

**Audited Financial Statements  
And Other Financial Information**

City of Clinton, North Carolina

As of June 30, 2011

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, 2011, 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 an opinion 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.

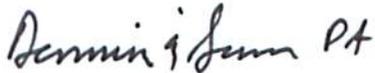
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Clinton, North Carolina, as of June 30, 2011, 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 4, 2011, 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, the Law Enforcement Officers' Special Separation Allowance's 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.



Denning & Sessoms, PA

Clinton, North Carolina

November 4, 2011

## 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, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### **Financial Highlights**

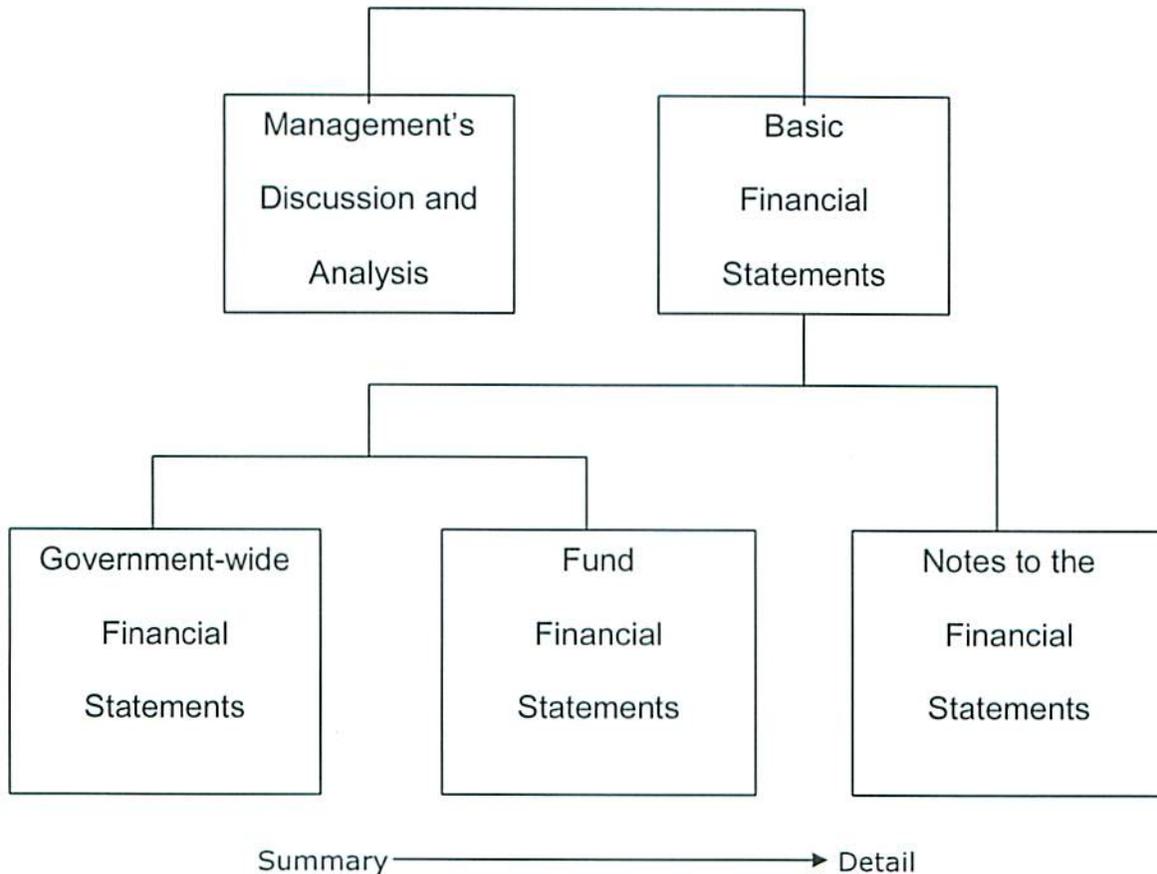
- The assets of the City of Clinton exceeded its liabilities at the close of the fiscal year by \$30,398,341. The assets of the governmental activities exceeded its liabilities by \$13,571,831. The assets of the business-type activities exceeded liabilities by \$16,826,510.
- The government's total net assets increased by \$1,492,941 primarily due to increases in the business-type activities net assets.
- Business-type net assets increased \$963,802 and net assets for governmental activities increased \$529,139.
- As of the close of the current fiscal year, the City of Clinton's governmental funds reported combined ending fund balances of \$5,329,525 with a net change of \$100,768 in fund balance. Approximately 30.77 percent of this total amount, or \$1,640,076, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,134,417, or 38 percent of total general fund expenditures for the fiscal year. Total fund balance for the General Fund was \$5,227,370 (63.37%)
- The City of Clinton's total debt decreased by \$589,542 (-8.03%) during the past fiscal year, primarily due to the reduction in debt principal in business-type activities. Governmental activity debt increased by \$304,161 (20.96%).
- The City maintained its bond rating of A+ from Standard & Poor's and A3 from Moody's Investors. The North Carolina Municipal Council continues issue a rating of 82 for the City.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to City of Clinton's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Clinton.

### Required Components of Annual Financial Report

Figure 1



#### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

## **Government-Wide Financial Statements**

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

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

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

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

## **Fund Financial Statements**

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

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

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

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 26 of this report.

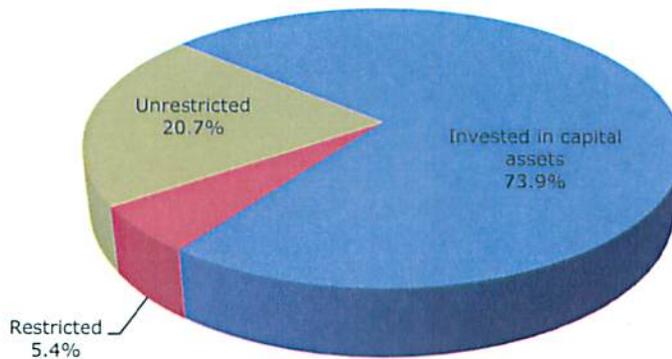
**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Clinton’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 50 of this report.

### Government-Wide Financial Analysis

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 6,008,394	\$ 5,931,296	\$ 4,001,671	\$ 3,463,792	\$ 10,010,065	\$ 9,395,088
Capital assets	10,700,484	9,751,735	18,379,414	18,881,271	29,079,898	28,633,006
Total assets	16,708,878	15,683,031	22,381,085	22,345,063	39,089,963	38,028,094
Long-term liabilities outstanding	2,515,080	2,123,621	5,212,828	6,053,825	7,727,908	8,177,446
Other liabilities	621,967	516,718	341,747	428,530	963,714	945,248
Total liabilities	3,137,047	2,640,339	5,554,575	6,482,355	8,691,622	9,122,694
Net assets:						
Invested in capital assets, net of related debt	8,945,388	8,300,801	13,506,421	13,091,859	22,451,809	21,392,660
Restricted	1,644,611	341,283	-	-	1,644,611	341,283
Unrestricted	2,981,832	4,400,608	3,320,089	2,770,849	6,301,921	7,171,457
Total net assets	\$ 13,571,831	\$ 13,042,692	\$ 16,826,510	\$ 15,862,708	\$ 30,398,341	\$ 28,905,400

**Figure 3**  
**City of Clinton FY2011**  
**Total Net Assets by Type**



As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Clinton exceeded liabilities by \$30,398,341 as of June 30, 2011. The City's net assets increased by \$1,492,941 for the fiscal year ended June 30, 2011. The largest portion (73.89%) 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 \$1,644,611 (5.41%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,301,921 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 97.08%.
- Increased privilege license revenues of approximately \$50,000 due to internet sweepstakes regulations.
- Sales Tax revenues of approximately \$132,000 more than original projections
- Continued low cost of debt due to the City's good bond rating.

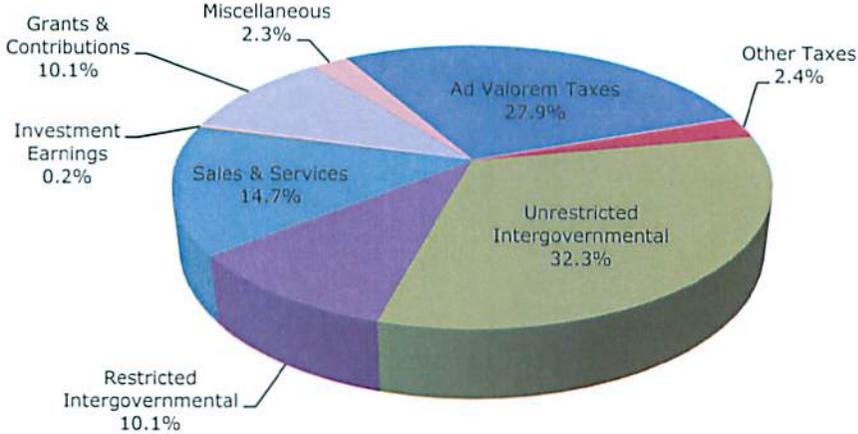
**City of Clinton's Changes in Net Assets  
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,507,005	\$ 1,467,174	\$ 4,445,834	\$ 4,381,839	\$ 5,952,839	\$ 5,849,013
Operating grants and contributions	965,461	906,836	105,499	113,448	1,070,960	1,020,284
Capital grants and Contributions	856,402	442,740	785,698	-	1,642,100	442,740
General revenues:						
Property taxes	2,532,016	2,532,617	-	-	2,532,016	2,532,617
Other taxes	221,166	75,814	-	-	221,166	75,814
Unrestricted intergovernmental revenues	2,933,756	2,861,096	-	-	2,933,756	2,861,096
Unrestricted investment Earnings	16,754	22,466	14,780	16,415	31,534	38,881
Gain on sale of surplus Assets	-	-	-	1,400	-	1,400
Write off of land purchased	-	-	-	-	-	-
<b>Total revenues</b>	<b>9,032,560</b>	<b>8,308,743</b>	<b>5,351,811</b>	<b>4,513,102</b>	<b>14,384,371</b>	<b>12,821,845</b>
<b>Expenses:</b>						
General Government	2,128,629	1,588,558	-	-	2,128,629	1,588,558
Public safety	3,451,266	3,439,587	-	-	3,451,266	3,439,587
Transportation	1,210,995	1,517,744	-	-	1,210,995	1,517,744
Environmental protection	278,423	588,900	-	-	278,423	588,900
Economic and physical development	741,459	619,746	-	-	741,459	619,746
Cultural and recreation	963,481	1,014,990	-	-	963,481	1,014,990
Interest on long-term debt	76,313	56,403	164,077	-	240,390	56,403
Water and Sewer	-	-	3,876,787	3,719,550	3,876,787	3,719,550
<b>Total expenses</b>	<b>8,850,566</b>	<b>8,825,928</b>	<b>4,040,864</b>	<b>3,719,550</b>	<b>12,891,430</b>	<b>12,545,478</b>
Increase (decrease) in net assets before transfers	181,994	(517,185)	1,310,947	793,552	1,492,941	276,367
Transfers	347,145	361,019	(347,145)	(361,019)	-	-
Increase in net assets	529,139	(156,166)	963,802	432,533	1,492,941	276,367
Net assets, July 1	13,042,692	13,198,858	15,862,708	15,430,175	28,905,400	28,629,033
Net assets, June 30	\$ 13,571,831	\$ 13,042,692	\$ 16,826,510	\$ 15,862,708	\$ 30,398,341	\$ 28,905,400

**Governmental activities.** Governmental activities increased the City's net assets by \$529,139, thereby accounting for 35.44% of the total growth in the net assets of the City of Clinton. Key elements of this increase are as follows:

- Grant revenues in the in the economic development function were used to construct capital assets.
- Loan proceeds were used for capital asset growth in the general government function.
- Tax revenues remained steady.

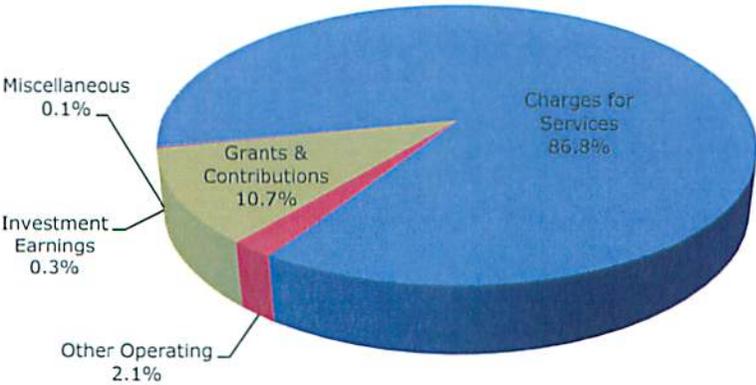
**Figure 5**  
**Revenues by Source:**  
**Governmental Activities**



**Business-type activities.** Business-type activities increased the City of Clinton’s net assets by \$963,802, accounting for 64.56% of the total growth in the government’s net assets. Key elements of this increase are as follows:

- Grant revenues increased both capital and operational revenues.
- Implementation of a meter-testing program required an upfront cost that resulted in a 100% payback period within three months and then continued to increase user fee revenues.

**Figure 6**  
**Revenues by Source:**  
**Business-type Activities**



### Financial Analysis of the City's Funds

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

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

The general fund is the chief operating fund of the City of Clinton. At the end of the current fiscal year, Clinton's fund balance available in the General Fund was \$3,670,722, while total fund balance reached \$5,227,370. The Clinton City Council has determined that the City should maintain an available fund balance of 38% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 44.50% of general fund expenditures, while total fund balance represents 63.37% of the same amount. The City considers any available fund balance over 38% assigned for capital expenditures.

At June 30, 2011, the governmental funds of City of Clinton reported a combined fund balance of \$5,329,525 with a net increase in fund balance of \$100,768. Included in this change in fund balance are increases in fund balance in both the General and Capital Projects Funds.

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

Amendments to the FY2010-2011 budget represent increases in intergovernmental revenues resulting primarily from grants and additional ABC revenues. Expenditure amendments comply with statutory budget requirements and most increases are representative of projects associated with grants, repairs resulting from natural disasters, and storm drainage projects. General Fund Revenues were \$205,200 (2.57%) above the amended budget amounts. The City's expenditures were \$496,331 or (5.68%) less than the amended budget amount.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$3,320,089. The total change in net assets was \$963,802. The change in net assets in the Water and Sewer Fund is in large part the result of an increase of sewer surcharge revenues over original estimates and the completion of several CDBG infrastructure projects that increased water and sewer capital assets.

**Capital Asset and Debt Administration**

**Capital assets.** The City of Clinton’s investment in capital assets for its governmental and business-type activities as of June 30, 2011, totals \$29,079,898 (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:

- City Hall construction and renovations governmental capital assets of \$550,230
- Water production plant and well site additions and renovations increased water and sewer assets by \$366,917
- Downtown Revitalization Phase III construction in progress for governmental capital assets of \$322,276
- Sampson Square Apartments CDBG project water and sewer capital assets of \$229,562
- Recreation improvements and renovations to playgrounds and pool increased governmental capital assets by \$78,764
- Police vehicle purchases increased governmental capital assets by \$76,760
- Storm drainage infrastructure governmental capital assets of \$57,182

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

- Various vehicle and equipment decreased governmental capital assets by \$99,567

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,414,095	\$ 1,387,354	\$ 261,872	\$ 261,872	\$ 1,675,967	\$ 1,649,226
Buildings and other improvements	5,692,892	5,142,662	32,449	32,449	5,725,341	5,175,111
Construction in progress	1,556,027	728,082	294,724	517,668	1,850,751	1,245,750
Equipment	2,289,244	2,276,987	36,360,736	35,720,451	38,649,980	37,997,438
Vehicles and motorized equipment	4,509,225	4,470,981	438,700	408,868	4,947,925	4,879,849
Infrastructure	6,119,134	5,972,512		-	6,119,134	5,972,512
Subtotal	21,580,617	19,978,578	37,388,481	36,941,308	58,969,098	56,919,886
Less accumulated depreciation	10,880,133	10,226,843	19,009,067	18,060,037	29,889,200	28,286,880
Total Net Capital Assets	\$ 10,700,484	\$ 9,751,735	\$ 18,379,414	\$ 18,881,271	\$ 29,079,898	\$ 28,633,006

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

**Long-term Debt.** As of June 30, 2011, the City of Clinton had total bonded debt outstanding of \$300,000. The remainder of the City's debt represents State Revolving loans, USDA loans, and installment purchases.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation	\$ -	\$ -	\$ 300,000	\$ 550,000	\$ 300,000	\$ 550,000
Installment purchases	1,755,096	1,450,935	806,624	823,469	2,561,720	2,274,404
State Revolving Loan	-	-	3,894,934	4,521,792	3,894,934	4,521,792
<b>Total</b>	<b>\$ 1,755,096</b>	<b>\$ 1,450,935</b>	<b>\$ 5,001,558</b>	<b>\$ 5,895,261</b>	<b>\$ 6,756,654</b>	<b>\$ 7,346,196</b>

**City of Clinton's Outstanding Debt**

The City of Clinton's total debt decreased by \$589,542 (-8.03%) during the past fiscal year, primarily due to the reduction in debt principal in business-type activities. Governmental activity debt increased by \$304,161 (20.96%). The governmental activity debt increase is due primarily to a \$500,000 City Hall renovation project.

As mentioned in the financial highlights section of this document, the City of Clinton maintained its bond rating of A+ from Standard & Poor's, A3 from Moody's Investors, and 82 from the North Carolina Municipal Council. This bond rating is a clear indication of the sound financial condition of City of Clinton. The City of Clinton is one of the few municipalities in the country that maintains the highest financial rating from all three major rating agencies. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Clinton is \$41,096,699. The City has no bonds authorized but unissued as of June 30, 2011.

Additional information regarding the City of Clinton's long-term debt can be found in Note III.B.6 of this report.

**Economic Factors and Next Year's Budgets and Rates**

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

- The City will complete its \$1.5 million Downtown Revitalization Phase III efforts with the aid of a \$455,000 grant from USDA. In conjunction with the Sampson Arts Council, the project includes a \$140,000 public art piece funded 100% by grants and private donations.
- The City completed its \$1 million (\$850,000 grant) Russell St. CDBG project and received an additional \$1.1 million in CDBG grant for three new community development projects.
- The City completed a hydraulic model and water audit of its water and sewer system that led to the development of a capital improvement plan to double the City's water production capacity in the next 2 to 3 years.

- A new 40-unit apartment complex on College Street is complete and near full occupancy.
- The City of Clinton is the commercial center of Sampson County and its strong agriculturally based economy, which traditionally remains stable relative to economic trends.
- Sampson County has an unemployment rate of 8.9%, which is below the 10% state average.
- Sampson county's 2011 revaluation resulted in increased property values with a nearly 18% value increase in the City of Clinton.
- The North Clinton and South Clinton Townships, which include the incorporated limits of Clinton, grew 716 people or 4% from 2000 to 2010.
- The City of Clinton is located in close proximity to Ft. Bragg Army Base, Camp Lejeune Marine Base, and Seymour Johnson Air Force Base. Sampson County is part of the All-American corridor expecting to experience growth with the Army's base realignment.

### **Budget Highlights for the Fiscal Year Ending June 30, 2012**

**Governmental Activities:** Ad valorem and sales tax revenues represent the largest portion of revenue resources for governmental activities. A revaluation in 2011 resulted in an approximately 10% increase in the expected general tax levy. Sales tax revenues were greater than expected in FY2010-2011 and the trend expected to continue in FY2011-2012 with an increase of 3.3% represented in the FY11-12 budget. Total General Fund revenues budgeted for the fiscal year ending June 30, 2012 are \$8,292,480.

Budgeted expenditures in the General Fund are equal to budgeted revenues and are approximately 2% less than the amended FY10-11 budget. The largest expenditure components are in employee compensation and benefits.

Some key FY11-12 governmental budget highlights include:

- A decrease in the property tax rate by \$.01 to \$.40 per \$100 valuation. This rate represents \$.02 over the revenue-neutral rate after revaluation. The expected revenue is \$2,724,220 on a 97.5 percent collection rate.
- Sales Tax revenues account for \$1,512,000.
- The residential garbage collection rate for FY11-12 is \$13.50, a \$.50 increase from FY10-11. Residential garbage collection accounts for \$518,500 in the FY11-12 budget and commercial collection accounts for \$708,000. The \$25,000 increase in revenues will offset implementation of a new Mobile 311 efficiency program.
- The rising cost of fuel represents a 25% increase in fuel cost for each department.
- The City expects to spend approximately \$250,000 on street paving and resurfacing.
- The City plans to purchase a new leaf vacuum truck using a \$30,000 down payment and financing the remaining \$100,000 over three years.
- A capital allocation of \$50,000 in Recreation & Parks is for new playground equipment and walking trail construction at Newkirk Park.

**Business-type Activities:** The City estimates revenues of approximately \$4.11 million from water and sewer charges in FY11-12, a 2 percent increase over realized revenues for FY10-11. Although the City is not raising water and sewer rates, the growth is based on a new meter-testing program that has already generated noticeable increases in water and sewer revenues in just two months. The total Water and Sewer Fund budget for the year ending June 30, 2012 is \$4,387,781.

Some key FY11-12 business-type activity budget highlights include:

- Water and sewer charges, including bulk rate fees and capacity fees, account for \$4,043,800 (92.2%) in the FY11-12 Water and Sewer Fund budget.
- Sewer surcharges charges based on the pounds of pollutants in excess of the normal amount account for \$200,000.
- Capital costs in the Water & Sewer Non-departmental budget include \$83,785 for infrastructure improvements as part of the Eliza Lane CDBG project.
- Capital costs in the Line Maintenance budget include a \$30,000 down payment for a compact loading tractor.
- Capital costs in the Water Production budget include \$50,000 for a well site generator and \$24,000 for a new truck.

### **Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Clinton, PO Box 199, Clinton, NC 28329-0199.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF CLINTON, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
June 30, 2011

**EXHIBIT 1**

	<u>Primary Government</u>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 4,958,360	\$ 3,342,912	\$ 8,301,272	\$ 493,830
Taxes receivables (net)	108,596	-	108,596	-
Accrued interest receivable on taxes	15,010	-	15,010	-
Accounts receivable (net)	170,509	615,222	785,731	-
Due from other governments	605,710	-	605,710	-
Due from component unit	112,000	-	112,000	-
Inventories	38,209	32,517	70,726	134,992
Due from capital project fund	-	11,020	11,020	-
Prepaid items	-	-	-	4,091
Total current assets	<u>6,008,394</u>	<u>4,001,671</u>	<u>10,010,065</u>	<u>632,913</u>
Capital assets:				
Land, improvements and construction in progress	2,970,121	556,596	3,526,717	36,795
Other capital assets, net of depreciation	7,730,363	17,822,818	25,553,181	51,744
Total capital assets	<u>10,700,484</u>	<u>18,379,414</u>	<u>29,079,898</u>	<u>88,539</u>
Total assets	<u>\$ 16,708,878</u>	<u>\$ 22,381,085</u>	<u>\$ 39,089,963</u>	<u>\$ 721,452</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 567,327	\$ 205,049	\$ 772,376	\$ 66,057
Distributions payable	-	-	-	124,000
Accrued interest payable	43,620	-	43,620	-
Customer deposits	-	136,698	136,698	-
Due to other governments	-	-	-	34,293
Due to capital project fund	11,020	-	11,020	-
Long-term liabilities:				
Due within one year	470,811	988,950	1,459,761	-
Due in more than one year	2,044,269	4,223,878	6,268,147	-
Total liabilities	<u>3,137,047</u>	<u>5,554,575</u>	<u>8,691,622</u>	<u>224,350</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	8,945,388	13,506,421	22,451,809	88,539
Restricted for:				
Capital projects	8,130	-	8,130	3,491
Stabilization by State Statute	1,518,439	-	1,518,439	-
Economic development	75,298	-	75,298	-
Loan agreement	42,744	-	42,744	-
Working capital	-	-	-	46,342
Unrestricted	<u>2,981,832</u>	<u>3,320,089</u>	<u>6,301,921</u>	<u>358,730</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 13,571,831</u>	<u>\$ 16,826,510</u>	<u>\$ 30,398,341</u>	<u>\$ 497,102</u>

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

**CITY OF CLINTON, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net-Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 2,128,629	\$ 39,433	\$ 98,013	\$ 102,590	\$ (1,888,593)	\$ -	\$ (1,888,593)	\$ -
Public safety	3,451,266	20,287	430,194	-	(3,000,785)	-	(3,000,785)	-
Transportation	1,210,995	-	263,045	-	(947,950)	-	(947,950)	-
Economic and physical development	278,423	93,704	163,819	753,812	732,912	-	732,912	-
Environmental protection	741,459	1,264,516	-	-	523,057	-	523,057	-
Cultural and recreation	963,481	89,065	10,390	-	(864,026)	-	(864,026)	-
Interest on long-term debt	76,313	-	-	-	(76,313)	-	(76,313)	-
Total governmental activities	8,850,566	1,507,005	965,461	856,402	(5,521,698)	-	(5,521,698)	-
Business-type activities:								
Water and sewer	4,040,864	4,445,834	105,499	785,698	-	1,296,167	1,296,167	-
Total primary government	\$ 12,891,430	\$ 5,952,839	\$ 1,070,960	\$ 1,642,100	\$ (5,521,698)	\$ 1,296,167	\$ (4,225,531)	\$ -
Component unit:								
ABC Board	\$ 1,554,421	\$ 1,564,641	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,220

General revenues:			
Taxes:			
Property taxes, levied for general purpose	2,532,016	-	2,532,016
Other taxes	221,166	-	221,166
Unrestricted intergovernmental revenues	2,933,756	-	2,933,756
Unrestricted investment earnings	16,754	14,780	31,534
Transfers:	347,145	(347,145)	-
Total general revenues, special item and transfers	6,050,837	(332,365)	5,718,472
Change in net assets	529,139	963,802	1,492,941
Net assets - beginning	13,042,692	15,862,708	28,905,400
Net assets - ending	\$ 13,571,831	\$ 16,826,510	\$ 30,398,341

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

## FUND FINANCIAL STATEMENTS

City of Clinton, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2011

	Major Funds			Total Governmental Funds
	General	Capital Project Downtown Revitalization Phase III	Total Non-major Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,337,961	\$ 479,646	140,753	\$ 4,958,360
Receivables, net:				
Taxes	108,596	-	-	108,596
Accounts	170,509	-	-	170,509
Due from other governments	591,458	159,050	13,261	763,769
Due from other funds	535,876	-	-	535,876
Due from component unit	112,000	-	-	112,000
Inventory	38,209	-	-	38,209
Total assets	<u>\$ 5,894,609</u>	<u>\$ 638,696</u>	<u>\$ 154,014</u>	<u>\$ 6,687,319</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 466,412	\$ 111,462	\$ 32,197	\$ 610,071
Deferred revenue	200,827	-	-	200,827
Due to Water & Sewer Fund	-	-	11,020	11,020
Due to General Fund	-	527,234	8,642	535,876
Total current liabilities	<u>667,239</u>	<u>638,696</u>	<u>51,859</u>	<u>1,357,794</u>
Total liabilities	667,239	638,696	51,859	1,357,794
Fund balances:				
Non Spendable				
Inventories	38,209	-	-	38,209
Restricted				
Stabilization by State Statute	1,518,439	-	-	1,518,439
Economic Development in the Downtown Tax District	-	-	75,298	75,298
Capital Projects	-	-	4,992	4,992
Committed				
Affordable Housing Project	-	-	3,138	3,138
Assigned				
Community Development	-	-	18,727	18,727
Capital Use Policy	536,305	-	-	536,305
Unassigned	3,134,417	-	-	3,134,417
Total fund balances	<u>5,227,370</u>	<u>-</u>	<u>102,155</u>	<u>5,329,525</u>
Total liabilities and fund balances	<u>\$ 5,894,609</u>	<u>\$ 638,696</u>	<u>\$ 154,014</u>	<u>\$ 6,687,319</u>

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

City of Clinton, North Carolina  
 Balance Sheet  
 Governmental Funds  
 June 30, 2011

Total fund balances		\$ 5,329,525
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	21,580,618	
Accumulated depreciation	(10,880,029)	10,700,589
Receivable from USDA for capital project funds expended and due for reimbursement in the fund statements.		(158,059)
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.		15,010
Liabilities for earned but deferred revenues in fund statements.		200,827
A liability in the fund statements is reported as a restricted net asset in the statement of net assets.		42,744
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.		(2,558,805)
Net assets of governmental activities		<u>\$ 13,571,831</u>

City of Clinton, North Carolina  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2011

	Major Funds			Total Governmental Funds
	General	Capital Project Downtown Revitalization Phase III	Total Non-major Funds	
<b>REVENUES</b>				
Ad valorem taxes	\$ 2,474,213	\$ -	\$ 51,308	\$ 2,525,521
Other taxes and licenses	221,166	-	-	221,166
Unrestricted intergovernmental	2,927,203	-	-	2,927,203
Restricted intergovernmental	1,015,904	-	-	1,015,904
Sales and services	1,329,824	-	-	1,329,824
Investment earnings	15,843	-	911	16,754
CDBG grants	-	-	729,891	729,891
Private contribution	-	-	23,921	23,921
Program income	-	-	6,442	6,442
Miscellaneous	206,611	-	5,350	211,961
Total revenues	8,190,764	-	817,823	9,008,587
<b>EXPENDITURES:</b>				
Current:				
General government	2,052,114	-	-	2,052,114
Public safety	3,327,063	-	-	3,327,063
Transportation	1,206,569	-	-	1,206,569
Economic and physical development	-	-	290,166	290,166
Environmental protection	702,816	-	-	702,816
Culture and recreation	959,903	-	-	959,903
Capital outlay	-	322,276	1,052,116	1,374,392
Total expenditures	8,248,465	322,276	1,342,282	9,913,023
Excess (deficiency) of revenues over expenditures	(57,701)	(322,276)	(524,459)	(904,436)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers to other funds	(135,985)	-	(20)	(136,005)
Transfers from other funds	300,020	146,237	36,893	483,150
Loan proceeds	-	158,059	500,000	658,059
Total other financing sources (uses)	164,035	304,296	536,873	1,005,204
Net change in fund balance	106,334	(17,980)	12,414	100,768
Fund balances, beginning	5,106,250	17,980	89,741	5,213,971
Change in reserve for inventories	14,786	-	-	14,786
Fund balances, ending	\$ 5,227,370	\$ -	\$ 102,155	\$ 5,329,525

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, 2011**

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

Net change in fund balances - total governmental funds	\$	100,768
Change in fund balance due to change in reserve for inventory		14,786

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	1,701,607	
Depreciation expenses for governmental assets	(748,637)	
Loss on disposal of assets included in general government	(4,116)	948,854

Receivable in Governmental Fund for proceeds which will be received to reimburse expenditures on a capital project; these proceeds do not meet the criteria to be recorded under the full accrual method of accounting.	(158,059)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. Increase in deferred revenues	23,141
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A liability in the fund statements is reported as a restricted net asset in the statement of net assets.	8,908
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from issuance of long-term debt	(500,000)	
Principal payments on long-term debt	195,839	
Increase in accrued interest payable	(17,800)	(321,961)

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	42,401	
Net pension obligation	(2,739)	
Other postemployment benefits	(126,960)	(87,298)

Total changes in net assets of governmental activities	\$	529,139
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**City of Clinton, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the year ended June 30, 2011**

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Advalorem taxes	2,537,000	2,537,000	2,474,213	(62,787)
Other taxes and licenses	130,000	130,000	221,166	91,166
Unrestricted intergovernmental	2,726,500	2,785,420	2,927,203	141,783
Restricted intergovernmental	766,401	989,401	1,015,904	26,503
Sales and services	1,309,040	1,309,040	1,329,824	20,784
Investment earnings	25,000	25,000	15,843	(9,157)
Miscellaneous	167,203	209,703	206,611	(3,092)
Total revenues	<u>7,661,144</u>	<u>7,985,564</u>	<u>8,190,764</u>	<u>205,200</u>
Expenditures:				
Current:				
General government	2,160,294	2,308,875	2,052,114	256,761
Public safety	3,261,517	3,478,517	3,327,063	151,454
Transportation	1,201,969	1,245,078	1,206,569	38,509
Environmental protection	614,856	688,536	702,816	(14,280)
Cultural and recreation	1,015,551	1,023,790	959,903	63,887
Total expenditures	<u>8,254,187</u>	<u>8,744,796</u>	<u>8,248,465</u>	<u>496,331</u>
Revenues over (under) expenditures	(593,043)	(759,232)	(57,701)	701,531
Other financing sources (uses):				
Net transfers from (to) other funds	300,000	164,015	164,035	(20)
Sale of fixed assets	1,000	1,000	-	1,000
Total other financing sources (uses)	<u>301,000</u>	<u>165,015</u>	<u>164,035</u>	<u>980</u>
Revenues and other sources over (under) expenditures and other uses	(292,043)	(594,217)	106,334	<u>\$ 700,551</u>
Fund balance appropriated	292,043	594,217		
Fund balances, beginning	-	-	5,106,250	
Change in reserve for inventories	-	-	14,786	
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,227,370</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, 2011**

	Water and Sewer Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,342,912
Accounts receivable (net) - billed	408,342
Accounts receivable (net) - unbilled	206,880
Due from capital project funds	11,020
Inventories	32,517
Total current assets	4,001,671
Capital assets:	
Land	261,872
Construction in progress	294,724
Other capital assets, net of depreciation	17,822,818
Capital assets (net)	18,379,414
Total assets	\$ 22,381,085
<b>LIABILITIES AND FUND BALANCES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 205,049
Customer deposits	136,698
Compensated absences - current	60,000
Clearwater Project Loan (construction in progress)	7,143
State Revolving Loan - 0238 (2010)	11,507
State Revolving Loan - 0066 (2007)	76,837
Well Fill Purification Project	158,395
Sanitary Sewer Series 1994	250,000
State Revolving Loan - 0030 (1994)	256,733
State Revolving Loan - 0166 (2009)	168,335
Total current liabilities	1,330,697
Noncurrent liabilities:	
Compensated absences	25,585
OPEB liability	125,685
Clearwater Project Loan (construction in progress)	128,565
State Revolving Loan - 06 (2010)	207,121
State Revolving Loan - 0066 (2007)	384,187
Well Fill Purification Project	512,522
Sanitary Sewer Series 1994	50,000
State Revolving Loan - 0030 (1994)	770,199
State Revolving Loan - 0166 (2009)	2,020,014
Total noncurrent liabilities	4,223,878
Total liabilities	5,554,575
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	13,506,421
Unrestricted	3,320,089
Total net assets	\$ 16,826,510

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, 2011

	Water and Sewer Fund
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 4,445,834
Other operating revenues	105,499
Total operating revenues	4,551,333
<b>OPERATING EXPENSES:</b>	
Water department	1,369,763
Waste treatment	1,557,995
Depreciation	949,029
Total operating expenses	3,876,787
Operating income	674,546
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Rural Center Grant - Lundy's Sewer Line Phase III	499,631
DENR - ARRA funds	29,402
CDBG Grant - Pugh Road Project	20,312
Investment earnings	14,780
Clinton City Schools	6,791
Interest and other charges	(164,077)
Total nonoperating revenues (expenses)	406,839
Income before contributions and transfers	1,081,385
Capital contributed by Sampson Square Apartment Housing Development Project	229,562
Transfers to other funds	(347,145)
Change in net assets	963,802
Total net assets - beginning	15,862,708
Total net assets - ending	\$ 16,826,510

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, 2011

	<u>Water and Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	4,304,410
Cash paid for goods and services	(1,906,764)
Cash paid to or on behalf of employees for services	(1,047,977)
Customer deposits received	5,639
Other operating cash receipts	<u>105,971</u>
Net cash provided by operating activities	1,461,279
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	<u>(358,166)</u>
Total cash flows from non-capital financing activities	(358,166)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Rural Center Grant - Lundy's Sewer Line Phase III	499,631
CDBG Grant - Pugh Road	20,312
Clinton City School System	6,792
DENR - ARRA Funds	29,402
Proceeds from ARRA Principal Forgiveness Grant	29,402
Principal retirement on State Revolving Loan - 0238 (2010)	(11,507)
Interest paid on State Revolving Loan - 0238 (2010)	(4,919)
Principal retirement on State Revolving Loan - 0166 (2009)	(168,335)
Interest paid on State Revolving Loan - 0166 (2009)	(49,490)
Principal retirement on State Revolving Loan - 0066 (2007)	(76,837)
Interest paid on State Revolving Loan - 0066 (2007)	(12,398)
Principal retirement on Well Fill Purification Project	(152,552)
Interest paid on Well Fill Purification Project	(31,539)
Principal retirement on State Revolving Loan - 0030 (1994)	(256,733)
Interest paid on State Revolving Loan - 0030 (1994)	(43,452)
Principal retirement on Sanitary Sewer Series 1994	(250,000)
Interest paid on Sanitary Sewer Series 1994	(33,000)
Principal retirement on Clearwater Project Loan	(7,142)
Acquisition of capital assets	<u>(217,611)</u>
Net cash used by capital and related financing activities	(729,976)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>14,780</u>
Net increase in cash and cash equivalents	387,917
Cash and cash equivalents at beginning of year	<u>2,954,995</u>
Cash and cash equivalents at end of year	<u>\$ 3,342,912</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, 2011**

	Water and Sewer Fund
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 674,546
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	949,029
Changes in assets and liabilities:	
Increase in accounts receivable	(135,070)
Decrease in reserve for uncollectible accounts receivable	(5,881)
Decrease in inventory	2,014
Decrease in accounts payable and accrued liabilities	(79,721)
Increase in customer deposits	5,639
Decrease in accrued salaries	(1,981)
Increase in accrued vacation pay	8,798
Increase in accrued OPEB liability	43,906
Total adjustments	786,733
Net cash provided by operating activities	\$ 1,461,279

**Non-cash transaction:** The Sampson Square Apartment Housing Development Project, accounted for as a governmental special revenue fund, was completed during the fiscal year ended June 30, 2011. This project produced capital assets for both the water and sewer systems of the City of Clinton. Therefore, a non-cash transfer of these assets was recorded as contributed capital on the Water & Sewer Fund Statement of Revenues, Expenses and Changes in Fund Net Assets in the amount of \$229,562. These assets are included in the capital assets of the Water & Sewer Fund as of June 30, 2011.

## NOTES TO THE FINANCIAL STATEMENTS

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2011**

**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, 2011**

The City reports the following major governmental funds:

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

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

The City reports the following non-major governmental funds:

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

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

The City reports the following major enterprise fund:

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

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, 2011**

*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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. (See Exhibit E-1)

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

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

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project Funds and the Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The City Manager is authorized by the 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 Council. If necessary, the Council must adopt an interim budget that covers the period of time from July 1 until the annual budget ordinance can be adopted. The Cemetery Fund is not required to be budgeted.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2011**

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. The City had expended all Powell Bill funds as of June 30, 2011.

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.

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.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2011**

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, 2011 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 Board are depreciated over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Paving	10
Buildings	25
Office equipment	10
Store equipment	

**8. Long-Term Obligations**

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

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

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2011**

9. Compensated Absences

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

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

10. Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds. As of June 30, 2011, the City had expended Powell Bill funds in their entirety.

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

Restricted for Public Safety – portion of fund balance that is restricted by revenue source certain capital projects that had not been completed as of June 30, 2011.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2011**

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

Committed for the Affordable Housing Project – portion of fund balance committed by the Council for use in the Affordable House Project.

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

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

Capital Use Policy – All revenue in excess of expenditures realized at the end of any given fiscal year will be credited to unrestricted available fund balance until a minimum goal of 38% is realized. All revenue in excess of expenditures over and above this goal will be credited as capital reserves.

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

The City of Clinton has an informal revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

The City of Clinton has also adopted a minimum fund balance policy for the general fund which instructs management credit all revenue in excess of expenditures realized at the end of any given fiscal year to unassigned available fund balance until a minimum goal of thirty-eight percent (38%) is realized. The City will adjust this minimum as appropriate based upon recommendation from the Local Government Commission and the current financial outlook. Once the thirty-eight (38%) percent goal is realized, all revenue in excess of expenditures realized at the end of any given fiscal year will be credited as capital reserves.

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

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

1. Noncompliance with North Carolina General Statutes

None

2. Contractual Violations

None

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

None

C. Excess of Expenditures over Appropriations in Government Activities Funds

For the fiscal year ended June 30, 2011, the expenditures made in the City’s General Fund exceeded the authorized appropriations made by the governing Council for transportation activities by \$14,280. This over-expenditure occurred because of unplanned costs associated with cleanup efforts after a series of damaging storms created debris across the area in April 2011. Management and the Council will more closely review the budget reports to ensure compliance in future years.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2011**

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

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

At June 30, 2011, the City's deposits had a carrying amount of \$2,772,396 and a bank balance of \$2,873,012. Of the bank balance, \$263,761 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2011, the City's petty cash fund totaled \$800.

The carrying amount of deposits for the ABC Board was \$311,317 and the bank balance was \$307,836. The first \$250,000 of the ABC Board bank deposits are protected by federal deposit insurance. The amount above \$250,000 is protected by the Pooling Method of collateralization.

**2. Investments**

At June 30, 2011, the City of Clinton had \$5,528,076 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, 2011, The ABC Board had \$180,613 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 \$16,494.

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, 2011
General Fund:	
Taxes receivable	\$ 49,000
Accounts receivable	15,475
Total general fund	64,475
Enterprise Fund:	14,120
Total Allowances for bad debts	\$ 78,595

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2011**

4. Capital Assets

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,387,354	\$ 26,741	\$ -	\$ 1,414,095
Construction in progress	728,082	874,774	46,829	1,556,027
Total capital assets not being depreciated	<u>2,115,436</u>	<u>901,515</u>	<u>46,829</u>	<u>2,970,122</u>
<b>Capital assets being depreciated:</b>				
Buildings and other improvements	5,142,662	550,230	-	5,692,892
Equipment	2,276,987	73,309	61,052	2,289,244
Vehicles and motorized equipment	4,470,981	76,760	38,516	4,509,225
Infrastructure	5,972,512	146,622	-	6,119,134
Total capital assets being depreciated	<u>17,863,142</u>	<u>846,921</u>	<u>99,568</u>	<u>18,610,495</u>
<b>Less accumulated depreciation for:</b>				
Buildings and other improvements	1,629,166	93,238	-	1,722,404
Equipment	2,000,427	120,280	56,936	2,063,771
Vehicles and motorized equipment	3,191,541	328,530	38,516	3,481,555
Infrastructure	3,405,709	206,694	-	3,612,403
Total accumulated depreciation	<u>10,226,843</u>	<u>748,742</u>	<u>95,452</u>	<u>10,880,133</u>
Total capital assets being depreciated, net	<u>7,636,299</u>			<u>7,730,362</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 9,751,735</u>			<u>\$ 10,700,484</u>

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

General government	\$ 249,542
Public safety	245,566
Transportation	74,686
Environmental protection	101,803
Cultural and recreation	77,145
Total depreciation expense	<u>\$ 748,742</u>

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2011**

Capital asset activity for the Enterprise Fund for the year ended June 30, 2011, 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	517,668	37,076	260,020	294,724
Total capital assets not being depreciated	<u>779,540</u>	<u>37,076</u>	<u>260,020</u>	<u>556,596</u>
<b>Capital assets being depreciated:</b>				
Land Improvements	32,449	-	-	32,449
Equipment	35,720,451	640,285	-	36,360,736
Vehicles	408,868	29,832	-	438,700
Total capital assets being depreciated	<u>36,161,768</u>	<u>670,117</u>	<u>-</u>	<u>36,831,885</u>
<b>Less accumulated depreciation for:</b>				
Land Improvements	14,505	-	-	14,505
Equipment	17,787,664	910,512	-	18,698,176
Vehicles	257,869	38,516	-	296,385
Total accumulated depreciation	<u>18,060,038</u>	<u>949,029</u>	<u>-</u>	<u>19,009,067</u>
Total capital assets being depreciated, net	<u>18,101,731</u>			<u>17,822,818</u>
Water and Sewer fund capital assets, net	<u>\$ 18,881,271</u>			<u>\$ 18,379,414</u>

**Construction commitments and construction in progress**

The government has active construction projects as of June 30, 2011. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Russell Street Project CDBG	1,000,202	4,612
Russell Street Project Add-on CDBG	11,458	308,542
Pugh Road CDBG	37,076	188,993
Water Treatment Plant Expansion	285,700	-
Lundy's Sewer Line, Phase III	249,100	-
Downtown Revitalization, Phase III	299,598	1,445,389
Sampson Square Apartment Housing Development	240,000	-

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2011**

**Discretely presented component unit**

Capital assets and capital asset activity for the ABC Board for the year ended June 30, 2011, was as follows:

	Beginning Balances	Net Increase (Decrease)	Ending Balances
<b>Capital assets not being depreciated:</b>			
Land	\$ 36,795	\$ -	\$ 36,795
<b>Capital assets being depreciated:</b>			
Paving	6,788	-	6,788
Buildings	161,351	-	161,351
Office Equipment	2,708	-	2,708
Store Equipment	60,288	1,534	61,822
Total capital assets being depreciated	231,135	1,534	232,669
<b>Less accumulated depreciation for:</b>			
Paving	6,788	-	6,788
Buildings	136,101	1,048	137,149
Office Equipment	2,398	210	2,608
Store Equipment	44,550	(10,170)	34,380
Total accumulated depreciation	189,837	(8,912)	180,925
<b>ABC capital assets being depreciated, net</b>	41,298		51,744
<b>ABC capital assets, net</b>	\$ 78,093		\$ 88,539

**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 6.46% and 6.41%, 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, 2011, 2010, and 2009 were \$280,406, \$216,597, and \$220,541, 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, 2011**

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) 5.00% 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.

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

Employer annual required contribution	\$ 64,148
Interest on net pension obligation	4,620
Adjustment to annual required contribution	<u>(4,946)</u>
Annual pension cost	63,822
Employer contributions made	<u>(61,083)</u>
Increase in net pension obligation	2,739
Net pension obligation beginning of fiscal year	<u>104,541</u>
Net pension obligation end of fiscal year	\$ <u>107,280</u>

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2011**

**3 Year Trend Information**

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation End of Year
2009	44,878	39.35%	92,391
2010	45,015	73.01%	104,541
2011	63,822	95.71%	107,280

**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, 2011 the City of Clinton paid directly to five eligible retired law enforcement officers a total of \$61,083 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, 2011 were \$77,783, which consisted of \$55,198 from the City and \$22,585 from the law enforcement officers.

Effective July 1, 2010, the City discontinued the voluntary contribution of 2.25% made by the City to the plan for all employees who are not certified law enforcement personnel. Employees continue to be able to make voluntary contributions to the plan and the amounts contributed are fully vested when contributed. The contributions for the year ended June 30, 2011 totaled \$59,049, made exclusively by City employees.

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

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

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2011**

*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, 2011, 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 firemen who perform firefighting duties for the city.

e. Other Post-employment Benefit

Healthcare Benefits

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

Membership of the plan consisted of the following at December 31, 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 \$503 per month for family coverage, \$292 for spouse-only coverage and \$164 for children-only coverage. The City has chosen to fund the healthcare benefits on a pay as you go basis.

The ARC rate (as of June 30, 2010) is 5.50% of annual covered payroll. For the current year, the city contributed \$67,768 or 2.62% 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 \$125,259. The City's obligation to contribute to the plan is established and may be amended by the City Council.

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

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

**City of Clinton, North Carolina**  
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**For the fiscal year ended June 30, 2011**

Annual required contribution	\$	223,566
Interest on net OPEB obligation		14,037
Adjustment to annual required contribution		(12,349)
Annual OPEB cost (expense)	\$	225,254
Contributions made		(67,768)
Increase (decrease) in net OPEB obligation		157,486
Net OPEB obligation, beginning of year		350,925
Net OPEB obligation, end of year	\$	<u>508,411</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 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
2011	\$ 225,254	30.08%	\$ 508,411

**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.

An updated actuarial valuation study is anticipated to be completed during the fiscal year ended June 30, 2012. Management believes the changes in the results of the updated study will not be material.

**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. 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.

**City of Clinton, North Carolina  
Notes to the Financial Statements  
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**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	\$ 111,891
Beer and wine tax	9,707
Sanitation receivables	62,904
Sticker Licenses	16,325
Total	\$ 200,827

**4. Risk Management**

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

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

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

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

**5. Long-Term Obligations**

**a. Capital Leases**

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

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2011**

**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% and a beginning principal amount was \$750,000. Annual loan payments are \$57,038 for twenty years until 2028.

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

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

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

Annual debt service payments of the installment purchase as of June 30, 2011, including interest, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	Principal	Interest
2012	252,811	68,499
2013	208,151	59,587
2014	100,230	52,333
2015	102,403	48,466
2016	104,669	44,504
2017-2021	560,922	159,520
2022-2026	318,914	62,147
2027-2028	106,996	7,072
Total	<u>\$ 1,755,096</u>	<u>\$ 502,128</u>

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
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c. State Revolving Loan

In 1994, the City financed construction of a waste treatment plant expansion with general long-term debt and funds provided by the North Carolina Clean Water Revolving Loan and Grant Fund. The long-term debt is a liability of the Water and Sewer Fund. The funds provided by the State are "not secured by a pledge of faith and credit of the State of North Carolina or of the unit, but is payable solely from the revenues received under Articles 40, 41, and 42 of Chapter 105 and so allocated by the Unit." The principal sum shall be required in not more than 20 annual installments payable on May 1<sup>st</sup> of each year. The City signed a \$5,134,658 promissory note bearing interest at 3.385 percent per annum. The following table summarizes the annual requirements to amortize the principal owed at June 30, 2011:

	Principal	Interest	Total
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
	\$ 1,026,932	\$ 86,904	\$1,113,836

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

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2011:

	Principal	Interest	Total
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	76,837	3,542	80,379
2017	76,837	1,771	78,608
	\$ 461,022	\$ 37,193	\$ 498,215

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

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2011:

	Principal	Interest	Total
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	168,335	31,815	200,150
2017-2021	841,673	106,051	947,724
2022-2024	505,004	21,210	526,214
	\$ 2,188,352	\$ 321,686	\$ 2,510,038

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

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2011:

	Principal	Interest	Total
2012	11,507	4,591	16,098
2013	11,507	4,350	15,856
2014	11,507	4,108	15,615
2015	11,507	3,866	15,373
2016	11,507	3,625	15,131
2017-2021	57,534	14,499	72,032
2022-2026	57,534	8,457	65,991
2027-2030	46,025	2,416	48,444
	<u>\$ 218,628</u>	<u>\$ 45,912</u>	<u>\$ 264,540</u>

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

The following table summarizes the annual requirements to amortize the principal owed at June 30, 2011:

	Principal	Interest	Total
2012	7,143	-	7,143
2013	7,143	-	7,143
2014	7,143	-	7,143
2015	7,143	-	7,143
2016	7,143	-	7,143
2017-2021	35,713	-	35,713
2022-2026	35,713	-	35,713
2027-2030	28,567	-	28,567
	<u>\$ 135,708</u>	<u>\$ -</u>	<u>\$ 135,708</u>

d. BB&T Installment Purchase

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

	Principal	Interest	Total
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
	<u>\$ 670,916</u>	<u>\$ 65,448</u>	<u>\$ 736,364</u>

**City of Clinton, North Carolina**  
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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, 2011 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
2012	250,000	18,000	268,000
2013	50,000	3,000	53,000
Total	\$ 300,000	\$ 21,000	\$ 321,000

At June 30, 2011, the City of Clinton had no bonds authorized but unissued and had a legal debt margin of approximately \$41,096,699.

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, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion of Balance
Installment purchase	\$ 1,450,935	\$ 500,000	\$ 195,839	\$ 1,755,096	\$ 252,811
Compensated absences	298,818	128,228	151,436	275,610	151,000
Other postemployment benefits	269,145	191,291	77,710	382,726	67,000
Net pension obligation	104,541	68,768	66,029	107,280	-
Governmental activity long-term liabilities	\$ 2,123,439	\$ 888,287	\$ 491,014	\$ 2,520,712	\$ 470,811

**City of Clinton, North Carolina**  
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**For the fiscal year ended June 30, 2011**

<b><u>Business-type activities:</u></b>	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion of Balance
Sanitary Sewer Series 1994	\$ 550,000	\$ -	\$ 250,000	\$ 300,000	\$ 250,000
State revolving loan-0030 (1994)	1,283,665	-	256,733	1,026,932	256,733
Well Fill Purification Project (1999)	823,469	-	152,552	670,917	158,395
State revolving loan-0066 (2007)	537,859	-	76,837	461,024	76,837
State revolving loan-0166 (2009)	2,356,684	-	168,335	2,188,349	168,335
State revolving loan-0166 (2010)	230,135	-	11,507	218,628	11,507
Clearwater loan	113,448	29,403	7,143	135,708	7,143
Compensated absences	76,787	45,858	37,060	85,585	37,000
Other postemployment benefits	81,779	46,312	2,407	125,684	-
Business-type activity long-term liabilities	<u>\$ 6,053,826</u>	<u>\$ 121,573</u>	<u>\$ 962,574</u>	<u>\$ 5,212,827</u>	<u>\$ 965,950</u>

**C. Interfund Activity and Balances**

Transfers to/from other funds at June 30, 2011, consist of the following:

From the Water & Sewer Fund to the General Fund	\$ 300,000
From the General Fund to Capital Project (Downtown Revitalization Phase III)	105,092
From the General Fund to Capital Project (Russell Street)	30,893
From the Capital Project (Royal Lane & Sampson Center Project) to the General Fund	20
From the Water & Sewer Fund to Capital Project (Russell Street)	6,000
From the Water & Sewer Fund to Capital Project (Downtown Revitalization Phase III)	41,145
From Water & Sewer Fund to Capital Project (Pugh Road)	<u>12,000</u>
Total	<u>\$ 495,150</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.

**City of Clinton, North Carolina  
Notes to the Financial Statements  
For the fiscal year ended June 30, 2011**

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

For the fiscal year ended June 30, 2011, the City of Clinton has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$7,834 for the thirty employed fireman who perform firefighting duties for the town's fire department. The employees elected to be members of the Firemen and Rescue Worker's Pension Fund, a cost sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

**E. Fund Balance**

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

Total fund balance - General Fund	\$ 5,227,370
Less:	
Inventories	38,209
Stabilization by State Statute	1,518,439
Capital Use Policy	536,305
Unassigned	3,134,417
Remaining Fund Balance	0

**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, 2011, the City reported revenues and expenditures in the amount of \$21,840 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, 2011. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

**V. Jointly Governed Organization**

The City, in conjunction with three counties and nineteen municipalities, established the Mid-Carolina Area Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$.24 per citizen which totaled \$2,073 during the fiscal year ended June 30, 2011.

**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.

**City of Clinton, North Carolina**  
**Notes to the Financial Statements**  
**For the fiscal year ended June 30, 2011**

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, 2011. 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, 2011 was approximately \$134,028.

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, 2011 the City of Clinton received from Sampson County \$163,622 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, 2011 was \$51,022.

**VIII. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

**IX. Significant Effects of Subsequent Events**

After June 30, 2010, the City renewed planning and expenditures relating to the Downtown Revitalization - Phase III project. The City expects to complete this project during the fiscal year ended June 30, 2012. The funding for Downtown Revitalization - Phase III will come from the USDA in the form of a loan for \$1,000,000 and grant proceeds of \$455,000.

At the end of the June 30, 2011 fiscal year, the Russell Street Add-On Capital Project had been started. This project has an ordinance of \$320,000 and will be completed in the June 30, 2012 fiscal year.

City's management has evaluated subsequent events through November 4, 2011, the date on which the financial statements were available to be issued.

**X . Related Party Transactions**

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

**City of Clinton, North Carolina  
Notes to the Financial Statements  
For the fiscal year ended June 30, 2011**

**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 \$81,912.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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
2011	63,822	95.71%	107,280

## 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

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 223,566	20.30%
2010	223,566	23.02%
2011	223,566	30.08%

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, 2011

TAXPAYER	ASSESSED VALUATION	TAX LEVY
1 LPC Transport Clinton Plant, LLC M & B Farms Sub, LLC, Smithfield Packing	\$ 56,304,100	\$ 230,847
2 Schindler Corporation Schindler Elevator Corporation	15,700,047	64,370
3 Dubose Industries Dubose National Energy Service Dubse Strapping, Inc.	9,634,006	39,469
4 Liberty Healthcare Services Liberty Healthcare Properties Liberty Home Care	8,655,828	35,489
5 Progress Energy	7,973,379	32,691
6 Wal-Mart Stores East, LP #2580 Wal-Mart, Inc.	7,844,190	32,161
7 Carolina Telephone & Telegraph	7,219,685	29,601
8 Lowe's Home Center, Inc.	6,122,608	25,103
9 First Citizens Bank	5,812,253	23,830
10 Sampson Crossing LP	5,149,246	21,112

TOTAL ASSESSED VALUATION

Assessment Ratio	100%
Real Property	\$ 464,135,793
Personal Property	142,678,419
Public Service Companies	15,539,799
	<u>622,354,011</u>
Tax rate per \$100	.41
Levy (includes discoveries, releases and abatements)	\$ 2,551,651

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF CLINTON, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the year ended June 30, 2011

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES:</b>			
Ad valorem taxes:			
Current year	\$	\$ 2,419,445	\$
Prior year levies		37,467	
Interest and penalties		17,301	
Total	2,537,000	2,474,213	(62,787)
Other taxes and licenses:			
Privilege licenses		190,994	
Auto licenses		30,172	
Total	130,000	221,166	91,166
Unrestricted intergovernmental revenues:			
Local option sales tax		1,476,712	
Utility franchise tax		632,656	
Fire district tax		348,091	
Telecommunications sales tax		136,870	
ABC profit distribution		112,000	
Hold harmless funds		66,920	
CATV franchise fee		48,688	
Excise tax on piped gas		44,162	
Beer and wine tax		38,829	
Payments in lieu of taxes		18,422	
Sales tax reimbursements		3,853	
Total	2,785,420	2,927,203	141,783
Restricted intergovernmental revenues:			
Powell bill allocation		247,940	
Sampson County contribution		170,720	
DWI Police Grant		149,363	
NC Emergency Management Grant		102,590	
City schools - police		94,348	
Enhancement funding - DWI Police Grant		49,940	
FEMA funds		46,282	
Community college - police		44,823	
HUD grant - police		42,565	
NCDOT funds		15,105	
Firemen's Relief tax		14,034	
Rescue technical assistance		12,000	
Local Fire Protection Service		7,834	
Solid Waste Disposal tax		5,972	
ABC revenue for law enforcement		5,100	
Region M - Aging		4,001	
State substance abuse tax		3,287	
Total	989,401	1,015,904	26,503

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, 2011

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
Sales and services:			
Garbage collection fees		1,204,917	
Recreation department fees		89,065	
Cemetery lot sales and maintenance		28,735	
Other services and materials		6,218	
Cemetery lot cleaning		889	
Total	1,309,040	1,329,824	20,784
Investment earnings:			
General fund		13,140	
Cemetery trust fund		2,703	
Total	25,000	15,843	(9,157)
Miscellaneous:			
Other		94,022	
Rent industrial buildings		81,912	
False alarm ordinance		12,500	
Restricted miscellaneous revenues		10,390	
Officer arrest fees		4,678	
Fire department special fees		2,654	
Parking violations		455	
Total	209,703	206,611	(3,092)
<b>Total revenues</b>	<b>7,985,564</b>	<b>8,190,764</b>	<b>205,200</b>
<b>EXPENDITURES:</b>			
General government:			
Governing body:			
Mayor and councilmen salaries		49,778	
Mayor and councilmen expenses		75,045	
Total	137,561	124,823	12,738
Administrative:			
Salaries and employee benefits		308,080	
Operating expenses		33,697	
Total	341,906	341,777	129

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, 2011

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
Finance:			
Salaries and employee benefits		296,195	
Operating expenses		57,398	
Capital outlay		2,650	
Total	383,000	356,243	26,757
Planning and zoning:			
Salaries and employee benefits		237,161	
Operating expenses		44,542	
Capital outlay		4,788	
Total	354,742	286,491	68,251
Cemetery and public grounds:			
Salaries and employee benefits		205,650	
Operating expenses		94,793	
Capital outlay		20,117	
Total	323,587	320,560	3,027
Non-departmental:			
Various operating expenses		296,597	
Real Property		87,836	
Theater wiring		58,172	
Property acquisition		53,754	
Housing demolition		12,597	
Economic development		10,010	
Rescue squad expense		4,980	
Other agency contributions		4,171	
Capital outlay		3,600	
Rehabilitation project		2,224	
Downtown incentive program		1,157	
Total	680,957	535,098	145,859
Debt service	87,122	87,122	-
<b>Total general government</b>	<b>2,308,875</b>	<b>2,052,114</b>	<b>256,761</b>
Public safety:			
Police department:			
Salaries and employee benefits		1,701,645	
Operating expenses		544,611	
Capital outlay		78,099	
Total	2,404,012	2,324,355	79,657

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, 2011

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
Fire:			
Salaries and employee benefits		692,958	
Operating expenses		211,523	
Capital outlay		72,286	
Debt service		10,000	
Total	1,050,134	986,767	63,367
Maintenance:			
Salaries and employee benefits		9,169	
Operating expenses		6,772	
Total	24,371	15,941	8,430
<b>Total public safety</b>	<b>3,478,517</b>	<b>3,327,063</b>	<b>151,454</b>
Transportation:			
Street administration:			
Salaries and employee benefits		469,189	
Operating expenses		30,289	
Capital outlay		82,601	
Total	590,444	582,079	8,365
Materials and supplies:			
Signs, signals, paints and supplies		19,171	
Operating expenses		13,864	
Asphalt and concrete		13,481	
Total	55,700	46,516	9,184
Equipment expenses:			
Automotive supplies		50,471	
Equipment rental and maintenance		30,555	
Small tools and equipment		10,971	
Total	95,000	91,997	3,003
Other costs and services:			
Street lighting contract		240,833	
Landfill		9,307	
Total	260,000	250,140	9,860
Capital outlay:			
Improvements		30,638	
Total	35,000	30,638	4,362
Total street	1,036,144	1,001,370	34,774

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, 2011

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
Garage:			
Salaries and employee benefits		141,125	
Operating expenses		64,074	
Total	208,934	205,199	3,735
<b>Total transportation</b>	<b>1,245,078</b>	<b>1,206,569</b>	<b>38,509</b>
Environmental protection:			
Sanitation:			
Salaries and employee benefits		278,220	
Operating expenses		341,533	
Capital outlay		83,063	
<b>Total environmental protection</b>	<b>688,536</b>	<b>702,816</b>	<b>(14,280)</b>
Cultural and recreation:			
Salaries and employee benefits		563,783	
Operating expenses		315,539	
Capital outlay		80,581	
<b>Total cultural and recreation</b>	<b>1,023,790</b>	<b>959,903</b>	<b>63,887</b>
<b>Total expenditures</b>	<b>8,744,796</b>	<b>8,248,465</b>	<b>496,331</b>
<b>Revenues over (under) expenditures</b>	<b>(759,232)</b>	<b>(57,701)</b>	<b>701,531</b>
<b>Other financing sources (uses):</b>			
Transfers in (out)			
Water and Sewer Fund	300,000	300,000	-
Transfer from Royal Lane & Sampson Center	-	-	-
Capital Project Fund	-	20	(20)
Transfer to Rusell Street Capital Project Fund	(30,893)	(30,893)	-
Downtown Phase III	(105,092)	(105,092)	-
Sale of fixed assets	1,000	-	1,000
<b>Total other financing sources (uses) - net</b>	<b>165,015</b>	<b>164,035</b>	<b>980</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(594,217)</b>	<b>106,334</b>	<b>\$ 700,551</b>
<b>Fund balance appropriated</b>	<b>594,217</b>		
<b>Beginning of year, July 1</b>		<b>5,106,250</b>	
<b>Change in reserve for inventories</b>		<b>14,786</b>	
<b>End of year, June 30</b>		<b>\$ 5,227,370</b>	

**CITY OF CLINTON, NORTH CAROLINA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2011**

EXHIBIT C-1

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Total Nonmajor Governmental Funds June 30, 2011</b>
<b>Assets:</b>			
Cash and investments	\$ 131,303	\$ 9,450	\$ 140,753
Due from other governments	-	13,261	13,261
Total Assets	\$ 131,303	\$ 22,711	\$ 154,014
<b>Liabilities and Fund Equity:</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 26,258	\$ 5,939	\$ 32,197
Due to Water & Sewer Fund	11,020	-	11,020
Due to General Fund	-	8,642	8,642
Total Current Liabilities	37,278	14,581	51,859
Total Liabilities	37,278	14,581	51,859
<b>Fund balances</b>			
Unreserved (available for appropriation)	94,025	8,130	102,155
Total liabilities and fund balances	\$ 131,303	\$ 22,711	\$ 154,014

**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, 2011

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds June 30, 2011</u>
<b>Revenues</b>			
Ad valorem taxes - net	\$ 51,308	\$ -	\$ 51,308
Program Income	6,442	-	6,442
CDBG Grant	240,000	489,891	729,891
Private contribution	-	23,921	23,921
Investment earnings	911	-	911
Miscellaneous	5,350	-	5,350
<b>Total Revenues</b>	<u>304,011</u>	<u>513,812</u>	<u>817,823</u>
<b>Expenditures</b>			
Capital Outlay	-	1,052,116	1,052,116
Economic and physical development	290,166	-	290,166
<b>Total Expenditures</b>	<u>290,166</u>	<u>1,052,116</u>	<u>1,342,282</u>
<b>Revenues over (under) expenditures</b>	13,845	(538,304)	(524,459)
<b>Other financing sources / uses</b>			
Transfer in (out)			
Water & Sewer Fund	-	36,893	36,893
General Fund	-	(20)	(20)
Loan proceeds	-	500,000	500,000
<b>Total other financing sources</b>	<u>-</u>	<u>536,873</u>	<u>536,873</u>
<b>Revenues and other financing sources over (under) expenditures</b>	13,845	\$ (1,431)	\$ 12,414
<b>Fund balance:</b>			
Beginning of year, July 1	80,180	9,561	89,741
End of year, June 30	<u>\$ 94,025</u>	<u>\$ 8,130</u>	<u>\$ 102,155</u>

**CITY OF CLINTON, NORTH CAROLINA  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
For the Year Ended June 30, 2011**

EXHIBIT C-3

	<u>Special Revenue Community Development Fund</u>	<u>Special Revenue Downtown Tax District Fund</u>	<u>Sampson Square Apartment Housing Development</u>	<u>Total Special Revenue Funds June 30, 2011</u>
<b>Assets:</b>				
Cash and investments	\$ 19,152	\$ 101,131	\$ 11,020	\$ 131,303
Total Assets	<u>\$ 19,152</u>	<u>\$ 101,131</u>	<u>\$ 11,020</u>	<u>\$ 131,303</u>
<b>Liabilities and Fund Equity:</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 425	\$ 25,833	\$ -	\$ 26,258
Due to Water & Sewer Fund	-	-	11,020	11,020
Total Current Liabilities	<u>425</u>	<u>25,833</u>	<u>11,020</u>	<u>37,278</u>
Total Liabilities	<u>425</u>	<u>25,833</u>	<u>11,020</u>	<u>37,278</u>
<b>Fund balances</b>				
Unreserved (available for appropriation)	<u>18,727</u>	<u>75,298</u>	<u>-</u>	<u>94,025</u>
Total liabilities and fund balances	<u>\$ 19,152</u>	<u>\$ 101,131</u>	<u>\$ 11,020</u>	<u>\$ 131,303</u>

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

EXHIBIT C-4

From Inception and for the Year Ended June 30, 2011

	Special Revenue Community Development Fund	Special Revenue Downtown Tax District Fund	Sampson Square Apartment Housing Development	Total Special Revenue Funds June 30, 2011
<b>Revenues</b>				
Ad valorem taxes - net	\$ -	\$ 51,308	\$ -	\$ 51,308
CDBG Grant	-	-	240,000	240,000
Program Income	6,442	-	-	6,442
Investment earnings	498	413	-	911
Miscellaneous	-	5,350	-	5,350
Total Revenues	<u>6,940</u>	<u>57,071</u>	<u>240,000</u>	<u>304,011</u>
<b>Expenditures</b>				
Economic and physical development	-	50,166	240,000	290,166
Total Expenditures	<u>-</u>	<u>50,166</u>	<u>240,000</u>	<u>290,166</u>
<b>Excess of revenues over expenditures</b>	<u>6,940</u>	<u>6,905</u>	<u>-</u>	<u>13,845</u>
<b>Net change in fund balance</b>	<u>\$ 6,940</u>	<u>\$ 6,905</u>	<u>\$ -</u>	<u>\$ 13,845</u>
<b>Fund balance:</b>				
Beginning of year, July 1	11,787	68,393	-	80,180
End of year, June 30	<u>\$ 18,727</u>	<u>\$ 75,298</u>	<u>\$ -</u>	<u>\$ 94,025</u>

**CITY OF CLINTON, NORTH CAROLINA  
COMMUNITY DEVELOPMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

EXHIBIT C-5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Program Income	\$	\$ 6,442	\$
Investment Earnings		498	
Total Revenues	<u>3,300</u>	<u>6,940</u>	<u>3,640</u>
<b>Expenditures</b>			
Legal Service		-	
Miscellaneous		-	
Total Expenditures	<u>3,300</u>	<u>-</u>	<u>3,300</u>
<b>Excess of revenues over expenditures</b>	<u>-</u>	<u>6,940</u>	<u>6,940</u>
<b>Other Financing Sources (Uses)</b>			
Affordable Housing Project	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>\$ 6,940</u>	<u>\$ 6,940</u>
<b>Fund balance appropriated</b>	<u>-</u>		
<b>Fund balance:</b>			
Beginning of year, July 1		<u>11,787</u>	
End of year, June 30		<u>\$ 18,727</u>	

**CITY OF CLINTON, NORTH CAROLINA  
DOWNTOWN TAX DISTRICT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

EXHIBIT C-6

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Ad valorem taxes-net	\$	\$ 51,308	\$
Investment Earnings		413	
Miscellaneous		5,350	
Total Revenues	51,430	57,071	5,641
<b>Expenditures</b>			
Advertising		2,630	
Special Events		11,767	
USDA loan payment		10,793	
Projects		19,478	
Other		5,498	
Total Expenditures	53,730	50,166	3,564
<b>Excess of revenues over expenditures</b>	(2,300)	6,905	9,205
<b>Net change in fund balance</b>	(2,300)	\$ 6,905	\$ 9,205
<b>Fund balance appropriated</b>	2,300		
<b>Fund balance:</b>			
Beginning of year, July 1		68,393	
End of year, June 30		\$ 75,298	

**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, 2011

EXHIBIT C-7

	<u>Budget</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues</b>					
CDBG Revenues	\$ 240,000	\$ -	\$ 240,000	\$ 240,000	\$ -
Total Revenues	240,000	-	240,000	240,000	-
<b>Expenditures</b>					
Administration	18,220	11,019	7,200	18,219	1
Water improvements	39,800	-	39,474	39,474	326
Pedestrian improvements	20,000	-	19,900	19,900	100
Sewer improvements	173,000	-	173,426	173,426	(426)
Total Expenditures	251,020	11,019	240,000	251,019	1
<b>Revenues over (under) expenditures</b>	<b>(11,020)</b>	<b>(11,019)</b>	<b>-</b>	<b>(11,019)</b>	<b>1</b>
<b>Other financing sources</b>					
Operating transfers - in Water & Sewer Fund	11,020	11,019	-	11,019	(1)
Total other financing sources	11,020	11,019	-	11,019	(1)
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balance:</b>					
Beginning of year, July 1			-		
End of year, June 30			\$ -		

**CITY OF CLINTON, NORTH CAROLINA  
COMBINING BALANCE SHEET  
CAPITAL PROJECT FUNDS  
For the Year Ended June 30, 2011**

EXHIBIT C-8

	Non - Major					Total Capital Project Funds June 30, 2011
	Capital Project Royal Lane & Sampson Center	Capital Project Russell Street	Capital Project Russell Street Add-on	Capital Project City Hall Renovation	Affordable Housing Project	
<b>Assets:</b>						
Cash and investments	\$ 20	\$ 6,292	\$ -	\$ -	\$ 3,138	\$ 9,450
Due from other governments	-	279	11,458	1,524	-	13,261
Total Assets	<u>\$ 20</u>	<u>\$ 6,571</u>	<u>\$ 11,458</u>	<u>\$ 1,524</u>	<u>\$ 3,138</u>	<u>\$ 22,711</u>
<b>Liabilities and Fund Equity:</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 1,959	\$ 3,980	\$ -	\$ -	\$ 5,939
Due to General Fund	20	-	7,478	1,144	-	8,642
Total Liabilities	<u>20</u>	<u>1,959</u>	<u>11,458</u>	<u>1,144</u>	<u>-</u>	<u>14,581</u>
<b>Fund balances</b>						
Unreserved	-	4,612	-	380	3,138	8,130
Total liabilities and fund balances	<u>\$ 20</u>	<u>\$ 6,571</u>	<u>\$ 11,458</u>	<u>\$ 1,524</u>	<u>\$ 3,138</u>	<u>\$ 22,711</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, 2011**

EXHIBIT C-9

	Non - Major					
	Capital Project Royal Lane & Sampson Center	Capital Project Russell Street	Capital Project Russell Street Add-on	Capital Project City Hall Renovation	Affordable Housing Project	Total Capital Project Funds June 30, 2011
<b>Revenues</b>						
CDBG Grant	\$ -	\$ 478,433	\$ 11,458	\$ -	\$ -	\$ 489,891
Private contribution	-	23,921	-	-	-	23,921
<b>Total Revenues</b>	<u>-</u>	<u>502,354</u>	<u>11,458</u>	<u>-</u>	<u>-</u>	<u>513,812</u>
<b>Expenditures</b>						
Capital Outlay	-	536,853	11,458	499,620	4,185	1,052,116
<b>Total Expenditures</b>	<u>-</u>	<u>536,853</u>	<u>11,458</u>	<u>499,620</u>	<u>4,185</u>	<u>1,052,116</u>
<b>Revenues over (under) expenditures</b>	-	(34,499)	-	(499,620)	(4,185)	(538,304)
<b>Other financing sources (uses)</b>						
Transfer from Water & Sewer Fund	-	36,893	-	-	-	36,893
Transfer to General Fund	(20)	-	-	-	-	(20)
Loan Proceeds	-	-	-	500,000	-	500,000
<b>Total other financing sources</b>	<u>(20)</u>	<u>36,893</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>536,873</u>
<b>Revenues and other financing sources over (under) expenditures</b>	(20)	2,394	-	380	(4,185)	(1,431)
<b>Fund balance:</b>						
Beginning of year, July 1	20	2,218	-	-	7,323	9,561
End of year, June 30	<u>\$ -</u>	<u>\$ 4,612</u>	<u>\$ -</u>	<u>\$ 380</u>	<u>\$ 3,138</u>	<u>\$ 8,130</u>

**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, 2011**

EXHIBIT C-10

	Project Authorization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
PARTF Grant	\$ 118,113	\$ 118,113	\$ -	\$ 118,113	\$ -
Total Revenues	118,113	118,113	-	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	21,470	-	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	268,061	-	268,061	166
<b>Revenues over (under) expenditures</b>	<b>(150,114)</b>	<b>(149,948)</b>	<b>-</b>	<b>(149,948)</b>	<b>166</b>
<b>Other financing sources</b>					
Operating transfers - in (out)					
From Community Development Project	32,000	32,000	-	32,000	-
From General Fund	118,114	117,968	-	117,968	(146)
To General Fund	-	-	(20)	(20)	(20)
Total other financing sources	150,114	149,968	(20)	149,948	(166)
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 20</b>	<b>(20)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balance:</b>					
Beginning of year, July 1			20		
End of year, June 30			\$ -		

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, 2011

EXHIBIT C-11

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
CDBG Grant (08-C-1874)	\$ 850,000	\$ 371,567	\$ 478,433	\$ 850,000	\$ -
Private Contribution	23,921	-	23,921	23,921	-
Total Revenues	873,921	371,567	502,354	873,921	-
<b>Expenditures</b>					
Administration	44,000	44,000	-	44,000	-
Clearance	41,500	4,900	22,810	27,710	13,790
Rehabilitation Private	421,000	224,298	209,418	433,716	(12,716)
Relocation	170,000	136,116	45,775	181,891	(11,891)
Water Improvements	61,220	15,537	44,860	60,397	823
Sewer	112,280	15,333	96,947	112,280	-
Local Contribution - Water & Sewer	154,814	23,165	117,043	140,208	14,606
Total Expenditures	1,004,814	463,349	536,853	1,000,202	4,612
<b>Revenues over (under) expenditures</b>	<b>(130,893)</b>	<b>(91,782)</b>	<b>(34,499)</b>	<b>(126,281)</b>	<b>4,612</b>
<b>Other financing sources</b>					
Operating transfers - in From Water & Sewer Fund	130,893	94,000	36,893	130,893	-
Total other financing sources	130,893	94,000	36,893	130,893	-
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 2,218</b>	2,394	<b>\$ 4,612</b>	<b>\$ 4,612</b>
<b>Fund balance:</b>					
Beginning of year, July 1			2,218		
End of year, June 30			<b>\$ 4,612</b>		

**CITY OF CLINTON, NORTH CAROLINA**  
**CAPITAL PROJECT FUND - RUSSELL STREET PROJECT ADD-ON**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
From Inception and for the Year Ended June 30, 2011

EXHIBIT C-12

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
CDBG Grant (07-D-2178)	\$ 320,000	\$ -	\$ 11,458	\$ 11,458	\$ (308,542)
Total Revenues	320,000	-	11,458	11,458	(308,542)
<b>Expenditures</b>					
Administration	32,000	-	11,458	11,458	20,542
Clearance	10,000	-	-	-	10,000
Rehabilitation Private	115,000	-	-	-	115,000
Relocation	163,000	-	-	-	163,000
Total Expenditures	320,000	-	11,458	11,458	308,542
<b>Revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance:</b>					
Beginning of year, July 1			<u>-</u>		
End of year, June 30			<u>\$ -</u>		

**CITY OF CLINTON, NORTH CAROLINA**  
**CAPITAL PROJECT FUND - CITY HALL RENOVATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
From Inception and for the Year Ended June 30, 2011

EXHIBIT C-13

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Loan proceeds	\$ 500,000	\$ -	\$ 500,000	\$ 500,000	\$ -
Total Revenues	500,000	-	500,000	500,000	-
<b>Expenditures</b>					
Administration and engineering	23,266	-	23,266	23,266	-
Electrical and computer relocation	11,679	-	11,299	11,299	380
Borings/construction testing	11,937	-	11,937	11,937	-
Administration renovation	201,034	-	201,034	201,034	-
City Hall renovation	209,453	-	209,453	209,453	-
City Hall renovation - furniture	42,631	-	42,631	42,631	-
Total Expenditures	500,000	-	499,620	499,620	380
<b>Revenues over (under) expenditures</b>	-	-	<b>380</b>	<b>380</b>	<b>380</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	380	<u>\$ 380</u>	<u>\$ 380</u>
<b>Fund balance:</b>					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ 380</u>		

**CITY OF CLINTON, NORTH CAROLINA**  
**CAPITAL PROJECT FUND - AFFORDABLE HOUSING PROJECT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
From Inception and for the Year Ended June 30, 2011

EXHIBIT C-14

	<u>Budget</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Expenditures</b>					
Appriaisal	\$ 450	\$ -	\$ -	\$ -	\$ 450
Plumbing connection	1,000	-	3,074	3,074	(2,074)
Electrical connection	1,000	-	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	40	52,917	(62)
Contingency	3,395	-	71	71	3,324
Total Expenditures	65,000	57,677	4,185	61,862	3,138
<b>Other financing sources</b>					
Operating transfers - in					
Community Development Fund	43,000	43,000	-	43,000	-
Community Development Revolving Loan Fund	22,000	22,000	-	22,000	-
Total other financing sources	65,000	65,000	-	65,000	-
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 7,323</u>	(4,185)	<u>\$ 3,138</u>	<u>\$ 3,138</u>
<b>Fund balance:</b>					
Beginning of year, July 1			7,323		
End of year, June 30			<u>\$ 3,138</u>		

City of Clinton, North Carolina  
Water and Sewer Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Non-GAAP)  
For the year ended June 30, 2011

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES:</b>			
Operating revenues:			
Charges for services:			
Water and sewer charges		\$ 3,972,703	
Sewer surcharge		382,195	
Water and sewer tap fees		28,528	
Service fees		39,071	
Fireline fees		23,337	
Miscellaneous		105,499	
Total operating revenues	4,375,223	4,551,333	176,110
Nonoperating revenues:			
Investment earnings		14,780	
Total nonoperating revenues	141,000	14,780	(126,220)
Total revenues	4,516,223	4,566,113	49,890
<b>EXPENDITURES:</b>			
Operating expenditures other than depreciation:			
Water department:			
Salaries and employee benefits		609,532	
Operating expenditures		566,952	
Repairs and maintenance		179,707	
Total water department	1,403,296	1,356,191	47,105
Waste treatment department:			
Salaries and employee benefits		449,459	
Operating expenditures		891,050	
Repairs and maintenance		173,377	
Total waste treatment department	1,575,637	1,513,886	61,751
Total operating expenditures other than depreciation	2,978,933	2,870,077	108,856
Debt service:			
Principal payments		923,106	
Interest and fees		174,798	
Total debt service	1,109,222	1,097,904	11,318
Capital outlay:			
Water department		123,238	
Waste treatment department		28,501	
Total capital outlay	151,800	151,739	61
Total expenditures	4,239,955	4,119,720	120,235

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, 2011

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
Other financing uses:			
Transfers to other funds		(359,145)	
Total other financing uses	(478,165)	(359,145)	119,020
Total expenditures and other financing uses	4,718,120	4,478,865	239,255
Fund balance appropriated	(201,897)	-	(201,897)
Revenue over (under) expenditures and other uses	\$ -	\$ 87,248	\$ 87,248
Reconciliation of modified accrual basis to full accrual basis:		\$ 87,248	
Revenues over expenses and supplemental budget expenditures			
Reconciling items:			
Principal retirement		923,106	
Capital outlay		148,774	
Decrease in inventory		(2,013)	
Increase in accrued vacation pay		(8,798)	
Decrease in accrued interest		10,721	
Increase in accrued OPEB liability		(43,906)	
Depreciation		(949,029)	
Capital contributions		556,137	
Transfer in to Water & Sewer Fund of capital assets from Sampson Square Apartment Housing Development Project		229,562	
Transfer in to Pugh Road Capital Project Fund from General Fund		12,000	
Total reconciling items		876,554	
Change in net assets		\$ 963,802	

**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, 2011**

EXHIBIT D-2

	Project Authorization	Prior Years	Actual		Variance Favorable (Unfavorable)
			Current Year	Total to Date	
<b>Revenues</b>					
Rural Center Grant	\$ 200,000	\$ -	\$ 499,631	\$ 499,631	\$ 299,631
DENR Phase III Funds	249,100	230,135	-	230,135	(18,965)
Total Revenues	449,100	230,135	499,631	729,766	280,666
<b>Expenditures</b>					
<b>Phases-I, II &amp; III</b>					
Engineering & Design	357,000	305,392	-	305,392	51,608
Construction	3,578,718	3,563,018	-	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	4,093,895	-	4,093,895	191,178
<b>Revenues over (under) expenditures</b>	<b>(3,835,973)</b>	<b>(3,863,760)</b>	<b>499,631</b>	<b>(3,364,129)</b>	<b>471,844</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	2,525,018	-	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	3,526,391	-	3,526,391	(309,582)
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (337,369)</b>	<b>\$ 499,631</b>	<b>\$ 162,262</b>	<b>\$ 162,262</b>
<b>Expenditures to date</b>	<b>Phase I <sup>a</sup></b>	<b>Phase II <sup>b</sup></b>	<b>Phase III <sup>c</sup></b>	<b>Totals</b>	
Engineering & Design	44,258	238,258	22,876	305,392	
Construction	717,105	2,636,662	208,537	3,562,304	
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>231,413</b>	<b>4,093,181</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> Components of Phase III were capitalized and included in the fixed assets of the City as of June 30, 2010. The total amount capitalized was \$231,413.

**CITY OF CLINTON, NORTH CAROLINA**  
**CAPITAL PROJECT - RALEIGH ROAD SEWER**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)**  
From Inception and for the Year Ended June 30, 2011

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 (Non-GAAP)**  
From Inception and for the Year Ended June 30, 2011

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	\$ 6,792	\$ 228,602	(28,757)
Total Revenues	<u>257,359</u>	<u>221,810</u>	<u>6,792</u>	<u>228,602</u>	<u>(28,757)</u>
<b>Expenditures</b>					
Engineering & Design	34,104	15,788	-	15,788	18,316
Construction	212,624	212,814	-	212,814	(190)
Contingency	10,631	-	-	-	10,631
Total Expenditures	<u>257,359</u>	<u>228,602</u>	<u>-</u>	<u>228,602</u>	<u>28,757</u>
<b>Revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ (6,792)</u>	<u>\$ 6,792</u>	<u>\$ -</u>	<u>\$ -</u>

a This capital project was capitalized and included in the fixed assets of the City's water & sewer fund as of 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 (Non-GAAP)**  
From Inception and for the Year Ended June 30, 2011

EXHIBIT D-5

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Favorable (Unfavorable)</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
<b>Revenues</b>					
DENR - ARRA Funds	\$ 152,016	\$ 113,448	\$ 29,402	142,850	(9,166)
Principal Forgiveness Grant - ARRA	152,015	113,447	29,402	142,849	(9,166)
Total Revenues	<u>304,031</u>	<u>226,895</u>	<u>58,804</u>	<u>285,699</u>	<u>(18,332)</u>
<b>Expenditures</b>					
Engineering & Design	21,000	21,000	-	21,000	-
Engineering Construction Services	16,700	14,907	1,793	16,700	-
Closing Costs	6,081	-	6,081	6,081	-
Geotech Investigation	3,000	3,000	-	3,000	-
Construction	245,000	221,113	23,887	245,000	-
Contingency	12,250	-	-	-	12,250
Total Expenditures	<u>304,031</u>	<u>260,020</u>	<u>31,761</u>	<u>291,781</u>	<u>12,250</u>
<b>Revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ (33,125)</u>	<u>\$ 27,043</u>	<u>\$ (6,082)</u>	<u>\$ (6,082)</u>

a This project was fully capitalized as of June 30, 2011.

**CITY OF CLINTON, NORTH CAROLINA**  
**CAPITAL PROJECT FUND - PUGH ROAD PROJECT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Non-GAAP)**  
From Inception and for the Year Ended June 30, 2011

EXHIBIT D-6

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

a Components of this project were capitalized and included in the fixed assets of the City as of June 30, 2011.

## OTHER SCHEDULES

CITY OF CLINTON, NORTH CAROLINA  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 June 30, 2011

Fiscal Year Ended June 30,	Uncollected June 30, 2010	Additions	Collections & Credits	Uncollected June 30, 2011
2011	\$ -	\$ 2,551,652	\$ (2,477,110)	\$ 74,542
2010	61,900	-	(43,713)	18,187
2009	23,803	-	(10,325)	13,478
2008 & prior	54,187	-	(8,185)	46,002
	<u>\$ 139,890</u>	<u>\$ 2,551,652</u>	<u>\$ (2,539,333)</u>	<u>152,209</u>
Less allowance for uncollectible ad valorem taxes receivable				37,000
Ad valorem taxes receivable - net				<u>115,209</u>

## Reconciliation with revenues:

Taxes - Ad Valorem - General Fund	\$ 2,474,213
Discounts allowed & collection fee	80,108
Taxes written off and other adjustments	2,314
Subtotal	<u>2,556,634</u>
Less interest and penalties collected	(17,301)
Total collections and credits	<u>\$ 2,539,333</u>

CITY OF CLINTON, NORTH CAROLINA  
ANALYSIS OF CURRENT TAX LEVY  
For the Year Ended June 30, 2011

	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Tax levy - City Wide	\$ 575,926,552	0.41	\$ 2,361,299	\$ 2,361,299	\$ -
Motor vehicles taxes at prior year rate	52,089,268	0.41	213,566	-	213,566
Abatements and discoveries	<u>(5,661,809)</u>		<u>(23,213)</u>	<u>(6,505)</u>	<u>(16,708)</u>
Total for year	<u>\$ 622,354,011</u>		2,551,652	2,354,794	196,858
Less uncollected tax at June 30, 2011 (Exhibit E-1)			<u>74,542</u>	<u>41,175</u>	<u>33,367</u>
Current year's taxes collected			<u>\$ 2,477,110</u>	<u>\$ 2,313,619</u>	<u>\$ 163,491</u>
Percent current year collected			97.08%	98.25%	83.05%

## COMPLIANCE SECTION



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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregated remaining fund information of the City of Clinton, North Carolina, as of and for the year ended June 30, 2011, which collectively comprises the City of Clinton's basic financial statements, and have issued our report thereon dated November 4, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Clinton ABC Board, as described in our report on the City of Clinton's financial statements. The financial statements of Clinton ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. *2011-01*.

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

Compliance and Other Matters

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

The City's response to the finding, 2011-01, identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the City of Clinton, North Carolina, in a separate letter dated November 4, 2011.

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



Denning & Sessoms, PA

Clinton, North Carolina  
November 4, 2011



## **Report On Compliance With Requirements Applicable To Each Major Federal Program And 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's. North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Clinton's major federal programs for the year ended June 30, 2011. The City of Clinton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Clinton's management. Our responsibility is to express an opinion on the City of Clinton's compliance based on our audit.

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

In our opinion, the City of Clinton complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

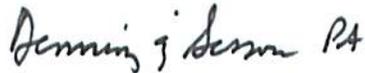
### Internal Control Over Compliance

Management of the City of Clinton 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's internal control over compliance with 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'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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



Denning & Sessoms, PA

Clinton, North Carolina  
November 4, 2011

**CITY OF CLINTON, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2011**

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	409,816	-	117,043
		04-D-2088	25,616	-	11,460
		07-D-2178	11,458	-	-
<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	58,804	-	-
<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	2,224	-	-
		FEMA-1969-DR-NC	34,712	11,570	-
<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	1491-536974-8Z	199,302	-	-
<u>U.S. Department of Housing and Urban Development</u>					
Public and Indian Housing Drug Elimination Program Small Cities					
	14.854		42,565	-	-
<u>U.S. Department of Health and Human Services</u>					
Passed-through Mid-Carolina Council of Government: Special Programs for the Aging Title IIIB - Senior Citizens					
	93.004		4,001	-	-
<u>U.S. Department of Agriculture</u>					
Community Facilities Loans Downtown Revitalization Phase III (See note 3 below)					
	10.780		158,059	-	164,217
Total assistance - federal programs			946,557	11,570	292,720
<b>State Grants:</b>					
<b>Cash Assistance:</b>					
<u>N.C. Department of Transportation:</u>					
Powell Bill					
		DOT-4	-	247,940	-
Total assistance - state programs			-	247,940	-
Total assistance			\$ 946,557	\$ 259,510	\$ 292,720

**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, 2011 in the amount of \$135,708 from funding passed through NC Department of Environmental and Natural Resources from American Recovery and Reinvestment Act of 2009 (ARRA) for loan proceeds in the amount of \$142,850 for the Clear Well project.
- The City of Clinton had two loans outstanding at June 30, 2011 in the amounts of \$314,325 and \$674,109 from installment loans financed with Community Facilities Loans with the US Department of Agriculture. These loans along with contributions from the City funded two downtown revitalization projects. Phase I was completed during the year ended June 30, 2005 and Phase II was completed during the year ended June 30, 2008. Phase III was begun during year ended June 30, 2010 with construction anticipated to be complete year ended June 30, 2012. For year ended June 30, 2011 the City expended funds of \$158,059 that management anticipates will be financed in part by USDA loan proceeds and a USDA grant.

City of Clinton, North Carolina  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2011

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

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted  yes  X no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

CFDA No.	Names of Federal Program or Cluster
14.228	Community Development Block Grant (Russell St. & Pugh St.)
93.243	Strategic Prevention Framework-State Incentive Grant (SOLIS)



City of Clinton, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2011

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

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None reported.

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

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None reported.

City of Clinton, North Carolina  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2011

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**Section II – Financial Statement Findings**

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MATERIAL WEAKNESS

11 – 1 Recording of Transactions and Events

Name of contact person: Shawn Purvis, Finance Director

Corrective Action: Documents and authorization relating to transactions will be forwarded to the Finance Department more promptly by the various departments and compliance with the City's purchasing policy will be emphasized. Additionally, the Finance Department will more closely monitor transactions occurring near the end and beginning of accounting periods.

Proposed Completion Date: Management will implement the above procedure immediately.

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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.