,736</u>
Liabilities and Fund Equity:				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to General Fund	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Restricted - capital projects	<u>25,000</u>	<u>61,736</u>	<u>-</u>	<u>86,736</u>
Total liabilities and fund balances	<u>\$ 25,000</u>	<u>\$ 61,736</u>	<u>\$ -</u>	<u>\$ 86,736</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, 2013

	Non - Major			Total Capital Project Funds June 30, 2013
	City Facility Renovations	Affordable Housing Project	Russell Street Add-On	
Revenues				
CDBG Grant	\$ -	\$ -	\$ 2,970	\$ 2,970
Total Revenues	<u>-</u>	<u>-</u>	<u>2,970</u>	<u>2,970</u>
Expenditures				
Capital Outlay	-	1,432	2,970	4,402
Total Expenditures	<u>-</u>	<u>1,432</u>	<u>2,970</u>	<u>4,402</u>
Revenues over (under) expenditures	-	(1,432)	-	(1,432)
Other financing sources (uses)				
Sale of property	-	62,614	-	62,614
Transfer from General Fund	25,000	-	-	25,000
Total other financing sources	<u>25,000</u>	<u>62,614</u>	<u>-</u>	<u>87,614</u>
Revenues and other financing sources over (under) expenditures	25,000	61,182	-	86,182
Fund balance:				
Beginning of year, July 1	-	554	-	554
End of year, June 30	<u>\$ 25,000</u>	<u>\$ 61,736</u>	<u>\$ -</u>	<u>\$ 86,736</u>

CITY OF CLINTON, NORTH CAROLINA
 CAPITAL PROJECT FUND - CITY FACILITY RENOVATIONS
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2013

EXHIBIT C-10

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

CITY OF CLINTON, NORTH CAROLINA
 CAPITAL PROJECT FUND - AFFORDABLE HOUSING PROJECT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2013

EXHIBIT C-11

	Actual			Total to Date	Variance Favorable (Unfavorable)
	Budget	Prior Years	Current Year		
Expenditures					
Appraisal	\$ 450	\$ -	\$ -	\$ -	\$ 450
Plumbing connection	3,073	3,074	-	3,074	(1)
Electrical connection	1,000	1,000	-	1,000	-
Grading	500	-	-	-	500
Maintenance and repair	3,059	2,034	1,057	3,091	(32)
Driveway extension	1,000	550	-	550	450
House moving	2,077	4,800	-	4,800	(2,723)
Home appliance	53,292	52,917	375	53,292	-
Contingency	1,395	71	-	71	1,324
Total Expenditures	65,846	64,446	1,432	65,878	(32)
Revenues over (under) expenditures	65,846	64,446	1,432	65,878	(32)
Other financing sources					
Sale of property	62,614	-	62,614	62,614	-
Operating transfers - in					
Community Development Fund	43,000	43,000	-	43,000	-
Community Development Revolving Loan Fund	22,000	22,000	-	22,000	-
Operating transfer - out					
Community Development Fund	(61,768)	-	-	-	61,768
Total other financing sources	65,846	65,000	62,614	127,614	61,768
Revenues and other financing sources over (under) expenditures	\$ -	\$ 554	61,182	\$ 61,736	\$ 61,736
Fund balance:					
Beginning of year, July 1			554		
End of year, June 30			<u>\$ 61,736</u>		

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, 2013

EXHIBIT C-12

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
CDBG Grant (07-D-2178)	\$ 320,000	\$ 284,727	\$ 2,970	\$ 287,697	\$ (32,303)
Private contribution	10,290	10,290	-	10,290	-
Total Revenues	<u>330,290</u>	<u>295,017</u>	<u>2,970</u>	<u>297,987</u>	<u>(32,303)</u>
Expenditures					
Administration	32,000	32,000	-	32,000	-
Clearance	10,000	6,930	-	6,930	3,070
Rehabilitation Private	125,290	97,166	2,970	100,136	25,154
Relocation	163,000	158,921	-	158,921	4,079
Total Expenditures	<u>330,290</u>	<u>295,017</u>	<u>2,970</u>	<u>297,987</u>	<u>32,303</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

City of Clinton, North Carolina
Water and Sewer Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP)
For the year ended June 30, 2013

	2013		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
REVENUES:			
Operating revenues:			
Charges for services:			
Water and sewer charges		\$ 4,365,624	
Sewer surcharge		469,850	
Water and sewer tap fees		23,878	
Service fees		30,214	
Fireline fees		23,148	
Miscellaneous		103,216	
Total operating revenues	<u>4,590,908</u>	<u>5,015,930</u>	425,022
Nonoperating revenues:			
Investment earnings		12,954	
Total nonoperating revenues	<u>16,000</u>	<u>12,954</u>	(3,046)
Total revenues	<u>4,606,908</u>	<u>5,028,884</u>	421,976
EXPENDITURES:			
Operating expenditures other than depreciation:			
Water department:			
Salaries and employee benefits		618,467	
Operating expenditures		563,625	
Repairs and maintenance		237,070	
Total water department	<u>1,527,700</u>	<u>1,419,162</u>	108,538
Waste treatment department:			
Salaries and employee benefits		443,751	
Operating expenditures		868,861	
Repairs and maintenance		330,341	
Total waste treatment department	<u>1,804,750</u>	<u>1,642,953</u>	161,797
Total operating expenditures other than de	<u>3,332,450</u>	<u>3,062,115</u>	270,335
Debt service:			
Principal payments		754,054	
Interest and fees		105,304	
Total debt service	<u>839,500</u>	<u>859,358</u>	(19,858)
Capital outlay:			
Water department		75,478	
Waste treatment department		76,378	
Total capital outlay	<u>172,200</u>	<u>151,856</u>	20,344
Total expenditures	<u>4,344,150</u>	<u>4,073,329</u>	270,821

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, 2013

	2013		Variance
	Budget	Actual	Favorable (Unfavorable)
Other financing sources (uses):			
Transfers from other funds		-	
Transfers to other funds		(662,942)	
Total other financing uses	(702,943)	(662,942)	40,001
Total expenditures and other financing uses	5,047,093	4,736,271	310,822
Fund balance appropriated	(440,185)	-	(440,185)
Revenue over (under) expenditures and other uses	\$ -	\$ 292,613	\$ 292,613
Reconciliation of modified accrual basis to full accrual basis:		\$ 292,613	
Revenues over expenses and supplemental budget expenditures			
Reconciling items:			
Principal retirement		754,054	
Capital outlay		647,246	
Decrease in inventory		(1,007)	
Decrease in accrued salaries		541	
Increase in accrued vacation pay		(8,630)	
Decrease in accrued interest		8,687	
Increase in accrued OPEB liability		(52,043)	
Depreciation		(1,010,973)	
Capital contributions		73,949	
Transfer to Eliza Lane Project from General Fund		25,000	
Transfer of capital asset to General Fund		(64,763)	
Total reconciling items		372,061	
Change in net position		\$ 664,674	

CITY OF CLINTON, NORTH CAROLINA
 CAPITAL PROJECT - UTILITY LINES MAINTENANCE PROJECT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)
 From Inception and for the Year Ended June 30, 2013

EXHIBIT D-2

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
County contribution	\$ 188,500	\$ -	\$ 7,650	\$ 7,650	\$ (180,850)
Total revenues	188,500	-	7,650	7,650	(180,850)
Expenditures					
Engineering and design	\$ 8,500	\$ -	\$ 7,650	\$ 7,650	\$ 850
Construction	180,000	-	-	-	180,000
Total Expenditures	188,500	-	7,650	7,650	180,850
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

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

CITY OF CLINTON, NORTH CAROLINA
 CAPITAL PROJECT FUND - WATER PRODUCTION EXPANSION
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)
 From Inception and for the Year Ended June 30, 2013

EXHIBIT D-3

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Expenditures					
Engineering and design	527,000	-	160,280	160,280	366,720
Property acquisition	52,000	-	27,000	27,000	25,000
Total Expenditures	579,000	-	187,280	187,280	391,720
Other financing sources (uses)					
Loan proceeds - USDA	\$ 579,000	\$ -	\$ 187,280	\$ 187,280	\$ (391,720)
Total other financing sources (uses)	579,000	-	187,280	187,280	(391,720)
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF CLINTON, NORTH CAROLINA
 CAPITAL PROJECT FUND - SMITHFIELD ELEVATED TANK PROJECT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)
 From Inception and for the Year Ended June 30, 2013

EXHIBIT D-4

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

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

CITY OF CLINTON, NORTH CAROLINA
 CAPITAL PROJECT FUND - NC 24 INDUSTRIAL PARK INFRASTRUCTURE PROJECT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)
 From Inception and for the Year Ended June 30, 2013

EXHIBIT D-5

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Expenditures					
Engineering and design	19,500	-	11,381	11,381	8,119
Total Expenditures	<u>19,500</u>	<u>-</u>	<u>11,381</u>	<u>11,381</u>	<u>8,119</u>
Other financing sources (uses)					
Operating transfers - in From Water & Sewer Fund	19,500	-	19,500	19,500	-
Total other financing sources	<u>19,500</u>	<u>-</u>	<u>19,500</u>	<u>19,500</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,119</u>	<u>\$ 8,119</u>	<u>\$ 8,119</u>

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

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, 2013

EXHIBIT D-6

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
CDBG Grant (10-C-2195)	\$ 572,765	\$ 35,450	\$ 66,299	\$ 101,749	\$ (471,016)
Total Revenues	572,765	35,450	66,299	101,749	(471,016)
Expenditures					
Administration	47,500	46,600	900	47,500	-
Road construction	141,900	-	1,615	1,615	140,285
Water improvements	114,375	-	9,826	9,826	104,549
Sewer improvements	268,990	-	144,538	144,538	124,452
City contribution	217,785	57,249	18,420	75,669	142,116
Total Expenditures	790,550	103,849	175,299	279,148 ^a	511,402
Revenues over (under) expenditures	(217,785)	(68,399)	(109,000)	(177,399)	40,386
Other financing sources (uses)					
Operating transfers - in					
From General Fund	25,000	-	25,000	25,000	-
From Water & Sewer Fund	192,785	108,785	84,000	192,785	-
Total other financing sources	217,785	108,785	109,000	217,785	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 40,386	\$ -	\$ 40,386	\$ 40,386

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

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, 2013

EXHIBIT D-7

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Expenditures					
Engineering and design	23,957	11,548	12,828	24,376	(419)
Miscellaneous	1,200	-	1,200	1,200	-
Utility changes	9,700	-	9,663	9,663	37
Construction	136,435	-	136,403	136,403	32
Contingency	350	-	-	-	350
Total Expenditures	171,642	11,548	160,094	171,642	- ^a
Revenues over (under) expenditures	(171,642)	(11,548)	(160,094)	(171,642)	-
Other financing sources					
Operating transfers - in From Water & Sewer Fund	171,642	11,700	159,942	171,642	-
Total other financing sources	171,642	11,700	159,942	171,642	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 152	\$ (152)	\$ -	\$ -

a This project was capitalized and included in the fixed assets of the City in its entirety as of June 30, 2013.

Other Schedules

This section contains additional information on property taxes.

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

CITY OF CLINTON, NORTH CAROLINA
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2013

Fiscal Year Ended June 30,	Uncollected June 30, 2012	Additions	Collections & Credits	Uncollected June 30, 2013
2013	\$ -	\$ 2,791,981	\$ (2,708,128)	\$ 83,853
2012	104,255	-	(81,269)	22,986
2011	20,992	-	(13,350)	7,642
2010 & prior	53,240	-	(18,007)	35,233
	<u>\$ 178,487</u>	<u>\$ 2,791,981</u>	<u>\$ (2,820,754)</u>	<u>149,714</u>
Less allowance for uncollectible ad valorem taxes receivable				49,000
Ad valorem taxes receivable - net				<u>100,714</u>

Reconciliation with revenues:

Taxes - Ad Valorem - General Fund	\$ 2,747,824
Discounts allowed & collection fee	88,551
Taxes written off and other adjustments	7,778
Subtotal	<u>2,844,153</u>
Less interest and penalties collected	(23,399)
Total collections and credits	<u>\$ 2,820,754</u>

CITY OF CLINTON, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 For the Year Ended June 30, 2013

	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax levy - City Wide	\$ 641,874,553	0.40	\$ 2,567,498	\$ 2,567,498	\$ -
Motor vehicles taxes at prior year rate	59,197,638	0.40	236,791	-	236,791
Abatements and discoveries	<u>(3,077,012)</u>		<u>(12,308)</u>	<u>(9,075)</u>	<u>(3,233)</u>
Total for year	<u>\$ 697,995,179</u>		2,791,981	2,558,423	233,558
Less uncollected tax at June 30, 2013 (Exhibit E-1)			<u>83,853</u>	<u>46,346</u>	<u>37,507</u>
Current year's taxes collected			<u>\$ 2,708,128</u>	<u>\$ 2,512,077</u>	<u>\$ 196,051</u>
Percent current year collected			97.00%	98.19%	83.94%

Compliance Section

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

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Clinton, NC 28328

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Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with 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 accompanying 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 the City of Clinton, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the City of Clinton's basic financial statements, and have issued our report thereon dated October 31, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. 2013-01

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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

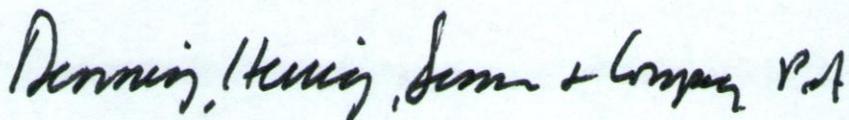
As part of obtaining reasonable assurance about whether the City of Clinton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

City of Clinton's Response to Findings

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

Purpose of this Report

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



Denning, Herring, Sessoms & Company, P.A.
Clinton, North Carolina
October 25, 2013

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

Certified Public Accountants
Clinton, NC 28328

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Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance; In Accordance With OMB Circular A-133

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Clinton, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Clinton's major federal programs for the year ended June 30, 2013. The City of Clinton's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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AND NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Opinion on Each Major Program

In our opinion, the City of Clinton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-01 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any deficiency in internal control over financial reporting other than the material weakness identified in the preceding paragraph that we consider to be a significant deficiency.

The City of Clinton's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs.

The City of Clinton's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

Denning, Herring, Sessoms & Company, P.A.
Clinton, North Carolina
October 25, 2013

CITY OF CLINTON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's/Contract Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants:					
Cash Programs:					
<u>U.S. Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce, Division of Community Assistance	14.228	10-C-2195 07-D-2178	66,299 2,970	-	109,000 -
<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 Agriculture</u>					
ARRA - Community Facilities Loans Downtown Revitalization Phase III USDA Loan (See note 2 below)	10.780		1,000,000	-	-
Downtown Revitalization Phase III USDA Grant Funds (See note 2 below)			39,856	-	528
Water Treatment Plant Expansion			146,870	-	-
Total assistance - federal programs			<u>1,298,560</u>	<u>-</u>	<u>109,528</u>
State Grants:					
Cash Assistance:					
<u>N.C. Department of Transportation</u>					
Division of Bicycle and Pedestrian Transportation Powell Bill	20.205	1416 DOT-4	-	-	8,250
			-	255,898	-
			-	255,898	8,250
<u>The Rural Center</u>					
GPS Inventory Grant		2012-118-40101-102	-	32,125	40,000
Total assistance - state programs			-	288,023	-
Total assistance			<u>\$ 1,298,560</u>	<u>\$ 288,023</u>	<u>\$ 157,778</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.
- The Downtown Phase III project was completed with \$40,384 of final expenditures to complete the budgeted construction. The final expenditures completed the grant portion of the project, for a total of grant funds of \$455,000. Previously reported expenditures for the project totaled \$1,000,000 of debt proceeds and \$415,144 of grant funds. The loan portion of the project closed in May of 2013, requiring that total of \$1,000,000 to be reported on the above schedule.
- The City of Clinton had two loans outstanding at June 30, 2013 which, along with contributions from the City, funded three downtown revitalization projects. Phase I was completed during the year ended June 30, 2005, Phase II was completed during the year ended June 30, 2008 and Phase III was completed during the year ended June 30, 2013. The loan for Phases I and II is an installment loan financed with BB&T and has an outstanding principal balance at June 30, 2013 of \$893,066. The loan for Phase III is referenced in Note 2, above and is an installment loan financed with Community Facility Loans with the U.S. Department of Agriculture. This loan has an outstanding principal balance at June 30, 2013 of \$1,000,000.

City of Clinton, North Carolina
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2013

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: ___yes X 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? X yes ___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: Qualified.

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
10.780	ARRA – Community Facilities Loans – Downtown Revitalization 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, 2013

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

MATERIAL WEAKNESS

2013-01 Deficiency in monitoring over reporting required for on-going capital projects

Criteria: Sufficient monitoring should take place to ensure required funding agency reporting is performed in a timely and accurate manner.

Condition: City personnel assigned to monitor capital projects as construction progresses, including any financial and report filing requirements as stipulated by the appropriate funding agency, did not ensure the appropriate reports were filed on-time.

Effect: The City was identified as non-compliant on a listing available to the public via Recovery.gov, where taxpayers can access Agency Reports as they relate to Section 1512 of the Recovery Act.

Cause: City personnel failed to file the first quarter of 2013's report for a capital project being funded in part by grant funds from a Federal Agency, causing the City to be out of compliance. This report should have been filed via the website FederalReporting.gov, the central nationwide data collection system for Federal Agencies and Recipients of Federal awards under Section 1512 of the Recovery Act. The data entered in reports filed electronically on FederalReporting.gov is made available to the public via Recovery.gov.

Recommendation: City personnel assigned to monitor reporting should be able to identify the appropriate requirements and be able to file accurate and timely reports in order to meet funding Agency requirements.

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

Section IV – State Award Findings and Questioned Costs

None reported.

City of Clinton, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2013

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

MATERIAL WEAKNESS

2013-01 Deficiency in monitoring over reporting required for on-going capital projects

Name of contact person: Shawn Purvis, Interim City Manager

Corrective Action – The City will ensure that designated project managers are aware of their responsibilities including administration of activities, documentation, financial transactions, and necessary reporting and compliance. The expectation of the project manager is to be aware of all necessary reporting, complete it entirely and on time, and recall or retrieve it in response to inquiries. Additionally, the City is developing a grant management policy that will address project management expectations, including reporting.

Proposed Completion Date - Management will reemphasize expectations mentioned above immediately. The written and approved grant management policy is expected to be in place by April 2014.

Section IV – State Award Findings and Questioned Costs

None reported.

City of Clinton, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2013

Finding: 2012-01

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

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