

Audited Financial Statements
And Other Financial Information
for the City of Clinton
North Carolina
As of June 30, 2009

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

**City of Clinton, North Carolina
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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, 2009, 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. 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.

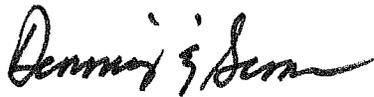
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 activity, 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, 2009, 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 October 28, 2009 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 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 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
October 28, 2009

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, 2009. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

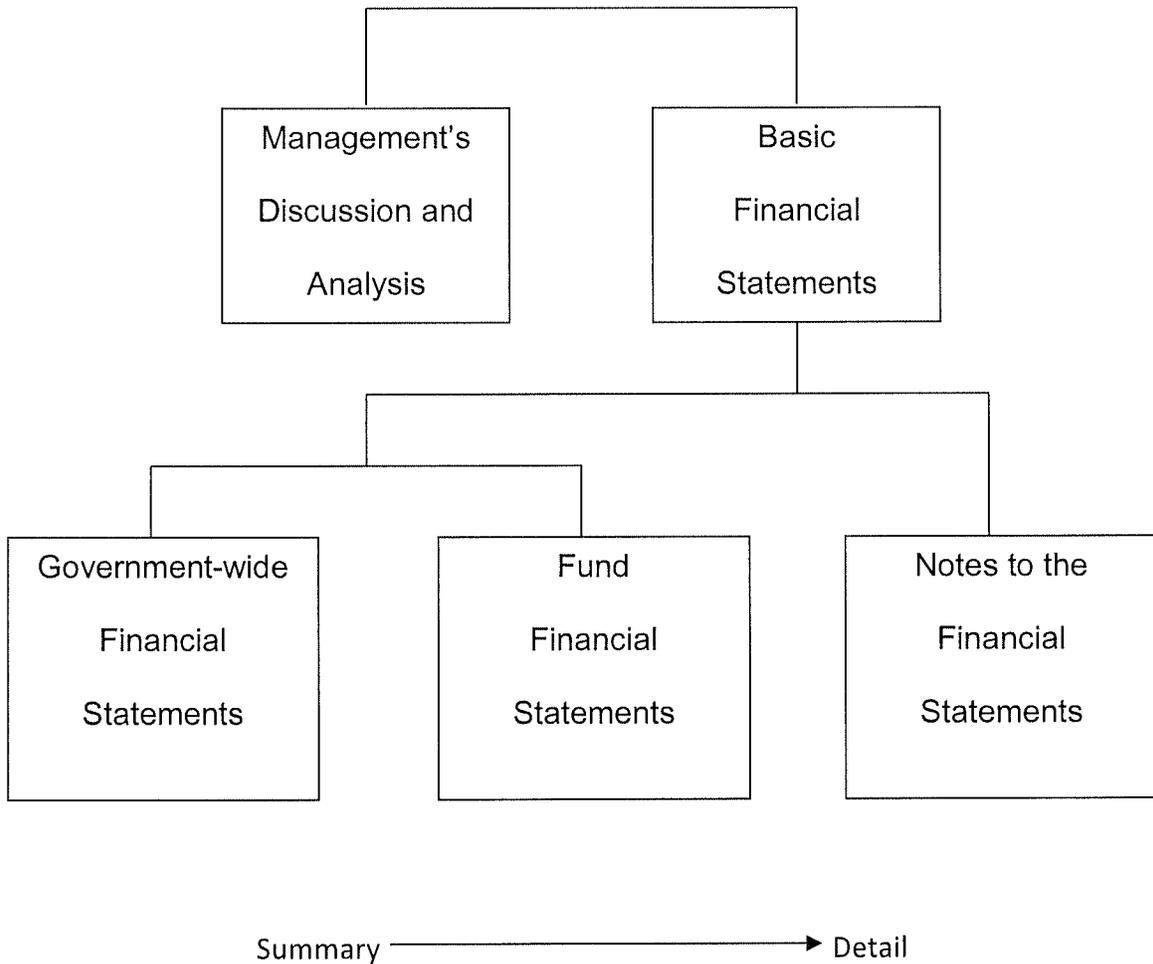
- The assets of the City of Clinton exceeded its liabilities at the close of the fiscal year by \$28,629,033. The assets of the governmental activities exceeded its liabilities by \$13,198,858. The assets of the business-type activities exceeded liabilities by \$15,430,175.
- The government's total net assets increased by \$176,401 primarily due to an increase in business-type activities net assets.
- Net assets of our business-type increased \$416,717 and total net assets for our governmental activities decreased by \$240,316.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$5,669,322 with a net decrease of \$220,776 in comparison with the prior year. Approximately 78% of this total amount or \$4,416,865 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 \$4,227,628 or 49.5% of total general fund expenditures for the fiscal year.
- The City of Clinton's total net debt decreased in debt by \$971,130 during the current fiscal year.
- The City's Bond rating was reviewed during the 2009 fiscal year. Standard and Poor's increased their rating from A to A+. Moody's Investors affirmed their A3 rating. The North Carolina Municipal Council increased the City's rating from 81 to 82.

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 gage the City's financial condition. Over time, increases or decreased in net assets help determine whether the City's financial position is improving or deteriorating. The statement of activities presents information which demonstrates how the City's net assets changed during the most recent fiscal year.

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 general government, public safety, environmental protection and parks and recreation. Property taxes and intergovernmental revenues finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer 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 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 can be divided into two categories: governmental funds and proprietary funds.

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

The City of Clinton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 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.

Proprietary Funds – The City 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. The City uses an enterprise fund to account for its water and sewer activity. This fund is the same as the function shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

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

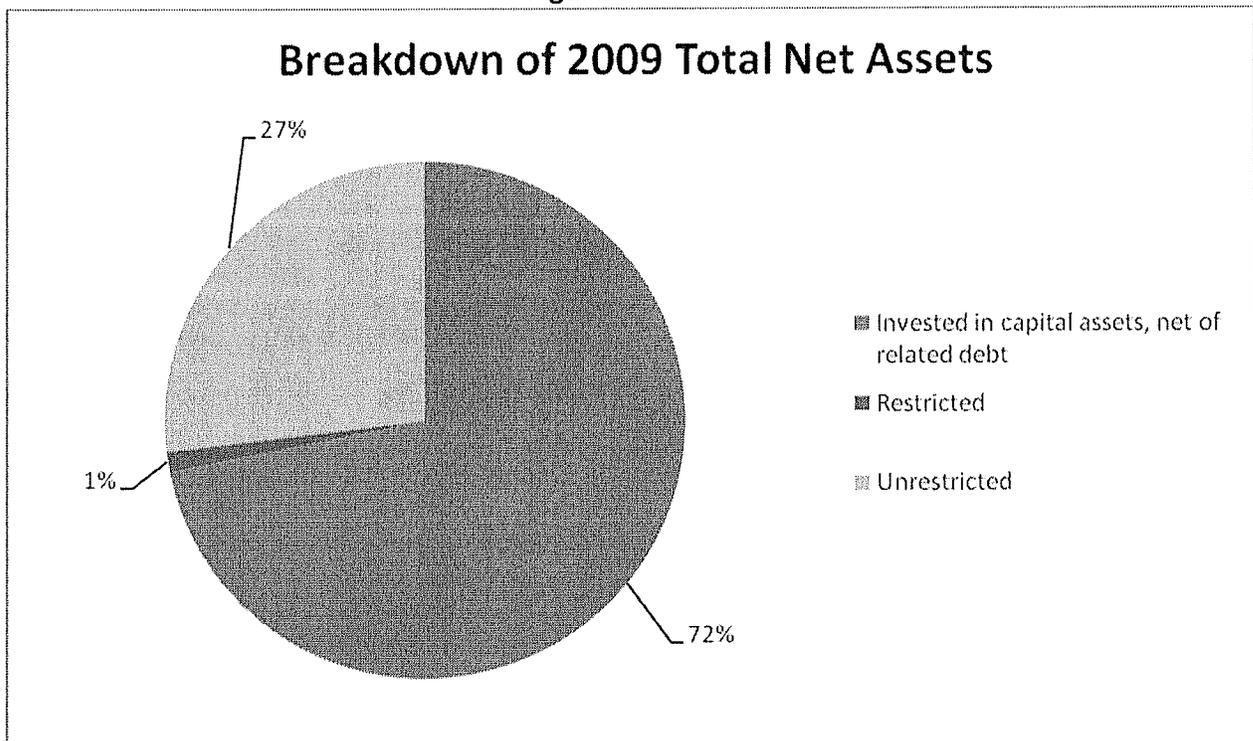
Government-Wide Financial Analysis of the City of Clinton

The City of Clinton's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 6,321,893	\$ 6,779,111	\$ 3,104,299	\$ 3,416,472	\$ 9,426,192	\$ 10,195,583
Capital assets	9,333,317	9,279,477	19,016,492	19,280,105	28,349,809	28,559,582
Total assets	15,655,210	16,058,588	22,120,791	22,696,577	37,776,001	38,755,165
Long-term liabilities outstanding	1,995,737	2,022,469	6,369,158	7,088,296	8,364,895	9,110,765
Other liabilities	460,615	678,482	321,458	594,823	782,073	1,273,305
Total liabilities	2,456,352	2,700,951	6,690,616	7,683,119	9,146,968	10,384,070
Net assets:						
Invested in capital assets, net of related debt	7,846,238	7,546,346	12,720,769	12,259,307	20,567,007	19,805,653
Restricted	365,427	876,562	-	-	365,427	876,562
Unrestricted	4,987,193	4,934,729	2,709,406	2,754,151	7,696,599	7,688,880
Total net assets	\$ 13,198,858	\$ 13,357,637	\$ 15,430,175	\$ 15,013,458	\$ 28,629,033	\$ 28,371,095

Figure 3



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 \$28,629,033 as of June 30, 2009. The largest portion \$20,567,007 (72%) 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 \$365,427 (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,696,599 (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%.
- Increase in user fees and charges.
- Continued low cost of debt due to the City's good bond rating.

City of Clinton Changes in Net Assets

Figure 3

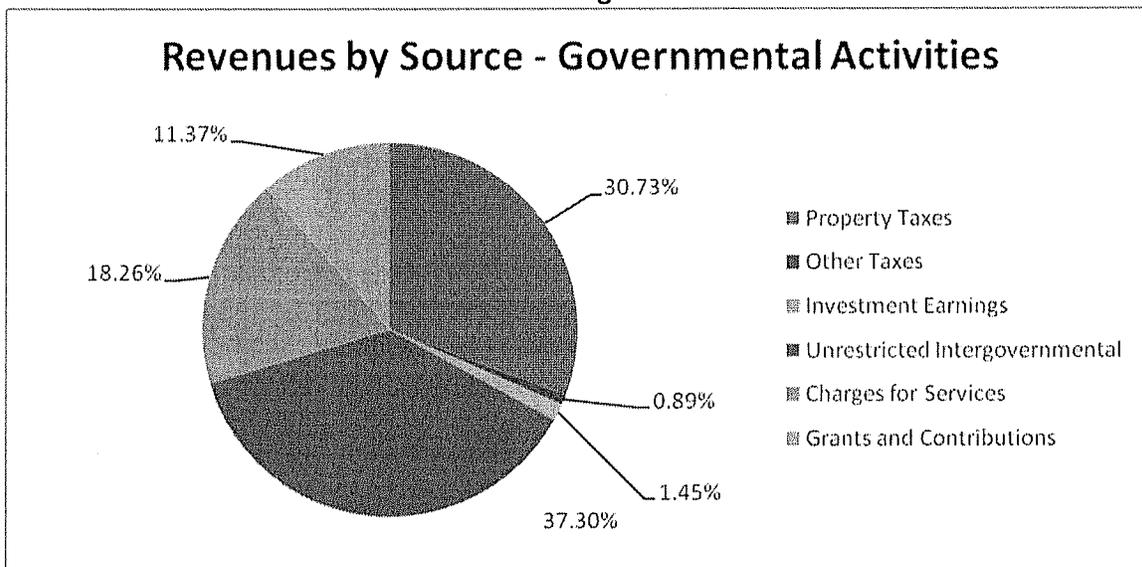
	Governmental Activities 2009	Governmental Activities 2008	Business-Type Activities 2009	Business-Type Activities 2008	Total 2009	Total 2008
Revenues:						
Program revenues:						
Charges for services	\$ 1,500,603	\$1,537,480	\$ 4,290,362	\$ 4,270,087	\$5,790,965	\$5,807,567
Operating grants and contributions	854,439	773,745	5,554	9,632	859,993	783,377
Capital grants and contributions	80,129	388,218	-	216,256	80,129	604,474
General revenues:						
Property taxes	2,525,303	2,596,839	-	-	2,525,303	2,596,839
Other taxes	73,042	74,866	-	-	73,042	74,866
Unrestricted intergovernmental revenues	3,065,738	3,206,491	-	-	3,065,738	3,206,491
Unrestricted investment earnings	119,064	183,768	92,070	142,263	211,134	326,031
Gain on sale of surplus assets	19,101	(37,050)	-	-	19,101	(37,050)
Write off of land purchased	-	-	-	-	-	-
Total revenues	8,237,419	8,724,357	4,387,986	4,638,238	12,625,405	13,362,595
Expenses:						
General Government	2,081,081	1,816,405	-	-	2,081,081	1,816,405
Public safety	3,324,179	3,193,458	-	-	3,324,179	3,193,458
Transportation	1,271,386	1,562,845	-	-	1,271,386	1,562,845
Environmental protection	596,490	495,081	-	-	596,490	495,081

Economic and physical development	396,877	153,760	-	-	396,877	153,760
Cultural and recreation	1,009,308	899,246	-	-	1,009,308	899,246
Interest on long-term debt	67,414	32,364	-	-	67,414	32,364
Water and Sewer	-	-	3,702,269	3,348,675	3,702,269	3,348,675
Total expenses	8,746,735	8,153,159	3,702,269	3,348,675	12,449,004	11,501,834
Increase (decrease) in net assets						
before transfers	(509,316)	571,198	685,717	1,289,563	176,401	1,860,761
Transfers	269,000	150,000	(269,000)	(150,000)	-	-
Increase in net assets	(240,316)	721,198	416,717	1,139,563	176,401	1,860,761
Net assets, July 1	13,357,636	12,638,247	15,013,458	13,876,393	28,371,094	26,514,640
Prior period adjustment	81,538	(1,808)	-	(2,498)	81,538	(4,306)
Net assets corrected	13,439,174	12,636,439	15,013,458	13,873,895	28,452,632	26,510,334
Net assets, June 30	13,198,858	13,357,637	15,430,175	15,013,458	28,629,033	28,371,095

Governmental activities. Governmental activities decreased the City's net assets by \$240,316 this fiscal year. Key elements of this decrease are as follows:

- Reduction of Local option sales tax due to the economic conditions
- Reduction of investment earnings due to interest rates below 1%

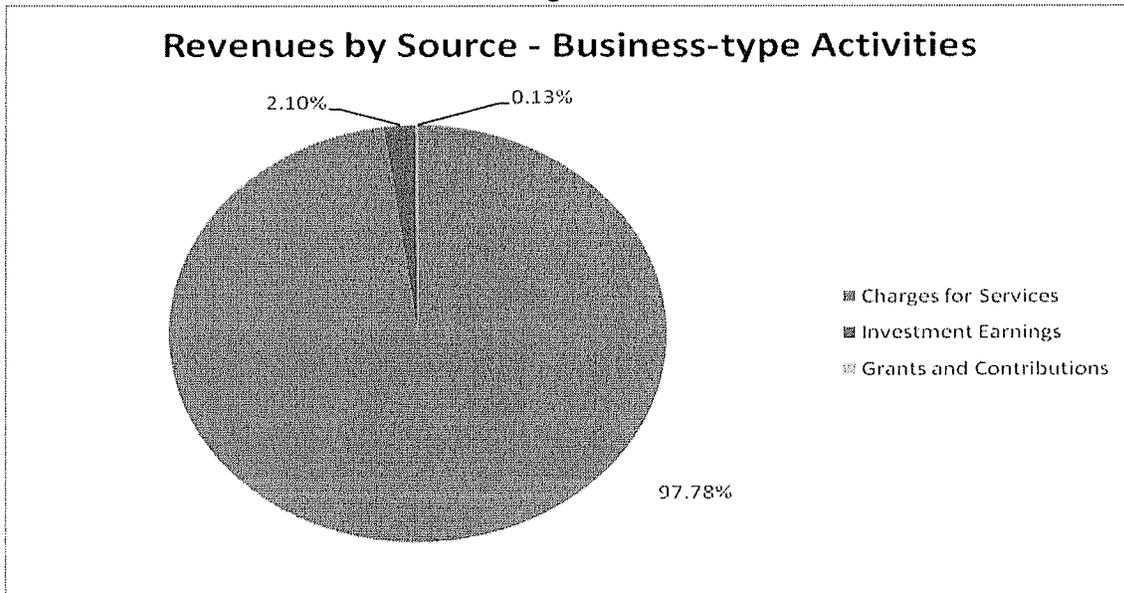
Figure 4



Business-type activities: Business-type activities increased the City's net assets by \$416,717. Key elements of this increase are as follows.

- Charges for services for business-type activities makes up 97.78% of revenues

Figure 5



Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City'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'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. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$4,227,628 while total fund balance reached \$5,480,084. 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 49.5% of total General Fund expenditures, while total fund balance represents 64% of that same amount.

At June 30, 2009, the governmental funds of the City reported a combined ending fund balance of \$5,669,322 a decrease of \$220,775 over prior year. Of this amount, \$4,416,865 or 78% 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 were \$71,150 (.9%) below the budgeted amounts. The City's expenditures were \$874,549 or (10%) less than the budgeted amount.

Proprietary Funds. The City'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 \$2,709,406 and total ending net assets were \$15,430,175. Unrestricted net assets amount to 18% of the total ending net assets. The total growth in the net assets for the Proprietary Fund was \$416,717. The growth is the result of increase in charges for services.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009, totals \$28,349,809 (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:

- Various purchases of vehicles and equipment totaling \$315,260
- Purchase of Pumper/rescue fire truck \$363,497
- Infrastructure additions of \$91,204
- Purchase of various property \$68,447
- Sewer Line extension Pugh Road \$654,169
- Dollar Branch Sewer Line replacement \$3,093,394

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

- Various vehicles and equipment \$475,720
- 1996 Peterbilt Garbage Truck \$107,723
- Grumman Fire Truck \$103,300

City of Clinton's Capital Assets
Figure 6

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 1,377,354	\$1,308,907	\$ 261,872	\$ 261,872	\$ 1,639,226	\$ 1,570,779
Buildings and other improvements	5,049,269	5,033,979	32,449	32,449	5,081,718	5,066,428
Construction in progress	237,589	223,028	26,235	3,372,989	263,824	3,596,017
Equipment	2,246,320	2,138,897	35,502,799	31,582,673	37,749,119	33,721,570
Vehicles and Motorized equipment	4,323,032	4,388,246	332,758	382,503	4,655,790	4,770,749
Infrastructure	5,774,109	5,682,908	-	-	5,774,109	5,682,908
Subtotal	19,007,673	18,775,965	36,156,113	35,632,486	55,163,786	54,408,451
Less accumulated depreciation	9,674,356	9,496,488	17,139,621	16,352,381	26,813,977	25,848,869
Total Net Capital Assets	\$ 9,333,317	9,279,477	\$ 19,016,492	19,280,105	\$ 28,349,809	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, 2009, the City of Clinton had total bonded debt outstanding of \$800,000. 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 7

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation bonds	\$ -	\$ -	\$ 800,000	\$ 1,050,000	\$ 800,000	\$ 1,050,000
Capitalized leases	-	-	-	-	-	-
Installment purchases	1,487,079	1,733,131	970,393	1,111,899	2,457,472	2,845,030
State Revolving Loan	-	-	4,525,327	4,858,899	4,525,627	4,858,899
Total	1,487,079	\$ 1,733,131	\$ 6,295,720	\$ 7,020,798	\$ 7,782,799	\$ 8,753,929

City of Clinton's Outstanding debt: The City's total net debt decreased by \$971,130 during the past fiscal year.

As mentioned in the financial highlights section of this document, Standard and Poor's increased their rating from A to A+. Moody's Investors affirmed their A3 rating. The

North Carolina Municipal Council increased the City's rating from 81 to 82. This bond rating is a clear indication of the sound financial condition of City. 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 the city is approximately \$37,700,000. The City has no bonds authorized but unissued at June 30, 2009.

Additional information regarding the City'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 received an \$850,000 CDBG grant that will be utilized to extend water and sewer service to the Russell Street area. The project will include renovating 10 residential structures. This area will be annexed into the City once this project is complete.
- There are several commercial projects under construction or being planned in Clinton. These projects will include two new financial institutions, a shopping center addition, a large gas station and convenience store and two residential subdivisions.
- Smithfield Foods announced that they will be adding one hundred and thirty jobs to their Clinton facility. These additional jobs are the result of the closing of other facilities and consolidating operations at the Clinton facility.
- The construction of a forty unit apartment complex on College Street in the city is expected to begin in 2009-2010 fiscal year.
- The City of Clinton partnered with Howell Edwards to construct an 8 inch water line on Pugh Road to serve a thirteen unit duplex development. This water line will provide water service to a future growth area of the city.
- 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 8.4% which is below the statewide average of 11.0%

Budget Highlights for the Fiscal Year Ending June 30, 2010.

Governmental Activities: The governmental fund's primary revenue resources are property taxes and local option sales tax. For the fiscal year ending June 30, 2010, budgeted revenues are expected to be \$8,505,970.

Key items to note in the 2010 budget include:

- Property tax rate will remain at \$.41 per one hundred (\$100) valuation
- Residential solid waste fees will increase \$.15 per month
- The addition of one full-time firefighter and one full-time office assistant in Parks and Recreation
- Purchase building/maintenance shelter in Parks and Recreation Department
- Purchase of four new vehicles and a residential Garbage Truck

Business-type Activities:

- The City's water and sewer rates will generate \$3,800,000 in revenues. These revenues along with revenues from tap fees, fire line fees, and sale of water to Sampson County will fund all expenditures for the water and sewer fund.
- Salaries and benefits along with debt payments make up the largest portion of the expenditures.
- Replace one truck for Water Treatment
- Water Tank Maintenance
- Aerobic digester conversion at Waste Treatment Plant

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, 2009

	<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	\$ 5,246,584	\$ 2,695,811	\$ 7,942,395	\$ 509,187
Taxes receivables (net)	108,226	-	108,226	-
Accrued interest receivable on taxes	15,000	-	15,000	-
Accounts receivable (net)	206,825	392,503	599,328	42
Due from other governments	595,715	-	595,715	-
Due from component unit	100,000	-	100,000	-
Due from business-type activities	4,965	-	4,965	-
Inventories	44,578	15,985	60,563	133,931
Prepaid items	-	-	-	4,519
Total current assets	<u>6,321,893</u>	<u>3,104,299</u>	<u>9,426,192</u>	<u>647,679</u>
Capital assets:				
Land, improvements and construction in progress	1,614,944	288,107	1,903,051	36,795
Other capital assets, net of depreciation	7,718,373	18,728,385	26,446,758	17,456
Total capital assets	<u>9,333,317</u>	<u>19,016,492</u>	<u>28,349,809</u>	<u>54,251</u>
Total assets	<u>\$ 15,655,210</u>	<u>\$ 22,120,791</u>	<u>\$ 37,776,001</u>	<u>\$ 701,930</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 430,615	\$ 192,459	\$ 623,074	\$ 65,588
Distributions payable	-	-	-	125,000
Accrued interest payable	30,000	-	30,000	-
Customer deposits	-	124,034	124,034	-
Due to governmental activities fund	-	4,965	4,965	-
Due to other governments	-	-	-	28,108
Long-term liabilities:				
Due within one year	317,575	766,245	1,083,820	-
Due in more than one year	1,678,162	5,602,913	7,281,075	-
Total liabilities	<u>2,456,352</u>	<u>6,690,616</u>	<u>9,146,968</u>	<u>218,696</u>
NET ASSETS				
Invested in capital assets, net of related debt	7,846,238	12,720,769	20,567,007	54,251
Restricted for:				
Capital projects	143,075	-	143,075	3,491
Transportation	108,648	-	108,648	-
Public Safety	17,435	-	17,435	-
Economic development	96,269	-	96,269	-
Loan agreement	-	-	-	-
Commitments	-	-	-	26,212
Working capital	-	-	-	45,915
Unrestricted	4,987,193	2,709,406	7,696,599	353,365
TOTAL NET ASSETS	<u>\$ 13,198,858</u>	<u>\$ 15,430,175</u>	<u>\$ 28,629,033</u>	<u>\$ 483,234</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, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net-Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,081,081	\$ 70,749	\$ 59,688	\$ 15,000	\$ (1,935,644)	\$ -	\$ (1,935,644)
Public safety	3,324,179	17,321	313,332	41,973	(2,951,553)	-	(2,951,553)
Transportation	1,271,386	-	279,750	-	(991,636)	-	(991,636)
Economic and physical development	396,877	159,596	188,797	-	(48,484)	-	(48,484)
Environmental protection	596,490	1,183,474	2,651	-	589,635	-	589,635
Cultural and recreation	1,009,308	69,463	10,221	23,156	(906,468)	-	(906,468)
Interest on long-term debt	67,414	-	-	-	(67,414)	-	(67,414)
Total governmental activities	8,746,735	1,500,603	854,439	80,129	(6,311,564)	-	(6,311,564)
Business-type activities:							
Water and sewer	3,702,269	4,290,362	5,554	-	-	593,647	593,647
Total primary government	\$ 12,449,004	\$ 5,790,965	\$ 859,993	\$ 80,129	\$ (6,311,564)	\$ 593,647	\$ (5,717,917)
Component unit:							
ABC Board	\$ 1,467,407	\$ 1,494,139	\$ -	\$ -	\$ -	\$ -	\$ 26,732

General revenues:

Taxes:							
Property taxes, levied for general purpose					2,525,303	-	2,525,303
Other taxes					73,042	-	73,042
Unrestricted intergovernmental revenues					3,065,738	-	3,065,738
Unrestricted investment earnings					119,064	92,070	211,134
Gain on sale and disposal of assets					19,101	-	19,101
Transfers:					269,000	(269,000)	-
Total general revenues, special item and transfers					6,071,248	(176,930)	5,894,318
Change in net assets					(240,316)	416,717	176,401
Net assets - beginning, as previously reported					13,357,636	15,013,458	28,371,094
Prior period adjustment - see note III-D					81,538	-	81,538
Net assets - corrected					13,439,174	15,013,458	28,452,632
Net assets - ending					\$ 13,198,858	\$ 15,430,175	\$ 28,629,033

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

**City of Clinton, North Carolina
Balance Sheet
Governmental Funds
June 30, 2009**

	<u>Major Funds</u>	Total	Total
	General	Non-major Funds	Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,013,328	233,256	\$ 5,246,584
Receivables, net:			
Taxes	107,103	-	107,103
Accounts	206,825	-	206,825
Due from other governments	595,715	-	595,715
Due from Water and Sewer Fund	-	4,965	4,965
Due from component unit	100,000	-	100,000
Inventory	44,578	-	44,578
Total assets	<u>\$ 6,067,549</u>	<u>\$ 238,221</u>	<u>\$ 6,305,770</u>
 LIABILITIES AND FUND BALANCES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 397,650	\$ 48,984	\$ 446,634
Deferred revenue	189,814	-	189,814
Total current liabilities	<u>587,464</u>	<u>48,984</u>	<u>636,448</u>
Total liabilities	587,464	48,984	636,448
Fund balances:			
Reserved for:			
Inventory	44,578	-	44,578
State statute	819,829	-	819,829
Unreserved, general fund:			
Designated for subsequent years' expenditures	388,050	-	388,050
Unreserved, reported in:			
General fund	4,227,628	-	4,227,628
Special revenue funds	-	74,984	74,984
Capital projects funds	-	114,253	114,253
Total fund balances	<u>5,480,085</u>	<u>189,237</u>	<u>5,669,322</u>
Total liabilities and fund balances	<u>\$ 6,067,549</u>	<u>\$ 238,221</u>	<u>\$ 6,305,770</u>

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

Exhibit 3

City of Clinton, North Carolina
 Balance Sheet
 Governmental Funds
 June 30, 2009

Total fund balances		\$	5,669,322
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.			
Gross capital assets at historical cost	19,007,674		
Accumulated depreciation	<u>(9,674,357)</u>		9,333,317
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.			15,000
Liabilities for earned but deferred revenues in fund statements.			189,814
A liability in the fund statements is reported as a restricted net asset in the statement of net assets.			16,020
Some liabilities, including bonds payable, accrued interest, pension and other postemployment benefits, and compensated absences are not due and payable in the current period and therefore are not reported in the funds.			<u>(2,024,615)</u>
Net assets of governmental activities		\$	<u><u>13,198,858</u></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, 2009

	<u>Major Fund</u>	Total	Total
	General	Non-major	Governmental
		Funds	Funds
REVENUES			
Ad valorem taxes	\$ 2,478,647	\$ 28,067	\$ 2,506,714
Other taxes and licenses	73,042	-	73,042
Unrestricted intergovernmental	3,081,221	-	3,081,221
Restricted intergovernmental	774,335	-	774,335
Sales and services	1,326,899	-	1,326,899
Investment earnings	114,887	4,176	119,063
Program income	-	12,452	12,452
PARTF grants	-	23,156	23,156
Donations	-	-	-
Miscellaneous	316,655	8,356	325,011
Total revenues	<u>8,165,686</u>	<u>76,207</u>	<u>8,241,893</u>
EXPENDITURES:			
Current:			
General government	2,176,145	-	2,176,145
Public safety	3,572,177	-	3,572,177
Transportation	1,184,581	-	1,184,581
Economic and physical development	-	30,902	30,902
Environmental protection	594,895	-	594,895
Culture and recreation	1,005,637	-	1,005,637
Capital outlay	-	199,174	199,174
Total expenditures	<u>8,533,435</u>	<u>230,076</u>	<u>8,763,511</u>
Excess (deficiency) of revenues over expenditures	(367,749)	(153,869)	(521,618)
OTHER FINANCING SOURCES (USES):			
Transfers to other funds	(7,175)	7,175	-
Transfers from other funds	225,000	44,000	269,000
Sale of Property	22,409	-	22,409
Total other financing sources (uses)	<u>240,234</u>	<u>51,175</u>	<u>291,409</u>
Net change in fund balance	(127,515)	(102,694)	(230,209)
Fund balances, beginning	5,598,166	291,931	5,890,097
Change in reserve for inventories	9,434	-	9,434
Fund balances, ending	<u>\$ 5,480,085</u>	<u>\$ 189,237</u>	<u>\$ 5,669,322</u>

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

Exhibit 4

City of Clinton, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2009

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

Net change in fund balances - total governmental funds	\$	(230,209)
Change in fund balance due to change in reserve for inventory		9,434

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded the depreciation in the current period.

Capital outlay expenditures which were capitalized	868,710	
Depreciation expenses for governmental assets	<u>(782,088)</u>	86,622

Governmental funds proceeds from disposition of assets as income. However, in the Statement of Activities the cost basis of these proceeds would be expensed. (32,779)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.
 Increase in deferred revenues (23,576)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt	164,512	
Decrease in accrued interest payable	<u>5,000</u>	169,512

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	(12,661)	
Net pension obligation	(28,597)	
Other postemployment benefits	<u>(178,061)</u>	<u>(219,319)</u>

Total changes in net assets of governmental activities \$ (240,315)

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, 2009

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Advalorem taxes	2,591,500	2,591,500	2,478,647	(112,853)
Other taxes and licenses	80,000	80,000	73,042	(6,958)
Unrestricted intergovernmental	3,052,000	3,064,531	3,081,221	16,690
Restricted intergovernmental	698,533	745,812	774,335	28,523
Sales and services	1,217,200	1,253,315	1,326,899	73,584
Investment earnings	100,000	100,000	114,887	14,887
Miscellaneous	261,800	401,678	316,655	(85,023)
Total revenues	8,001,033	8,236,836	8,165,686	(71,150)
Expenditures:				
Current:				
General government	2,048,802	2,365,857	2,176,145	189,712
Public safety	3,379,694	3,767,902	3,572,177	195,725
Transportation	1,412,325	1,430,055	1,184,581	245,474
Environmental protection	662,348	635,021	594,895	40,126
Cultural and recreation	1,154,874	1,209,149	1,005,637	203,512
Contingency	-	-	-	-
Total expenditures	8,658,043	9,407,984	8,533,435	874,549
Revenues over (under) expenditures	(657,010)	(1,171,148)	(367,749)	803,399
Other financing sources (uses):				
Sale of fixed assets	-	4,000	22,409	18,409
Net transfers From (to) other funds	292,825	292,825	217,825	(75,000)
Loan proceeds	-	229,654	-	(229,654)
Total other financing sources (uses)	292,825	526,479	240,234	(286,245)
Revenues and other sources over (under) expenditures and other uses	(364,185)	(644,669)	(127,515)	<u>\$ 517,154</u>
Fund balance appropriated	364,185	644,669		
Fund balances, beginning	-	-	5,598,166	
Change in reserve for inventories	-	-	9,434	
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,480,085</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, 2009

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,695,811
Accounts receivable (net) - billed	200,406
Accounts receivable (net) - unbilled	192,097
Inventories	15,985
Total current assets	3,104,299
Capital assets:	
Land	261,872
Construction in progress	26,235
Other capital assets, net of depreciation	18,728,385
Capital assets (net)	19,016,492
Total assets	\$ 22,120,791
 LIABILITIES AND FUND BALANCES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 192,459
Customer deposits	124,034
Due to Community Development Fund	4,965
Compensated absences - current	35,750
State Revolving Loan - 0066 (2007)	76,837
State Revolving Loan - 0030 (1994)	256,733
Sanitary Sewer Series 1994	250,000
Well Fill Purification Project	146,925
Total current liabilities	1,087,703
Noncurrent liabilities:	
Compensated absences	37,685
State Revolving Loan - 0030 (1994)	1,283,664
Sanitary Sewer Series 1994	550,000
Well Fill Purification Project	823,469
State Revolving Loan - 0066 (2007)	537,862
State revolving loan (construction in progress)	2,370,233
Total noncurrent liabilities	5,602,913
Total liabilities	6,690,616
 NET ASSETS	
Invested in capital assets, net of related debt	12,720,769
Unrestricted	2,709,406
Total net assets	\$ 15,430,175

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, 2009

	Water and Sewer Fund
OPERATING REVENUES:	
Charges for services	\$ 3,905,777
Other operating revenues	384,585
Total operating revenues	4,290,362
OPERATING EXPENSES:	
Water department	1,260,841
Waste treatment	1,367,646
Depreciation	836,985
Total operating expenses	3,465,472
Operating income	824,890
NONOPERATING REVENUES (EXPENSES):	
Investment earnings	92,070
Clinton City School System	5,554
Interest and other charges	(236,797)
Total nonoperating revenues (expenses)	(139,173)
Income before contributions and transfers	685,717
Transfers to other funds	(269,000)
Change in net assets	416,717
Total net assets - beginning	15,013,458
Total net assets - ending	\$ 15,430,175

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, 2009

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	4,250,189
Cash paid for goods and services	(1,762,881)
Cash paid to or on behalf of employees for services	(1,129,081)
Customer deposits received	8,927
Other operating cash receipts	<u>78,478</u>
Net cash provided by operating activities	1,445,632
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>(269,000)</u>
Total cash flows from non-capital financing activities	(269,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Clinton City School System	5,554
Principal retirement on State Revolving Loan - 0066 (2007)	(76,837)
Interest paid on State Revolving Loan - 0066 (2007)	(15,940)
Principal retirement on Well Fill Purification Project	(141,505)
Interest paid on Well Fill Purification Project	(42,586)
Principal retirement on State Revolving Loan - 0030 (1994)	(256,733)
Interest paid on State Revolving Loan - 0030 (1994)	(60,833)
Principal retirement on Sanitary Sewer Series 1994	(250,000)
Interest paid on Sanitary Sewer Series 1994	(62,375)
Interest paid on State Revolving Loan - 05	(65,148)
Acquisition of capital assets	<u>(573,372)</u>
Net cash used by capital and related financing activities	(1,539,775)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>92,069</u>
Net decrease in cash and cash equivalents	(271,074)
Cash and cash equivalents at beginning of year	<u>2,966,885</u>
Cash and cash equivalents at end of year	<u>\$ 2,695,811</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, 2009

	<u>Water and Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 824,890
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	836,985
Changes in assets and liabilities:	
Decrease in accounts receivable	1,475
Increase in reserve for uncollectible accounts receivable	36,830
Decrease in inventory	2,794
Decrease in accounts payable and accrued liabilities	(281,175)
Increase in customer deposits	8,927
Increase in accrued salaries	8,969
Decrease in accrued vacation pay	<u>5,937</u>
Total adjustments	<u>620,742</u>
Net cash provided by operating activities	<u>\$ 1,445,632</u>

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

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, 2009

The City reports the following major governmental fund:

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.

The City reports the following non-major governmental funds:

Capital Project Fund – Community Development. This fund is used to account for various community development construction and improvement projects.

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 three Special Revenue Funds: Community Development Fund, Downtown Tax District Fund, and Sampson Square Apartment Housing Development Fund. These funds have been combined in the accompanying financial statements.

Capital Project Funds – Various Capital Project funds are used to account for financial resources to be used for non-major acquisitions or construction. The City has four Capital Project Funds: Community Development Fund, Jail Site Revitalization Fund, Royal Lane & Sampson Center Fund and Russell Street Project Fund. These funds have been combined in the accompanying financial statements.

The City reports the following major enterprise fund:

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

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, 2009

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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. 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, 2009

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

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 \$2,900,000. 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

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, 2008. As allowed by State law, the City has established a discount that applies to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Account

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

6. Inventory and Prepaid Items

The inventories of the city and the ABC Board are valued at cost (first-in, first-out), which 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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

6. Inventory and Prepaid Items (continued):

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, 2009 that were material in amount.

7. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Infrastructure	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

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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

8. Long-Term Obligations (continued)

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

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

Fund Balances (continued)

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 2009 - 2010 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.

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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

1. Deposits (continued)

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

At June 30, 2009, the City's deposits had a carrying amount of \$3,761,700 and a bank balance of \$4,640,098. Of the bank balance, \$750,008 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2009, the City's petty cash fund totaled \$800.

The carrying amount of deposits for the ABC Board was \$327,232 and the bank balance was \$326,382. The ABC Board bank balance was covered by federal depository insurance of \$250,000 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, 2009, the City of Clinton had \$4,180,695 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, 2009.

At June 30, 2009, The Board had \$180,055 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The ABC Board has no formal policy regarding credit risk of its investments.

3. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Assets includes penalties levied and outstanding in the amount of \$14,673.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

3. Receivables – Allowances for Doubtful Accounts (continued)

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	06/30/2009
General Fund:	
Taxes receivable	\$ 37,000
Accounts receivable	61,600
Total general fund	98,600
Enterprise Fund:	52,000
Total Allowances for bad debts	\$ 150,600

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,308,907	\$ 68,447	\$ -	\$ 1,377,354
Construction in progress	223,028	136,034	121,472	237,590
Total capital assets not being depreciated	1,531,935	204,480	121,472	1,614,944
Capital assets being depreciated:				
Buildings and other improvements	5,033,979	15,290	-	5,049,269
Equipment	2,138,897	111,715	4,292	2,246,320
Vehicles and motorized equipment	4,388,246	567,492	632,706	4,323,032
Infrastructure	5,682,905	91,203	-	5,774,108
Total capital assets being depreciated	17,244,027	785,701	636,998	17,392,729
Less accumulated depreciation for:				
Buildings and other improvements	1,458,085	81,940	-	1,540,025
Equipment	1,808,175	120,037	4,292	1,923,920
Vehicles and motorized equipment	3,325,900	273,489	599,928	2,999,461
Infrastructure	2,904,328	306,622	-	3,210,950
Total accumulated depreciation	9,496,488	782,088	604,220	9,674,356
Total capital assets being depreciated, net	7,747,539			7,718,373
Governmental activity capital assets, net	\$ 9,279,474			\$ 9,333,317

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

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

General government	\$	233,627
Public safety		214,719
Transportation		182,327
Environmental protection		75,481
Cultural and recreation		75,934
Total depreciation expense	<u>\$</u>	<u>782,088</u>

Capital asset activity for the Enterprise Fund for the year ended June 30, 2009, was as follows:

Business-type activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 261,872	\$ -	\$ -	\$ 261,872
Construction in progress	3,372,989		3,346,754	26,235
Total capital assets not being depreciated	<u>3,634,861</u>		<u>3,346,754</u>	<u>288,107</u>
Capital assets being depreciated:				
Land Improvements	32,449	-	-	32,449
Equipment	31,582,673	3,920,126	-	35,502,799
Vehicles	382,503	-	49,745	332,758
Total capital assets being depreciated	<u>31,997,625</u>	<u>3,920,126</u>	<u>49,745</u>	<u>35,868,006</u>
Less accumulated depreciation for:				
Land Improvements	14,505	-	-	14,505
Equipment	16,150,950	802,755	-	16,953,705
Vehicles	186,926	34,230	49,745	171,411
Total accumulated depreciation	<u>16,352,381</u>	<u>836,985</u>	<u>49,745</u>	<u>17,139,621</u>
Total capital assets being depreciated, net	<u>15,645,244</u>			<u>18,728,385</u>
Water and Sewer fund capital assets, net	<u>\$ 19,280,105</u>			<u>\$ 19,016,492</u>

Construction commitments and construction in progress

The government has active construction projects as of June 30, 2009. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Royal Lane & Sampson Centers	217,234	50,993

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

Community Development	\$ 161,760
Russell Street Project	21,537
Royal Lane & Sampson Centers	<u>15,877</u>
Total	<u>\$ 199,174</u>

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

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

Lundy's Sewer Line – Phase II	\$ 333,483
Pugh Road Sewer	67,328
Clinton High School Lift Station	<u>7,452</u>
Total	<u>\$ 408,263</u>

Discretely presented component unit

Capital assets and capital asset activity for the ABC Board for the year ended June 30, 2009, 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	56,194	-	-	56,194
Total capital assets being depreciated	200,829	-	-	200,829
Less accumulated depreciation for:				
Paving	5,429	680	-	6,109
Buildings	135,139	-	-	135,139
Office Equipment	1,974	212	-	2,186
Store Equipment	35,377	4,562	-	39,939
Total accumulated depreciation	177,919	5,454	-	183,373
ABC capital assets being depreciated, net	22,910			17,456
ABC capital assets, net	\$ 59,705			\$ 54,251

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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

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 4.91% and 4.86%, respectively, of annual covered payroll which includes .11% 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, 2009, 2008, and 2007 were \$220,541, \$208,767, and \$200,025, respectively. The contributions made by the City equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

1. *Plan Description.*

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

All full time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 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, 2009

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	\$ 44,137
Interest on net pension obligation	4,725
Adjustment to annual required contribution	<u>(2,606)</u>
Annual pension cost	\$ <u>46,256</u>
Employer contributions made	<u>17,659</u>
Increase in net pension obligation	\$ 28,597
Net pension obligation beginning of fiscal year	<u>65,172</u>
Net pension obligation end of fiscal year	\$ <u>93,769</u>

3 Year Trend Information

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
2007	33,195	00.00%	42,417
2008	35,369	35.66%	65,172
2009	46,256	38.17%	93,769

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, 2009 the City of Clinton paid directly to two eligible retired law enforcement officers a total of \$17,659 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, 2009 were \$74,759, which consisted of \$59,147 from the City and \$15,612 from the law enforcement officers.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

Funding Policy (continued). 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, 2009. 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, 2009 made by the City totaled \$69,557 and the employees contributions totaled \$53,213.

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, 2009, 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

Healthcare Benefits

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.

Membership of the plan consisted of the following at December 31, 2007, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	7	0
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	91	38
Total	98	38

Funding Policy. The City pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a City resolution that can be amended by City Council. The City's members pay \$502 per month for dependent coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

Funding Policy (continued). The current ARC rate is 5.50% of annual covered payroll. For the current year, the city contributed \$46,092 or 1.13% of annual covered payroll. The City obtains healthcare coverage through private insurers. The City's required contributions, under a City resolution for employees not engaged in law enforcement and for law enforcement officers represented 70% and 30% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$104,054. The City's obligation to contribute to the plan is established and may be amended by the City Council.

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

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

Annual required contribution	\$	223,566
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost (expense)	\$	223,566
Contributions made		(45,505)
Increase (decrease) in net OPEB obligation		178,061
Net OPEB obligation, beginning of year		-
Net OPEB obligation, end of year	\$	<u>178,061</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows.

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 223,556	20.3%	\$ 178,061

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, thus, the unfunded actuarial accrued liability (UAAL) was \$2,386,161. The covered payroll (annual payroll of active employees covered by the plan) was \$4,065,438, and the ratio of the UAAL to the covered payroll was 58.7%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

Actuarial Methods and Assumptions (continued). The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net on administrative expense), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 11.00 to 5.00 percent annually. The investment rate included a 3.75% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007 was 30 years.

2. Other Employment Benefit

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

3. Deferred Revenues

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

	Deferred Revenue
General Fund:	
Property taxes net of penalties	\$ 107,103
Accrued interest on ad valorem taxes	15,000
Beer and wine tax	10,139
Sanitation receivables	56,536
Sticker Licenses	16,325
Total	\$ 205,103

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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

4. Risk Management (continued)

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 \$1,000,000 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.

5. Long-Term Obligations

a. Capital Leases

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

b. Installment Purchase-General Long-Term Debt

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%. This liability was paid off in the current fiscal year.

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 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.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

b. Installment Purchase-General Long-Term Debt

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.

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.

Annual debt service payments of the installment purchase as of June 30, 2009, including interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	152,575	60,583
2011	158,184	54,974
2012	164,013	49,155
2013	118,172	43,117
2014	50,230	38,773
2015-2019	285,677	159,339
2020-2024	353,014	91,984
2025-2028	205,212	22,925
Total	\$ 1,487,077	\$ 520,850

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, 2009:

	Principal	Interest	Total
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	256,733	17,381	274,114
2015	256,733	8,690	265,423
	\$ 1,540,398	\$ 182,498	\$ 1,722,896

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

c. State Revolving Loan

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.

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2009:

	Principal	Interest	Total
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	76,837	7,084	83,921
2015-2018	230,511	10,626	241,137
	\$ 614,696	\$ 63,760	\$ 678,456

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
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	170,760	13,331	184,091
2015	177,300	6,791	184,091
	\$ 970,393	\$ 134,153	\$ 1,104,546

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, 2009 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, 2009 was \$800,000.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

General Obligation Bonds (continued)

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

Year Ending June 30	Business-type Activities		
	Principal	Interest	Total
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	\$ 800,000	\$ 102,000	\$ 902,000

At June 30, 2009, the City of Clinton had no bonds authorized but unissued and had a legal debt margin of approximately \$37,700,000.

f. Changes in Long-Term Liabilities

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

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion of Balance
Governmental activities:					
Installment purchase (restated)	\$ 1,651,591	\$ -	\$ 164,512	\$ 1,487,079	\$ 152,575
Compensated absences	289,338	12,593	-	301,931	165,000
Other postemployment benefits	-	178,061	-	178,061	-
Compensated absences	42,417	22,755	-	65,172	-
Governmental activity long-term liabilities	\$ 1,983,346	\$ 213,409	\$ 164,512	\$ 2,032,243	\$ 317,575
Business-type activities:					
Sanitary Sewer Series 1994	\$ 1,050,000	\$ -	\$ 250,000	\$ 800,000	\$ 250,000
State revolving loan-0030 (1994)	1,797,130	-	256,732	1,540,398	256,733
Well Fill Purification Project (1999)	1,111,899	-	141,506	970,393	146,925
State revolving loan-0066 (2007)	691,536	-	76,840	614,696	76,837
State revolving loan-CIP	2,370,233	-	-	2,370,233	-
Compensated absences	67,498	5,937	-	73,435	35,750
Business-type activity long-term liabilities	\$ 7,088,296	\$ 5,937	\$ 725,078	\$ 6,369,155	\$ 766,245

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

C. Interfund Activity and Balances

Transfers to/from other funds at June 30, 2009, consist of the following:

From the General Fund to	
Capital Project (Royal-Lane & Sampson Center)	\$ 7,175
From the Water and Sewer Fund to	
Capital Project (Russell Street)	44,000
From the Water and Sewer Fund to the General Fund	<u>225,000</u>
Total	<u>\$ 276,175</u>

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

D. On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2009, 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.

E. Prior Period Adjustment

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. This loan was paid off during the fiscal year ending June 30, 2008. The debt was written off during the fiscal year ended June 30, 2009, resulting in a decrease in long-term debt and an increase in net assets of \$81,538.

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, 2009, the City reported revenues and expenditures in the amount of \$21,350 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, 2009. 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, 2009.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

VI. Related Organization

The City, in conjunction with Sampson County contributes financial support for a regional airport. The City of Clinton's Mayor and two other appointees from the City along with a County Commissioner and two appointees from the County make up the airport board. The Airport has been established to facilitate economic expansion within the City of Clinton and Sampson County and improve the quality of life for its citizens. The Airport is an agency of Sampson County who is responsible for the operation and owns the facilities. The City of Clinton does not have an equity interest in the airport, so no equity interest has been reflected in the financial statements at June 30, 2009. 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, 2009 was approximately \$179,000.

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, 2009 the City of Clinton received from Sampson County \$188,706 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, 2009 was \$49,964.

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 has suspended all planning and expenditures relating to the Downtown Revitalization – Phase III project. This decision was made subsequent to the end of the June 30, 2009 fiscal year as a means of curtailing the economic conditions facing municipalities currently.

X . Related Party Transactions

The City leased sections of a parking lot from a member of Council for part of the fiscal year ending June 30, 2009. The lease renewed annually and \$1,500 was paid for the year. The lease agreement was initiated prior to the members inclusion on the City Council. The City purchased the parking lot for \$17,500 and as a result the lease is no longer in effect.

City of Clinton, North Carolina
Notes to the Financial Statements
For the fiscal year ended June 30, 2009

X. Related Party Transactions (continued)

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 \$176,912.

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
2009	46,256	38.17%	93,769

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
OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNDING PROGRESS

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

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 223,566	20.30%

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 Percentage of Pay, open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return	4.00%
Projected salary increases	11.00% - 5.00%
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, 2009

TAXPAYER	ASSESSED VALUATION	TAX LEVY
1 Lundy Packing Co. Premium Standard Farms, Inc Smithfield Packing, Clinton Plant, LLC	\$ 52,489,082	\$ 215,205
2 Schindler Corporation	15,932,818	65,325
3 Dubose Strapping, Inc Dubose National Energy Service	10,098,766	41,405
4 Wal-Mart Stores, Inc	8,135,370	33,355
5 Progress Energy	7,612,422	31,211
6 Carolina Telephone & Telegraph	7,527,121	30,861
7 Sampson Health Care Facilities	6,944,244	28,471
8 Lowe's	6,628,583	27,177
9 First Citizens Bank Axia, Inc.	6,367,415	26,106
10 Faircloth Family Properties	5,158,167	21,149

TOTAL ASSESSED VALUATION

Assessment Ratio	100%
Real Property	\$ 458,865,900
Personal Property	150,771,436
Public Service Companies	16,897,723
	<u>626,535,059</u>
Tax rate per \$100	.41
Levy (includes discoveries, releases and abatements)	\$ 2,568,794

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, 2009

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Ad valorem taxes:			
Current year	\$	\$ 2,444,584	\$
Prior year levies		19,390	
Interest and penalties		14,673	
Total	2,591,500	2,478,647	(112,853)
Other taxes and licenses:			
Privilege licenses		42,381	
Auto licenses		30,661	
Total	80,000	73,042	(6,958)
Unrestricted intergovernmental revenues:			
Local option sales tax		1,549,591	
Utility franchise tax		716,412	
Fire district tax		350,000	
ABC profit distribution		100,000	
CATV franchise fee		51,910	
Beer and wine tax		29,418	
Hold harmless funds		18,751	
Payments in lieu of taxes		15,483	
Sales tax reimbursements		8,940	
Other revenue		33,435	
Telecommunications sales tax		149,553	
Excise tax on piped gas		57,728	
Total	3,064,531	3,081,221	16,690
Restricted intergovernmental revenues:			
Powell bill allocation		279,750	
Sampson County contribution		188,706	
City schools - police		114,610	
Community college - police		43,616	
HUD grant - police		42,565	
Sampson County Reserve funds		29,886	
NC Department of Transportation funds		15,000	
Firemen's Relief tax		13,729	
Highway safety grant		12,087	
Rescue technical assistance		12,000	
Local Fire Protection Service		7,834	
ABC revenue for law enforcement		6,140	
Region M - Aging		4,767	
Solid Waste Disposal tax		2,651	
North Carolina Department of Health		539	
State substance abuse tax		455	
Total	745,812	774,335	28,523

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, 2009

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
Sales and services:			
Garbage collection fees		1,186,687	
Recreation department fees		69,463	
Cemetery lot cleaning		42,450	
Cemetery lot sales and maintenance		21,361	
Other services and materials		6,938	
Total	1,253,315	1,326,899	73,584
Investment earnings:			
General fund		104,871	
Cemetery trust fund		10,016	
Total	100,000	114,887	14,887
Miscellaneous:			
Rent industrial buildings		176,912	
Other		55,210	
Restricted miscellaneous revenues		50,000	
All American City		17,212	
False alarm ordinance		9,650	
Officer arrest fees		4,538	
Fire department special fees		2,053	
Parking violations		880	
Ashes donations		200	
Total	401,678	316,655	(85,023)
Total revenues	8,236,836	8,165,686	(71,150)
EXPENDITURES:			
General government:			
Governing body:			
Mayor and councilmen salaries		50,536	
Mayor and councilmen expenses		84,695	
Total	146,872	135,231	11,641
Administrative:			
Salaries and employee benefits		289,426	
Operating expenses		40,714	
Capital outlay		1,385	
Total	337,320	331,525	5,795

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, 2009

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
Finance:			
Salaries and employee benefits		289,842	
Operating expenses		49,322	
Total	353,925	339,164	14,761
Planning and zoning:			
Salaries and employee benefits		284,319	
Operating expenses		47,239	
Total	343,300	331,558	11,742
Cemetery and public grounds:			
Salaries and employee benefits		210,389	
Operating expenses		52,391	
Capital outlay		29,773	
Total	365,945	292,553	73,392
Non-departmental:			
Various operating expenses		336,454	
Real Property		180,077	
All American City		21,091	
Airport		21	
Housing demolition		94,720	
Economic development		10,000	
Other agency contributions		11,100	
Rescue squad expense		5,529	
Total	731,373	658,992	72,381
Debt service	87,122	87,122	-
Total general government	2,365,857	2,176,145	189,712
Public safety:			
Police department:			
Salaries and employee benefits		1,706,371	
Operating expenses		370,918	
Capital outlay		146,197	
Total	2,367,057	2,223,486	143,571

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, 2009

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
Fire:			
Salaries and employee benefits		710,203	
Operating expenses		234,186	
Capital outlay		348,052	
Debt service		10,000	
Total	1,351,187	1,302,441	48,746
Maintenance:			
Salaries and employee benefits		38,115	
Operating expenses		8,135	
Total	49,658	46,250	3,408
Total public safety	3,767,902	3,572,177	195,725
Transportation:			
Street administration:			
Salaries and employee benefits		488,921	
Operating expenses		34,938	
Capital outlay		50,861	
Total	594,110	574,720	19,390
Materials and supplies:			
Signs, signals, paints and supplies		12,294	
Operating expenses		10,337	
Asphalt and concrete		8,900	
Total	47,000	31,531	15,469
Equipment expenses:			
Automotive supplies		50,172	
Equipment rental and maintenance		13,596	
Small tools and equipment		2,943	
Total	70,800	66,711	4,089
Other costs and services:			
Street lighting contract		234,457	
Landfill		17,760	
Total	433,400	252,217	181,183
Capital outlay:			
Improvements		28,967	
Fayetteville Street sidewalk		5,939	
Total	35,500	34,906	594
Total street	1,180,810	960,085	220,725

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, 2009

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
Garage:			
Salaries and employee benefits		125,476	
Operating expenses		61,947	
Total	199,245	187,423	11,822
Airport:	50,000	37,073	12,927
Total transportation	1,430,055	1,184,581	245,474
Environmental protection:			
Sanitation:			
Salaries and employee benefits		253,816	
Operating expenses		299,210	
Capital outlay		41,869	
Total environmental protection	635,021	594,895	40,126
Cultural and recreation:			
Salaries and employee benefits		539,416	
Operating expenses		320,651	
Capital outlay		145,570	
Total cultural and recreation	1,209,149	1,005,637	203,512
Total expenditures	9,407,984	8,533,435	874,549
Revenues over (under) expenditures	(1,171,148)	(367,749)	803,399
Other financing sources (uses):			
Transfers in (out)			
Water and Sewer Fund	300,000	225,000	(75,000)
Transfer to Royal-Lane & Sampson Center Project	(7,175)	(7,175)	-
Sale of fixed assets	4,000	22,409	18,409
Loan proceeds	229,654	-	(229,654)
Total other financing sources (uses) - net	526,479	240,234	(286,245)
Revenues and other financing sources over (under) expenditures and other financing uses	(644,669)	(127,515)	\$ 517,154
Fund balance appropriated	644,669		
Beginning of year, July 1		5,598,166	
Change in reserve for inventories		9,434	
End of year, June 30		\$ 5,480,085	

**CITY OF CLINTON, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009**

EXHIBIT C-1

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds June 30, 2009</u>
Assets:			
Cash and investments	\$ 95,146	\$ 138,110	\$ 233,256
Taxes receivable	-	-	-
Due from Water and Sewer Fund	-	4,965	4,965
Total Assets	<u>\$ 95,146</u>	<u>\$ 143,075</u>	<u>\$ 238,221</u>
Liabilities and Fund Equity:			
Current Liabilities			
Accounts Payable	\$ 20,162	\$ 28,822	\$ 48,984
Total Current Liabilities	<u>20,162</u>	<u>28,822</u>	<u>48,984</u>
Total Liabilities	<u>20,162</u>	<u>28,822</u>	<u>48,984</u>
Fund balances			
Unreserved (available for appropriation)	<u>74,984</u>	<u>114,253</u>	<u>189,237</u>
Total liabilities and fund balances	<u>\$ 95,146</u>	<u>\$ 143,075</u>	<u>\$ 238,221</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, 2009

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds June 30, 2009</u>
Revenues			
Ad valorem taxes - net	\$ 28,067	\$ -	\$ 28,067
Program Income	12,452	-	12,452
Grants	-	23,156	23,156
Investment earnings	2,007	2,169	4,176
Miscellaneous	8,356	-	8,356
Total Revenues	<u>50,882</u>	<u>25,325</u>	<u>76,207</u>
Expenditures			
Capital Outlay	-	199,174	199,174
Economic and physical development	30,902	-	30,902
Total Expenditures	<u>30,902</u>	<u>199,174</u>	<u>230,076</u>
Revenues over (under) expenditures	19,980	(173,849)	(153,869)
Other financing sources / uses			
Transfer in (out)			
Water & Sewer Fund	-	44,000	44,000
General Fund	-	7,175	7,175
Total other financing sources	<u>-</u>	<u>51,175</u>	<u>51,175</u>
Revenues and other financing sources over (under) expenditures	<u>\$ 19,980</u>	<u>\$ (122,674)</u>	<u>\$ (102,694)</u>
Fund balance:			
Beginning of year, July 1	55,004	236,927	291,931
End of year, June 30	<u>\$ 74,984</u>	<u>\$ 114,253</u>	<u>\$ 189,237</u>

**CITY OF CLINTON, NORTH CAROLINA
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2009**

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, 2009</u>
Assets:			
Cash and investments	\$ 21,733	\$ 73,413	\$ 95,146
Total Assets	<u>\$ 21,733</u>	<u>\$ 73,413</u>	<u>\$ 95,146</u>
Liabilities and Fund Equity:			
Current Liabilities			
Accounts Payable	\$ 425	\$ 19,737	\$ 20,162
Total Current Liabilities	<u>425</u>	<u>19,737</u>	<u>20,162</u>
Total Liabilities	<u>425</u>	<u>19,737</u>	<u>20,162</u>
Fund balances			
Unreserved (available for appropriation)	<u>21,308</u>	<u>53,676</u>	<u>74,984</u>
Total liabilities and fund balances	<u>\$ 21,733</u>	<u>\$ 73,413</u>	<u>\$ 95,146</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, 2009

	Special Revenue Community Development Revolving Loan Funds	Special Revenue Downtown Tax District Fund	Total Special Revenue Funds June 30, 2009
Revenues			
Ad valorem taxes - net	\$ -	\$ 28,067	\$ 28,067
Program Income	12,452	-	12,452
Investment earnings	224	1,783	2,007
Miscellaneous	-	8,356	8,356
Total Revenues	<u>12,676</u>	<u>38,206</u>	<u>50,882</u>
Expenditures			
Economic and physical development	-	30,902	30,902
Total Expenditures	<u>-</u>	<u>30,902</u>	<u>30,902</u>
Excess of revenues over expenditures	<u>12,676</u>	<u>7,304</u>	<u>19,980</u>
Net change in fund balance	\$ 12,676	\$ 7,304	\$ 19,980
Fund balance:			
Beginning of year, July 1	8,632	46,372	55,004
End of year, June 30	<u>\$ 21,308</u>	<u>\$ 53,676</u>	<u>\$ 74,984</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, 2009**

EXHIBIT C-5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Program Income	\$	\$ 12,452	\$
Investment Earnings		224	
Total Revenues	<u>7,500</u>	<u>12,676</u>	<u>5,176</u>
Expenditures			
Legal Service		-	
Total Expenditures	<u>7,500</u>	<u>-</u>	<u>7,500</u>
Excess of revenues over expenditures	<u>-</u>	<u>12,676</u>	<u>12,676</u>
Other Financing Sources			
Transfer to Community Development Capital Project	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 12,676</u>	<u>\$ 12,676</u>
Fund balance:			
Beginning of year, July 1		<u>8,632</u>	
End of year, June 30		<u>\$ 21,308</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, 2009**

EXHIBIT C-6

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Ad valorem taxes-net	\$	\$ 28,067	\$
Investment Earnings		1,783	
Miscellaneous		8,356	
Total Revenues	36,575	38,206	1,631
Expenditures			
Advertising		2,885	
Special Events		8,729	
USDA loan payment		10,793	
Projects		949	
Other		7,546	
Total Expenditures	36,575	30,902	5,673
Excess of revenues over expenditures	-	7,304	7,304
Net change in fund balance	\$ -	\$ 7,304	\$ 7,304
Fund balance:			
Beginning of year, July 1		46,372	
End of year, June 30		\$ 53,676	

CITY OF CLINTON, NORTH CAROLINA
SAMPSON SQUARE APARTMENT HOUSING DEVELOPMENT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2009

EXHIBIT C-7

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
CDBG Revenues	\$ 240,000	\$ -	\$ -	\$ -	\$ (240,000)
Total Revenues	240,000	-	-	-	(240,000)
Expenditures					
Administration	7,200	-	-	-	(7,200)
Water improvements	39,800	-	-	-	(39,800)
Pedestrian improvements	20,000	-	-	-	(20,000)
Sewer improvements	173,000	-	-	-	(173,000)
Total Expenditures	240,000	-	-	-	(240,000)
Revenues over (under) expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ -		

**CITY OF CLINTON, NORTH CAROLINA
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2009**

EXHIBIT C-8

Non - Major

	Capital Project Community Development	Capital Project Jail Site Revitalization	Capital Project Royal Lane & Sampson Center	Capital Project Russell Street	Total Capital Project Funds June 30, 2009
Assets:					
Cash and investments	\$ 102,556	\$ 2,964	\$ 1,301	\$ 31,289	\$ 138,110
Other Receivables	4,965	-	-	-	4,965
Total Assets	<u>\$ 107,521</u>	<u>\$ 2,964</u>	<u>\$ 1,301</u>	<u>\$ 31,289</u>	<u>\$ 143,075</u>
Liabilities and Fund Equity:					
Liabilities					
Accounts payable	\$ 19,968	\$ -	\$ 28	\$ 8,826	\$ 28,822
Total Liabilities	<u>19,968</u>	<u>-</u>	<u>28</u>	<u>8,826</u>	<u>28,822</u>
Fund balances					
Unreserved	<u>87,553</u>	<u>2,964</u>	<u>1,273</u>	<u>22,463</u>	<u>114,253</u>
Total liabilities and fund balances	<u>\$ 107,521</u>	<u>\$ 2,964</u>	<u>\$ 1,301</u>	<u>\$ 31,289</u>	<u>\$ 143,075</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, 2009

EXHIBIT C-9

Non - Major					
	Capital Project Community Development	Capital Project Jail Site Revitalization	Capital Project Royal Lane & Sampson Center	Capital Project Russell Street	Total Capital Project Funds June 30, 2009
Revenues					
PARTF Grant	\$ -	\$ -	\$ 23,156	\$ -	\$ 23,156
Interest Income	2,169	-	-	-	2,169
Total Revenues	2,169	-	23,156	-	25,325
Expenditures					
Capital Outlay	161,760	-	15,877	21,537	199,174
Total Expenditures	161,760	-	15,877	21,537	199,174
Revenues over (under) expenditures	(159,591)	-	7,279	(21,537)	(173,849)
Other financing sources (uses)					
Transfer from Water & Sewer Fund	-	-	-	44,000	44,000
Transfer from General Fund	-	-	7,175	-	7,175
Total other financing sources	-	-	7,175	44,000	51,175
Revenues and other financing sources over (under) expenditures	\$ (159,591)	\$ -	\$ 14,454	\$ 22,463	\$ (122,674)
Fund balance:					
Beginning of year, July 1	247,144	2,964	(13,181)	-	236,927
End of year, June 30	\$ 87,553	\$ 2,964	\$ 1,273	\$ 22,463	\$ 114,253

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, 2009

EXHIBIT C-10

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
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	9,744	-	9,744	(7,156)
Interest Income	5,907	8,598	2,169	10,767	4,860
Total Revenues	380,447	355,578	2,169	357,747	(22,700)
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	507	-	507	a 4,493
Construction & Utilities Relocation	1,095,918	1,098,201	-	1,098,201	a (2,283)
Contingency	8,247	846	-	846	a 7,401
Phase III					
Engineering & Design	121,250	30,345	79,251	109,596	11,654
Contingency	302,934	-	19,966	19,966	a 282,968
Parking lot acquisition	62,500	-	62,500	62,500	a -
Kaleel Property	37,542	37,542	-	37,542	a -
All-America City Park	23,400	15,357	43	15,400	a 8,000
Total Expenditures	1,978,791	1,475,059	161,760	1,636,819	341,972
Revenues over (under) expenditures	(1,598,344)	(1,119,481)	(159,591)	(1,279,072)	319,272
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	567,792	-	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	1,366,625	-	1,366,625	(132,432)
Revenues and other financing sources over (under) expenditures	\$ (99,287)	\$ 247,144	\$ (159,591)	\$ 87,553	\$ 186,840
Fund balance:					
Beginning of year, July 1			247,144		
End of year, June 30			<u>\$ 87,553</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, and 06/30/09. The amounts capitalized are as follows:

	6/30/07	6/30/08	6/30/09
Phase II	-	1,171,554	-
Phase III	-	-	19,966
Parking lot acquisition	-	-	62,500
All America City Park	-	15,357	-
Land Improvements (Kaleel Property)	37,542	-	-
Railroad Street	120,261	100,000	-
Total	<u>157,803</u>	<u>1,286,911</u>	<u>82,466</u>

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, 2009

EXHIBIT C-11

	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)	(22,036)	-	(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	\$ -	\$ 2,964	\$ -	\$ 2,964	\$ 2,964
Fund balance:					
Beginning of year, July 1			2,964		
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, 2009

EXHIBIT C-12

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
PARTF Grant	\$ 118,113	\$ 65,146	\$ 23,156	\$ 88,302	\$ (29,811)
Total Revenues	118,113	65,146	23,156	88,302	(29,811)
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	26,418	-	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	-	15,877	15,877	(827)
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	201,357	15,877	217,234	50,993
Revenues over (under) expenditures	(150,114)	(136,211)	7,279	(128,932)	21,182
Other financing sources					
Operating transfers - in					
From Community Development Project (C-10)	32,000	32,000	-	32,000	-
From General Fund	118,114	91,030	7,175	98,205	(19,909)
Total other financing sources	150,114	123,030	7,175	130,205	(19,909)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (13,181)	\$ 14,454	\$ 1,273	\$ 1,273
Fund balance:					
Beginning of year, July 1			(13,181)		
End of year, June 30			\$ 1,273		

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
CAPITAL PROJECT FUND - RUSSELL STREET PROJECT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2009

EXHIBIT C-13

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Expenditures					
CDBG community revitalization	44,000	-	21,537	21,537	a 22,463
Total Expenditures	44,000	-	21,537	21,537	22,463
Revenues over (under) expenditures	\$ 44,000	\$ -	\$ 21,537	\$ 21,537	\$ (22,463)
Other financing sources					
Operating transfers - in From Water & Sewer Fund	44,000	-	44,000	44,000	-
Total other financing sources	44,000	-	44,000	44,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ 22,463	\$ 22,463	\$ 22,463
Fund balance:					
Beginning of year, July 1			-		
End of year, June 30			\$ 22,463		

a Components of this capital project fund were capitalized and included in the fixed assets of the City as of 06/30/09.
The amounts capitalized are as follows:

	<u>06/30/2009</u>
CDBG Community Revitalization	21,537

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, 2009

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Operating revenues:			
Charges for services:			
Water and sewer charges		\$ 3,905,777	
Sewer surcharge		193,989	
Water and sewer tap fees		24,485	
Service fees		38,879	
Fireline fees		23,608	
Miscellaneous		103,624	
Total operating revenues	4,610,851	4,290,362	(320,489)
Nonoperating revenues:			
Clinton City School System		5,554	
Investment earnings		92,070	
Total nonoperating revenues	85,000	97,624	12,624
Total revenues	4,695,851	4,387,986	(307,865)
EXPENDITURES:			
Operating expenditures other than depreciation:			
Water department:			
Salaries and employee benefits		673,638	
Operating expenditures		539,494	
Total water department	1,401,703	1,213,132	188,571
Waste treatment department:			
Salaries and employee benefits		451,926	
Operating expenditures		902,627	
Total waste treatment department	1,460,845	1,354,553	106,292
Total operating expenditures other than depreciation	2,862,548	2,567,685	294,863
Debt service:			
Principal payments		725,075	
Interest and fees		246,882	
Total debt service	1,160,567	971,957	188,610
Contingency	(17,945)	-	(17,945)
Capital outlay:			
Water department		40,497	
Waste treatment department		584,947	
Total capital outlay	346,681	625,444	(278,763)
Total expenditures	4,351,851	4,165,086	186,765
Other financing uses:			
Transfers to General Fund		(269,000)	
Total other financing uses	(344,000)	(269,000)	75,000

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, 2009

	2009		Variance Favorable (Unfavorable)
	Budget	Actual	
Total expenditures and other financing uses	4,695,851	4,434,086	261,765
Fund balance appropriated	-	-	-
Revenue over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (46,100)</u>	<u>\$ (46,100)</u>
Reconciliation of modified accrual basis to full accrual basis:		\$ (46,100)	
Revenues over expenses and supplemental budget expenditures			
Reconciling items:			
Principal retirement		725,075	
Capital outlay		573,372	
Decrease in inventory		(2,794)	
Decrease in accrued vacation pay		(5,937)	
Decrease in accrued interest		10,086	
Depreciation		<u>(836,985)</u>	
Total reconciling items		<u>462,817</u>	
Change in net assets		<u>\$ 416,717</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, 2009

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	282,516	-	282,516	50,484
Construction	3,369,418	3,068,959	284,808	3,353,767	15,651
Inspection & Permits	123,080	113,730	48,675	162,405	(39,325)
Easement Acquisition	10,000	6,063	-	6,063	3,937
Miscellaneous	58,001	57,017	-	57,017	984
Contingency	142,474	-	-	-	142,474
Total Expenditures - Phase I & II	4,035,973	3,528,285	333,483	3,861,768	174,205
Revenues over (under) expenditures	(3,835,973)	(3,528,285)	(333,483)	(3,861,768)	(25,795)
Other financing sources					
NC Clean Water Revolving Loan-Phase I	857,198	768,373	-	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	3,371,606	-	3,371,606	(464,367)
Revenues and other financing sources over (under) expenditures	\$ -	\$ (156,679)	\$ (333,483)	\$ (490,162)	\$ (490,162)

Expenditures to date	Phase I ^a	Phase II ^b	Totals
Engineering & Design	44,258	238,258	282,516
Construction	717,105	2,636,662	3,353,767
Inspection & Permits	-	162,405	162,405
Easement Acquisition	6,063	-	6,063
Miscellaneous	947	56,070	57,017
Totals	768,373	3,093,395	3,861,768

^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 Components of Phase II were capitalized and included in the fixed assets of the City as of 6/30/09. The total amount capitalized was \$3,093,395.

^c 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, 2009

EXHIBIT D-3

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
Developer Contributions	\$ 26,653	\$ -	\$ 26,652	\$ 26,652	(1)
Miscellaneous	-	100	-	100	100
Total Revenues	<u>26,653</u>	<u>100</u>	<u>26,652</u>	<u>26,752</u>	<u>99</u>
Expenditures					
Engineering & Design	75,900	28,879	23,395	52,274	23,626
Miscellaneous	12,055	355	9,605	9,960	2,095
Easements-Pugh Rd	25,000	24,930	2,077	27,007	(2,007)
Construction/Pugh Rd	541,116	532,678	32,251	564,929	(23,813)
Total Expenditures	<u>654,071</u>	<u>586,842</u>	<u>67,328</u>	<u>654,170</u>	<u>(99)</u>
Revenues over (under) expenditures	(627,418)	(586,742)	(40,676)	(627,418)	-
Other financing sources					
Operating transfers - in From Water & Sewer Fund	<u>627,418</u>	<u>613,277</u>	<u>14,141</u>	<u>627,418</u>	-
Total other financing sources	<u>627,418</u>	<u>613,277</u>	<u>14,141</u>	<u>627,418</u>	-
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 26,535</u>	<u>\$ (26,535)</u>	<u>\$ -</u>	<u>\$ -</u>

a This capital project was capitalized and included in the fixed assets of the City's water & sewer fund as of 6/30/09.

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, 2009

EXHIBIT D-4

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

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, 2009

EXHIBIT D-5

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues					
Clinton City Schools	\$ 257,359	\$ 216,256	\$ 5,554	\$ 221,810	(35,549)
Total Revenues	<u>257,359</u>	<u>216,256</u>	<u>5,554</u>	<u>221,810</u>	<u>(35,549)</u>
Expenditures					
Engineering & Design	34,104	4,894	1,898	6,792	27,312
Construction	212,624	205,453	5,554	211,007	1,617
Contingency	10,631	-	-	-	10,631
Total Expenditures	<u>257,359</u>	<u>210,347</u>	<u>7,452</u>	<u>217,799</u>	<u>39,560</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 5,909</u>	<u>\$ (1,898)</u>	<u>\$ 4,011</u>	<u>\$ 4,011</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, 2009

Fiscal Year Ended June 30,	Uncollected June 30, 2008	Additions	Collections & Credits	Uncollected June 30, 2009
2009	\$ -	\$ 2,568,794	\$ (2,492,329)	\$ 76,465
2008	62,796	-	(44,383)	18,413
2007 (see note A)	13,239	-	(4,244)	8,995
2006 & prior	51,478	-	(11,248)	40,230
	<u>\$ 127,513</u>	<u>\$ 2,568,794</u>	<u>\$ (2,552,204)</u>	144,103
Less allowance for uncollectible ad valorem taxes receivable				<u>37,000</u>
Ad valorem taxes receivable - net				<u><u>107,103</u></u>
Reconciliation with revenues:				
Taxes - Ad Valorem - General Fund			\$ 2,478,646	
Discounts allowed & collection fee			77,854	
Taxes written off and other adjustments			10,377	
Subtotal			<u>2,566,877</u>	
Less interest and penalties collected			(14,673)	
Total collections and credits			<u><u>\$ 2,552,204</u></u>	

CITY OF CLINTON, NORTH CAROLINA
 ANALYSIS OF CURRENT TAX LEVY
 For the Year Ended June 30, 2009

	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax levy - City Wide	\$ 568,826,536	0.41	\$ 2,332,189	\$ 2,332,189	\$ -
Motor vehicles taxes at prior year rate	59,996,956	0.41	245,988	-	245,988
Abatements and discoveries	<u>(2,288,433)</u>		<u>(9,383)</u>	<u>(6,505)</u>	<u>(2,878)</u>
Total for year	<u>\$ 626,535,059</u>		2,568,794	2,325,684	243,110
Less uncollected tax at June 30, 2009 (Exhibit E-1)			<u>76,465</u>	<u>42,571</u>	<u>33,894</u>
Current year's taxes collected			<u>\$ 2,492,329</u>	<u>\$ 2,283,113</u>	<u>\$ 209,216</u>
Percent current year collected			97.02%	98.17%	86.06%

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, 2009, which collectively comprises the City of Clinton's basic financial statements, and have issued our report thereon dated October 28, 2009. 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
Clinton, NC
October 28, 2009