

**Audited Financial Statements  
And Other Financial Information**

City of Clinton, North Carolina

As of June 30, 2010

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

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the 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, 2010, 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, North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clinton ABC Board. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Clinton ABC Board, is based solely on the report of another auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the 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 the 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 opinions.

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 respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clinton, North Carolina, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison of 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 our report dated November 1, 2010, on our consideration of the City of Clinton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions 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 the information and express no opinion on it.

Our audit was conducted 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 fund statements, budgetary schedules and other schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Denning & Sessoms PA".

Denning & Sessoms, PA  
Clinton, North Carolina  
November 1, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## Management's Discussion and Analysis

As management of the City of Clinton, we offer readers of the City of Clinton's financial statements this narrative overview and analysis of the financial activities of the City of Clinton for the fiscal year ended June 30, 2010. 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 \$28,905,400. The assets of the governmental activities exceeded its liabilities by \$13,042,692. The assets of the business-type activities exceeded liabilities by \$15,862,708.
- The government's total net assets increased by \$276,367 primarily due to an increase in business-type activities net assets.
- Net assets of our business-type increased \$432,533 and total net assets for our governmental activities decreased by \$156,166.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$5,213,971 with a net decrease of \$455,351 in comparison with the prior year. Approximately 77% of this total amount or \$4,010,118 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 \$3,902,397 or 45.4% of total general fund expenditures for the fiscal year.
- The City of Clinton's total net debt decreased in debt by \$223,952 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.

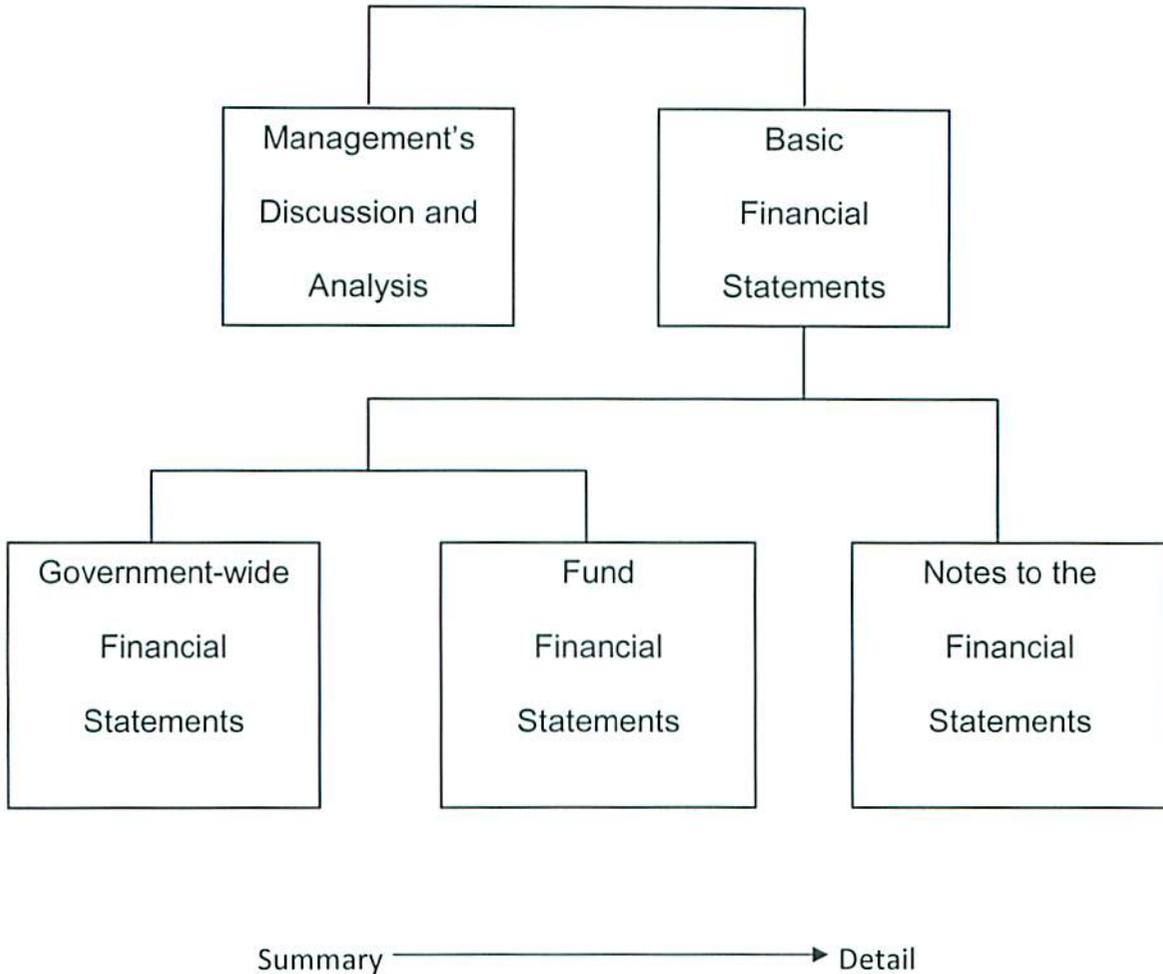
### Overview of the Financial Statements

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.

# Management's Discussion and Analysis

## 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.

## Management's Discussion and Analysis

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 decreases 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

## Management's Discussion and Analysis

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 26-48 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the

## Management's Discussion and Analysis

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 49 of this report.

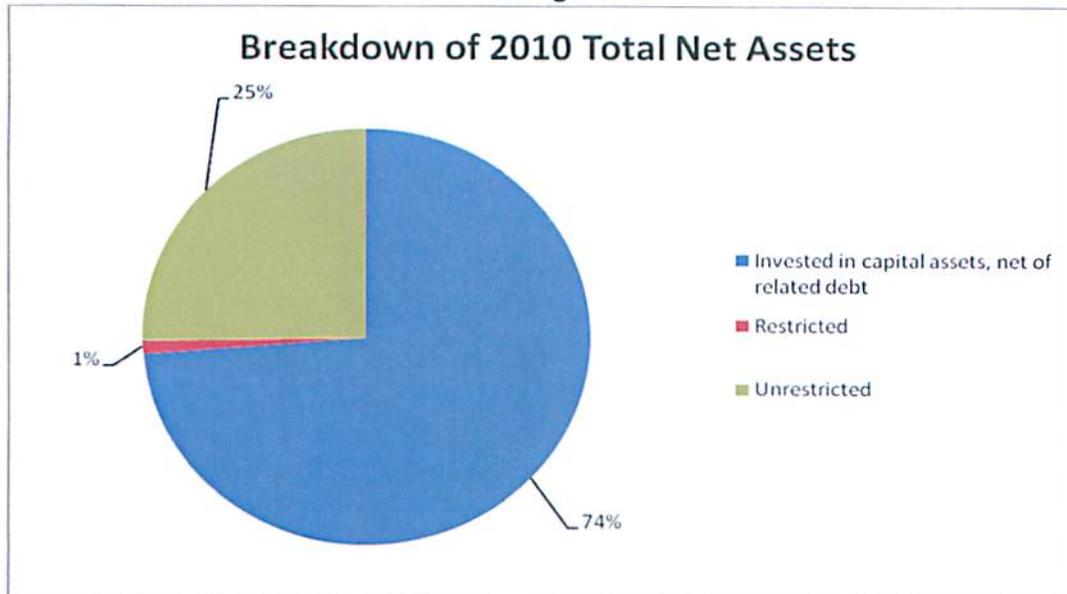
### Government-Wide Financial Analysis of the City of Clinton

#### The City of Clinton's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 6,321,893	\$ 5,931,296	\$ 3,104,299	\$ 3,463,792	\$ 9,426,192	\$ 9,395,088
Capital assets	9,333,317	9,751,735	19,016,492	18,881,271	28,349,809	28,633,006
Total assets	<u>15,655,210</u>	<u>15,683,031</u>	<u>22,120,791</u>	<u>22,345,063</u>	<u>37,776,001</u>	<u>38,028,094</u>
Long-term liabilities outstanding	1,995,737	2,123,621	6,369,158	6,053,826	8,364,895	8,177,447
Other liabilities	460,615	516,718	321,458	428,529	782,073	945,247
Total liabilities	<u>2,456,352</u>	<u>2,640,339</u>	<u>6,690,616</u>	<u>6,482,355</u>	<u>9,146,968</u>	<u>9,122,694</u>
Net assets:						
Invested in capital assets, net of related debt	7,846,238	8,300,801	12,720,769	13,091,859	20,567,007	21,392,660
Restricted	365,427	341,283	-	-	365,427	341,283
Unrestricted	4,987,193	4,400,608	2,709,406	2,770,849	7,696,599	7,171,457
Total net assets	<u>\$ 13,198,858</u>	<u>\$ 13,042,692</u>	<u>\$ 15,430,175</u>	<u>\$ 15,862,708</u>	<u>\$ 28,629,033</u>	<u>\$ 28,905,400</u>

Figure 2



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

## Management's Discussion and Analysis

by \$28,905,400 as of June 30, 2010. The largest portion \$21,392,660 (74%) 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 \$341,283 (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,171,457 (25%) 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**

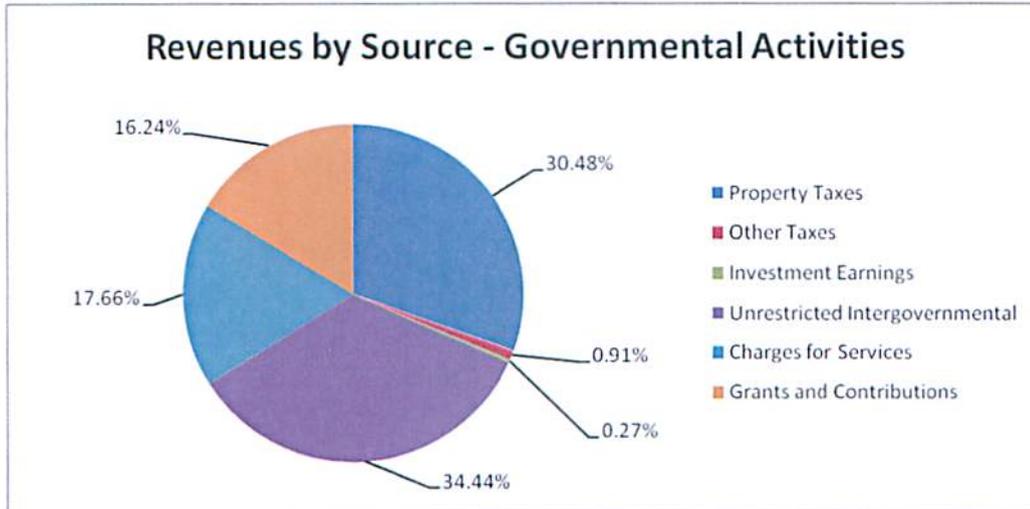
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
	2009	2010	2009	2010	2009	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,500,603	\$ 1,467,174	\$ 4,290,362	\$ 4,381,839	\$5,790,965	\$ 5,849,013
Operating grants and contributions	854,439	906,836	5,554	113,448	859,993	1,020,284
Capital grants and contributions	80,129	442,740	-	-	80,129	442,740
General revenues:						
Property taxes	2,525,303	2,532,617	-	-	2,525,303	2,532,617
Other taxes	73,042	75,814	-	-	73,042	75,814
Unrestricted intergovernmental revenues	3,065,738	2,861,096	-	-	3,065,738	2,861,096
Unrestricted investment earnings	119,064	22,466	92,070	16,415	211,134	38,881
Gain on sale of surplus assets	19,101	-	-	1,400	19,101	1,400
Write off of land purchased	-	-	-	-	-	-
<b>Total revenues</b>	<b>8,237,419</b>	<b>8,308,743</b>	<b>4,387,986</b>	<b>4,513,102</b>	<b>12,625,405</b>	<b>12,821,845</b>
<b>Expenses:</b>						
General Government	2,081,081	1,588,558	-	-	2,081,081	1,588,558
Public safety	3,324,179	3,439,587	-	-	3,324,179	3,439,587
Transportation	1,271,386	1,517,744	-	-	1,271,386	1,517,744
Environmental protection	596,490	619,746	-	-	596,490	619,746
Economic and physical development	396,877	588,900	-	-	396,877	588,900
Cultural and recreation	1,009,308	1,014,990	-	-	1,009,308	1,014,990
Interest on long-term debt	67,414	56,403	-	-	67,414	56,403
Water and Sewer	-	-	3,702,269	3,719,550	3,702,269	3,719,550
<b>Total expenses</b>	<b>8,746,735</b>	<b>8,825,928</b>	<b>3,702,269</b>	<b>3,719,550</b>	<b>12,449,004</b>	<b>12,545,478</b>
<b>Increase (decrease) in net assets</b>						
before transfers	(509,316)	(517,185)	685,717	793,552	176,401	276,367
Transfers	269,000	361,019	(269,000)	(361,019)	-	-
<b>Increase in net assets</b>	<b>(240,316)</b>	<b>(156,166)</b>	<b>416,717</b>	<b>432,533</b>	<b>176,401</b>	<b>276,367</b>
Net assets, July 1	13,357,636	13,198,858	15,013,458	15,430,175	28,371,094	28,629,033
Prior period adjustment	81,538	-	-	-	81,538	-
Net assets corrected	13,439,174	13,198,858	15,013,458	15,430,175	28,452,632	28,629,033
<b>Net assets, June 30</b>	<b>13,198,858</b>	<b>13,042,692</b>	<b>15,430,175</b>	<b>15,862,708</b>	<b>28,629,033</b>	<b>28,905,400</b>

## Management's Discussion and Analysis

Governmental activities. Governmental activities decreased the City's net assets by \$156,166 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%

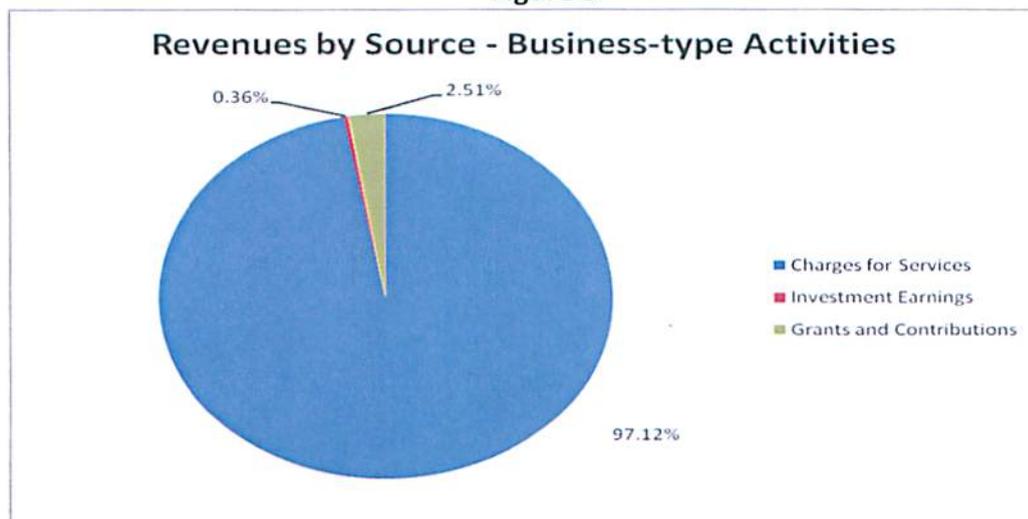
Figure 4



**Business-type activities:** Business-type activities increased the City's net assets by \$432,533. Key elements of this increase are as follows.

- Charges for services for business-type activities makes up 97.12% of revenues
- Grant & Contributions makes up 2.51%

Figure 5



## Management's Discussion and Analysis

### 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 \$3,902,397 while total fund balance reached \$5,106,250. 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 45.4% of total General Fund expenditures, while total fund balance represents 59.4% of that same amount.

At June 30, 2010, the governmental funds of the City reported a combined ending fund balance of \$5,213,971 a decrease of \$455,353 over prior year. Of this amount, \$4,010,118 or 77% 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 \$388,778 (4.7%) below the budgeted amounts. The City's expenditures were \$891,839 or (9.7%) 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 \$2,770,849 and total ending net assets were \$15,862,708. Unrestricted net assets amount to 18% of the total ending net assets. The total growth in the net assets for the Proprietary Fund was \$432,533. The growth is the result of increase in charges for services.

## Management's Discussion and Analysis

### 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, 2010, totals \$28,633,006 (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 \$381,890
- Purchase of Garbage Truck \$158,056
- Infrastructure additions of \$194,452
- Renovation of Sampson Recreation Center \$137,914
- Purchase Backhoe/Loader \$68,637

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

- Various vehicles and equipment \$204,166

City of Clinton's Capital Assets

Figure 6

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Land	1,377,354	1,387,354	261,872	261,872	1,639,226	1,649,226
Buildings and other Improvements	5,049,269	5,142,662	32,449	32,449	5,081,718	5,175,111
Construction in progress	237,589	728,080	26,235	517,668	263,824	1,245,748
Equipment	2,246,320	2,276,988	35,502,799	35,720,451	37,749,119	37,997,439
Vehicles and Motorized equipment	4,323,032	4,470,981	332,758	408,868	4,655,790	4,879,849
Infrastructure	5,774,109	5,972,513	-	-	5,774,109	5,972,513
<b>Subtotal</b>	<b>19,007,673</b>	<b>19,978,578</b>	<b>36,156,113</b>	<b>36,941,308</b>	<b>55,163,786</b>	<b>56,919,886</b>
Less accumulated depreciation	9,674,356	10,226,843	17,139,621	18,060,037	26,813,977	28,286,880
<b>Total Net Capital Assets</b>	<b>9,333,317</b>	<b>9,751,735</b>	<b>19,016,492</b>	<b>18,881,271</b>	<b>28,349,809</b>	<b>28,633,006</b>

Additional information on the City's capital assets can be found in Note III-A-4 of the Basic Financial Statements.

## Management's Discussion and Analysis

**Long-term Debt:** As of June 30, 2010, the City of Clinton had total bonded debt outstanding of \$550,000. The remainder of the City's debt represents State Revolving Loan, USDA Loan, and Installment Purchase.

**City of Clinton's Outstanding Debt  
General Obligation and Other Long Term Debt  
Figure 7**

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
General Obligation						
Bonds	\$ -	\$ -	\$ 800,000	\$ 550,000	\$ 800,000	\$ 550,000
Installment purchases	1,487,079	1,450,935	970,393	823,469	2,457,472	2,274,404
State Revolving Loan	-	-	4,525,327	4,521,792	4,525,327	4,521,792
<b>Total</b>	<b>\$ 1,487,079</b>	<b>\$ 1,450,935</b>	<b>\$ 6,295,720</b>	<b>\$ 5,895,261</b>	<b>\$ 7,782,799</b>	<b>\$ 7,346,196</b>

City of Clinton's Outstanding Debt: The City's total net debt increased by \$436,603 during the 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 \$37,070,000. The City has no bonds authorized but unissued at June 30, 2010.

Additional information regarding the City's long-term debt can be found in note III-B-6.

## Management's Discussion and Analysis

### 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 is being utilized to extend water and sewer service to the Russell Street area. The project includes renovating 10 residential structures. This area will be annexed into the City once this project is complete.
- The City of Clinton has applied for an additional \$250,000 CDBG Infrastructure grant to extend water and sewer service along Pugh Road.
- The City of Clinton is currently developing a \$750,000 CDBG grant application for the Eliza Lane area. This project will include the acquisition of right of way, paving of streets and extension of water and sewer service. This area will be annexed into the City once this project is complete.
- The City of Clinton received \$260,000 in stimulus funding for the construction of a second water storage tank at the Water Treatment Plant.
- The City of Clinton received a \$1,000,000 loan and \$455,000 grant for Phase III of the Downtown Revitalization Project. This project is scheduled to start in January 2011.
- The construction of a forty unit apartment complex on College Street is almost complete. The grand opening is expected to occur in mid-November.
- 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 8.5% which is below the statewide average of 10.2%.

### Budget Highlights for the Fiscal Year Ending June 30, 2011.

**Governmental Activities:** The governmental fund's primary revenue resources are property taxes and local option sales tax. For the fiscal year ending June 30, 2011, budgeted revenues are expected to be \$8,143,661.

## Management's Discussion and Analysis

Key items to note in the 2011 budget include:

- Property tax rate will remain at \$.41 per one hundred (\$100) valuations. This will provide approximately \$2,560,000 in property tax revenue based on an expected collection rate of 95%.
- Sales tax revenues are estimated to be \$1,345,000 in FY 2010-2011.
- Due to the rising cost of the disposal of the collection of garbage, trash, and recycling, the residential solid waste fees will increase from \$12.35 to \$13.00 per month.
- To replace aging vehicles and equipment within our fleet and to improve the efficiency of our departments, we will purchase 3 Police Vehicles, 1 truck for Cemetery and a leaf vacuum for the Street Department.
- \$50,000 is appropriated to upgrade the electrical wiring at the Community Theatre. This is owned by the City and operated by the Sampson Community Theatre.
- The allocation of \$83,000 for capital improvements at Royal Lane Park. These improvements include year two of our playground replacement program and the rehabilitation of the Royal Lane Pool.

**Business-type Activities:** The business-type fund's primary revenues resources are water and sewer revenues generated from the consumption of City water. For the FY 2010-2011 budgeted revenues are expected to be \$4,424,223.

- The City estimates revenues of approximately \$4.13 million from water and sewer charges. This growth is based on a 1.27% and a 1.21% increase in water and sewer base rates respectively. The water and sewer consumption rates will increase by \$.05 (2.86) and \$.02 (1.16%) respectively.
- Salaries and benefits along with debt payments make up the largest portion of the expenditures.
- The allocation of \$35,000 for the replacement of a utility service truck in the Line Maintenance Department.
- Wastewater Treatment Plant will begin a four-year impeller replacement program with \$24,000 allocated annually to replace all impellers at the treatment plant.
- Capital expenditures of \$55,000 represent funding for a portable generator to be used at various well sites when needed.

### 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, 2010

**EXHIBIT 1**

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 4,795,033	\$ 2,954,995	\$ 7,750,028	\$ 519,445
Taxes receivables (net)	102,890	-	102,890	-
Accrued interest receivable on taxes	14,220	-	14,220	-
Accounts receivable (net)	153,932	474,266	628,198	-
Due from other governments	729,797	-	729,797	-
Due from component unit	112,000	-	112,000	-
Inventories	23,424	34,531	57,955	131,359
Prepaid items	-	-	-	3,772
Total current assets	5,931,296	3,463,792	9,395,088	654,576
Capital assets:				
Land, improvements and construction in progress	2,115,436	779,540	2,894,976	36,795
Other capital assets, net of depreciation	7,636,299	18,101,731	25,738,030	41,298
Total capital assets	9,751,735	18,881,271	28,633,006	78,093
Total assets	\$ 15,683,031	\$ 22,345,063	\$ 38,028,094	\$ 732,669
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 490,898	\$ 297,470	\$ 788,368	\$ 72,954
Distributions payable	-	-	-	140,000
Accrued interest payable	25,820	-	25,820	-
Customer deposits	-	131,060	131,060	-
Due to other governments	-	-	-	33,399
Long-term liabilities:				
Due within one year	412,839	959,314	1,372,153	-
Due in more than one year	1,710,782	5,094,511	6,805,293	-
Total liabilities	2,640,339	6,482,355	9,122,694	246,353
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	8,300,801	13,091,859	21,392,660	78,093
Restricted for:				
Capital projects	-	-	-	3,491
Transportation	121,575	-	121,575	-
Public Safety	12,945	-	12,945	-
Economic development	172,927	-	172,927	-
Loan agreement	33,836	-	33,836	-
Working capital	-	-	-	46,358
Unrestricted	4,400,608	2,770,849	7,171,457	358,374
<b>TOTAL NET ASSETS</b>	\$ 13,042,692	\$ 15,862,708	\$ 28,905,400	\$ 486,316

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, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net-Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 1,588,558	\$ 62,570	\$ 85,770	\$ -	\$ (1,440,218)	\$ -	\$ (1,440,218)	\$ -
Public safety	3,439,587	12,851	398,235	41,362	(2,987,139)	-	(2,987,139)	-
Transportation	1,517,744	-	248,591	-	(1,269,153)	-	(1,269,153)	-
Economic and physical development	588,900	121,882	166,764	371,567	71,313	-	71,313	-
Environmental protection	619,746	1,189,033	7,476	-	576,763	-	576,763	-
Cultural and recreation	1,014,990	80,838	-	29,811	(904,341)	-	(904,341)	-
Interest on long-term debt	56,403	-	-	-	(56,403)	-	(56,403)	-
Total governmental activities	8,825,928	1,467,174	906,836	442,740	(6,009,178)	-	(6,009,178)	-
Business-type activities:								
Water and sewer	3,719,550	4,381,839	113,448	-	-	775,737	775,737	-
Total primary government	\$ 12,545,478	\$ 5,849,013	\$ 1,020,284	\$ 442,740	\$ (6,009,178)	\$ 775,737	\$ (5,233,441)	\$ -
Component unit:								
ABC Board	\$ 1,554,551	\$ 1,556,942	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,391

## General revenues:

Taxes:			
Property taxes, levied for general purpose	2,532,617	-	2,532,617
Other taxes	75,814	-	75,814
Unrestricted intergovernmental revenues	2,861,096	-	2,861,096
Unrestricted investment earnings	22,466	16,415	38,881
Gain on sale and disposal of assets	-	1,400	1,400
Transfers:	361,019	(361,019)	-
Total general revenues, special item and transfers	5,853,012	(343,204)	5,509,808
Change in net assets	(156,166)	432,533	276,367
Net assets - beginning	13,198,858	15,430,175	28,629,033
Net assets - ending	\$ 13,042,692	\$ 15,862,708	\$ 28,905,400

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

City of Clinton, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2010

	<u>Major Funds</u>	<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Non-major</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,609,484	185,549	\$ 4,795,033
Receivables, net:			
Taxes	102,890	-	102,890
Accounts	153,932	-	153,932
Due from other governments	652,087	77,710	729,797
Due from Capital Project Russell Street	45,848	-	45,848
Due from General Fund	-	16,300	16,300
Due from component unit	112,000	-	112,000
Inventory	23,424	-	23,424
Total assets	<u>\$ 5,699,665</u>	<u>\$ 279,559</u>	<u>\$ 5,979,224</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 398,744	\$ 125,990	\$ 524,734
Deferred revenue	178,371	-	178,371
Due to General Fund	-	45,848	45,848
Due to Downtown Phase III	16,300	-	16,300
Total current liabilities	<u>593,415</u>	<u>171,838</u>	<u>765,253</u>
Total liabilities	593,415	171,838	765,253
Fund balances:			
Reserved for:			
Inventory	23,424	-	23,424
State statute	888,386	-	888,386
Unreserved, general fund:			
Designated for subsequent years' expenditures	292,043	-	292,043
Unreserved, reported in:			
General fund	3,902,397	-	3,902,397
Special revenue funds	-	87,503	87,503
Capital projects funds	-	20,218	20,218
Total fund balances	<u>5,106,250</u>	<u>107,721</u>	<u>5,213,971</u>
Total liabilities and fund balances	<u>\$ 5,699,665</u>	<u>\$ 279,559</u>	<u>\$ 5,979,224</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, 2010**

Total fund balances		\$ 5,213,971
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	19,978,579	
Accumulated depreciation	<u>(10,226,844)</u>	9,751,735
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.		14,220
Liabilities for earned but deferred revenues in fund statements.		178,371
A liability in the fund statements is reported as a restricted net asset in the statement of net assets.		33,836
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>(2,149,441)</u>
Net assets of governmental activities		<u>\$ 13,042,692</u>

**City of Clinton, North Carolina**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2010**

	<u>Major Fund</u>	<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Non-major</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 2,489,010	\$ 50,018	\$ 2,539,028
Other taxes and licenses	75,814	-	75,814
Unrestricted intergovernmental	2,885,139	-	2,885,139
Restricted intergovernmental	844,573	-	844,573
Sales and services	1,331,485	-	1,331,485
Investment earnings	21,548	918	22,466
Program income	-	4,365	4,365
PARTF grants	-	29,811	29,811
CDBG grants	-	371,567	371,567
Miscellaneous	211,233	6,605	217,838
Total revenues	<u>7,858,802</u>	<u>463,284</u>	<u>8,322,086</u>
<b>EXPENDITURES:</b>			
Current:			
General government	2,064,489	-	2,064,489
Public safety	3,267,478	-	3,267,478
Transportation	1,535,715	-	1,535,715
Economic and physical development	-	122,769	122,769
Environmental protection	703,106	-	703,106
Culture and recreation	1,024,027	-	1,024,027
Capital outlay	-	516,151	516,151
Total expenditures	<u>8,594,815</u>	<u>638,920</u>	<u>9,233,735</u>
Excess (deficiency) of revenues over expenditures	(736,013)	(175,636)	(911,649)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers to other funds	(36,063)	(2,964)	(39,027)
Transfers from other funds	302,964	97,082	400,046
Loan proceeds	116,431	-	116,431
Total other financing sources (uses)	<u>383,332</u>	<u>94,118</u>	<u>477,450</u>
Net change in fund balance	(352,681)	(81,518)	(434,199)
Fund balances, beginning	5,480,085	189,239	5,669,324
Change in reserve for inventories	(21,154)	-	(21,154)
Fund balances, ending	<u>\$ 5,106,250</u>	<u>\$ 107,721</u>	<u>\$ 5,213,971</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, 2010**

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

Net change in fund balances - total governmental funds	\$	(434,199)
Change in fund balance due to change in reserve for inventory		(21,154)

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

Capital outlay expenditures which were capitalized	1,152,017	
Depreciation expenses for governmental assets	<u>(720,662)</u>	431,355

Governmental funds proceeds from disposition of assets as income. However, in the Statement of Activities the cost basis of these proceeds would be expensed. (12,937)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.  
 Decrease in deferred revenues (13,343)

A liability in the fund statements is reported as a restricted net asset in the statement of net assets. 17,816

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

Proceeds from issuance of long-term debt	(116,431)	
Principal payments on long-term debt	152,575	
Decrease in accrued interest payable	<u>4,180</u>	40,324

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	3,000	
Net pension obligation	(75,944)	
Other postemployment benefits	<u>(91,084)</u>	<u>(164,028)</u>

Total changes in net assets of governmental activities \$ (156,166)

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, 2010

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Advalorem taxes	2,536,500	2,536,500	2,489,010	(47,490)
Other taxes and licenses	80,000	80,000	75,814	(4,186)
Unrestricted intergovernmental	2,989,000	3,020,776	2,885,139	(135,637)
Restricted intergovernmental	921,855	937,601	844,573	(93,028)
Sales and services	1,284,200	1,284,200	1,331,485	47,285
Investment earnings	50,000	50,000	21,548	(28,452)
Miscellaneous	310,503	338,503	211,233	(127,270)
Total revenues	<u>8,172,058</u>	<u>8,247,580</u>	<u>7,858,802</u>	<u>(388,778)</u>
Expenditures:				
Current:				
General government	2,129,166	2,281,863	2,064,489	217,374
Public safety	3,560,281	3,577,461	3,267,478	309,983
Transportation	1,833,616	2,159,978	1,535,715	624,263
Environmental protection	616,380	731,290	703,106	28,184
Cultural and recreation	1,132,140	1,124,840	1,024,027	100,813
Contingency	-	-	-	-
Total expenditures	<u>9,271,583</u>	<u>9,875,432</u>	<u>8,594,815</u>	<u>1,280,617</u>
Revenues over (under) expenditures	(1,099,525)	(1,627,852)	(736,013)	891,839
Other financing sources (uses):				
Net transfers From (to) other funds	280,050	263,750	266,901	(3,151)
Loan proceeds	-	116,431	116,431	-
Total other financing sources (uses)	<u>280,050</u>	<u>380,181</u>	<u>383,332</u>	<u>(3,151)</u>
Revenues and other sources over (under) expenditures and other uses	(819,475)	(1,247,671)	(352,681)	<u>\$ 894,990</u>
Fund balance appropriated	819,475	1,247,671		
Fund balances, beginning	-	-	5,480,085	
Change in reserve for inventories	-	-	(21,154)	
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,106,250</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, 2010**

	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,954,995
Accounts receivable (net) - billed	296,819
Accounts receivable (net) - unbilled	177,447
Inventories	<u>34,531</u>
Total current assets	3,463,792
Capital assets:	
Land	261,872
Construction in progress	517,668
Other capital assets, net of depreciation	<u>18,101,731</u>
Capital assets (net)	<u>18,881,271</u>
Total assets	<u>\$ 22,345,063</u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 297,470
Customer deposits	131,060
Compensated absences - current	35,750
Clearwater Project Loan (construction in progress)	7,600
State Revolving Loan - 06 (2010)	11,507
State Revolving Loan - 0066 (2007)	76,837
Well Fill Purification Project	152,552
Sanitary Sewer Series 1994	250,000
State Revolving Loan - 0030 (1994)	256,733
State Revolving Loan - 0166 (2009)	<u>168,335</u>
Total current liabilities	1,387,844
Noncurrent liabilities:	
Compensated absences	41,037
OPEB liability	81,779
Clearwater Project Loan (construction in progress)	105,847
State Revolving Loan - 06 (2010)	218,628
State Revolving Loan - 0066 (2007)	461,022
Well Fill Purification Project	670,917
Sanitary Sewer Series 1994	300,000
State Revolving Loan - 0030 (1994)	1,026,932
State Revolving Loan - 0166 (2009)	<u>2,188,349</u>
Total noncurrent liabilities	<u>5,094,511</u>
Total liabilities	6,482,355
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	13,091,859
Unrestricted	<u>2,770,849</u>
Total net assets	<u>\$ 15,862,708</u>

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

City of Clinton, North Carolina  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Water & Sewer Fund  
June 30, 2010

	Water and Sewer Fund
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 3,953,486
Other operating revenues	428,353
Total operating revenues	4,381,839
<b>OPERATING EXPENSES:</b>	
Water department	1,209,766
Waste treatment	1,371,212
Depreciation	943,471
Total operating expenses	3,524,449
Operating income	857,390
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Investment earnings	16,415
DENR - ARRA funds	113,448
Sale of surplus property	1,400
Interest and other charges	(195,101)
Total nonoperating revenues (expenses)	(63,838)
Income before contributions and transfers	793,552
Transfers to other funds	(361,019)
Change in net assets	432,533
Total net assets - beginning	15,430,175
Total net assets - ending	\$ 15,862,708

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, 2010**

	<u>Water and Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	4,280,708
Cash paid for goods and services	(1,294,599)
Cash paid to or on behalf of employees for services	(1,153,699)
Customer deposits received	7,025
Other operating cash receipts	<u>56,938</u>
Net cash provided by operating activities	1,896,373
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	<u>(361,020)</u>
Total cash flows from non-capital financing activities	(361,020)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
DENR - ARRA Funds	113,448
Proceeds from ARRA Principal Forgiveness Grant	113,447
Proceeds from State Revolving Loan - 0166 (2009)	154,785
Proceeds from State Revolving Loan - 0166 (2010)	230,135
Principal retirement on State Revolving Loan - 0166 (2009)	(168,335)
Principal retirement on State Revolving Loan - 0066 (2007)	(76,837)
Interest paid on State Revolving Loan - 0066 (2007)	(14,169)
Principal retirement on Well Fill Purification Project	(146,924)
Interest paid on Well Fill Purification Project	(37,166)
Principal retirement on State Revolving Loan - 0030 (1994)	(256,733)
Interest paid on State Revolving Loan - 0030 (1994)	(52,142)
Principal retirement on Sanitary Sewer Series 1994	(250,000)
Interest paid on Sanitary Sewer Series 1994	(48,000)
Interest paid on State Revolving Loan - 05	(45,843)
Acquisition of capital assets	<u>(808,250)</u>
Net cash used by capital and related financing activities	(1,292,584)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>16,415</u>
Net increase in cash and cash equivalents	259,184
Cash and cash equivalents at beginning of year	<u>2,695,811</u>
Cash and cash equivalents at end of year	<u>\$ 2,954,995</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, 2010

	<u>Water and Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 857,390
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	943,471
Changes in assets and liabilities:	
Decrease in accounts receivable	48,112
Decrease in reserve for uncollectible accounts receivable	(128,474)
Increase in inventory	(18,546)
Decrease in accounts payable and accrued liabilities	99,989
Increase in customer deposits	7,025
Increase in accrued salaries	2,275
Increase in accrued vacation pay	3,352
Increase in accrued OPEB liability	<u>81,779</u>
Total adjustments	<u>1,038,983</u>
Net cash provided by operating activities	<u>\$ 1,896,373</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2010**

**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 governmental funds are aggregated and reported as non-major funds.

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

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2010**

The City reports the following major governmental fund:

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

The City reports the following non-major governmental funds:

**Special Revenue 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 five Special Revenue Funds: Community Development Revolving Loan Fund, Community Development Fund, Downtown Tax District Fund, Sampson Square Apartment Housing Development Fund, and Affordable Housing Project 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: Downtown Revitalization Phase III 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, 2010**

*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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. 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. The Cemetery Fund is not required to be budgeted.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2010**

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.

In accordance with State law, 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 \$1,400,000. 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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2009. 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.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2010**

**6. Inventory and Prepaid Items**

The inventories of the city and the ABC Board are valued at cost (first-in, first-out), which approximates market. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased. The inventories of the City's enterprise funds and those of the ABC Board consist of materials and supplies held for subsequent use or sale. The cost of these inventories is expensed when consumed or sold rather than when the inventory is purchased.

Typically certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used. However, the City did not have any such items at June 30, 2010 that were material in amount.

**7. Capital Assets**

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

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

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

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, 2010**

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 are subject to change.

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, 2010**

**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 2010 - 2011 budget ordinance.

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

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

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

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None

B. Deficit in Fund Balance or Net 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, 2010**

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, 2010, the City's deposits had a carrying amount of \$3,441,273 and a bank balance of \$3,739,638. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2010, the City's petty cash fund totaled \$800.

The carrying amount of deposits for the ABC Board was \$337,119 and the bank balance was \$338,304. 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.

2. Investments

At June 30, 2010, the City of Clinton had \$4,308,755 invested with the North Carolina Capital Management Trust's (NCCMT) Cash Portfolio which carried a credit rating of AAAm by Standard and Poor's. The City has no formal investment policy and has no formal policy regarding credit risk.

At June 30, 2010, The ABC Board had \$180,392 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 \$16,530.

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

Fund	June 30, 2010
General Fund:	
Taxes receivable	\$ 37,000
Accounts receivable	9,300
Total general fund	46,300
Enterprise Fund:	20,000
Total Allowances for bad debts	\$ 66,300

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2010**

4. Capital Assets

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,377,354	\$ 10,000	\$ -	\$ 1,387,354
Construction in progress	237,590	577,580	87,088	728,082
Total capital assets not being depreciated	<u>1,614,944</u>	<u>587,580</u>	<u>87,088</u>	<u>2,115,436</u>
<b>Capital assets being depreciated:</b>				
Buildings and other improvements	5,049,269	93,393	-	5,142,662
Equipment	2,246,320	79,981	49,314	2,276,987
Vehicles and motorized equipment	4,323,032	279,747	131,798	4,470,981
Infrastructure	5,774,108	198,404	-	5,972,512
Total capital assets being depreciated	<u>17,392,729</u>	<u>651,525</u>	<u>181,112</u>	<u>17,863,142</u>
<b>Less accumulated depreciation for:</b>				
Buildings and other improvements	1,540,025	89,141	-	1,629,166
Equipment	1,923,920	116,003	39,496	2,000,427
Vehicles and motorized equipment	2,999,461	320,759	128,679	3,191,541
Infrastructure	3,210,950	194,759	-	3,405,709
Total accumulated depreciation	<u>9,674,356</u>	<u>720,662</u>	<u>168,175</u>	<u>10,226,843</u>
Total capital assets being depreciated, net	<u>7,718,373</u>			<u>7,636,299</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 9,333,317</u>			<u>\$ 9,751,735</u>

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

General government	\$ 232,254
Public safety	244,161
Transportation	82,664
Environmental protection	96,114
Cultural and recreation	65,469
Total depreciation expense	<u>\$ 720,662</u>

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2010**

Capital asset activity for the Enterprise Fund for the year ended June 30, 2010, was as follows:

<b>Business-type activities:</b>	Beginning			Ending
	Balances	Increases	Decreases	Balances
<b>Water and Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 261,872	\$ -	\$ -	\$ 261,872
Construction in progress	26,235	491,433	-	517,668
Total capital assets not being depreciated	<u>288,107</u>	<u>491,433</u>	<u>-</u>	<u>779,540</u>
<b>Capital assets being depreciated:</b>				
Land Improvements	32,449	-	-	32,449
Equipment	35,502,799	240,706	23,054	35,720,451
Vehicles	332,758	76,110	-	408,868
Total capital assets being depreciated	<u>35,868,006</u>	<u>316,817</u>	<u>23,054</u>	<u>36,161,769</u>
<b>Less accumulated depreciation for:</b>				
Land Improvements	14,505	-	-	14,505
Equipment	16,953,705	857,013	23,054	17,787,664
Vehicles	171,411	86,458	-	257,869
Total accumulated depreciation	<u>17,139,621</u>	<u>943,471</u>	<u>23,054</u>	<u>18,060,038</u>
Total capital assets being depreciated, net	<u>18,728,385</u>			<u>18,101,731</u>
Water and Sewer fund capital assets, net	<u>\$ 19,016,492</u>			<u>\$ 18,881,271</u>

**Construction commitments and construction in progress**

The government has active construction projects as of June 30, 2010. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Russell Street Project	463,349	486,651
Water Treatment Plant Expansion	260,020	44,011
Lundy's Sewer Line, Phase III	232,127	16,973
Downtown Revitalization, Phase III	133,108	10,642
Sampson Square Apartment Housing Development	11,019	240,000

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2010**

**Discretely presented component unit**

Capital assets and capital asset activity for the ABC Board for the year ended June 30, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 36,795	\$ -	\$ -	\$ 36,795
<b>Capital assets being depreciated:</b>				
Paving	6,788	-	-	6,788
Buildings	135,139	26,212	-	161,351
Office Equipment	2,708	-	-	2,708
Store Equipment	56,194	4,094	-	60,288
Total capital assets being depreciated	200,829	30,306	-	231,135
<b>Less accumulated depreciation for:</b>				
Paving	6,109	679	-	6,788
Buildings	135,139	962	-	136,101
Office Equipment	2,186	212	-	2,398
Store Equipment	39,939	4,611	-	44,550
Total accumulated depreciation	183,373	6,464	-	189,837
<b>ABC capital assets being depreciated, net</b>	<u>17,456</u>			<u>41,298</u>
<b>ABC capital assets, net</b>	<u>\$ 54,251</u>			<u>\$ 78,093</u>

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

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

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

*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, 2010, 2009, and 2008 were \$216,597, \$220,541, and \$208,767, respectively. The contributions made by the City equaled the required contributions for each year.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2010**

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, 2009 the Separation Allowance's membership consisted of:

Retirees receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>32</u>
Total plan members	<u>35</u>

A separate report was not issued for the plan.

2. *Summary of Significant Accounting Policies:*

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

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

3. *Contributions.*

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

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 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, 2009 was 21 years.

**City of Clinton, North Carolina**  
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*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		6,698
Adjustment to annual required contribution		<u>(5,820)</u>
Annual pension cost	\$	<u>45,015</u>
Employer contributions made		<u>32,865</u>
Increase in net pension obligation	\$	12,150
Net pension obligation beginning of fiscal year		<u>92,391</u>
Net pension obligation end of fiscal year	\$	<u>104,541</u>

**3 Year Trend Information**

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
2008	35,369	35.66%	65,172
2009	44,878	39.35%	92,391
2010	45,015	73.01%	104,541

**4. Funded Status and Funding Progress.**

As of December 31, 2009, 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 \$634,512. The covered payroll (annual payroll of active employees covered by the plan) was \$1,163,631, and the ratio of the UAAL to the covered payroll was 54.53 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, 2010 the City of Clinton paid directly to five eligible retired law enforcement officers a total of \$32,865 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, 2010 were \$80,454, which consisted of \$57,021 from the City and \$23,433 from the law enforcement officers.

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, 2010. 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, 2010 made by the City totaled \$69,042 and the employees contributions totaled \$53,932.

**City of Clinton, North Carolina**  
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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, 2010, 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 \$518 per month for family coverage, \$300 for spouse-only coverage and \$169 for children-only coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 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 \$106,801. The City's obligation to contribute to the plan is established and may be amended by the City Council.

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

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

Annual required contribution	\$	223,566
Interest on net OPEB obligation		7,122
Adjustment to annual required contribution		(6,145)
Annual OPEB cost (expense)	\$	224,544
Contributions made		(51,680)
Increase (decrease) in net OPEB obligation		172,864
Net OPEB obligation, beginning of year		178,061
Net OPEB obligation, end of year	\$	<u>350,925</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows.

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 223,556	20.30%	\$ 178,061
2010	\$ 224,544	23.02%	\$ 350,925

*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. 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.

**City of Clinton, North Carolina  
Notes to the Financial Statements  
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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	\$ 103,323
Beer and wine tax	3,153
Sanitation receivables	55,570
Sticker Licenses	16,325
Total	\$ 178,371

**4. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; injuries to others; and natural disasters. The City participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability of \$1 million. per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The City of Clinton carries flood insurance at certain locations at the waste-treatment facility. Flood insurance is carried on the lift-station, lab building and digester facility. The City carries flood insurance through the National Flood Insurance Plan (NFIP).

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$75,000.

**City of Clinton, North Carolina**  
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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 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.

On February 6<sup>th</sup>, 2008, the city entered into an installment purchase loan with the US Department of Agriculture, Rural Development to finance the second phase of the downtown revitalization construction with a interest rate of 4.375%. 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.

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

Annual debt service payments of the installment purchase as of June 30, 2010, including interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2011	195,839	58,513
2012	202,811	51,550
2013	158,151	44,332
2014	50,230	38,773
2015	52,403	36,601
2016-2020	298,032	146,984
2021-2025	336,314	76,716
2026-2028	157,155	13,947
Total	\$ 1,450,935	\$ 467,416

**City of Clinton, North Carolina**  
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**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 1<sup>st</sup> of each year. The City signed a \$5,134,658 promissory note bearing interest at 3.385 percent per annum. The following table summarizes the annual requirements to amortize the principal owed at June 30, 2010:

	Principal	Interest	Total
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
	\$ 1,283,665	\$ 130,356	\$ 1,414,021

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, 2010:

	Principal	Interest	Total
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	76,837	5,313	82,150
2016-2017	153,675	5,313	158,988
	\$ 537,860	\$ 49,591	\$ 587,451

The City engaged in a revitalization of the Downtown area through loans with the State of North Carolina to beautify and increase commercial investment in the immediate downtown area. The second phase of this project was funded by a revolving unsecured loan which became fully drawn on 09/15/2009. The loan is payable over the course of 15 years at an interest rate of 2.1%.

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2010:

	Principal	Interest	Total
2011	168,335	49,490	217,825
2012	168,335	45,955	214,290
2013	168,335	42,420	210,755
2014	168,335	38,885	207,220
2015	168,335	35,350	203,685
2016-2020	841,673	123,726	965,399
2021-2024	673,338	35,350	708,688
	\$ 2,356,686	\$ 371,176	\$ 2,727,862

**City of Clinton, North Carolina**  
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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
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
	\$ 823,468	\$ 96,987	\$ 920,455

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, 2010 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

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

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

Year Ending June 30	Business-type Activities		
	Principal	Interest	Total
2011	250,000	33,000	283,000
2012	250,000	18,000	268,000
2013	50,000	3,000	53,000
Total	\$ 550,000	\$ 54,000	\$ 604,000

At June 30, 2010, the City of Clinton had no bonds authorized but unissued and had a legal debt margin of approximately \$37,070,000.

**City of Clinton, North Carolina**  
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f. Changes in Long-Term Liabilities

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

<b><u>Governmental activities:</u></b>	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion of Balance
Installment purchase	\$ 1,487,079	\$ 116,431	\$ 152,575	\$ 1,450,935	\$ 195,839
Compensated absences	301,931	150,671	153,601	299,001	165,000
Other postemployment benefits	178,061	183,830	92,747	269,144	52,000
Net pension obligation	65,172	78,054	38,685	104,541	-
Governmental activity long-term liabilities	<u>\$ 2,032,243</u>	<u>\$ 528,986</u>	<u>\$ 437,608</u>	<u>\$ 2,123,621</u>	<u>\$ 412,839</u>
<b><u>Business-type activities:</u></b>					
Sanitary Sewer Series 1994	\$ 800,000	\$ -	\$ 250,000	\$ 550,000	\$ 250,000
State revolving loan-0030 (1994)	1,540,398	-	256,733	1,283,665	256,733
Well Fill Purification Project (1999)	970,393	-	146,924	823,469	152,552
State revolving loan-0066 (2007)	614,696	-	76,837	537,859	76,837
State revolving loan-0166 (2009)	2,370,233	154,786	168,335	2,356,684	168,335
State revolving loan-0166 (2010)	-	230,135	-	230,135	11,507
Clearwater loan	-	113,447	-	113,447	7,600
Compensated absences	73,435	42,249	38,897	76,787	35,750
Other postemployment benefits	-	81,779	-	81,779	-
Business-type activity long-term liabilities	<u>\$ 6,369,155</u>	<u>\$ 622,396</u>	<u>\$ 937,726</u>	<u>\$ 6,053,825</u>	<u>\$ 959,314</u>

**C. Interfund Activity and Balances**

Transfers to/from other funds at June 30, 2010, consist of the following:

From the General Fund to Capital Project (Royal-Lane & Sampson Center)	\$ 19,763
From the General Fund to Capital Project (Downtown Revitalization Phase III)	16,300
From the Capital Project (Jail Site Revitalization) to the General Fund	2,964

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Transfers (continued):

From the Water and Sewer Fund to Special Revenue (Sampson Square Apartment Housing Development)	11,019
From Special Revenue (Community Development Revolving Loan Fund) to Special Revenue (Sampson Square Apartment Housing Development)	22,000
From Special Revenue (Community Development Fund) to Capital Project (Downtown Phase III)	6,200
From Special Revenue (Community Development Fund) to Special Revenue (Sampson Square Apartment Housing Development)	43,000
From the Water and Sewer Fund to Capital Project (Russell Street)	50,000
From the Water and Sewer Fund to the General Fund	<u>300,000</u>
Total	<u>\$ 471,246</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, 2010, the City of Clinton has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$7,834 for the thirty employed fireman who perform firefighting duties for the town's fire department. The employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

**IV. Joint Ventures**

The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firemen's relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire insurance premiums which insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist firefighters in various ways. The City obtains an ongoing financial benefit from the fund for the on-behalf payments for retirement benefits made to eligible members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2010, the City reported revenues and expenditures in the amount of \$27,923 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, 2010. 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, 2010.

**City of Clinton, North Carolina**  
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**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, 2010. 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, 2010 was approximately \$145,834

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, 2010 the City of Clinton received from Sampson County \$166,764 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, 2010 was \$50,276.

**VIII. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

**IX. Significant Effects of Subsequent Events**

After June 30, 2010, the City has renewed planning and expenditures relating to the Downtown Revitalization – Phase III project. The City is in the process of renovating the administration offices which will be financed with a \$500,000 loan.

After June 30, 2010, the City received \$499,639 for the Rural Center Grant shown on Exhibit D-2 as a part of the funding of the Lundy's Sewer Line Capital Project, Phase III. The original amount budgeted was \$200,000; therefore, the City plans to use the excess funds to either cover the City's contribution to the project or to make additional payments on the related debt.

City's management has evaluated subsequent events through November 1, 2010, the date on which the financial statements were available to be issued.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2010**

**X . Related Party Transactions**

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

**XI. Other agreements**

The City owns several properties that it leases to other businesses and organizations. The total amount received by the City in lease payments during the year was \$111,000.

## SUPPLEMENTAL INFORMATION

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

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

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

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

## 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	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 Years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	5.00%
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%
2010	223,566	23.56%

Notes to the required Schedules:

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

Valuation date	12/31/2007
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, 2010

TAXPAYER	ASSESSED VALUATION	TAX LEVY
1 Lundy Packing Co. Premium Standard Farms, Inc M & B Farms, LLC Smithfield Packing, Clinton Plant, LLC	\$ 54,221,536	\$ 222,308
2 Schindler Corporation	16,539,223	67,811
3 Dubose Strapping, Inc Dubose National Energy Service	9,549,272	39,152
4 Wal-Mart Stores, Inc	7,927,599	32,503
5 Libery Healthcare/Liberty Home Care	7,495,099	30,730
6 Carolina Telephone & Telegraph	7,391,978	30,307
7 Progress Energy	7,343,413	30,108
8 Lowe's	6,409,205	26,278
9 First Citizens Bank	6,104,114	25,039
10 Faircloth Family Properties	5,147,305	21,014

TOTAL ASSESSED VALUATION

Assessment Ratio	100%
Real Property	\$ 551,898,542
Personal Property	52,847,439
Public Service Companies	16,257,333
	<u>621,003,314</u>
Tax rate per \$100	.41
Levy (includes discoveries, releases and abatements)	\$ 2,546,113

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, 2010

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES:</b>			
Ad valorem taxes:			
Current year	\$	\$ 2,439,756	\$
Prior year levies		32,724	
Interest and penalties		16,530	
Total	2,536,500	2,489,010	(47,490)
Other taxes and licenses:			
Privilege licenses		46,012	
Auto licenses		29,802	
Total	80,000	75,814	(4,186)
Unrestricted intergovernmental revenues:			
Local option sales tax		1,420,583	
Utility franchise tax		649,893	
Fire district tax		345,100	
ABC profit distribution		112,000	
CATV franchise fee		48,305	
Beer and wine tax		22,754	
Hold harmless funds		66,268	
Payments in lieu of taxes		17,058	
Sales tax reimbursements		6,330	
Telecommunications sales tax		143,896	
Excise tax on piped gas		52,952	
Total	3,020,776	2,885,139	(135,637)
Restricted intergovernmental revenues:			
Powell bill allocation		248,591	
Sampson County contribution		173,664	
City schools - police		101,500	
DWI Police Grant		99,509	
Community college - police		44,036	
HUD grant - police		41,667	
Recovery Act Justice Assistance Program		41,362	
Federal drug forfeiture		30,040	
Firemen's Relief tax		14,006	
Rescue technical assistance		12,000	
NC Bureau of Justice Assistance Grant		10,050	
Local Fire Protection Service		7,834	
Solid Waste Disposal tax		7,476	
ABC revenue for law enforcement		5,900	
Region M - Aging		4,059	
State substance abuse tax		1,976	
North Carolina Department of Health		903	
Total	937,601	844,573	(93,028)

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, 2010

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Sales and services:</b>			
Garbage collection fees		1,189,096	
Recreation department fees		80,838	
Cemetery lot sales and maintenance		39,460	
Cemetery lot cleaning		15,408	
Other services and materials		6,683	
Total	1,284,200	1,331,485	47,285
<b>Investment earnings:</b>			
General fund		19,267	
Cemetery trust fund		2,281	
Total	50,000	21,548	(28,452)
<b>Miscellaneous:</b>			
Rent industrial buildings		110,912	
Other		80,461	
False alarm ordinance		9,700	
Restricted miscellaneous revenues		5,759	
Officer arrest fees		2,099	
League of Municipalities Risk Management grant		1,250	
Parking violations		885	
Ashes donations		147	
Fire department special fees		20	
Total	338,503	211,233	(127,270)
<b>Total revenues</b>	<b>8,247,580</b>	<b>7,858,802</b>	<b>(388,778)</b>
<b>EXPENDITURES:</b>			
<b>General government:</b>			
<b>Governing body:</b>			
Mayor and councilmen salaries		43,425	
Mayor and councilmen expenses		81,682	
Election expense		4,121	
Total	142,962	129,228	13,734
<b>Administrative:</b>			
Salaries and employee benefits		290,523	
Operating expenses		37,277	
Capital outlay		1,787	
Total	332,200	329,587	2,613

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, 2010

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Finance:			
Salaries and employee benefits		291,329	
Operating expenses		42,898	
Capital outlay		10,750	
Total	357,870	344,977	12,893
Planning and zoning:			
Salaries and employee benefits		275,240	
Operating expenses		40,260	
Total	333,527	315,500	18,027
Cemetery and public grounds:			
Salaries and employee benefits		202,330	
Operating expenses		61,299	
Capital outlay		54,798	
Total	359,681	318,427	41,254
Non-departmental:			
Various operating expenses		343,495	
Rehabilitation project		100,075	
Real Property		38,238	
Other agency contributions		23,321	
Housing demolition		20,828	
Economic development		10,010	
Rescue squad expense		3,105	
All American City		576	
Total	668,501	539,648	128,853
Debt service	87,122	87,122	-
<b>Total general government</b>	<b>2,281,863</b>	<b>2,064,489</b>	<b>217,374</b>
Public safety:			
Police department:			
Salaries and employee benefits		1,699,906	
Operating expenses		412,111	
Capital outlay		151,610	
Total	2,462,209	2,263,627	198,582

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, 2010

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Fire:			
Salaries and employee benefits		666,917	
Operating expenses		202,589	
Capital outlay		78,286	
Debt service		10,000	
Total	1,066,760	957,792	108,968
Maintenance:			
Salaries and employee benefits		39,867	
Operating expenses		6,192	
Total	48,492	46,059	2,433
<b>Total public safety</b>	<b>3,577,461</b>	<b>3,267,478</b>	<b>309,983</b>
Transportation:			
Street administration:			
Salaries and employee benefits		433,052	
Operating expenses		28,147	
Capital outlay		68,331	
Total	779,582	529,530	250,052
Materials and supplies:			
Signs, signals, paints and supplies		20,585	
Operating expenses		8,763	
Asphalt and concrete		8,059	
Total	52,900	37,407	15,493
Equipment expenses:			
Automotive supplies		44,392	
Equipment rental and maintenance		14,073	
Small tools and equipment		3,669	
Total	72,300	62,134	10,166
Other costs and services:			
Street lighting contract		247,802	
Landfill		26,563	
Paving		396,760	
Total	661,360	671,125	(9,765)
Capital outlay:			
Improvements		13,607	
Total	25,000	13,607	11,393
Total street	1,591,142	1,313,803	277,339

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, 2010

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Garage:			
Salaries and employee benefits		137,600	
Operating expenses		58,350	
Capital outlay		25,962	
Total	234,411	221,912	12,499
Airport:	334,425	-	334,425
<b>Total transportation</b>	<b>2,159,978</b>	<b>1,535,715</b>	<b>624,263</b>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		217,539	
Operating expenses		285,642	
Capital outlay		199,925	
<b>Total environmental protection</b>	<b>731,290</b>	<b>703,106</b>	<b>28,184</b>
Cultural and recreation:			
Salaries and employee benefits		598,944	
Operating expenses		311,798	
Capital outlay		113,285	
<b>Total cultural and recreation</b>	<b>1,124,840</b>	<b>1,024,027</b>	<b>100,813</b>
<b>Total expenditures</b>	<b>9,875,432</b>	<b>8,594,815</b>	<b>1,280,617</b>
<b>Revenues over (under) expenditures</b>	<b>(1,627,852)</b>	<b>(736,013)</b>	<b>891,839</b>
<b>Other financing sources (uses):</b>			
Transfers in (out)			
Water and Sewer Fund	300,000	300,000	-
Jail Site Revitalization	-	2,964	2,964
Royal-Lane & Sampson Center Project	(19,950)	(19,763)	(187)
Downtown Phase III	(16,300)	(16,300)	-
Loan proceeds	116,431	116,431	-
<b>Total other financing sources (uses) - net</b>	<b>380,181</b>	<b>383,332</b>	<b>2,777</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(1,247,671)</b>	<b>(352,681)</b>	<b>\$ 894,990</b>
<b>Fund balance appropriated</b>	<b>1,247,671</b>		
<b>Beginning of year, July 1</b>		5,480,085	
<b>Change in reserve for inventories</b>		(21,154)	
<b>End of year, June 30</b>		<b>\$ 5,106,250</b>	

**CITY OF CLINTON, NORTH CAROLINA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2010**

EXHIBIT C-1

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total Nonmajor Governmental Funds June 30, 2010</b>
<b>Assets:</b>			
Cash and investments	\$ 163,397	\$ 22,152	\$ 185,549
Due from other governments	-	77,710	77,710
Due from General Fund	-	16,300	16,300
	<u>\$ 163,397</u>	<u>\$ 116,162</u>	<u>\$ 279,559</u>
<b>Liabilities and Fund Equity:</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 75,894	\$ 50,096	\$ 125,990
Due to General Fund	-	45,848	45,848
	<u>75,894</u>	<u>95,944</u>	<u>171,838</u>
Total Current Liabilities	<u>75,894</u>	<u>95,944</u>	<u>171,838</u>
Total Liabilities	<u>75,894</u>	<u>95,944</u>	<u>171,838</u>
<b>Fund balances</b>			
Unreserved (available for appropriation)	87,503	20,218	107,721
	<u>87,503</u>	<u>20,218</u>	<u>107,721</u>
Total liabilities and fund balances	<u>\$ 163,397</u>	<u>\$ 116,162</u>	<u>\$ 279,559</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, 2010

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds June 30, 2010
<b>Revenues</b>			
Ad valorem taxes - net	\$ 50,018	\$ -	\$ 50,018
Program Income	4,365	-	4,365
PARTF Grant	-	29,811	29,811
CDBG Grant	-	371,567	371,567
Investment earnings	918	-	918
Miscellaneous	6,605	-	6,605
<b>Total Revenues</b>	<b>61,906</b>	<b>401,378</b>	<b>463,284</b>
<b>Expenditures</b>			
Capital Outlay	-	516,151	516,151
Economic and physical development	122,769	-	122,769
<b>Total Expenditures</b>	<b>122,769</b>	<b>516,151</b>	<b>638,920</b>
<b>Revenues over (under) expenditures</b>	<b>(60,863)</b>	<b>(114,773)</b>	<b>(175,636)</b>
<b>Other financing sources / uses</b>			
Transfer in (out)			
Water & Sewer Fund	11,019	50,000	61,019
Capital Project Downtown Phase III	(6,200)	6,200	-
General Fund	-	33,099	33,099
<b>Total other financing sources</b>	<b>4,819</b>	<b>89,299</b>	<b>94,118</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>(56,044)</b>	<b>\$ (25,474)</b>	<b>\$ (81,518)</b>
<b>Fund balance:</b>			
Beginning of year, July 1	143,547	45,692	189,239
End of year, June 30	<u>\$ 87,503</u>	<u>\$ 20,218</u>	<u>\$ 107,721</u>

**CITY OF CLINTON, NORTH CAROLINA  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
For the Year Ended June 30, 2010**

EXHIBIT C-3

	Special Revenue Community Development Revolving Loan Funds	Community Deveolpment Fund	Special Revenue Downtown Tax District Fund	Sampson Square Apartment Housing Development	Affordable Housing Project	Total Special Revenue Funds June 30, 2010
<b>Assets:</b>						
Cash and investments	\$ 4,098	\$ 8,114	\$ 90,985	\$ -	\$ 60,200	\$ 163,397
Total Assets	<u>\$ 4,098</u>	<u>\$ 8,114</u>	<u>\$ 90,985</u>	<u>\$ -</u>	<u>\$ 60,200</u>	<u>\$ 163,397</u>
<b>Liabilities and Fund Equity:</b>						
<b>Current Liabilities</b>						
Accounts Payable	\$ 425	\$ -	\$ 22,592	\$ -	\$ 52,877	\$ 75,894
Total Current Liabilities	425	-	22,592	-	52,877	75,894
Total Liabilities	425	-	22,592	-	52,877	75,894
<b>Fund balances</b>						
Unreserved (available for appropriation)	3,673	8,114	68,393	-	7,323	87,503
Total liabilities and fund balances	<u>\$ 4,098</u>	<u>\$ 8,114</u>	<u>\$ 90,985</u>	<u>\$ -</u>	<u>\$ 60,200</u>	<u>\$ 163,397</u>

**CITY OF CLINTON, NORTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
From Inception and for the Year Ended June 30, 2010

EXHIBIT C-4

	Special Revenue Community Development Revolving Loan Funds	Community Development Fund	Special Revenue Downtown Tax District Fund	Sampson Square Apartment Housing Development	Affordable Housing Project	Total Special Revenue Funds June 30, 2010
<b>Revenues</b>						
Ad valorem taxes - net	\$ -	\$ -	\$ 50,018	\$ -	\$ -	\$ 50,018
Program Income	4,365	-	-	-	-	4,365
Investment earnings	-	490	428	-	-	918
Miscellaneous	-	-	6,605	-	-	6,605
<b>Total Revenues</b>	<u>4,365</u>	<u>490</u>	<u>57,051</u>	<u>-</u>	<u>-</u>	<u>61,906</u>
<b>Expenditures</b>						
Economic and physical development	-	11,739	42,334	11,019	57,677	122,769
<b>Total Expenditures</b>	<u>-</u>	<u>11,739</u>	<u>42,334</u>	<u>11,019</u>	<u>57,677</u>	<u>122,769</u>
<b>Excess of revenues over expenditures</b>	4,365	(11,249)	14,717	(11,019)	(57,677)	(60,863)
<b>Other Financing Sources (Uses)</b>						
Water & Sewer Fund	-	-	-	11,019	-	11,019
Community Development Fund	-	(43,000)	-	-	43,000	-
Community Development Revolving Loan Fund	(22,000)	-	-	-	22,000	-
Capital Project Downtown Phase III	-	(6,200)	-	-	-	(6,200)
<b>Total other financing sources (uses)</b>	<u>(22,000)</u>	<u>(49,200)</u>	<u>-</u>	<u>11,019</u>	<u>65,000</u>	<u>4,819</u>
<b>Net change in fund balance</b>	\$ (17,635)	\$ (60,449)	\$ 14,717	\$ -	\$ 7,323	\$ (56,044)
<b>Fund balance:</b>						
Beginning of year, July 1	21,308	68,563	53,676	-	-	143,547
End of year, June 30	<u>\$ 3,673</u>	<u>\$ 8,114</u>	<u>\$ 68,393</u>	<u>\$ -</u>	<u>\$ 7,323</u>	<u>\$ 87,503</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, 2010**

EXHIBIT C-5

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Program Income	\$	\$ 4,365	\$
Investment Earnings		-	
Total Revenues	7,300	4,365	(2,935)
<b>Expenditures</b>			
Legal Service		-	
Miscellaneous		-	
Total Expenditures	7,300	-	7,300
<b>Excess of revenues over expenditures</b>	-	4,365	4,365
<b>Other Financing Sources (Uses)</b>			
Affordable Housing Project	(22,000)	(22,000)	-
<b>Net change in fund balance</b>	(22,000)	\$ (17,635)	\$ 4,365
<b>Fund balance appropriated</b>	22,000		
<b>Fund balance:</b>			
Beginning of year, July 1		21,308	
End of year, June 30		\$ 3,673	

**CITY OF CLINTON, NORTH CAROLINA  
COMMUNITY DEVELOPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2010**

EXHIBIT C-6

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Investment Earnings		490	
Total Revenues	11,150	490	(10,660)
<b>Expenditures</b>			
Downtown revitalization		11,739	
Total Expenditures	11,739	11,739	-
<b>Excess of revenues over expenditures</b>	(589)	(11,249)	(10,660)
<b>Other Financing Sources (Uses)</b>			
Capital Project Downtown Phase III	(6,200)	(6,200)	-
Affordable Housing Project	(43,000)	(43,000)	-
<b>Net change in fund balance</b>	(49,789)	\$ (60,449)	\$ (10,660)
<b>Fund balance appropriated</b>	49,789		
<b>Fund balance:</b>			
Beginning of year, July 1		68,563	
End of year, June 30		\$ 8,114	

**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, 2010**

EXHIBIT C-7

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Ad valorem taxes-net	\$	\$ 50,018	\$
Investment Earnings		428	
Miscellaneous		6,605	
	<u>43,750</u>	<u>57,051</u>	<u>13,301</u>
<b>Total Revenues</b>			
<b>Expenditures</b>			
Advertising		3,355	
Special Events		12,977	
USDA loan payment		10,793	
Projects		11,123	
Other		4,086	
	<u>45,095</u>	<u>42,334</u>	<u>2,761</u>
<b>Total Expenditures</b>			
<b>Excess of revenues over expenditures</b>	<u>(1,345)</u>	<u>14,717</u>	<u>16,062</u>
<b>Net change in fund balance</b>	(1,345)	\$ 14,717	\$ 16,062
<b>Fund balance appropriated</b>	<u>1,345</u>		
<b>Fund balance:</b>			
Beginning of year, July 1		<u>53,676</u>	
End of year, June 30		<u>\$ 68,393</u>	

**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, 2010

EXHIBIT C-8

	<u>Budget</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>		
<b>Revenues</b>					
CDBG Revenues	\$ 240,000	\$ -	\$ -	\$ -	\$ (240,000)
Total Revenues	240,000	-	-	-	(240,000)
<b>Expenditures</b>					
Administration	7,200	-	11,019	11,019	3,819
Water improvements	39,800	-	-	-	(39,800)
Pedestrian improvements	20,000	-	-	-	(20,000)
Sewer improvements	173,000	-	-	-	(173,000)
Total Expenditures	240,000	-	11,019	11,019	(228,981)
<b>Revenues over (under) expenditures</b>	-	-	(11,019)	(11,019)	(11,019)
<b>Other financing sources</b>					
Operating transfers - in Water & Sewer Fund	-	-	11,019	11,019	11,019
Total other financing sources	-	-	11,019	11,019	11,019
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance:</b>					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ -</u>		

**CITY OF CLINTON, NORTH CAROLINA  
AFFORDABLE HOUSING PROJECT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
From Inception and for the Year Ended June 30, 2010**

EXHIBIT C-9

	Actual			Variance Favorable (Unfavorable)	
	Budget	Prior Years	Current Year		Total to Date
<b>Expenditures</b>					
Appiasal	450	-	-	-	450
Plumbing connection	1,000	-	-	-	1,000
Electrical connection	1,000	-	-	-	1,000
Grading	500	-	-	-	500
Driveway extension	1,000	-	-	-	1,000
House moving	4,800	-	4,800	4,800	-
Home appliance	52,855	-	52,877	52,877	(22)
Contingency	3,395	-	-	-	3,395
<b>Total Expenditures</b>	<b>65,000</b>	<b>-</b>	<b>57,677</b>	<b>57,677</b>	<b>7,323</b>
<b>Other financing sources</b>					
Operating transfers - in					
Community Development Fund	43,000	-	43,000	43,000	-
Community Development Revolving Loan Fund	22,000	-	22,000	22,000	-
<b>Total other financing sources</b>	<b>65,000</b>	<b>-</b>	<b>65,000</b>	<b>65,000</b>	<b>-</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>7,323</b>	<b>\$ 7,323</b>	<b>\$ 7,323</b>
<b>Fund balance:</b>					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 7,323</u>		

**CITY OF CLINTON, NORTH CAROLINA  
COMBINING BALANCE SHEET  
CAPITAL PROJECT FUNDS  
For the Year Ended June 30, 2010**

EXHIBIT C-10

	<u>Non - Major</u>				<b>Total Capital Project Funds June 30, 2010</b>
	<b>Capital Project Downtown Revitalization Phase III</b>	<b>Capital Project Jail Site Revitalization</b>	<b>Capital Project Royal Lane &amp; Sampson Center</b>	<b>Capital Project Russell Street</b>	
<b>Assets:</b>					
Cash and investments	\$ 9,530	\$ -	\$ 12,622	\$ -	\$ 22,152
Due from other governments	-	-	21,873	55,837	77,710
Due from General Fund	16,300	-	-	-	16,300
Total Assets	<u>\$ 25,830</u>	<u>\$ -</u>	<u>\$ 34,495</u>	<u>\$ 55,837</u>	<u>\$ 116,162</u>
<b>Liabilities and Fund Equity:</b>					
<b>Liabilities</b>					
Accounts payable	\$ 7,850	\$ -	\$ 34,475	\$ 7,771	\$ 50,096
Due to General Fund	-	-	-	45,848	45,848
Total Liabilities	<u>7,850</u>	<u>-</u>	<u>34,475</u>	<u>53,619</u>	<u>95,944</u>
<b>Fund balances</b>					
Unreserved	<u>17,980</u>	<u>-</u>	<u>20</u>	<u>2,218</u>	<u>20,218</u>
Total liabilities and fund balances	<u>\$ 25,830</u>	<u>\$ -</u>	<u>\$ 34,495</u>	<u>\$ 55,837</u>	<u>\$ 116,162</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, 2010

EXHIBIT C-11

	Non - Major				
	Capital Project Downtown Revitalization Phase III	Capital Project Jail Site Revitalization	Capital Project Royal Lane & Sampson Center	Capital Project Russell Street	Total Capital Project Funds June 30, 2010
<b>Revenues</b>					
PARTF Grant	\$ -	\$ -	\$ 29,811	\$ -	\$ 29,811
CDBG Grant	-	-	-	371,567	371,567
Total Revenues	<u>-</u>	<u>-</u>	<u>29,811</u>	<u>371,567</u>	<u>401,378</u>
<b>Expenditures</b>					
Capital Outlay	23,512	-	50,827	441,812	516,151
Total Expenditures	<u>23,512</u>	<u>-</u>	<u>50,827</u>	<u>441,812</u>	<u>516,151</u>
<b>Revenues over (under) expenditures</b>	(23,512)	-	(21,016)	(70,245)	(114,773)
<b>Other financing sources (uses)</b>					
Transfer to General Fund	-	(2,964)	-	-	(2,964)
Transfer from Water & Sewer Fund	-	-	-	50,000	50,000
Transfer from Community Development Fund	6,200	-	-	-	6,200
Transfer from General Fund	16,300	-	19,763	-	36,063
Total other financing sources	<u>22,500</u>	<u>(2,964)</u>	<u>19,763</u>	<u>50,000</u>	<u>89,299</u>
<b>Revenues and other financing sources over (under) expenditures</b>	(1,012)	(2,964)	(1,253)	(20,245)	(25,474)
<b>Fund balance:</b>					
Beginning of year, July 1	18,992	2964	1,273	22,463	45,692
End of year, June 30	<u>\$ 17,980</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 2,218</u>	<u>\$ 20,218</u>

**CITY OF CLINTON, NORTH CAROLINA**  
**CAPITAL PROJECT FUND - DOWNTOWN REVITALIZATION PHASE III**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**From Inception and for the Year Ended June 30, 2010**

EXHIBIT C-12

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Expenditures</b>					
Engineering and design	143,750	109,596	23,512	133,108	10,642
Total Expenditures	<u>143,750</u>	<u>109,596</u>	<u>23,512</u>	<u>133,108</u>	<u>10,642</u>
<b>Other financing sources</b>					
Operating transfers - in					
From Community Development Fund	127,450	121,250	6,200	127,450	-
From General Fund	<u>16,300</u>	<u>-</u>	<u>16,300</u>	<u>16,300</u>	<u>-</u>
Total other financing sources	<u>143,750</u>	<u>121,250</u>	<u>22,500</u>	<u>143,750</u>	<u>-</u>
<b>Other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 11,654</u>	<u>(1,012)</u>	<u>\$ 10,642</u>	<u>\$ 10,642</u>
<b>Fund balance:</b>					
Beginning of year, July 1			<u>18,992</u>		
End of year, June 30			<u>\$ 17,980</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, 2010

EXHIBIT C-13

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

**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, 2010

EXHIBIT C-14

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
PARTF Grant	\$ 118,113	\$ 88,302	\$ 29,811	\$ 118,113	\$ -
Total Revenues	118,113	88,302	29,811	118,113	-
<b>Expenditures</b>					
<b>Royal Lane</b>					
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
<b>Sampson Center</b>					
Planning	675	-	675	675	a -
Building Renovation	14,323	14,322	-	14,322	a 1
Site Preparation	19,719	19,719	-	19,719	a -
Walking Path Construction	20,532	-	19,778	19,778	a 754
Ballfield Renovation	19,726	12,270	9,200	21,470	a (1,744)
Patio Garden Construction & Flower Beds	15,876	15,877	-	15,877	a (1)
Picnic Shelter	22,184	-	21,174	21,174	a 1,010
Building Demolition	24,900	24,900	-	24,900	a -
Contingency	-	-	-	-	-
Total Expenditures	268,227	217,234	50,827	268,061	166
<b>Revenues over (under) expenditures</b>	<b>(150,114)</b>	<b>(128,932)</b>	<b>(21,016)</b>	<b>(149,948)</b>	<b>166</b>
<b>Other financing sources</b>					
Operating transfers - in					
From Community Development Project	32,000	32,000	-	32,000	-
From General Fund	118,114	98,205	19,763	117,968	(146)
Total other financing sources	150,114	130,205	19,763	149,968	(146)
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 1,273</b>	<b>(1,253)</b>	<b>\$ 20</b>	<b>\$ 20</b>
<b>Fund balance:</b>					
Beginning of year, July 1			1,273		
End of year, June 30			\$ 20		

a Components of this capital project fund were capitalized and included in the fixed assets of the City as of June 30, 2008 and 2010. The amounts capitalized are as follows:

	6/30/08	06/30/10
Royal Lane	130,146	-
Sampson Center	-	137,914
Total	\$ 130,146	\$ 137,914

**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, 2010

EXHIBIT C-15

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
CDBG Grant	\$ 850,000	\$ -	\$ 371,567	\$ 371,567	\$ 478,433
Total Revenues	850,000	-	371,567	371,567	478,433
<b>Expenditures</b>					
Administration	44,000	21,537	22,463	44,000	-
Clearance	41,500	-	4,900	4,900	36,600
Rehabilitation Private	421,000	-	224,298	224,298	196,702
Relocation	170,000	-	136,116	136,116	33,884
Water Improvements	61,220	-	15,537	15,537	45,683
Sewer	112,280	-	15,333	15,333	96,947
Local Contribution - Water & Sewer	50,000	-	23,165	23,165	26,835
Local Contribution - Sewer	50,000	-	-	-	50,000
Total Expenditures	950,000	21,537	441,812	463,349	486,651
<b>Revenues over (under) expenditures</b>	<b>(100,000)</b>	<b>(21,537)</b>	<b>(70,245)</b>	<b>(91,782)</b>	<b>(8,218)</b>
<b>Other financing sources</b>					
Operating transfers - in From Water & Sewer Fund	100,000	44,000	50,000	94,000	(6,000)
Total other financing sources	100,000	44,000	50,000	94,000	(6,000)
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 22,463</b>	<b>(20,245)</b>	<b>\$ 185,782</b>	<b>\$ 2,218</b>
<b>Fund balance:</b>					
Beginning of year, July 1			22,463		
End of year, June 30			<b>\$ 2,218</b>		

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, 2010

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES:</b>			
Operating revenues:			
Charges for services:			
Water and sewer charges		\$ 3,953,486	
Sewer surcharge		217,531	
Water and sewer tap fees		24,668	
Service fees		34,685	
Fireline fees		23,379	
Miscellaneous		164,259	
Total operating revenues	4,335,078	4,418,008	82,930
Nonoperating revenues:			
DENR - ARRA funds		113,448	
DENR Principal forgiveness grant		113,447	
DENR Phase III		230,135	
State revolving loan funds		154,785	
Investment earnings		16,415	
Sale of surplus property		1,400	
Total nonoperating revenues	598,131	629,630	31,499
Total revenues	4,933,209	5,047,638	114,429
<b>EXPENDITURES:</b>			
Operating expenditures other than depreciation:			
Water department:			
Salaries and employee benefits		697,351	
Operating expenditures		393,231	
Repairs and maintenance		157,467	
Total water department	1,376,781	1,248,049	128,732
Waste treatment department:			
Salaries and employee benefits		449,316	
Operating expenditures		740,248	
Repairs and maintenance		172,535	
Total waste treatment department	1,424,335	1,362,099	62,236
Total operating expenditures other than depreciation	2,801,116	2,610,148	190,968
Debt service:			
Principal payments		898,830	
Interest and fees		197,320	
Total debt service	1,125,920	1,096,150	29,770
Contingency	-	-	-
Capital outlay:			
Water department		406,522	
Waste treatment department		342,142	
Total capital outlay	896,489	748,664	147,825
Total expenditures	4,823,525	4,454,962	368,563

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, 2010

	2010		Variance
	Budget	Actual	Favorable (Unfavorable)
Other financing uses:			
Transfers to other funds		(361,019)	
Total other financing uses	(350,000)	(361,019)	(11,019)
Total expenditures and other financing uses	5,173,525	4,815,981	357,544
Fund balance appropriated	(240,316)	-	(240,316)
Revenue over (under) expenditures and other uses	\$ -	\$ 231,657	\$ 231,657
Reconciliation of modified accrual basis to full accrual basis:		\$ 231,657	
Revenues over expenses and supplemental budget expenditures			
Reconciling items:			
Debt proceeds		(498,367)	
Principal retirement		898,830	
Capital outlay		808,250	
Increase in inventory		18,546	
Increase in accrued vacation pay		(3,352)	
Decrease in accrued interest		2,218	
Increase in accrued OPEB liability		(81,779)	
Depreciation		(943,470)	
Total reconciling items		200,876	
Change in net assets		\$ 432,533	

**CITY OF CLINTON, NORTH CAROLINA**  
**CAPITAL PROJECT - LUNDY'S SEWER LINE PHASES I, II & III**  
**Project # E-SRL-T-05-0066-Phase I**  
**Project # CS-370425-05-Phase II**  
**Project # E-SRF-T09-0238-Phase III**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)**  
**From Inception and for the Year Ended June 30, 2010**

EXHIBIT D-2

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Rural Center Grant	\$ 200,000	\$ -	\$ -	\$ -	\$ (200,000)
DENR Phase III Funds	249,100	-	230,135	230,135	(18,965)
Total Revenues	449,100	-	230,135	230,135	(218,965)
<b>Expenditures</b>					
<b>Phases-I, II &amp; III</b>					
Engineering & Design	357,000	282,516	22,876	305,392	51,608
Construction	3,578,718	3,353,767	209,251	3,563,018	15,700
Inspection & Permits	123,080	162,405	-	162,405	(39,325)
Easement Acquisition	10,000	6,063	-	6,063	3,937
Closing Costs	6,950	-	-	-	6,950
Miscellaneous	58,001	57,017	-	57,017	984
Contingency	151,324	-	-	-	151,324
Total Expenditures - Phase I & II	4,285,073	3,861,768	232,127	4,093,895	191,178
<b>Revenues over (under) expenditures</b>	<b>(3,835,973)</b>	<b>(3,861,768)</b>	<b>(1,992)</b>	<b>(3,863,760)</b>	<b>(27,787)</b>
<b>Other financing sources</b>					
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	154,785	2,525,018	(220,757)
Operating transfers - in From Water & Sewer Fund	233,000	233,000	-	233,000	-
Total other financing sources	3,835,973	3,371,606	154,785	3,526,391	(309,582)
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (490,162)</b>	<b>\$ 152,793</b>	<b>\$ (337,369)</b>	<b>\$ (337,369)</b>

Expenditures to date	Phase I <sup>a</sup>	Phase II <sup>b</sup>	Phase III	Totals
Engineering & Design	44,258	238,258	22,876	305,392
Construction	717,105	2,636,662	209,251	3,563,018
Inspection & Permits	-	162,405	-	162,405
Easement Acquisition	6,063	-	-	6,063
Miscellaneous	947	56,070	-	57,017
<b>Totals</b>	<b>768,373</b>	<b>3,093,395</b>	<b>232,127</b>	<b>4,093,895</b>

<sup>a</sup> Components of Phase I were capitalized and included in the fixed assets of the City as of June 30, 2008. The total amount capitalized was \$768,373.

<sup>b</sup> Components of Phase II were capitalized and included in the fixed assets of the City as of June 30, 2009. The total amount capitalized was \$3,093,395.

<sup>c</sup> 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 - RALEIGH ROAD SEWER**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
From Inception and for the Year Ended June 30, 2010

EXHIBIT D-3

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

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

**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, 2010**

EXHIBIT D-4

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Clinton City Schools	\$ 257,359	\$ 221,810	\$ -	\$ 221,810	(35,549)
Total Revenues	<u>257,359</u>	<u>221,810</u>	<u>-</u>	<u>221,810</u>	<u>(35,549)</u>
<b>Expenditures</b>					
Engineering & Design	34,104	6,792	8,996	15,788	18,316
Construction	212,624	211,007	1,807	212,814	(190)
Contingency	10,631	-	-	-	10,631
Total Expenditures	<u>257,359</u>	<u>217,799</u>	<u>10,803</u>	<u>228,602</u>	<u>28,757</u>
<b>Revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 4,011</u>	<u>\$ (10,803)</u>	<u>\$ (6,792)</u>	<u>\$ (6,792)</u>

a This capital project was capitalized and included in the fixed assets of the City's water & sewer fund as of June 30, 2008.

**CITY OF CLINTON, NORTH CAROLINA**  
**CAPITAL PROJECT - WATER TREATMENT PLANT EXPANSION**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
From Inception and for the Year Ended June 30, 2010

EXHIBIT D-5

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
DENR - ARRA Funds	\$ 152,016	\$ -	\$ 113,448	113,448	(38,568)
Principal Forgiveness Grant - ARRA	152,015	-	113,447	113,447	(38,568)
Total Revenues	<u>304,031</u>	<u>-</u>	<u>226,895</u>	<u>226,895</u>	<u>(77,136)</u>
<b>Expenditures</b>					
Engineering & Design	21,000	-	21,000	21,000	-
Engineering Construction Services	16,700	-	14,907	14,907	1,793
Closing Costs	6,081	-	-	-	6,081
Geotech Investigation	3,000	-	3,000	3,000	-
Construction	245,000	-	221,113	221,113	23,887
Contingency	12,250	-	-	-	12,250
Total Expenditures	<u>304,031</u>	<u>-</u>	<u>260,020</u>	<u>260,020</u>	<u>44,011</u>
<b>Revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (33,125)</u>	<u>\$ (33,125)</u>	<u>\$ (33,125)</u>

CITY OF CLINTON, NORTH CAROLINA  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 June 30, 2010

Fiscal Year Ended June 30,	Uncollected June 30, 2009	Additions	Collections & Credits	Uncollected June 30, 2010
2010	\$ -	\$ 2,546,113	\$ (2,484,213)	\$ 61,900
2009	76,465	-	(52,662)	23,803
2008 (see note A)	18,413	-	(7,385)	11,028
2007 & prior	49,225	-	(6,066)	43,159
	<u>\$ 144,103</u>	<u>\$ 2,546,113</u>	<u>\$ (2,550,326)</u>	<u>139,890</u>
Less allowance for uncollectible ad valorem taxes receivable				37,000
Ad valorem taxes receivable - net				<u><u>102,890</u></u>

## Reconciliation with revenues:

Taxes - Ad Valorem - General Fund	\$ 2,489,010
Discounts allowed & collection fee	76,678
Taxes written off and other adjustments	1,168
Subtotal	<u>2,566,856</u>
Less interest and penalties collected	<u>(16,530)</u>
Total collections and credits	<u><u>\$ 2,550,326</u></u>

CITY OF CLINTON, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
For the Year Ended June 30, 2010

	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax levy - City Wide	\$ 568,376,702	0.41	\$ 2,330,344	\$ 2,330,344	\$ -
Motor vehicles taxes at prior year rate	53,640,488	0.41	219,926	-	219,926
Abatements and discoveries	<u>(1,013,951)</u>		<u>(4,157)</u>	<u>(6,505)</u>	<u>2,348</u>
Total for year	<u>\$ 621,003,239</u>		2,546,113	2,323,839	222,274
Less uncollected tax at June 30, 2010 (Exhibit E-1)			<u>61,900</u>	<u>32,195</u>	<u>29,705</u>
Current year's taxes collected			<u>\$ 2,484,213</u>	<u>\$ 2,291,644</u>	<u>\$ 192,569</u>
Percent current year collected			97.57%	98.61%	86.64%

## COMPLIANCE SECTION



A PROFESSIONAL ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

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 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 aggregated remaining fund information of the City of Clinton, North Carolina, as of and for the year ended June 30, 2010, which collectively comprises the City of Clinton, North Carolina's basic financial statements and have issued our report thereon dated November 1, 2010. 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.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or 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, North Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Clinton, North Carolina, in a separate letter dated November 1, 2010.

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

*Denning J Sessoms PA*

Denning & Sessoms, PA

Clinton, North Carolina

November 1, 2010



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

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

Compliance

We have audited the City of Clinton, North Carolina's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Clinton's major federal programs for the year ended June 30, 2010. The City of Clinton, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Clinton, North Carolina's management. Our responsibility is to express an opinion on the City of Clinton, North Carolina's compliance based on our audit.

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

In our opinion, the City of Clinton, North Carolina, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of

compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

A handwritten signature in black ink that reads "Denning J. Sessoms PA". The signature is written in a cursive style with a distinct loop for the letter 'D' and a clear 'PA' at the end.

Denning & Sessoms, PA

Clinton, North Carolina

November 1, 2010

**CITY OF CLINTON, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2010**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's/Contract Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Grants:</b>					
<b>Cash Programs:</b>					
<u>U.S. Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce, Division of Community Assistance	14.228	08-C-1874	418,647	-	23,165
<u>U.S. Environmental Protection Agency</u>					
Passed-through N.C. Department of Environmental and Natural Resources American Recovery and Reinvestment Act of 2009	66.468	H-ARRA-09-1465	226,895	-	-
<u>U.S. Environmental Protection Agency</u>					
Passed-through N.C. Department of of Environment and Natural Resources: Federal Clean Water Act (see note 2 below) Phase III	66.458	E-SRF-T09-0238	232,127	-	-
<u>U.S. Department of Federal Emergency Management</u>					
Passed-through N.C. Department of Crime Control and Public Safety	97.110	SRL-PJ-04-NC-2009-001	100,075	-	-
<u>U.S. Department of Health &amp; Human Services</u>					
Substance Abuse and Mental Health Service Administration Passed-through N.C. Department of Health & Human Service Division of Mental Health Development Disabilities and Substance Abuse Strategic Prevention Framework State Incentive Grant	93.243	1491-536974-82	99,147	-	-
<u>U.S. Department of Justice</u>					
Passed-through N.C. Bureau of Justice Assistance Recovery Act Justice Assistance Program	16.804	2009-SB-B9-0844	41,274	-	24,000
Passed-through N.C. Bureau of Justice Assistance	16.804	2009-DJ-BX-1314	9,601	-	-
<u>U.S. Department of Housing and Urban Development</u>					
Public and Indian Housing Drug Elimination Program Small Cities	14.854		41,667	-	-
<u>U.S. Department of Health and Human Services</u>					
Passed-through Mid-Carolina Council of Government: Special Programs for the Aging Title IIIB - Senior Citizens	93.004		4,059	-	-
<u>U.S. Department of Agriculture</u>					
Community Facilities Loans Downtown Revitalization Phase III (See note 3 below)	10.780		-	-	23,512
Total assistance - federal programs			1,173,492	-	47,165
<b>State Grants:</b>					
<b>Cash Assistance:</b>					
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Parks and Recreation Parks and Recreation Trust Fund		PO8007	-	29,811	21,016
Division of Environmental Health Public Health Pest Management		T06058	-	903	-
<u>N.C. Department of Transportation:</u>					
Powell Bill		DOT-4	-	248,591	-
Total assistance - state programs			-	279,305	21,016
Total assistance			<u>\$1,173,492</u>	<u>\$ 279,305</u>	<u>\$ 68,181</u>

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

- The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Clinton and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
- Loans Outstanding**  
The City of Clinton had a loan balance outstanding at June 30, 2010 in the amount of \$2,894,545 from proceeds of the NC Clean Water Revolving Loan & Grant Act of 1987 and \$230,135 from the NC Clean Water Revolving Loan & Grant Act of 1987 and the Federal Clean Water Act Amendments of 1987. Contributions from the City's Water & Sewer Fund during the year ended June 30, 2005 in the amount of \$233,000 and loans are funding a multi-phase capital project.  
  
The City of Clinton had two loans outstanding at June 30, 2010 in the amounts of \$332,177 and \$700,497 from installment loans financed with Community Facilities Loans with the US Department of Agriculture. These loans along with contributions from the City funded two downtown revitalization projects. Phase I was completed during the year ended June 30, 2005 and Phase II was completed during the year ended June 30, 2008. Phase III was begun during the period under audit.

City of Clinton, North Carolina  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2010

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

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted \_\_\_yes      X  no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

CFDA No.	Names of Federal Program or Cluster
14.228	Community Development Block Grant (Russell Street Project)
66.468	Drinking Water State Revolving Fund (Treatment Plant Expansion)

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

Auditee qualified as low-risk auditee? \_\_\_yes      X  no

City of Clinton, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2010

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**Section II – Financial Statement Findings**

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None reported.

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

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None reported.

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

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None reported.