

Audited Financial Statements
And Other Financial Information
for the City of Clinton
North Carolina
As of June 30, 2008

DENNING & SESSOMS, PA
CERTIFIED PUBLIC ACCOUNTANTS
Clinton, NC 28328

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Independent Auditor's Report

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

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Clinton's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of City of Clinton ABC Board, which represents 1.70 percent, 1.57 percent, and 10.8 percent of the assets, net assets and revenues of the governmental activities and business type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the City of Clinton ABC Board is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the City of Clinton ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clinton, North Carolina, as of June 30, 2008, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 17, 2008 on our consideration of the City of Clinton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions on pages 3 through 13 and 47 through 49 respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City of Clinton, North Carolina. The combining and individual non-major fund financial statements and schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, 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 non-major fund financial statements and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us and other auditors in the audit of basic financial statements and, accordingly, we express no opinion on them.

Denning & Sessoms PA

Denning & Sessoms, PA
November 17, 2008

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, 2008. 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

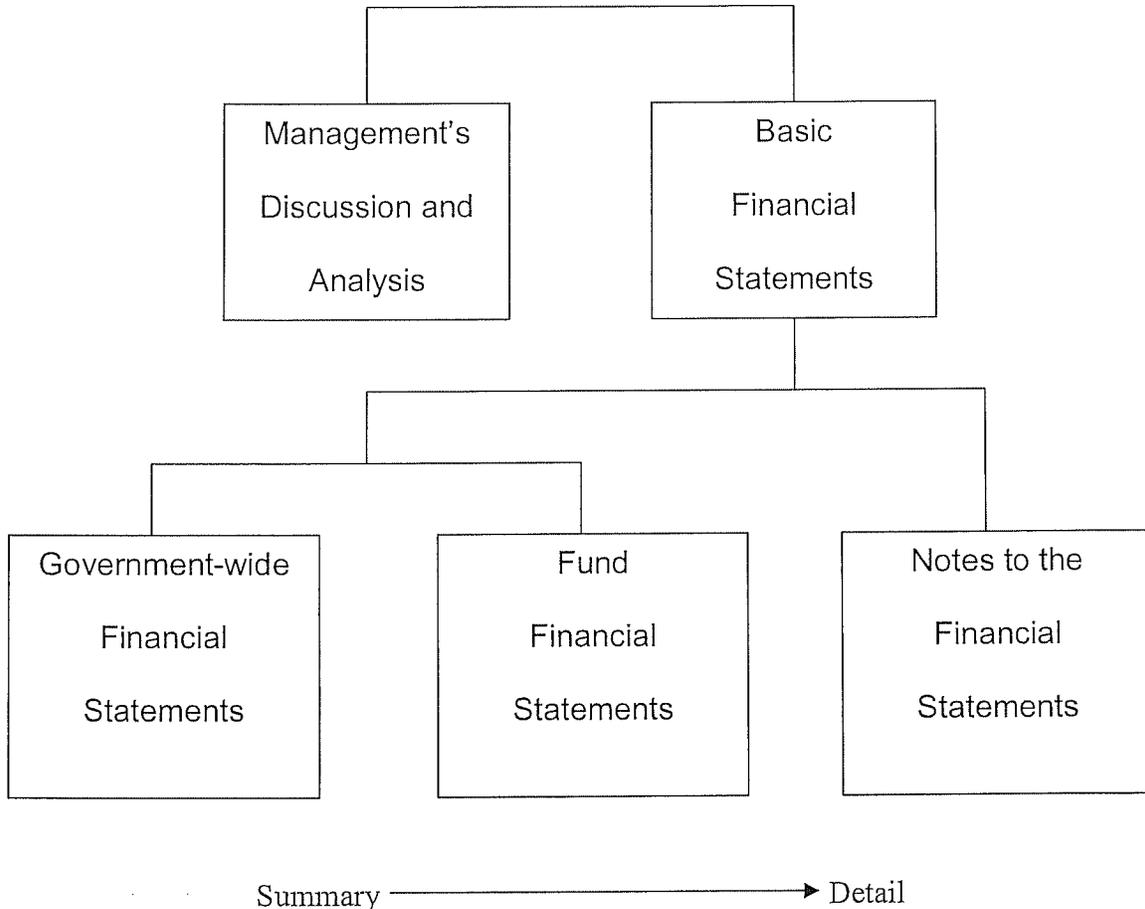
- The assets of the City of Clinton's governmental activities exceeded its liabilities at the close of the fiscal year by \$13,357,637 (*net assets*). Business-type activities exceeded its liabilities at the close of the fiscal year by \$15,013,458 (*net assets*).
- The government's total net assets increased by \$1,856,455 primarily due to increase in business-type activities net assets.
- Net assets of our business-type increased \$1,137,065 and total net assets for our governmental activities increased \$719,390.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$5,890,097 with a net increase of \$1,258,187 in comparison with the prior year. This is primarily due to receipt of proceeds from USDA for the Phase II Downtown Revitalization Project. Approximately 79% of this total amount or \$4,655,256 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,363,325 or 51% of total general fund expenditures for the fiscal year.
- The City of Clinton's total net debt increased in debt by \$2,682,239 during the current fiscal year. The key factor in this increase was the completion of Phase II of the Downtown Project and construction in progress of Phase II Dollar Branch Sewer Line Project.
- The City of Clinton continues to maintain its A3/A bond rating.

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 statement. 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 statement is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual

funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer 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 because the City exercises control over the Board by appointing its members and the Board is required to distribute its profits to the City. The ABC Board has separately issued financial statements.

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

Fund Financial Statements

The fund financial statements (Exhibits 3-8) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Clinton, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Clinton can be divided into two categories: governmental funds and proprietary funds.

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

less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Clinton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board 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 the board; 2) the final budget as amended by the board; 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – City of Clinton has only one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Clinton uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 25-45 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 47 of this report.

The City of Clinton's Net Assets
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 5,982,798	\$ 6,779,111	\$ 3,107,625	\$ 3,416,472	\$ 9,095,495	\$ 10,195,583
Capital assets	8,726,938	9,279,477	16,529,087	19,280,105	25,256,025	28,559,582
Total assets	<u>14,709,736</u>	<u>16,058,588</u>	<u>19,636,712</u>	<u>22,696,577</u>	<u>34,346,448</u>	<u>38,755,165</u>
Long-term liabilities outstanding	987,966	2,022,469	5,418,558	7,088,296	6,406,524	9,110,765
Other liabilities	1,083,523	678,482	341,761	594,823	1,425,284	1,273,305
Total liabilities	<u>2,071,489</u>	<u>2,700,951</u>	<u>5,760,319</u>	<u>7,683,119</u>	<u>7,831,808</u>	<u>10,384,070</u>
Net assets:						
Invested in capital assets, net of related debt	8,100,869	7,546,346	11,170,665	12,259,307	19,271,534	19,805,653
Restricted	834,224	876,562	-	-	834,224	876,562
Unrestricted	3,703,154	4,934,729	2,705,728	2,754,151	6,408,882	7,688,880
Total net assets	<u>\$ 12,638,247</u>	<u>\$ 13,357,637</u>	<u>\$ 13,876,393</u>	<u>\$ 15,013,458</u>	<u>\$ 26,514,640</u>	<u>\$ 28,371,095</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Clinton exceeded liabilities by \$28,371,095 as of June 30, 2008. The largest portion \$19,805,653 (70%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City of Clinton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Clinton's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Clinton's net assets \$876,562 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,688,880 (27%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.62%, which is comparable to the statewide average of 97.59%.
- Increase of sales tax over prior year.
- Increase in user fees and charges.

City of Clinton Changes in Net Assets
Figure 3

	Governmental Activities		Business Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program revenues:						
Charges for services	\$ 1,341,278	1,537,480	4,180,634	4,270,087	5,521,912	5,807,567
Operating grants and contributions	895,722	773,745	8,564	9,632	904,286	783,377
Capital grants and contributions	75,890	388,218	-	216,256	75,890	604,474
General revenues:						
Property taxes	2,564,029	2,596,839	-	-	2,564,029	2,596,839
Other taxes	72,324	74,866	-	-	72,324	74,866
Unrestricted intergovernmental revenues	2,876,079	3,206,491	-	-	2,876,079	3,206,491
Unrestricted investment earnings	217,122	183,768	147,388	142,263	364,510	326,031
Gain on sale of surplus assets	3,525	(37,050)			3,525	(37,050)
Special Item--write off of land purchased	(168,999)		-		(168,999)	
Total revenues	7,876,970	8,724,357	4,336,586	4,638,238	12,213,556	13,362,595
Expenses:						
General government	1,882,525	1,816,405	-	-	1,882,525	1,816,405
Public safety	2,926,921	3,193,458	-	-	2,926,921	3,193,458
Transportation	1,327,203	1,562,845	-	-	1,327,203	1,562,845
Environmental protection	476,866	495,081	-	-	476,866	495,081
Economic and physical development	149,639	153,760	-	-	149,639	153,760
Cultural and recreation	756,702	899,246	-	-	756,702	899,246
Interest on long-term debt	28,757	32,364	-	-	28,757	32,364
Water and sewer	-	-	3,444,106	3,348,675	3,444,106	3,348,675
Total expenses	7,548,613	8,153,159	3,444,106	3,348,675	10,992,719	11,501,834
Increase (decrease) in net assets before transfers	328,357	571,198	892,480	1,289,563	1,220,837	1,860,761
Transfers	157,160	150,000	(157,160)	(150,000)	-	-
Increase in net assets	485,517	721,198	735,320	1,139,563	1,220,837	1,860,761
Net assets, July 1	12,133,105	12,638,247	13,141,561	13,876,393	25,274,666	26,514,640
Prior period adjustment	19,625	(1,808)	(488)	(2,498)	19,137	(4,306)
Net assets corrected	12,152,730	12,636,439	13,141,073	13,873,895	25,293,803	26,510,334
Net assets, June 30	\$ 12,638,247	13,357,637	13,876,393	15,013,458	26,514,640	28,371,095

Governmental activities. Governmental activities increased the City's net assets by \$721,198 thereby accounting for 39% of the total growth in the net assets of the City of Clinton. Key elements of this increase are as follows:

- Ad Valorem Taxes make up 31% of the governmental activity revenues and have traditionally been the single most important revenue source for funding local government operations.
- Unrestricted Intergovernmental revenue is also a large revenue source accounting for 38%. Local option sales tax is included in this category. Intergovernmental revenues also include state collected reimbursements for franchise taxes, beer and wine taxes and ABC profits.

Business-type activities: Business-type activities increased the City of Clinton's net assets by \$1,139,563 accounting for 61% of the total growth in the government's net assets. Key elements of this increase are as follows.

- Charges for services for business-type activities increased.
- Proceeds from Capital Grants and Contribution.

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. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Clinton. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$4,363,325 while total fund balance reached \$5,598,166. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 51% of total General Fund expenditures, while total fund balance represents 65% of that same amount.

At June 30, 2008, the governmental funds of the City of Clinton reported a combined ending fund balance of \$5,890,097 an increase of \$1,258,187 over prior year. Of this amount, \$4,655,256 or 79% is unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

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.

Budget amendments made to the General Fund were to increase the Intergovernmental revenues that were not originally budgeted. General Fund Revenues exceeded budgeted amounts by \$489,724 (6.4%). The City's expenditures were \$693,466 (8.5%) less than the budgeted amount. The high property collection rate and the increase of unrestricted revenues resulted in an increase of \$428,821 as of June 30, 2008.

Proprietary Funds. The City of Clinton's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$2,754,151 and total ending net assets were \$15,013,458. Unrestricted net assets amount to 18.3% of the total ending net assets. The total growth in the net assets for the Proprietary Fund was \$1,139,563. The growth is the result of increase in charges for services and construction in progress for replacement of sewer lines.

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, 2008, totals \$28,559,582 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and infrastructure.

Major capital asset transactions during the year include the following additions:

- Purchase of seven (7) new Police vehicles with vision in-car systems
- Purchase of Garbage Truck
- Purchase of Street Sweeper
- Purchase of five (5) Chevrolet Trucks
- Construction in progress of Phase II Dollar Branch Sewer Project
- Construction of Phase II Downtown Revitalization Project
- Installation of Exhaust System at Fire Station
- Construction of Soccer Field and Fitness Station Course

The retirement of capital assets was a computer system and micro computers at Police department.

**City of Clinton's Capital Assets
Figure 4**

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2008	2007	2008	2007	2008
Land	\$ 1,264,729	\$1,308,907	\$ 261,872	\$ 261,872	\$ 1,526,601	\$ 1,570,779
Buildings and other improvements	5,025,504	5,033,979	32,449	32,449	5,057,953	5,066,428
Construction in progress	1,263,918	223,028	1,024,069	3,372,989	2,287,987	3,596,017
Equipment	2,073,577	2,138,897	30,513,362	31,582,673	32,586,939	33,721,570
Vehicles and Motorized equipment	3,914,859	4,388,246	316,470	382,503	4,231,329	4,770,749
Infrastructure	4,135,876	5,682,908	-	-	4,135,876	5,682,908
Subtotal	17,678,463	18,775,965	32,148,222	35,632,486	49,826,685	54,408,451
Less accumulated depreciation	8,951,525	9,496,488	15,619,135	16,352,381	24,570,660	25,848,869
Total Net Capital Assets	\$ 8,726,938	9,279,477	\$ 16,529,087	19,280,105	\$ 25,256,025	28,559,582

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, 2008, the City of Clinton had total bonded debt outstanding of \$1,050,000. The remainder of the City's debt represents State Revolving Loan, USDA Loan, and Installment Purchases.

**City of Clinton's Outstanding Debt
General Obligation and Other Long Term Debt
Figure 5**

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2008	2007	2008	2007	2008
General Obligation bonds	\$ -	\$ -	\$ 1,300,000	\$ 1,050,000	\$ 1,300,000	\$ 1,050,000
Capitalized leases	28,793	-	34,573	-	63,366	-
Installment purchases	684,475	1,733,131	1,248,184	1,111,899	1,932,659	2,845,030
State Revolving Loan	-	-	2,775,665	4,858,899	2,775,665	4,858,899
Total	\$ 713,268	\$ 1,733,131	\$ 5,358,422	\$ 7,020,798	\$ 6,071,690	\$ 8,753,929

City of Clinton's Outstanding debt: The City's total net debt increased by \$2,682,239 during the past fiscal year, due to the proceeds from USDA for the Downtown Phase II Project and proceeds from a State Revolving Loan for Phase II of the Dollar Branch Sewer.

As mentioned in the financial highlights section of this document, the City of Clinton continues to maintain its A3/A bond rating. This bond rating is a clear indication of the sound financial condition of City of Clinton. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Clinton is approximately \$37,000,000. The City has no bonds authorized but unissued at June 30, 2008.

Additional information regarding the City of Clinton's long-term debt can be found in note III-B-6 beginning on page 40-43 of this financial report.

Economic Factors and Next Year's Budget and Rate

The Following key indicators reflect the growth and prosperity of the City.

- The City of Clinton is completing a \$3.3 million sewer line rehabilitation project. The project serves an industrial area of the city where sixty percent of the city's wastewater is produced. The project also expanded the capacity of these sewer lines by thirty percent which will accommodate additional industrial growth in this area.
- Fibrowatt LLC, a biomass fuel electric generation company, has chosen to construct its second North American plant in Sampson County. The facility will create ninety jobs and will have a property tax evaluation of at least \$150 million.
- The City Council approved the construction of a forty unit apartment complex on College Street.
- The City of Clinton partnered with a Private Contractor to construct a sewer pump station on Pugh Road to serve a thirteen unit duplex development. This pump station also provides sewer to a future growth area of the city.
- The City utilized the Pugh Road Lift Station to extend gravity sewer to businesses along NC 403. These business have agreed to petition for voluntary annexation. This annexation will increase the property tax base by \$1.0 million.
- The City of Clinton is located in close proximity to Ft. Bragg Army Base, Camp Lejeune Marine Base and Seymour Johnson Air Force Base. The City of Clinton and Sampson County should see some growth associated with the base realignment scheduled to be complete by 2011.
- The City of Clinton and Sampson County are located within a strong agriculturally based economy. Although we are affected by downward shifts in other business sectors, our agriculture based economy has traditionally been a relatively stable business sector and we have not seen the dramatic number of industrial plant closures that other parts of the state have seen. We are optimistic that this trend will continue.
- Sampson County has an unemployment rate of 5.4% which is below the statewide average of 6.6%.

Budget Highlights for the Fiscal Year Ending June 30, 2009.

Governmental Activities: The governmental fund's primary revenue resources are property taxes and local option sales tax.

- Tax rate will remain at \$.41 per one hundred (\$100) valuation of taxable property
- Residential solid waste fees will increase \$.50 per month and commercial solid waste will increase \$.50 per cubic yard
- Purchase five (5) police vehicles and video camera system
- Replacement of Air Packs
- Purchase Athletic Storage Building
- Vinyl Fencing Royal Lane Park Phase II
- Information Technology Equipment

Business-type Activities:

- The City will increase water and sewer rates which will generate \$3,980,000 in revenues to offset operating cost and to assist in funding the replacement of infrastructure.
- The remaining needed revenues will come from bulk water sold to county, fireline fees, and capacity fees.
- Salaries and benefits along with debt payments make up the largest portion of the expenditures.
- Final Phase of Dollar Branch Sewer Project
- Rehab Deer Run Lift Station
- Replace One (1) truck in Water Production
- Convert Anaerobic Digester

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, P. O. Box 199, Clinton, NC 28329-0199.

CITY OF CLINTON, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2008

	<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	\$ 5,654,174	\$ 2,966,885	\$ 8,621,059	\$ 435,568
Taxes receivables (net)	91,637	-	91,637	-
Accrued interest receivable on taxes	13,000	-	13,000	-
Accounts receivable (net)	212,021	430,808	642,829	6
Due from other governments	675,295	-	675,295	-
Due from component unit	97,840	-	97,840	-
Inventories	35,144	18,779	53,923	166,147
Prepaid items	-	-	-	5,111
Total current assets	<u>6,779,111</u>	<u>3,416,472</u>	<u>10,195,583</u>	<u>606,832</u>
Capital assets:				
Land, improvements and construction in progress	1,531,935	3,634,861	5,166,796	36,795
Other capital assets, net of depreciation	7,747,542	15,645,244	23,392,786	22,910
Total capital assets	<u>9,279,477</u>	<u>19,280,105</u>	<u>28,559,582</u>	<u>59,705</u>
Total assets	<u>\$ 16,058,588</u>	<u>\$ 22,696,577</u>	<u>\$ 38,755,165</u>	<u>\$ 666,537</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 610,338	\$ 479,716	\$ 1,090,054	\$ 65,999
Distributions payable	-	-	-	122,300
Accrued interest payable	35,000	-	35,000	-
Customer deposits	-	115,107	115,107	-
Due to other governments	33,144	-	33,144	26,385
Long-term liabilities:	-	-	-	-
Due within one year	328,702	758,824	1,087,526	-
Due in more than one year	1,693,767	6,329,472	8,023,239	-
Total liabilities	<u>2,700,951</u>	<u>7,683,119</u>	<u>10,384,070</u>	<u>214,684</u>
NET ASSETS				
Invested in capital assets, net of related debt	7,546,346	12,259,307	19,805,653	59,705
Restricted for:	-	-	-	-
Capital projects	494,686	-	494,686	5,000
Transportation	58,648	-	58,648	-
Public Safety	196,363	-	196,363	-
Economic development	110,845	-	110,845	-
Loan agreement	16,020	-	16,020	-
Working capital	-	-	-	44,216
Unrestricted	4,934,729	2,754,151	7,688,880	342,932
TOTAL NET ASSETS	<u>\$ 13,357,637</u>	<u>\$ 15,013,458</u>	<u>\$ 28,371,095</u>	<u>\$ 451,853</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, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net-Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,816,405	\$ 48,920	\$ 56,069	\$ -	\$ (1,711,416)	\$ -	\$ (1,711,416)
Public safety	3,193,458	32,151	217,276	152,743	(2,791,288)	-	(2,791,288)
Transportation	1,562,845	-	313,739	-	(1,249,106)	-	(1,249,106)
Economic and physical development	153,760	302,704	174,440	223,422	546,806	-	546,806
Environmental protection	495,081	1,092,748	2,221	-	599,888	-	599,888
Cultural and recreation	899,246	60,957	10,000	12,053	(816,236)	-	(816,236)
Interest on long-term debt	32,364	-	-	-	(32,364)	-	(32,364)
Total governmental activities	8,153,159	1,537,480	773,745	388,218	(5,453,716)	-	(5,453,716)
Business-type activities:							
Water and sewer	3,348,675	4,270,087	9,632	216,256	-	1,147,300	1,147,300
Total primary government	\$ 11,501,834	\$ 5,807,567	\$ 783,377	\$ 604,474	\$ (5,453,716)	\$ 1,147,300	\$ (4,306,416)
Component unit:							
ABC Board	\$ 1,413,934	\$ 1,438,772	\$ -	\$ -	\$ -	\$ -	\$ 24,838
General revenues:							
Taxes:							
Property taxes, levied for general purpose					2,596,839		2,596,839
Other taxes					74,866		74,866
Unrestricted intergovernmental revenues					3,206,491		3,206,491
Unrestricted investment earnings					183,768	142,263	326,031
Loss on sale and disposal of assets					(37,050)		(37,050)
Transfers:					150,000	(150,000)	-
Total general revenues, special item and transfers					6,174,914	(7,737)	6,167,177
Change in net assets					721,198	1,139,563	1,860,761
Net assets - beginning, as previously reported					12,638,247	13,876,393	26,514,640
Prior period adjustment - see note III-D					(1,808)	(2,498)	(4,306)
Net assets - corrected					12,636,439	13,873,895	26,510,334
Net assets - ending					\$ 13,357,637	\$ 15,013,458	\$ 28,371,095

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

City of Clinton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2008

	Major Funds			Total Governmental Funds
	General	Capital Project Fund Community Development	Total Non-major Funds	
ASSETS				
Cash and cash equivalents	\$ 5,315,361	\$ 277,432	61,381	\$ 5,654,174
Receivables, net:				
Taxes	90,514	-	1,123	91,637
Accounts	173,840	57	38,124	212,021
Due from other governments	675,295	-	-	675,295
Due from component unit	97,840	-	-	97,840
Inventory	35,144	-	-	35,144
Total assets	<u>\$ 6,387,994</u>	<u>\$ 277,489</u>	<u>\$ 100,628</u>	<u>\$ 6,766,111</u>
LIABILITIES AND FUND BALANCES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 579,419	\$ 30,345	\$ 16,594	\$ 626,358
Due to Sampson County	33,432	-	-	33,432
Deferred revenue	176,977	-	39,247	216,224
Total current liabilities	<u>789,828</u>	<u>30,345</u>	<u>55,841</u>	<u>876,014</u>
Total liabilities	789,828	30,345	55,841	876,014
Fund balances:				
Reserved for:				
Inventory	35,144	-	-	35,144
State statute	860,512	-	-	860,512
Unreserved, general fund:				
Designated for subsequent years' expenditures	339,185	-	-	339,185
Unreserved, reported in:				
General fund	4,363,325	-	-	4,363,325
Special revenue funds	-	-	55,004	55,004
Capital projects funds	-	247,144	(10,217)	236,927
Total fund balances	<u>5,598,166</u>	<u>247,144</u>	<u>44,787</u>	<u>5,890,097</u>
Total liabilities and fund balances	<u>\$ 6,387,994</u>	<u>\$ 277,489</u>	<u>\$ 100,628</u>	<u>\$ 6,766,111</u>

City of Clinton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2008

Total fund balances	\$ 5,890,097
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	9,279,474
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	13,000
Liabilities for earned but deferred revenues in fund statements.	216,224
A liability in the fund statements is reported as a restricted net asset in the statement of net assets.	16,311
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in net assets of governmental funds.	<u>(2,057,469)</u>
Net assets of governmental activities	<u><u>\$ 13,357,637</u></u>

City of Clinton, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	Major Funds			Total Governmental Funds
	General	Capital Project Fund Community Development	Total Non-major Funds	
REVENUES				
Ad valorem taxes	\$ 2,559,702	\$ -	\$ 27,812	\$ 2,587,514
Other taxes and licenses	74,866	-	-	74,866
Unrestricted intergovernmental	3,217,624	-	-	3,217,624
Restricted intergovernmental	854,296	-	-	854,296
Sales and services	1,191,337	-	-	1,191,337
Investment earnings	176,599	2,691	4,518	183,808
Program income	-	-	139,915	139,915
Cost sharing revenues	-	193,165	-	193,165
PARTF grants	-	-	12,053	12,053
Donations	-	7,144	-	7,144
Miscellaneous	317,043	23,113	7,365	347,521
Total revenues	<u>8,391,467</u>	<u>226,113</u>	<u>191,663</u>	<u>8,809,243</u>
EXPENDITURES:				
Current:				
General government	1,761,285	-	-	1,761,285
Public safety	3,608,817	-	-	3,608,817
Transportation	1,573,238	-	-	1,573,238
Economic and physical development	-	-	42,261	42,261
Environmental protection	759,632	-	-	759,632
Culture and recreation	899,873	-	-	899,873
Capital outlay	-	178,115	173,617	351,732
Total expenditures	<u>8,602,845</u>	<u>178,115</u>	<u>215,878</u>	<u>8,996,838</u>
Excess (deficiency) of revenues over expenditures	(211,378)	47,998	(24,215)	(187,595)
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(26,030)	(93,500)	(147,000)	(266,530)
Transfers from other funds	211,500	147,000	58,030	416,530
Sale of Property	-	15,808	-	15,808
Loan proceeds	532,638	750,000	-	1,282,638
Total other financing sources (uses)	<u>718,108</u>	<u>819,308</u>	<u>(88,970)</u>	<u>1,448,446</u>
Net change in fund balance	506,730	867,306	(113,185)	1,260,851
Fund balances, beginning	5,094,100	(620,162)	157,972	4,631,910
Prior period adjustment (See Note III-D)	(1,808)	-	-	(1,808)
Change in reserve for inventories	(856)	-	-	(856)
Fund balances, ending	<u>\$ 5,598,166</u>	<u>\$ 247,144</u>	<u>\$ 44,787</u>	<u>\$ 5,890,097</u>

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

City of Clinton, North Carolina
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the year ended June 30, 2008

Net change in fund balances - total governmental funds	\$ 1,260,851
Change in fund balance due to:	
Change in reserve for inventory	(856)
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded the depreciation in the current period.	607,313
 Governmental funds proceeds from disposition of assets as income. However, in the Statement of Activities the cost basis of these proceeds would be expensed.	(54,774)
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. Decrease in deferred revenues	(44,633)
 The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the effect of these differences in the treatment of long-term debt.	(1,032,063)
 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	(14,640)
 Total changes in net assets of governmental activities	<u>\$ 721,198</u>

City of Clinton, North Carolina
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2008

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Advalorem taxes	\$ 2,483,000	\$ 2,483,000	\$ 2,559,702	\$ 76,702
Other taxes and licenses	75,000	75,000	74,866	(134)
Unrestricted intergovernmental	2,794,750	2,865,505	3,217,624	352,119
Restricted intergovernmental	776,639	878,942	854,296	(24,646)
Sales and services	1,122,750	1,149,381	1,191,337	41,956
Investment earnings	130,000	138,344	176,599	38,255
Miscellaneous	286,800	311,571	317,043	5,472
Total revenues	<u>7,668,939</u>	<u>7,901,743</u>	<u>8,391,467</u>	<u>489,724</u>
Expenditures:				
Current:				
General government	1,847,138	1,864,105	1,761,285	102,820
Public safety	3,305,345	3,763,108	3,608,817	154,291
Transportation	1,400,375	1,848,397	1,573,238	275,159
Environmental protection	583,660	796,364	759,632	36,732
Cultural and recreation	992,864	998,864	899,873	98,991
Contingency	50,000	25,473	-	25,473
Total expenditures	<u>8,179,382</u>	<u>9,296,311</u>	<u>8,602,845</u>	<u>693,466</u>
Revenues over (under) expenditures	(510,443)	(1,394,568)	(211,378)	1,183,190
Other financing sources (uses):				
Net transfers From (to) other funds	189,503	285,282	185,470	(99,812)
Loan proceeds	-	305,224	532,638	(227,414)
Total other financing sources (uses)	<u>189,503</u>	<u>590,506</u>	<u>718,108</u>	<u>(327,226)</u>
Revenues and other sources over (under) expenditures and other uses	(320,940)	(804,062)	506,730	<u>\$ 1,310,792</u>
Fund balance appropriated	320,940	804,062		
Fund balances, beginning	-	-	5,094,100	
Prior period adjustment (See Note III-D)	-	-	(1,808)	
Change in reserve for inventories	-	-	(856)	
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,598,166</u>	

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

City of Clinton, North Carolina
Statement of Net Assets
Water & Sewer Fund
June 30, 2008

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,966,885
Accounts receivable (net) - billed	239,216
Accounts receivable (net) - unbilled	191,592
Inventories	18,779
Total current assets	3,416,472
Capital assets:	
Land	261,872
Construction in progress	3,372,989
Other capital assets, net of depreciation	15,645,244
Capital assets (net)	19,280,105
Total assets	\$ 22,696,577
 LIABILITIES AND FUND BALANCES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 479,716
Customer deposits	115,107
Compensated absences - current	33,749
State Revolving Loan - 0066 (2007)	76,837
State Revolving Loan - 0030 (1994)	256,733
Sanitary Sewer Series 1994	250,000
Well Fill Purification Project	141,505
Total current liabilities	1,353,647
Noncurrent liabilities:	
Compensated absences	33,749
State Revolving Loan - 0030 (1994)	1,540,397
Sanitary Sewer Series 1994	800,000
Well Fill Purification Project	970,394
State Revolving Loan - 0066 (2007)	614,699
State revolving loan (construction in progress)	2,370,233
Total noncurrent liabilities	6,329,472
Total liabilities	7,683,119
 NET ASSETS	
Invested in capital assets, net of related debt	12,259,307
Unrestricted	2,754,151
Total net assets	\$ 15,013,458

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 Assets
Water & Sewer Fund
June 30, 2008

	Water and Sewer Fund
OPERATING REVENUES:	
Charges for services	\$ 3,940,191
Other operating revenues	339,528
Total operating revenues	4,279,719
OPERATING EXPENSES:	
Water department	1,123,300
Waste treatment	1,270,817
Depreciation	733,246
Total operating expenses	3,127,363
Operating income	1,152,356
NONOPERATING REVENUES (EXPENSES):	
Investment earnings	142,263
Clinton City School System	216,256
Interest and other charges	(221,312)
Total nonoperating revenues (expenses)	137,207
Income before contributions and transfers	1,289,563
Transfers to other funds	(150,000)
Change in net assets	1,139,563
Total net assets - beginning	13,876,393
Prior period adjustment (See note III-D)	(2,498)
Total net assets - ending	\$ 15,013,458

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, 2008

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	4,222,777
Cash paid for goods and services	(1,089,311)
Cash paid to or on behalf of employees for services	(1,046,771)
Customer deposits received	6,945
Other operating cash receipts	<u>49,003</u>
Net cash provided by operating activities	2,142,643
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>(150,000)</u>
Total cash flows from non-capital financing activities	(150,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Clinton City School System	216,256
Proceeds from revolving loan - construction in progress	2,370,233
Proceeds from revolving loan - Phase I	46,571
Principal retirement on revolving loan - Phase I	(76,837)
Interest paid on revolving loan - Phase I	(25,943)
Principal retirement on N.C. Clean Water Revolving Loan	(256,733)
Interest paid on N.C. Clean Water Revolving Loan	(76,649)
Principal retirement on installment purchase contract	(136,285)
Interest paid on installment purchase contract	(54,072)
Principal retirement on general obligation bonds	(250,000)
Interest paid on general obligation bonds	(76,750)
Principal retirement on capitalized lease	(34,573)
Acquisition of capital assets	(1,135,344)
Acquisition on construction of capital assets	<u>(2,348,921)</u>
Net cash used by capital and related financing activities	(1,839,047)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>142,263</u>
Net increase in cash and cash equivalents	295,859
Cash and cash equivalents at beginning of year	<u>2,671,026</u>
Cash and cash equivalents at end of year	<u>\$ 2,966,885</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, 2008

	Water and Sewer Fund
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,152,356
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	733,246
Changes in assets and liabilities:	
Increase in accounts receivable	(24,436)
Increase in reserve for uncollectible accounts receivable	16,498
Increase in inventory	(2,418)
Increase in accounts payable and accrued liabilities	251,821
Increase in customer deposits	6,945
Decrease in accrued salaries	1,269
Increase in accrued vacation pay	7,362
Total adjustments	990,287
Net cash provided by operating activities	\$ 2,142,643

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

City of Clinton ABC Board

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

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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 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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those 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 Fund – Community Development. This fund is used to account for various community development construction and improvement projects.

The City reports the following non-major governmental funds:

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

Capital Project Funds – Various Capital Project funds are used to account for financial resources to be used for non-major acquisitions or construction.

The City reports the following major enterprise fund:

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

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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

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. 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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. (See Exhibit E-1)

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

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, and the Enterprise Funds. 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 board 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 governing board. If necessary, the governing board must adopt an interim budget that covers the period of time from July 1 until the annual budget ordinance can be adopted.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United State 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.

The City invested in certificate of deposits held at a North Carolina based financial institution having an original maturity date exceeding 90 days in the amount of \$3,082,500. These are reported in the governmental funds.

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

The unexpended loan proceeds for the purchase of a rescue truck are classified as a restricted asset in the general fund because the loan's use is completely restricted to the purpose for which the loan was obtained. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

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, 2007. As allowed by State law, the City has established a discount that applies to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

6. Inventory and Prepaid Items

The inventories of the city and the ABC Board are valued at cost (first-in, first-out), which does not exceed 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, 2008 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 \$2,500 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.

Effective May 6, 2008, the threshold for an asset to be considered a capital asset was increased from \$2,500 to \$5,000.

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

Asset Class	Estimated Useful Lives
Infrastructure	15-30
Buildings	50-60
Improvements	20-25
Vehicles	5
Furniture and equipment	10-15
Computer equipment	5

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

Asset Class	Estimated Useful Lives
Paving	10
Buildings	25
Furniture and equipment	10

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

8. Long-Term Obligations

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

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

9. Compensated Absences

The vacation policy of the City provide for the accumulation of up to forty days earned vacation leave (based on length of service) with such leave being fully vested when earned. For both the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of accumulated vacation that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. The ABC Board employees may not accumulate vacation and such leave must be taken in the year earned or forfeited. However, terminated ABC Board employees are entitled to be compensated for unused vacation at the time of termination. The amount of this liability is not readily determinable and is not considered to be material. Therefore, the ABC Board did not accrue a liability or expense for unused vacation.

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

10. Net Assets/Fund Balances

Net Assets

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

Fund Balances

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative plans by the City Council or management that can be subsequently changed or reversed.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved by State statute - portion of fund balance, in addition to reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and inter-fund receivables, which have not been offset by deferred revenues.

Reserved for streets - Powell Bill - portion of fund balance that is available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Unreserved:

Designated for subsequent year's expenditures - portion of the total fund balance available for appropriation that has been designated for the adopted 2008 - 2009 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

II. Stewardship, Compliance, and Accountability

A. Material 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 Assets of Individual Funds

None

C. Excess of Expenditures over Appropriations in Government Activities Funds

None.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

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 relies 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 complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2008, the City's deposits had a carrying amount of \$4,573,351 and a bank balance of \$4,580,679. Of the bank balance, \$400,802 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2008, the City's petty cash fund totaled \$800.

The carrying amount of deposits for the ABC Board was \$276,339 and the bank balance was \$277,478. The ABC Board bank balance was covered by federal depository insurance of \$100,000 with the balance being secured by collateral under the pooling method. The ABC Board also had \$1,900 for change and petty cash at year-end.

2. Investments

At June 30, 2008, the City of Clinton had \$4,046,908 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.

Credit risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2008.

At June 30, 2008, The ABC Board had \$157,329 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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

3. Receivables - Allowances for Doubtful Accounts

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

Fund	06/30/2008
General Fund:	
Taxes receivable	\$ 37,000
Accounts receivable	61,600
Total general fund	98,600
Special Revenue Fund:	56,000
Enterprise Fund:	52,000
Total Allowances for bad debts	\$ 206,600

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2008, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,264,729	\$ 97,036	\$ 52,858	\$ 1,308,907
Construction in progress	1,263,918	473,204	1,514,094	223,028
Total capital assets not being depreciated	2,528,647	570,240	1,566,952	1,531,935
Capital assets being depreciated:				
Buildings and other improvements	5,025,504	8,475	-	5,033,979
Equipment	2,073,577	130,661	65,341	2,138,897
Vehicles and motorized equipment	3,914,859	473,387	-	4,388,246
Infrastructure	4,135,876	1,547,032	-	5,682,908
Total capital assets being depreciated	15,149,816	2,159,555	65,341	17,244,030
Less accumulated depreciation for:				
Buildings and other improvements	1,376,200	81,885	-	1,458,085
Equipment	1,700,467	171,133	63,425	1,808,175
Vehicles and motorized equipment	3,128,277	197,623	-	3,325,900
Infrastructure	2,746,581	157,747	-	2,904,328
Total accumulated deprecation	8,951,525	608,388	63,425	9,496,488
Total capital assets being depreciated, net	6,198,291			7,747,542
Governmental activity capital assets, net	\$ 8,726,938			\$ 9,279,477

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

General government	\$ 126,374
Public safety	182,883
Transportation	112,888
Environmental protection	62,305
Economic Development	70,118
Cultural and recreational	53,819
Total depreciation expense	\$ 608,388

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

4. Capital Assets - Primary Government (continued)

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	1,024,069	3,327,640	978,720	3,372,989
Total capital assets not being depreciated	<u>1,285,941</u>	<u>3,327,640</u>	<u>978,720</u>	<u>3,634,861</u>
Capital assets being depreciated:				
Land Improvements	32,449	-	-	32,449
Equipment	30,513,362	1,069,311	-	31,582,673
Vehicles	316,470	66,033	-	382,503
Total capital assets being depreciated	<u>30,862,281</u>	<u>1,135,344</u>	<u>-</u>	<u>31,997,625</u>
Less accumulated depreciation for:				
Land Improvements	14,505	-	-	14,505
Equipment	15,445,331	705,619	-	16,150,950
Vehicles	159,299	27,627	-	186,926
Total accumulated depreciation	<u>15,619,135</u>	<u>733,246</u>	<u>-</u>	<u>16,352,381</u>
Total capital assets being depreciated, net	<u>15,243,146</u>			<u>15,645,244</u>
Water and Sewer fund capital assets, net	<u>\$ 16,529,087</u>			<u>\$ 19,280,105</u>

Construction commitments and construction in progress

The government has active construction projects as of June 30, 2008. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Lundy's Sewer Line Phase II	\$ 2,759,912	\$ 507,688
Pugh Road Sewer	586,842	53,088
Down Town - Phase III	30,345	357,052
Royal Lane & Sampson Centers	201,357	66,870

Current year expenditures incurred for governmental fund type construction projects consist of the following projects:

Community Development	\$ 178,115
Jail Site	97,036
Royal Lane & Sampson Centers	76,581
Rescue Truck	<u>121,472</u>
Total	<u>\$ 473,204</u>

Current year expenditures incurred for business fund type construction projects are accounted for in the water & sewer fund and consist of the following:

Lundy Sewer I & II	\$ 2,504,216
Pugh Road Sewer	586,842
Raleigh Road Sewer	26,235
Clinton High Lift Stations	<u>210,347</u>
Total	<u>\$ 3,327,640</u>

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

Discretely presented component unit

Capital assets and capital asset activity for the ABC Board for the year ended June 30, 2008, 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	135,139	-	-	135,139
Office Equipment	2,708	-	-	2,708
Store Equipment	49,257	6,937	-	56,194
Total capital assets being depreciated	193,892	6,937	-	200,829
Less accumulated depreciation for:				
Paving	4,751	678	-	5,429
Buildings	135,139	-	-	135,139
Office Equipment	1,761	213	-	1,974
Store Equipment	31,161	4,216	-	35,377
Total accumulated depreciation	172,812	5,107	-	177,919
ABC capital assets being depreciated, net	<u>21,080</u>			<u>22,910</u>
ABC capital assets, net	<u>\$ 57,875</u>			<u>\$ 59,705</u>

B. Liabilities

1. Pension Plan 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.

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 4.94% and 4.86%, respectively, of annual covered payroll which includes .14% and .14%, respectively for a death benefit. The contribution requirements of members and of the City of Clinton is established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$208,767, \$200,025, and \$191,882, respectively. The contributions made by the City equaled the required contributions for each year.

**City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008**

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, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	38
Total plan members	39

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. Therefore, there are no investments to value. These expenditures are paid as they come due.

3. *Contributions.*

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

The annual required contribution for the current year was determined as part of the December 31, 2007 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25 investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year. The inflation component was 3.75%. 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, 2007 was 23 years.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

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	\$ 34,900
Interest on net pension obligation	3,075
Adjustment to annual required contribution	<u>(2,606)</u>
Annual pension cost	\$ <u>35,369</u>
Employer contributions made	<u>12,614</u>
Increase in net pension obligation	\$ 22,755
Net pension obligation beginning of fiscal year	<u>42,417</u>
Net pension obligation end of fiscal year	\$ <u>65,172</u>

3 Year Trend Information

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
2006	\$ 35,876	61.48%	\$ 9,222
2007	33,195	00.00%	42,417
2008	35,369	35.66%	65,172

4. Funded Status and Funding Progress.

As of December 31, 2007, 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 \$380,960. The covered payroll (annual payroll of active employees covered by the plan) was \$1,181,965, and the ratio of the UAAL to the covered payroll was 32.23 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, 2008 the City of Clinton paid directly to two eligible retired law enforcement officers a total of \$12,614 under this plan.

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

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2008 were \$66,338, which consisted of \$56,687 from the City and \$9,651 from the law enforcement officers.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

Effective July 1, 1999, the City committed to voluntarily contribute to the plan for all employees who are not certified law enforcement personnel. The city contributed 2.25% for all full time employees for the year ended June 30, 2008. The amounts contributed are fully vested when contributed and the employees are allowed to make voluntary contributions to the plan. The contributions for the year ended June 30, 2008 made by the City totaled \$65,808 and the employees contributions totaled \$40,346.

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

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

Funding Policy. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. For the fiscal year ended June 30, 2008, the City of Clinton has recognized on behalf of payments for pension contributions made by the state as a revenue and an expenditure of \$7,834 for the thirty employed fireman who perform firefighting duties for the city.

e. Other Post-employment Benefit

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. The City pays the full cost of coverage for these benefits. Also, the City's retirees can purchase coverage for their dependents at the City's group rates. As of June 30, 2008, 9 retirees are eligible for post-employment health benefits. For the fiscal year ended June 30, 2007, the City made payments for post-employment health benefit premiums of \$27,579. The City obtains health care coverage through private insurers. The City pays for the employees' health insurance coverage and offers voluntary spouse and family coverage through payroll deductions.

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, 2008

3. Deferred Revenues

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

	Deferred
General Fund:	
Property taxes net of penalties	\$ 90,225
Beer and wine tax	10,139
Sanitation receivables	60,288
Sticker Licenses	16,325
Special Revenue Funds:	
Loans receivable	38,124
Property taxes net of penalties	1,123
Total	\$ 216,224

Loans receivable in the Special Revenue Fund (non-major) are for loans made for community development (commercial and residential.)

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 \$1 million 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 and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. 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, 2008

5. Long-Term Obligations

a. Capital Leases

On November 23, 2004, the City entered into an agreement to lease a knuckle boom truck, a telemetry system, a leaf collector, a steel storage building, and a trenching machine. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. Title to the leased property passes to the City at the end of the lease term.

The following is an analysis of the assets recorded under capital leases at June 30, 2008:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Building	\$ 15,790	\$ 5,132	\$ 10,658
Equipment	160,255	53,685	106,570
Vehicles and Motorized Equipment	<u>425,518</u>	<u>149,980</u>	<u>275,538</u>
Total	<u>\$ 601,563</u>	<u>\$ 208,797</u>	<u>\$ 392,766</u>

The final lease payment of \$65,327 was paid during the year ended June 30, 2008.

b. Installment Purchase-General Long-Term Debt

The Bellamy Center was financed in November 2003 with BB&T in the amount of \$97,786 with annual payments of \$17,966 starting in 2003 for six years at an interest rate of 3.59%.

The Wall Street Fire Department property was financed by Progress Energy, Inc. in April 1997 in the amount of \$107,400 with annual payments of \$10,000 starting in 1998 for fifteen years at an interest rate of 4.50%.

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

On August 16, 2006, the city entered into an installment purchase contract with First Citizens Bank to finance police radios with an interest rate of 3.96% and a beginning principal balance of \$100,000. Annual loan payments are \$22,415 for five years.

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

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 a interest rate of 4.375%. The beginning principal amount was \$750,000 and will continue for twenty years at annual payments of \$57,034.30. No principal payments were made during the fiscal year.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

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. As of June 30, 2008, the fire truck had not been delivered to the City. The loan amount drawn as of June 30, 2008 was \$101,472.

Annual debt service payments of the installment purchase as of June 30, 2008, including interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	183,702	69,838
2010	172,525	63,048
2011	178,924	56,649
2012	185,673	50,008
2013	118,172	43,117
2014-2018	273,835	171,182
2019-2023	338,397	106,620
2024-2028	281,903	35,220
Total	\$ 1,733,131	\$ 595,682

c. State Revolving Loan

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. The following table summarizes the annual requirements to amortize the principal owed at June 30, 2008:

	Principal	Interest	Total
2009	256,733	60,833	317,566
2010	256,733	52,142	308,875
2011	256,733	43,452	300,185
2012	256,733	34,762	291,495
2013	256,733	26,071	282,804
2014-2015	513,465	26,071	539,536
	\$ 1,797,130	\$ 243,331	\$ 2,040,461

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, 2007, the capacity fee only applies to one industrial user. Normal water and sewer charges and additional fees for this user are approximately 15% of the City's total water and sewer revenues. The City received approval from the Local Government Commission on July 5, 2005 for an additional Wastewater Collection System Revolving Loan.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2008:

	Principal	Interest	Total
2009	76,837	15,940	92,777
2010	76,837	14,169	91,006
2011	76,837	12,398	89,235
2012	76,837	10,627	87,464
2013	76,837	8,856	85,693
2014-2017	307,351	17,711	325,062
	\$ 691,536	\$ 79,701	\$ 771,237

d. BB&T Installment Purchase

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

	Principal	Interest	Total
2009	141,505	42,586	184,091
2010	146,925	37,166	184,091
2011	152,552	31,539	184,091
2012	158,395	25,696	184,091
2013	164,461	19,630	184,091
2014-2015	348,061	20,121	368,182
	\$ 1,111,899	\$ 176,738	\$ 1,288,637

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, 2008 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

\$2,500,000, October 1994 Sanitary Sewer serial bonds due in annual installments of \$100,000 through April 1, 2007, then annual installments of \$250,000 through April 1, 2012, and a final installment of \$50,000 due April 1, 2013. Interest rates graduate from 5% to 6% over the term of the bonds. The outstanding balance at June 30, 2008 was \$1,050,000.

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

Year Ending June 30	Business-type Activities		
	Principal	Interest	Total
2009	250,000	62,375	312,375
2010	250,000	48,000	298,000
2011	250,000	33,000	283,000
2012	250,000	18,000	268,000
2013	50,000	3,000	53,000
Total	\$ 1,050,000	\$ 164,375	\$ 1,214,375

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

At June 30, 2008, the City of Clinton had no bonds authorized but unissued and had a legal debt margin of approximately \$37,000,000.

f. Changes in Long-Term Liabilities

	Balance			Balance	
	July 1, 2007	Increases	Decreases	June 30, 2008	Current Portion of Balance
Governmental activities:					
Installment purchase	\$ 684,475	\$ 1,282,638	\$ 233,982	\$ 1,733,131	\$ 183,702
Capitalized leases	28,793	-	28,793	-	-
Compensated absences	274,698	14,640	-	289,338	145,000
Governmental activity long-term liabilities	\$ 987,966	\$ 1,297,278	\$ 262,775	\$ 2,022,469	\$ 328,702
Business-type activities:					
Sanitary Sewer Series 1994	\$ 1,300,000	\$ -	\$ 250,000	\$ 1,050,000	\$ 250,000
State revolving loan-0030 (1994)	2,053,863	-	256,733	1,797,130	256,733
Well Fill Purification Project (1999)	1,248,184	-	136,285	1,111,899	141,505
Capitalized leases	34,573	-	34,573	-	-
State revolving loan-0066 (2007)	721,802	46,571	76,837	691,536	76,837
State revolving loan-CIP	-	2,370,233	-	2,370,233	-
Compensated absences	60,136	7,362	-	67,498	33,750
Business-type activity long-term liabilities	\$ 5,418,558	\$ 2,424,166	\$ 754,428	\$ 7,088,296	\$ 758,825

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

C. Interfund Activity and Balances

Transfers to/from other funds at June 30, 2008, consist of the following:

From the General Fund to Capital Project (Royal-Lane & Sampson Center)	\$ 26,030
From the Capital Project Fund (Community Development) to General Fund	61,500
From Capital Project (Community Development) to Capital Project (Royal-Lane & Sampson Center)	32,000
From Special Revenue Fund to Capital Projects Fund (Community Development)	147,000
From the Water and Sewer Fund to the General Fund	150,000
From the Water and Sewer Fund to the Capital Projects Fund (various sewer projects)	649,277
Total	\$ 1,065,807

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

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

D. Prior Period Adjustment

For the year ended June 30, 2008 an adjustment to beginning fund balance were required in order to prepare the financial statements. The adjustment was to correct interest on capitalized leases.

E. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2007, the City of Clinton has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$7,834 for the thirty employed fireman 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.

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, 2008, the City reported revenues and expenditures in the amount of \$21,834 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, 2008. 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 \$2,064 during the fiscal year ended June 30, 2008.

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

in the financial statements at June 30, 2008. 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, 2007 was approximately \$140,000.

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, 2008 the City of Clinton received from Sampson County \$164,804 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, 2008 was \$51,825.

VIII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

IX. Significant Effects of Subsequent Events

The City entered into agreements with a contractor for engineering work associated with the Downtown - Phase II project for an amount not to exceed \$91,950.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2008

X . Related Party Transactions

The City leases sections of a parking lot from a member of Council. The lease renews annually and is in the amount of \$250 per month. The lease agreement was initiated prior to the members inclusion on the City Council. 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 several properties that it leases to other businesses and organizations. The total amount received by the City in lease payments during the year was \$179,162.

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%

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

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	12/31/2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	23 Years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5 - 12.3%
Includes inflation at	3.75%
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, 2008

TAXPAYER	ASSESSED VALUATION	TAX LEVY
1 Lundy Packing Co. Premium Standard Farms, Inc	\$ 61,476,806	\$ 252,055
2 Schindler Corporation	20,102,287	82,419
3 Dubose Strapping, Inc Dubose National Energy Service	10,041,710	41,171
4 Wal-Mart Stores, Inc	8,279,714	33,947
5 Progress Energy	7,302,740	29,941
6 Carolina Telephone & Telegraph	6,983,663	28,633
7 Sampson Health Care Facilities	6,944,244	28,471
8 Lowe's	6,763,389	27,730
9 Nestaway, Division of Axia Axia, Inc.	5,882,072	24,129
10 Sampson Crossing	5,149,246	21,112

TOTAL ASSESSED VALUATION

Assessment Ratio	100%
Real Property	\$ 458,855,407
Personal Property	168,399,952
Public Service Companies	15,984,639
	<u>643,239,998</u>
Tax rate per \$100	.41
Levy (includes discoveries, releases and abatements)	\$ 2,637,284

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, 2008

	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Ad valorem taxes:			
Current year	\$	\$ 2,509,272	\$
Prior year levies		34,873	
Interest and penalties		15,557	
Total	2,483,000	2,559,702	76,702
Other taxes and licenses:			
Privilege licenses		43,691	
Auto licenses		31,175	
Total	75,000	74,866	(134)
Unrestricted intergovernmental revenues:			
Local option sales tax		1,701,931	
Utility franchise tax		785,555	
Fire district tax		317,012	
ABC profit distribution		97,840	
CATV franchise fee		61,810	
Beer and wine tax		40,555	
Hold harmless funds		14,922	
Payments in lieu of taxes		11,422	
Gas tax reimbursements		8,548	
Telecommunications sales tax		137,413	
Excise tax on piped gas		40,616	
Total	2,865,505	3,217,624	352,119
Restricted intergovernmental revenues:			
Powell bill allocation		313,739	
Sampson County contribution		181,734	
Federal grant - Fire Department exhaust system		119,510	
City schools - police		95,521	
Community college - police		32,760	
HUD grant - police		28,000	
Highway safety grant		33,233	
Governor's crime grant		9,000	
Local Fire Protection Service		21,834	
Rescue technical assistance		6,000	
ABC revenue for law enforcement		5,000	
Region M - Aging		4,975	
North Carolina Department of Health		2,221	
State substance abuse tax		769	
Total	878,942	854,296	(24,646)

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, 2008

	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
Sales and services:			
Garbage collection fees		1,081,460	
Recreation department fees		60,957	
Cemetery lot sales and maintenance		24,676	
Cemetery lot cleaning		13,311	
Other services and materials		10,933	
Total	1,149,381	1,191,337	41,956
Investment earnings:			
General fund		158,039	
Cemetery trust fund		18,520	
Police grants		40	
Total	138,344	176,599	38,255
Miscellaneous:			
Rent industrial buildings		224,162	
Other		45,916	
False alarm ordinance		13,900	
All American City		9,636	
Fire department special fees		7,386	
Restricted miscellaneous revenues		5,178	
Parking violations		5,230	
Officer arrest fees		5,216	
Ashes donations		419	
Total	311,571	317,043	5,472
Total revenues	7,901,743	8,391,467	489,724
EXPENDITURES:			
General government:			
Governing body:			
Mayor and councilmen salaries		46,649	
Mayor and councilmen expenses		81,595	
Election expense		3,151	
Total	141,046	131,395	9,651
Administrative:			
Salaries and employee benefits		255,381	
Operating expenses		49,804	
Capital outlay		724	
Total	309,997	305,909	4,088

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, 2008

	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
Finance:			
Salaries and employee benefits		275,040	
Operating expenses		42,693	
Capital outlay		3,982	
Total	332,450	321,715	10,735
Planning and zoning:			
Salaries and employee benefits		253,021	
Operating expenses		66,120	
Total	329,507	319,141	10,366
Cemetery and public grounds:			
Salaries and employee benefits		199,340	
Operating expenses		103,978	
Total	316,440	303,318	13,122
Non-departmental:			
Various operating expenses		255,293	
Real Property		30,028	
All American City		21,963	
Airport		14,005	
Housing demolition		11,249	
Economic development		10,110	
Other agency contributions		10,000	
Rescue squad expense		2,779	
Total	399,285	355,427	43,858
Debt service	24,380	24,380	-
Capital outlay	11,000	-	11,000
Total general government	1,864,105	1,761,285	102,820
Public safety:			
Police department:			
Salaries and employee benefits		1,633,396	
Operating expenses		328,678	
Capital outlay		318,655	
Total	2,398,930	2,280,729	118,201

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, 2008

	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
Fire:			
Salaries and employee benefits		643,403	
Operating expenses		257,154	
Capital outlay		248,151	
Debt service		135,000	
Total	1,317,274	1,283,708	33,566
Maintenance:			
Salaries and employee benefits		36,804	
Operating expenses		7,576	
Total	46,904	44,380	2,524
Total public safety	3,763,108	3,608,817	154,291
Transportation:			
Street administration:			
Salaries and employee benefits		469,446	
Operating expenses		41,100	
Capital outlay		83,753	
Total	593,833	594,299	(466)
Materials and supplies:			
Signs, signals, paints and supplies		13,822	
Asphalt and concrete		10,688	
Operating expenses		9,110	
Total	48,750	33,620	15,130
Equipment expenses:			
Equipment rental and maintenance		10,582	
Small tools and equipment		3,268	
Automotive supplies		46,797	
Total	77,600	60,647	16,953
Other costs and services:			
Street lighting contract		221,469	
Paving		281,529	
Landfill		20,602	
Total	515,229	523,600	(8,371)
Capital outlay:			
Equipment		75,928	
Improvements		35,837	
Fayetteville Street sidewalk		13,938	
Total	141,930	125,703	16,227
Total street	1,377,342	1,337,869	39,473

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, 2008

	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
Garage:			
Salaries and employee benefits		170,202	
Operating expenses		58,902	
Total	236,630	229,104	7,526
Airport:	234,425	6,265	228,160
Total transportation	1,848,397	1,573,238	275,159
Environmental protection:			
Sanitation:			
Salaries and employee benefits		234,371	
Operating expenses		270,509	
Capital outlay		254,752	
Total environmental protection	796,364	759,632	36,732
Cultural and recreation:			
Salaries and employee benefits		496,433	
Operating expenses		345,327	
Capital outlay		58,113	
Total cultural and recreation	998,864	899,873	98,991
Contingency	25,473	-	25,473
Total expenditures	9,296,311	8,602,845	693,466
Revenues over (under) expenditures	(1,394,568)	(211,378)	1,183,190
Other financing sources (uses):			
Transfers in (out)			
Water and Sewer Fund	250,000	150,000	(100,000)
Downtown Capital Project	46,500	46,500	-
Transfer Community Development Fund	15,000	15,000	-
Transfer Police Grant	(188)	-	188
Transfer to Royal-Lane & Sampson Center Project	(26,030)	(26,030)	-
Loan proceeds	305,224	532,638	(227,414)
Total other financing sources (uses) - net	590,506	718,108	(327,226)
Revenues and other financing sources over (under) expenditures and other financing uses	(804,062)	506,730	\$ 1,310,792
Fund balance appropriated	804,062		
Beginning of year, July 1		5,094,100	
Prior period adjustment (See Note III-D)		(1,808)	
Change in reserve for inventories		(856)	
End of year, June 30		<u>\$ 5,598,166</u>	

**CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008**

EXHIBIT C-1

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds June 30, 2008
Assets:			
Cash and investments	\$ 71,598	\$ (10,217)	\$ 61,381
Taxes receivable	1,123	-	1,123
Accounts receivable-net	38,124	-	38,124
Total Assets	<u>\$ 110,845</u>	<u>\$ (10,217)</u>	<u>\$ 100,628</u>
Liabilities and Fund Equity:			
Current Liabilities			
Accounts Payable	\$ 16,594	\$ -	\$ 16,594
Deferred Revenues	39,247	-	39,247
Total Current Liabilities	<u>55,841</u>	<u>-</u>	<u>55,841</u>
Total Liabilities	<u>55,841</u>	<u>-</u>	<u>55,841</u>
Fund balances			
Unreserved (available for appropriation)	<u>55,004</u>	<u>(10,217)</u>	<u>44,787</u>
Total liabilities and fund balances	<u>\$ 110,845</u>	<u>\$ (10,217)</u>	<u>\$ 100,628</u>

**CITY OF CLINTON, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON MAJOR FUNDS**

EXHIBIT C-2

From Inception and for the Year Ended June 30, 2008

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds June 30, 2008
Revenues			
Ad valorem taxes - net	\$ 27,812	\$ -	\$ 27,812
Program Income	139,915	-	139,915
Cost Sharing Revenues	-	-	-
Grants	-	12,053	12,053
Investment earnings	4,518	-	4,518
Donations	-	-	-
Miscellaneous	7,365	-	7,365
Total Revenues	179,610	12,053	191,663
Expenditures			
Capital Outlay	-	173,617	173,617
Economic and physical development	42,261	-	42,261
Total Expenditures	42,261	173,617	215,878
Revenues over (under) expenditures	137,349	(161,564)	(24,215)
Other financing sources / uses			
Transfer in (out)			
Community Development-Capital Project Fund	(147,000)	32,000	(115,000)
General Fund	-	26,030	26,030
Sale of Property	-	-	-
Loan Proceeds	-	-	-
Total other financing sources	(147,000)	58,030	(88,970)
Revenues and other financing sources over (under) expenditures	\$ (9,651)	\$ (103,534)	\$ (113,185)
Fund balance:			
Beginning of year, July 1	64,655	93,317	157,972
End of year, June 30	\$ 55,004	\$ (10,217)	\$ 44,787

**CITY OF CLINTON, NORTH CAROLINA
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2008**

EXHIBIT C-3

	<u>Special Revenue Community Development Revolving Loan Funds</u>	<u>Special Revenue Downtown Tax District Fund</u>	<u>Total Special Revenue Funds June 30, 2008</u>
Assets:			
Cash and investments	\$ 9,056	\$ 62,542	\$ 71,598
Taxes receivable	-	1,123	1,123
Accounts receivable-net	38,124	-	38,124
	<u>38,124</u>	<u>-</u>	<u>38,124</u>
Total Assets	<u>\$ 47,180</u>	<u>\$ 63,665</u>	<u>\$ 110,845</u>
Liabilities and Fund Equity:			
Current Liabilities			
Accounts Payable	\$ 424	\$ 16,170	\$ 16,594
Deferred Revenues	38,124	1,123	39,247
	<u>38,124</u>	<u>1,123</u>	<u>39,247</u>
Total Current Liabilities	<u>38,548</u>	<u>17,293</u>	<u>55,841</u>
Total Liabilities	<u>38,548</u>	<u>17,293</u>	<u>55,841</u>
Fund balances			
Unreserved (available for appropriation)	8,632	46,372	55,004
	<u>8,632</u>	<u>46,372</u>	<u>55,004</u>
Total liabilities and fund balances	<u>\$ 47,180</u>	<u>\$ 63,665</u>	<u>\$ 110,845</u>

**CITY OF CLINTON, NORTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS**

EXHIBIT C-4

From Inception and for the Year Ended June 30, 2008

	Special Revenue Community Development Revolving Loan Funds	Special Revenue Downtown Tax District Fund	Total Special Revenue Funds June 30, 2008
Revenues			
Ad valorem taxes - net	\$ -	\$ 27,812	\$ 27,812
Program Income	139,915	-	139,915
Investment earnings	1,849	2,669	4,518
Miscellaneous	-	7,365	7,365
	<u>141,764</u>	<u>37,846</u>	<u>179,610</u>
Expenditures			
Economic and physical development	487	41,774	42,261
	<u>487</u>	<u>41,774</u>	<u>42,261</u>
Excess of revenues over expenditures	<u>141,277</u>	<u>(3,928)</u>	<u>137,349</u>
Other Financing Sources			
Transfer to Community Development Capital Project	(147,000)	-	(147,000)
	<u>(147,000)</u>	<u>-</u>	<u>(147,000)</u>
Net change in fund balance	<u>\$ (5,723)</u>	<u>\$ (3,928)</u>	<u>\$ (9,651)</u>
Fund balance:			
Beginning of year, July 1	14,355	50,300	64,655
End of year, June 30	<u>\$ 8,632</u>	<u>\$ 46,372</u>	<u>\$ 55,004</u>

**CITY OF CLINTON, NORTH CAROLINA
COMMUNITY DEVELOPMENT REVOLVING LOAN FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2008**

EXHIBIT C-5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Program Income	\$	\$ 139,915	\$
Investment Earnings		1,849	
Total Revenues	<u>154,500</u>	<u>141,764</u>	<u>(12,736)</u>
Expenditures			
Legal Service		487	
Total Expenditures	<u>7,500</u>	<u>487</u>	<u>7,013</u>
Excess of revenues over expenditures	<u>147,000</u>	<u>141,277</u>	<u>(5,723)</u>
Other Financing Sources			
Transfer to Community Development Capital Project	<u>(147,000)</u>	<u>(147,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (5,723)</u>	<u>\$ (5,723)</u>
Fund balance:			
Beginning of year, July 1		<u>14,355</u>	
End of year, June 30		<u>\$ 8,632</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, 2008**

EXHIBIT C-6

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Ad valorem taxes-net	\$	\$ 27,812	\$
Investment Earnings		2,669	
Miscellaneous		7,365	
Total Revenues	<u>42,495</u>	<u>37,846</u>	<u>(4,649)</u>
Expenditures			
Advertising		2,543	
Special Events		12,343	
USDA loan payment		10,793	
Projects		5,474	
Other		10,621	
Total Expenditures	<u>42,495</u>	<u>41,774</u>	<u>721</u>
Excess of revenues over expenditures	<u>-</u>	<u>(3,928)</u>	<u>(3,928)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (3,928)</u>	<u>\$ (3,928)</u>
Fund balance:			
Beginning of year, July 1		<u>50,300</u>	
End of year, June 30		<u>\$ 46,372</u>	

**CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2008**

EXHIBIT C-7

	Major	Non - major		Total Capital Project Funds June 30, 2008
	Capital Project Community Development	Capital Project Jail Site Revitalization	Capital Project Royal Lane & Sampson Center	
Assets:				
Cash and investments	\$ 277,432	\$ 2,964	\$ (13,181)	\$ 267,215
Other Receivables	57	-	-	57
Total Assets	<u>\$ 277,489</u>	<u>\$ 2,964</u>	<u>\$ (13,181)</u>	<u>\$ 267,272</u>
Liabilities and Fund Equity:				
Liabilities				
Accounts payable	\$ 30,345	\$ -	\$ -	\$ 30,345
Due to General Fund	-	-	-	-
Total Liabilities	<u>30,345</u>	<u>-</u>	<u>-</u>	<u>30,345</u>
Fund balances				
Unreserved	<u>247,144</u>	<u>2,964</u>	<u>(13,181)</u>	<u>236,927</u>
Total liabilities and fund balances	<u>\$ 277,489</u>	<u>\$ 2,964</u>	<u>\$ (13,181)</u>	<u>\$ 267,272</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, 2008

EXHIBIT C-8

	Major		Non - major	
	<u>Capital Project Community Development</u>	<u>Capital Project Jail Site Revitalization</u>	<u>Capital Project Royal Lane & Sampson Center</u>	<u>Total Capital Project Funds June 30, 2008</u>
Revenues				
N.C. Department of Transportation	\$ 193,165	\$ -	\$ -	\$ 193,165
PARTF Grant	-	-	12,053	12,053
Miscellaneous Revenues	23,113	-	-	23,113
Donations	7,144	-	-	7,144
Interest Income	2,691	-	-	2,691
Total Revenues	<u>226,113</u>	<u>-</u>	<u>12,053</u>	<u>238,166</u>
Expenditures				
Capital Outlay	<u>178,115</u>	<u>97,036</u>	<u>76,581</u>	<u>351,732</u>
Total Expenditures	<u>178,115</u>	<u>97,036</u>	<u>76,581</u>	<u>351,732</u>
Revenues over (under) expenditures	47,998	(97,036)	(64,528)	(113,566)
Other financing sources (uses)				
USDA Loan Proceeds	750,000	-	-	750,000
Sale of Property	15,808	-	-	15,808
Transfer to General Fund	(61,500)	-	-	(61,500)
Transfer to Royal Lane & Sampson Center	(32,000)	-	-	(32,000)
Transfer from Community Development	-	-	32,000	32,000
Transfer from Special Revenue Fund	147,000	-	-	147,000
Transfer from General Fund	-	-	26,030	26,030
Total other financing sources	<u>819,308</u>	<u>-</u>	<u>58,030</u>	<u>877,338</u>
Revenues and other financing sources over (under) expenditures	<u>\$ 867,306</u>	<u>\$ (97,036)</u>	<u>\$ (6,498)</u>	<u>\$ 763,772</u>
Fund balance:				
Beginning of year, July 1	(620,162)	100,000	(6,683)	(526,845)
End of year, June 30	<u>\$ 247,144</u>	<u>\$ 2,964</u>	<u>\$ (13,181)</u>	<u>\$ 236,927</u>

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT FUND - COMMUNITY DEVELOPMENT-MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2008

EXHIBIT C-9

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
Graves Memorial Presbyterian Church	\$ 127,240	\$ 120,958	\$ -	\$ 120,958	\$ (6,282)
N.C. Department of Transportation	190,000	-	193,165	193,165	3,165
Clinton Development Corp	25,000	-	-	-	(25,000)
Miscellaneous Revenues	15,400	-	23,113	23,113	7,713
Donations	16,900	2,600	7,144	9,744	(7,156)
Interest Income	5,907	5,907	2,691	8,598	2,691
Total Revenues	380,447	129,465	226,113	355,578	(24,869)
Expenditures					
Railroad Street					
NCDOT	100,000	-	100,000	100,000	a -
Right of Way Obstruction	40,000	40,000	-	40,000	a -
Utilities Relocation	110,000	80,261	-	80,261	a 29,739
Downtown revitalization					
Phase II					
Engineering & Design	72,000	72,000	-	72,000	a -
Advertising, Administrative & Legal	5,000	478	29	507	a 4,493
Construction & Utilities Relocation	1,095,918	1,065,817	32,384	1,098,201	a (2,283)
Contingency	8,247	846	-	846	a 7,401
Phase III					
Engineering & Design	91,950	-	30,345	30,345	61,605
Contingency	295,447	-	-	-	295,447
Kaleel Property	37,542	37,542	-	37,542	a -
All-America City Park	23,400	-	15,357	15,357	a 8,043
Total Expenditures	1,879,504	1,296,944	178,115	1,475,059	404,445
Revenues over (under) expenditures	(1,499,057)	(1,167,479)	47,998	(1,119,481)	379,576
Other financing sources (uses)					
USDA Loan Proceeds	750,000	-	750,000	750,000	-
Sale of Property	-	-	15,808	15,808	15,808
Operating transfers - out					
General Fund	(61,500)	-	(61,500)	(61,500)	-
Royal Lane & Sampson Center	(32,000)	-	(32,000)	(32,000)	-
Operating transfers - in					
Special Revenue Fund	542,792	420,792	147,000	567,792	25,000
General Fund	292,605	119,365	-	119,365	(173,240)
Water & Sewer Fund	7,160	7,160	-	7,160	-
Total other financing sources	1,499,057	547,317	819,308	1,366,625	(132,432)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (620,162)	\$ 867,306	\$ 247,144	\$ 247,144
Fund balance:					
Beginning of year, July 1			(620,162)		
End of year, June 30			<u>\$ 247,144</u>		

a Components of this capital project fund were capitalized and included in the fixed assets of the City as of 6/30/07 & 6/30/08. The amounts capitalized are as follows:

	6/30/07	6/30/08
Phase II	-	1,171,554
All America City Park	-	15,357
Land Improvements (Kaleel Property)	37,542	-
Railroad Street	120,261	100,000
Total	157,803	1,286,911

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT FUND - JAIL SITE REVITALIZATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2008

EXHIBIT C-10

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
Sampson County	\$ 75,000	\$ 75,000	\$ -	\$ 75,000	\$ -
Total Revenues	75,000	75,000	-	75,000	-
Expenditures					
Improvements	100,000	-	97,036	97,036	a 2,964
Total Expenditures	100,000	-	97,036	97,036	2,964
Revenues over (under) expenditures	(25,000)	75,000	(97,036)	(22,036)	2,964
Other financing sources					
Operating transfers - in 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	\$ -	\$ 100,000	\$ (97,036)	\$ 2,964	\$ 2,964
Fund balance:					
Beginning of year, July 1			100,000		
End of year, June 30			\$ 2,964		

a This capital project was capitalized and included in the fixed assets of the City as of 6/30/08.

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT FUND - ROYAL LANE & SAMPSON CENTER
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2008

EXHIBIT C-11

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
PARTF Grant	\$ 118,113	\$ 53,093	\$ 12,053	\$ 65,146	\$ (52,967)
Total Revenues	118,113	53,093	12,053	65,146	(52,967)
Expenditures					
Royal Lane					
Soccer Field Construction	115,431	88,037	-	88,037 a	27,394
Shelter Renovation	5,800	12,938	-	12,938 a	(7,138)
Mulch Replacement	2,000	2,753	-	2,753 a	(753)
Station Fitness Course	7,000	21,048	5,370	26,418 a	(19,418)
Contingency	61	-	-	- a	61
Sampson Center					
Planning	9,000	-	-	-	9,000
Building Renovation	18,000	-	14,322	14,322	3,678
Site Preparation	14,000	-	19,719	19,719	(5,719)
Walking Path Construction	7,450	-	-	-	7,450
Ballfield Renovation	11,060	-	12,270	12,270	(1,210)
Patio Garden Construction & Flower Beds	15,050	-	-	-	15,050
Picnic Shelter	26,775	-	-	-	26,775
Building Demolition	32,000	-	24,900	24,900	7,100
Contingency	4,600	-	-	-	4,600
Total Expenditures	268,227	124,776	76,581	201,357	66,870
Revenues over (under) expenditures	(150,114)	(71,683)	(64,528)	(136,211)	13,903
Other financing sources					
Operating transfers - in					
From Community Development Project (C-9)	32,000	-	32,000	32,000	-
From General Fund	118,114	65,000	26,030	91,030	(27,084)
Total other financing sources	150,114	65,000	58,030	123,030	(27,084)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (6,683)	\$ (6,498)	\$ (13,181)	\$ (13,181)
Fund balance:					
Beginning of year, July 1			(6,683)		
End of year, June 30			<u>\$ (13,181)</u>		

a Components of this capital project fund were capitalized and included in the fixed assets of the City as of 06/30/08. The amounts capitalized are as follows:

Royal Lane	6/30/08 130,146
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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, 2008

	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Operating revenues:			
Charges for services:			
Water and sewer charges		\$ 3,940,191	
Sewer surcharge		153,178	
Water and sewer tap fees		41,873	
Service fees		44,803	
Fireline fees		23,598	
Miscellaneous		76,076	
Total operating revenues	4,462,135	4,279,719	(182,416)
Nonoperating revenues:			
Revolving loan proceeds		2,416,804	
Clinton City School System		216,256	
Investment earnings		142,263	
Total nonoperating revenues	2,845,775	2,775,323	(70,452)
Total revenues	7,307,910	7,055,042	(252,868)
EXPENDITURES:			
Operating expenditures other than depreciation:			
Water department:			
Salaries and employee benefits		622,051	
Operating expenditures		499,688	
Total water department	1,227,510	1,121,739	105,771
Waste treatment department:			
Salaries and employee benefits		438,253	
Operating expenditures		829,181	
Total waste treatment department	1,344,523	1,267,434	77,089
Total operating expenditures other than depreciation	2,572,033	2,389,173	182,860
Debt service:			
Principal retirement		754,429	
Interest and fees		228,285	
Total debt service	982,186	982,714	(528)
Contingency	179,712	-	179,712
Capital outlay:			
Water department		135,621	
Waste treatment department		3,348,642	
Total capital outlay	3,923,256	3,484,263	438,993
Total expenditures	7,657,187	6,856,150	801,037
Other financing uses:			
Transfers to General Fund		(150,000)	
Total other financing uses	(250,000)	(150,000)	100,000

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, 2008

	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
Total expenditures and other financing uses	7,907,187	7,006,150	901,037
Fund balance appropriated	(599,277)	-	(599,277)
Revenue over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 48,892</u>	<u>\$ 48,892</u>
Reconciliation of modified accrual basis to full accrual basis:		\$ 48,892	
Revenues over expenses and supplemental budget expenditures			
Reconciling items:			
Principal retirement		719,856	
Capital lease payments		34,573	
Total principal retirement		<u>754,429</u>	
Capital outlay		3,484,263	
State revolving loan proceeds		(2,416,804)	
Increase in inventory		2,418	
Increase in accrued vacation pay		(7,362)	
Decrease in accrued interest		6,973	
Depreciation		<u>(733,246)</u>	
Total reconciling items		<u>1,090,671</u>	
Change in net assets		<u>\$ 1,139,563</u>	

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT - LUNDY'S SEWER LINE PHASE I & II
Project # E-SRL-T-05-0066-Phase I
Project # CS-370425-05-Phase II
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)
From Inception and for the Year Ended June 30, 2008

EXHIBIT D-2

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
Rural Center Grant	\$ 200,000	\$ -	\$ -	\$ -	\$ (200,000)
Total Revenues	200,000	-	-	-	(200,000)
Expenditures					
Phase-I & II					
Engineering & Design	333,000	277,178	5,338	282,516	50,484
Construction	3,369,418	708,945	2,360,014	3,068,959	300,459
Inspection & Permits	123,080	30,409	83,321	113,730	9,350
Easement Acquisition	10,000	5,958	105	6,063	3,937
Miscellaneous	58,001	1,579	55,438	57,017	984
Contingency	142,474	-	-	-	142,474
Total Expenditures - Phase I & II	4,035,973	1,024,069	2,504,216	3,528,285	507,688
Revenues over (under) expenditures	(3,835,973)	(1,024,069)	(2,504,216)	(3,528,285)	307,688
Other financing sources					
NC Clean Water Revolving Loan-Phase I	857,198	721,802	46,571	768,373	(88,825)
NC Clean Water Revolving Loan-Phase II	2,745,775	-	2,370,233	2,370,233	(375,542)
Operating transfers - in From Water & Sewer Fund	233,000	233,000	-	233,000	-
Total other financing sources	3,835,973	954,802	2,416,804	3,371,606	(464,367)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (69,267)	\$ (87,412)	\$ (156,679)	\$ (156,679)
Expenditures to date					
	Phase I^a	Phase II	Totals		
Engineering & Design	44,258	238,258	282,516		
Construction	717,105	2,351,854	3,068,959		
Inspection & Permits	-	113,730	113,730		
Easement Acquisition	6,063	-	6,063		
Miscellaneous	947	56,070	57,017		
Totals	768,373	2,759,912	3,528,285		

^a Components of Phase I were capitalized and included in the fixed assets of the City as of 6/30/08. The total amount capitalized was \$768,373.

^b The capital project funds D-2 through D-5 are included in the Water & Sewer Fund as reported on exhibit D-1. These projects are financed directly by the Water & Sewer Fund or by loan proceeds to be subsequently paid by the Water & Sewer Fund.

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT - PUGH ROAD SEWER
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2008

EXHIBIT D-3

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
Developer Contributions	\$ 26,653	\$ -	\$ -	\$ -	(26,653)
Miscellaneous	-	-	100	100	100
Total Revenues	<u>26,653</u>	<u>-</u>	<u>100</u>	<u>100</u>	<u>(26,553)</u>
Expenditures					
Engineering & Design	75,900	-	28,879	28,879	47,021
Miscellaneous	12,055	-	355	355	11,700
Easements-Pugh Rd	25,000	-	24,930	24,930	70
Construction/Pugh Rd	509,030	-	532,678	532,678	(23,648)
Contingency	17,945	-	-	-	17,945
Total Expenditures	<u>639,930</u>	<u>-</u>	<u>586,842</u>	<u>586,842</u>	<u>53,088</u>
Revenues over (under) expenditures	(613,277)	-	(586,742)	(586,742)	26,535
Other financing sources					
Operating transfers - in From Water & Sewer Fund	613,277	-	613,277	613,277	-
Total other financing sources	<u>613,277</u>	<u>-</u>	<u>613,277</u>	<u>613,277</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ 26,535	\$ 26,535	\$ 26,535

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT - RALEIGH ROAD SEWER
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2008

EXHIBIT D-4

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

CITY OF CLINTON, NORTH CAROLINA
CAPITAL PROJECT - CLINTON HIGH LIFT STATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2008

EXHIBIT D-5

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
Clinton City Schools	\$ 257,359	\$ -	\$ 216,256	\$ 216,256	(41,103)
Total Revenues	<u>257,359</u>	<u>-</u>	<u>216,256</u>	<u>216,256</u>	<u>(41,103)</u>
Expenditures					
Engineering & Design	34,104	-	4,894	4,894	29,210
Construction	212,624	-	205,453	205,453	7,171
Contingency	10,631	-	-	-	10,631
Total Expenditures	<u>257,359</u>	<u>-</u>	<u>210,347</u>	<u>210,347</u>	<u>47,012</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,909</u>	<u>\$ 5,909</u>	<u>\$ 5,909</u>

- a This capital project was capitalized and included in the fixed assets of the City's water & sewer fund as of 6/30/08.

CITY OF CLINTON, NORTH CAROLINA
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2008

Fiscal Year Ended June 30,	Uncollected June 30, 2007	Additions	Collections & Credits	Uncollected June 30, 2008
2008	\$ -	\$ 2,637,284	\$ (2,574,488)	\$ 62,796
2007	63,484	-	(50,245)	13,239
2006 (see note A)	11,164	6,063	(3,973)	13,254
2005 & prior	44,541	-	(6,317)	38,224
	<u>\$ 119,189</u>	<u>\$ 2,643,347</u>	<u>\$ (2,635,023)</u>	<u>127,513</u>
Less allowance for uncollectible ad valorem taxes receivable				37,000
Ad valorem taxes receivable - net				<u>90,513</u>

Reconciliation with revenues:

Taxes - Ad Valorem - General Fund	\$ 2,559,702
Discounts allowed & collection fee	79,038
Taxes written off and other adjustments	11,840
Subtotal	<u>2,650,580</u>
Less interest and penalties collected	(15,557)
Total collections and credits	<u>\$ 2,635,023</u>

Note A- June 30, 2007 balance for 2006 uncollected adjusted by \$6,063 based on an adjustment made by Sampson County for discounts that were not claimed.

CITY OF CLINTON, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
For the Year Ended June 30, 2008

	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax levy - City Wide	\$ 575,990,821	0.41	\$ 2,361,562	\$ 2,361,562	\$ -
Motor vehicles taxes at prior year rate	64,507,783	0.41	264,482	-	264,482
Abatements and discoveries	2,741,394		11,240	11,824	(584)
Total for year	<u>\$ 643,239,998</u>		2,637,284	2,373,386	263,898
Less uncollected tax at June 30, 2008 (Exhibit E-1)			62,796	27,191	35,605
Current year's taxes collected			<u>\$ 2,574,488</u>	<u>\$ 2,346,195</u>	<u>\$ 228,293</u>
Percent current year collected			97.62%	98.85%	86.51%

COMPLIANCE SECTION

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregated remaining fund information of the City of Clinton, North Carolina, as of and for the year ended June 30, 2008, which collectively comprises the City of Clinton's basic financial statements, and have issued our report thereon dated November 17, 2008. We did not audit the financial statements of City of Clinton ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Clinton ABC Board, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the City of Clinton ABC Board were not audited in accordance with *Government Auditing Standard*.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement

of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Denning & Sessoms PA

Denning and Sessoms, PA
Clinton, NC
November 17, 2008

**Report On Compliance With Requirements Applicable To Each Major
Federal Programs And Internal Control Over Compliance In
Accordance With OMB Circular A-133 and the State Single Audit
Implementation Act**

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

Compliance

We have audited the compliance of the City of Clinton, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Clinton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Clinton's management. Our responsibility is to express an opinion on the City of Clinton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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. Our audit does not provide a legal determination of the City of Clinton's compliance with those requirements.

In our opinion, the City of Clinton complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Clinton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Clinton's internal control over compliance with requirements that could have a direct and material effect on a major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Denning & Sessoms PA

*Denning & Sessoms, PA
November 17, 2008*

Report On Compliance With Requirements Applicable To Each Major State Programs And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

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

Compliance

We have audited the compliance of the City of Clinton, North Carolina, with the types of compliance requirements described in the the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2008. The City of Clinton's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City of Clinton's management. Our responsibility is to express an opinion on the City of Clinton's compliance based on our audit.

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

In our opinion, the City of Clinton complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Clinton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Clinton's internal control over compliance with requirements that could have a direct and material effect on a major State programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Denning & Sessoms PA

*Denning & Sessoms, PA
November 17, 2008*

CITY OF CLINTON, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

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
<u>U.S. Department of Agriculture</u>					
Community Facilities Loans					
Downtown Revitalization (see note 2 & 3 below)	10.766		\$ -	\$ -	\$ 62,758
<u>U.S. Department of Housing and Urban Development</u>					
Public and Indian Housing Drug Elimination Program					
Small Cities	14.854		28,000	-	-
<u>U.S. Environmental Protection Agency</u>					
Passed-through N.C. Department of of Environment and Natural Resources: Federal Clean Water Act (see note 2 below)					
Phase II	66.458	CS370425-05	2,003,373	500,843	
<u>U.S. Department of Transportation</u>					
Passed-through N.C. Department of Transportation:					
Governor's Highway Safety Program					
	20.600	PT06-04-05-31	33,233	-	56,719
<u>U.S. Department of Health and Human Services</u>					
Passed-through Mid Carolina Council of Government Special Programs for the Aging- Title III-B-Senior Centers					
	93.004		4,975	-	-
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Water Quality					
N.C. Clean Water Revolving Loan & Grant Program (see note 2 below)					
Phase I					
		E-SRL-T-05-0066	-	-	-
Division of Parks and Recreation					
Parks and Recreation Trust Fund					
		P06011	-	12,053	64,528
Division of Environmental Health					
Public Health Pest Management					
		T06058	-	2,221	-
<u>N.C. Department of Transportation:</u>					
Powell Bill					
		DOT-4	-	313,739	-
Total Federal Assistance			<u>\$ 2,069,581</u>		
Total State Assistance				<u>\$ 828,856</u>	
Total Local Assistance					<u>\$ 184,005</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* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
- Loans Outstanding
 The City of Clinton had a loan balance outstanding at June 30, 2008 in the amount of \$691,536 from proceeds of the NC Clean Water Revolving Loan & Grant Program. Contributions from the City's water and sewer fund during the year ended June 30, 2005 in the amount of \$233,000 and loans are funding a multi-phase capital project. Phase II will be funded partially from loan funds from the Federal Clean Water Act. Loan funds of \$2,370,233 have been received as of June 30, 2008 for phase II. See Exhibit D-2.

 The City of Clinton had two loans outstanding at June 30, 2008 in the amounts of \$365,726 and \$750,000 from installment loans financed with Community Facilities Loans with the US Department of Agriculture. These loans along with contributions from the City funded two downtown revitalization projects. Phase I was completed during the year ended June 30, 2005 and Phase II was completed during the year ended June 30, 2008. Loan proceeds of \$750,000 were received for Phase II during the current audit period.
- Capital Project Fund - Community Development
 The Downtown Revitalization Project is reported in Exhibit C-9 - Capital Project Fund - Community Development. Expenditures in addition to the Downtown Revitalization Project incurred during the year were for the widening of Railroad Street and for the creation of a park.

City of Clinton, North Carolina
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2008

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

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

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

CFDA Numbers	Names of Federal Program or Cluster
66.458	Federal Clean Water Act

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
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 20, 2008

FINDING: 07-01

Status: Duties are being separated as much as possible and alternative controls are being implemented for lack of separation. The finance office has assigned personnel to collect daily the deposits from decentralized cash receipt sites.