

CITY OF CLINTON
CLINTON, SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDING JUNE 30, 2011

SUBMITTED BY:
FINANCE DEPARTMENT

**CITY OF CLINTON
CLINTON, SOUTH CAROLINA**

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INTRODUCTORY SECTION



CLINTON

South Carolina

September 16, 2011

To the Honorable Mayor, Members of City Council,
and Citizens of the City of Clinton:

South Carolina law requires that all municipal governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Clinton for the fiscal year ended June 30, 2011.

This report consists of management's representation concerning the finances of the City of Clinton. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The independent certified public accounting firm of McKinley Cooper & Co., LLC, Certified Public Accountants, has audited the City of Clinton's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Clinton for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Clinton's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP in all material respects. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Clinton's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Clinton was established in 1852 and incorporated in 1890 and is the second largest municipality in Laurens County. The City lies in the upstate region of South Carolina approximately 40 miles south of Greenville. The City has a population of approximately 9,100 and presently covers a land area of 10 square miles. The City of Clinton is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically. The City has a council/manager form of government. The City Council ("Council") is the policy making and legislative body of city government and includes a mayor and six council members. The Mayor is elected at large with the Council elected by districts on a non-

partisan basis. The Council members serve staggered four-year terms. Elections are held in March of odd numbered years. The City Manager, the chief administrative officer, is appointed by and serves at the pleasure of the Council and is responsible for carrying out the policies and ordinances of the Council and administering the daily operations and programs of the City through appointed department heads and staff members.

The City provides a wide range of services for its citizens, including law enforcement, fire protection, public safety, planning and developmental services, sanitation, street maintenance, cemeteries, cultural and recreational activities, general administration, and community development. In addition to these general government activities, the City provides and maintains water, sewer, and electric utilities for the benefit of its citizens. The City also jointly owns the Clinton Newberry Natural Gas Authority with the City of Newberry. This report includes all of the City's fiscal activities in maintaining these services. The City also extends financial support to certain boards, agencies and commissions to assist their efforts in serving citizens. Among these are the Laurens County Library, Laurens County Chamber of Commerce, Clinton Business Association, Clinton YMCA, and the Clinton Economic Development Corporation.

The annual budget serves as the foundation for the City of Clinton's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager who is also the City's Budget Officer. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The City Manager is authorized to make transfers of appropriations within a department as necessary. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Clinton operates.

Local economy

Located in the southern half of Laurens County, the City is situated between two of the largest metropolitan areas in South Carolina - the Columbia Metro region and the Greenville/Spartanburg region. Interstates 26 and 385 converge in Clinton as do US Highways 72, 76 and SC Highway 56. These roadways provide direct access to Greenville, Spartanburg, Columbia, Greenwood, Charleston, and Asheville, NC. The City's proximity to the interstates and these roadways makes it an ideal location to take advantage of the Upstate region's strong commercial, financial, automotive, manufacturing and distribution markets. The County has a diverse job base with no dependence on any one industry. Much of the local economy revolves around a number of public and private institutions. These include the Laurens County School District 56, The Presbyterian Home, Presbyterian College, and the Whitten Center. All of these institutions are inside the City limits and are full service customers of the City's utility system. Several of the City's large industrial customers include Asten Johnson, Renfro Distribution, Shaw, Avery Dennison, and Aaron Industries. All of these industries are served by at least one of the City's utilities. The City is served by Laurens County Hospital for health and emergency care. The availability of an educated work force is always a concern to any new business or industry desiring to locate within the County. Vocational education programs are offered through the public schools and Piedmont Technical College.

The City once had a traditional textile-manufacturing base, but has been hit especially hard by the loss of textile jobs. The economic slow down of the last three years has also hurt the other industries in Clinton and Laurens County, as numerous other facilities have continued to

downsize their operations. The City continues to take steps to improve the local economy with the marketing of its multi-phased corporate/industrial parks located in close proximity to I-26. As the national economy rebounds, so will our local economy as we continue to aggressively market our community and assets.

The most significant development to occur in the City of Clinton during the past decade is the recent announcement of the location of the Presbyterian College School of Pharmacy in downtown Clinton. This new graduate school will educate over 300 doctorate students and employ over 30 fulltime faculty. This infusion of investment and people continues to drive the development on construction jobs, real estate sales, and creation of new service industries in downtown Clinton.

Long-term financial planning

The City of Clinton recently completed a five-year strategic plan, incorporating input from the Mayor, City Council, staff, and the general public. The strategic plan focuses on improving the quality of life for the citizens of Clinton, primarily in the arenas of economic development, housing, marketing, technology, parks, and recreational opportunities. In addition to the five year strategic plan, the City completed their required ten year Comprehensive Plan in 2011.

In conjunction with this strategic plan, the City of Clinton continues to aggressively market the City and land owned by the City and the Clinton Economic Development Corporation for potential development. Future investment into infrastructure to serve these properties will be a priority for the City in the future years. Immediate infrastructure improvements, required by industrial projects, are currently funded by direct allocations from state and federal agencies.

Downtown redevelopment will continue to be a priority for the City. This will include continued streetscape improvements, downtown business recruitment and retention, and development of downtown living spaces. The primary source of funding for this redevelopment has been and will continue to be state and federal grants, requiring an minimal investment of the City.

Cash Management

The City's temporary idle cash is invested in interest-bearing demand deposits, certificates of deposit, and obligations of the U.S. Treasury. All revenues received are deposited the same day in a consolidated interest-bearing account. This bank account is drawn upon to meet all payroll and payable obligations, and the City maintains in this account only as much money as is required to meet current obligations. All other idle cash is invested in instruments authorized by the South Carolina Investment Pool. The maturities of the investments range from 1 day to 3 years, with an average maturity of less than 12 months.

The City's investment policy emphasizes safety and liquidity, while maintaining a competitive yield on its portfolio. Accordingly, deposits are either insured by federal depository insurance or collateralized as required by South Carolina General Statutes. All collateral on deposits is held either by the City or its agent.

Risk Management

The City purchases commercial insurance policies to provide coverage for all property damage and general liability, workers' compensation and major medical. These policies require various deductibles and have maximum limits up to \$1,000,000 of insurance coverage per occurrence, excluding major medical, where the City's responsibility is to pay the monthly premiums. As part of its overall risk management program, the City practices various risk control techniques including an employee safety program emphasizing accident prevention to minimize losses, an employee wellness program and employs a fulltime Risk Manager.

Pension and other post employment benefits

The City of Clinton provides retirement benefits to its employees through the South Carolina State Retirement System. The City has no obligation for employee's retirement benefit after retirement. It is funded during the employee's time of service to the State System.

The City provides postretirement health care benefits to retirees of the City provided they have at least twenty-five years of creditable continuous service with the City. The City pays the full cost of coverage for these benefits until the retiree reaches the qualifying age for Medicare. The City of Clinton is also a member of the South Carolina Other Retirement Benefits Employer Trust (SCORBET) to better manage the City's post-employment benefit obligations.

Internal Controls

Management of the City of Clinton is responsible for establishing and maintaining a system of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the readability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of internal control should not exceed the benefits likely to be delivered; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The City's internal accounting controls are considered to be adequate to safeguard the assets and provide reasonable assurance of proper financial transactions.

Awards and Acknowledgments

The Governmental Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Clinton for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the 22nd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We wish to thank the Mayor and members of City Council for their support and interest in planning and conducting the financial operations of the City in a responsible and progressive manner. We also thank them for the trust they have given City administration. The preparation of this report has been accomplished through the dedicated efforts of the City Clerk and Finance Director with the guidance of the independent auditors, McKinley, Cooper & Co., LLC. We would like to express our appreciation to all personnel who assisted and contributed to the preparation of this report.

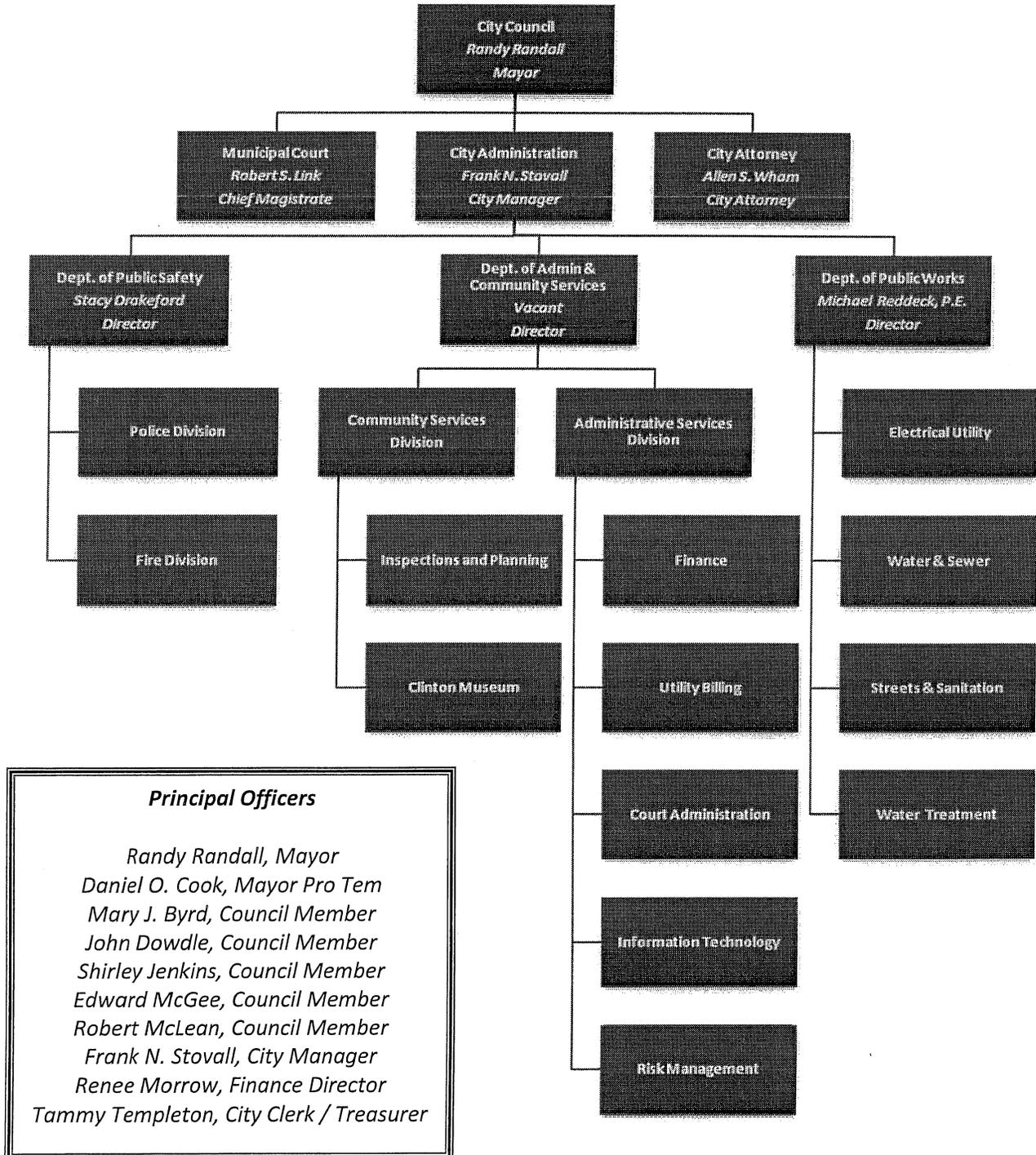
Respectfully submitted,

Frank Stovall
City Manager



CLINTON *South Carolina*

Organization Chart June 30, 2011



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Clinton
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Clinton, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, South 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, South Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, South Carolina, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof 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 September 16, 2011, on our consideration of the City of Clinton, South Carolina'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 the 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and schedule of funding progress for retiree health plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance

To the Honorable Mayor and City Council
City of Clinton, South Carolina
September 16, 2011

with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clinton, South Carolina's financial statements as a whole. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

McKinley, Cooper & Co., LLC

September 16, 2011

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 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

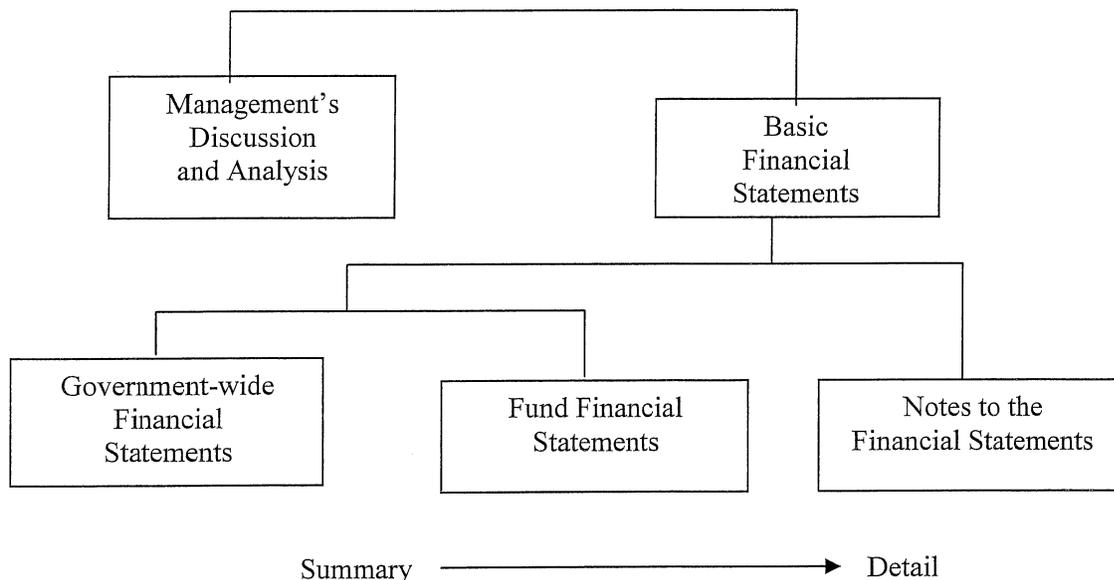
- The assets of the City of Clinton exceeded its liabilities at the close of the fiscal year by \$16,784,874.
- The government's total net assets increased by \$2,259,467 primarily due to increases in the Business-Type activities net assets
- As of the close of the current fiscal year, the City's governmental funds reported ending fund balances of \$2,367,492, an increase of \$967,728 in comparison with the prior year. The City's unassigned fund deficit is \$1,236,509.

Overview of the Financial Statements

This discussion and analysis is 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 (see 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 (pages 17 and 18) 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 (pages 19 through 26) 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, the required supplementary information and other **supplementary information** are provided to show details about the City's individual funds. Budgetary information required by state statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as, general government, public safety, streets and sanitation, and parks and recreation. Property taxes, licenses and permits, intergovernmental revenues, charges for services and contributions finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water, sewer and electric services offered by the City of Clinton.

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 South Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the state statutes or the City's budget ordinance. All of the funds of 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 South Carolina State Law. The budget is a legally adopted document that incorporates input from the management of the City, the City Council and the citizens of the City, about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities.

The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the City 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds

The City of Clinton Combined Utility Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Clinton uses the enterprise fund to account for its water, sewer and electric operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27 through 44 of this report.

Government-Wide Financial Analysis City of Clinton Net Assets Figure 2

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 2,920,734	\$ 2,028,299	\$ 11,480,964	\$ 6,347,798	\$ 14,401,698	\$ 8,376,097
Capital Assets	6,882,072	6,762,511	8,757,590	8,900,783	15,639,662	15,663,294
Intangible Assets	-	-	135,291	130,849	135,291	130,849
Total Assets	\$ 9,802,806	\$ 8,790,810	\$ 20,373,845	\$ 15,379,430	\$ 30,176,651	\$ 24,170,240
Long-term Liabilities						
Outstanding	\$ 1,883,721	\$ 1,640,599	\$ 9,492,349	\$ 5,392,824	\$ 11,376,070	\$ 7,033,423
Other Liabilities	524,194	582,915	1,491,513	2,028,495	2,015,707	2,611,410
Total Liabilities	2,407,915	2,223,514	10,983,862	7,421,319	13,391,777	9,644,833
Net Assets:						
Invested in capital assets, net of related debt	6,387,929	6,245,735	3,963,898	3,987,388	10,351,827	10,233,123
Restricted	1,930,725	120,951	4,532,590	-	6,463,315	120,951
Unrestricted	(923,763)	200,610	893,495	3,970,723	(30,268)	4,171,333
Total Net Assets	7,394,891	6,567,296	9,389,983	7,958,111	16,784,874	14,525,407
Total Net Assets and Liabilities	\$ 9,802,806	\$ 8,790,810	\$ 20,373,845	\$ 15,379,430	\$ 30,176,651	\$ 24,170,240

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 \$30,176,651 exceeded liabilities by \$16,784,874 as of June 30, 2011. The City's net assets increased by \$2,259,467 for the fiscal year ended June 30, 2011. However, the largest portion of net assets (62%) 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. The cash balance of \$1,003,336 is unrestricted.

Total unrestricted governmental net assets increased due to the City's conservative approach during the budget process for fiscal year 2010-2011 and adherence to that budget. As a whole, revenues reported for the City's governmental area were favorable.

City of Clinton
Changes in Net Assets
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,691,496	\$ 1,699,434	\$ 18,182,684	\$ 16,629,444	\$ 19,874,180	\$ 18,328,878
Operating grants and contributions	1,088,829	1,116,663	-	-	1,088,829	1,116,663
Capital grants and contributions	358,835	31,761	236,960	-	595,795	31,761
General revenues:						
Property taxes	570,899	671,170	-	-	570,899	671,170
Other taxes	1,095,839	1,077,638	-	-	1,095,839	1,077,638
Grants and contributions not restricted to specific programs	192,346	235,149	-	-	192,346	235,149
Other	299,367	239,567	113,954	108,060	413,321	347,627
Total revenues	<u>5,297,611</u>	<u>5,071,382</u>	<u>18,533,598</u>	<u>16,737,504</u>	<u>23,831,209</u>	<u>21,808,886</u>
Expenses:						
General government	1,314,915	1,220,943	-	-	1,314,915	1,220,943
Public safety	3,296,784	3,371,542	-	-	3,296,784	3,371,542
Streets and sanitation	1,152,525	823,845	-	-	1,152,525	823,845
Museum	39,020	36,519	-	-	39,020	36,519
Cultural and recreation	344,306	414,612	-	-	344,306	414,612
General public interest on	-	-	-	-	-	-
Long-term debt	62,511	46,892	-	-	62,511	46,892
Public works	-	-	971,533	896,709	971,533	896,709
Water and sewer	-	-	3,314,660	3,540,149	3,314,660	3,540,149
Electric	-	-	11,075,488	10,177,208	11,075,488	10,177,208
Total expenses	<u>6,210,061</u>	<u>5,914,353</u>	<u>15,361,681</u>	<u>14,614,066</u>	<u>21,571,742</u>	<u>20,528,419</u>
Changes in net assets before transfers	(912,450)	(842,971)	3,171,917	2,123,438	2,259,467	1,280,467
Transfers	<u>1,740,045</u>	<u>1,679,446</u>	<u>(1,740,045)</u>	<u>(1,679,446)</u>	<u>-</u>	<u>-</u>
Change in net assets	827,595	836,475	1,431,872	443,992	2,259,467	1,280,467
Net Assets, Beginning	6,567,296	5,636,001	7,958,111	7,514,119	14,525,407	13,150,120
Prior Period Adjustment	-	94,820	-	-	-	94,820
Net Assets, Ending	<u>\$ 7,394,891</u>	<u>\$ 6,567,296</u>	<u>\$ 9,389,983</u>	<u>\$ 7,958,111</u>	<u>\$ 16,784,874</u>	<u>\$ 14,525,407</u>

Governmental activities.

Governmental activities increased the City's net assets by \$827,595. Key elements of this increase are as follows:

- The City kept expenditures down due to economic restraints and forecasts, while revenues were maintained.
- Contributions and grants were received totaling over \$1,000,000. The main portion of these receipts were from private contributions and a federal grant of \$358,835, while \$78,972 was received from the Federal Stimulus Funds and the South Carolina Department of Juvenile Justice.
- No capital outlay was expended unless through grant funds, private contributions or the 2010 Bond Fund, except for the down payment on the leaf truck in the Street Department.

Business-type activities

Business-type activities increased the City of Clinton's net assets by \$1,431,872. The key elements of this increase are:

- Utility Revenues increased by approximately \$1,560,000 while purchases to provide utilities to customer increased by \$850,000. The increase in revenue is partially due to an increase in water and sewer revenues of \$260,000 due to drought conditions. The City also implemented rate increases of 6% electric, 5% sewer and 5% to water customers outside the City limits.
- The transfer to the Governmental Fund increased by a budgeted amount of \$60,600.
- The City spent less on Treatment Chemicals due to the decrease in turbidity of the water which can be attributed to the drought conditions. Water treatment chemicals decreased by \$36,000.
- As with the Governmental fund, the Utility employees worked diligently and frugally to keep costs down while the actual costs of supplies increased due to the economy. While the revenue increased by 9%, expenses increased by 5%.

Financial Analysis of the City's Funds

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

Governmental Funds.

The focus of the City of Clinton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Clinton's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Clinton. At the end of the current fiscal year, the unassigned fund deficit of the General Fund was \$849,722 while total fund balance was \$1,652,691. Also in the governmental funds, the Economic Development Fund had an unassigned deficit of \$386,787 while the total fund balance was \$714,801. The Economic Development Fund Corporation's Fund Balance's decrease was due to the payment of debt. The General Fund is able to meet its cash flow needs by borrowing from the Proprietary Fund.

During the current fiscal year, the fund balance of the City of Clinton's general fund increased by \$1,116,081. Key factors in this increase are as follows:

- Due to economic restraints capital outlay only increased by \$315,851. No capital outlay was expended unless through grant funds.

- Funds from other financing sources totaling \$2,274,945 were received which consisted of \$534,900 from issuance of debt and \$1,740,045 transfer from the Utility Fund..

General Fund Budgetary Highlights

Revenues were greater than the budgeted amounts primarily because the amount of revenue received from miscellaneous sources exceeded the budget projections. Contributions exceeded the budgeted amount by \$363,159. Hospitality Tax revenues exceeded the budget by \$78,197 and Miscellaneous Revenue exceeded the budget by \$147,037. Contributions primarily consist of money received from Clinton Newberry Natural Gas. Miscellaneous revenue can be attributed to the receipt of money held over two fiscal years by the previous insurance provider during the claims “run-out” paid by that provider.

Expenditures for the General Fund were over budget in primarily two areas. The streets and sanitation and capital outlay were over budget by \$294,341, and \$487,113, respectively while the general government section was under budget by \$224,390. The streets and sanitation expenditures exceeded the budgeted amounts due to costs related to grant funded streetscape expenditures and various other expenditures, such as, vehicle repairs and fuel costs. The General Government Department was under budget because money budgeted for hospitality funds were not spent. Capital Outlay exceeded budgeted amounts because the funds expended on the M. S. Bailey Museum and Council Chambers. These expenditures were not budgeted because the projects were funded from contributions and a General Obligations Bond.

Proprietary Funds.

The City of Clinton’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Combined Utility System Enterprise Fund at the end of the fiscal year amounted to \$5,426,085. The total increase in net assets for the fund was \$1,431,872. Other factors concerning the finances of the fund have already been addressed in the discussion of the City of Clinton’s business-type activities.

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 \$15,639,662, (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

The City’s major capital asset transactions during the year included the following:

- The City acquired a new Leaf Vacuum Truck for approximately \$129,000 in the Public Works Department through a lease from BB & T for \$84,900.
- The City continued the MS Bailey and Council Chamber projects that were added to Construction in Progress for a combined total of over \$360,000.
- The City purchased a Right of Way bucket truck in the Public Works Department for \$143,000 with the assistance of a lease from BB &T for \$88,331.
- The City continued to replace Water Lines and Meters in the Lydia Mill Community located in the City through a Community Block Development Grant with additions to Construction in Progress of \$236,000.

City of Clinton
Capital Assets
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,105,526	\$ 1,105,851	\$ 11,983	\$ 11,983	\$ 1,117,509	\$ 1,117,834
Building	2,588,856	2,667,902	161,373	173,756	2,750,229	2,841,658
Improvements Other than Buildings	1,761,419	1,906,659	7,736,442	8,266,056	9,497,861	10,172,715
Vehicles and Other Equipment	770,046	849,769	313,946	182,933	1,083,992	1,032,702
Construction in Progress	656,225	232,330	533,846	266,055	1,190,071	498,385
	<u>\$ 6,882,072</u>	<u>\$ 6,762,511</u>	<u>\$ 8,757,590</u>	<u>\$ 8,900,783</u>	<u>\$ 15,639,662</u>	<u>\$ 15,663,294</u>

Additional information on the City's capital assets can be found in note 2 of the basic financial statements.

Long-term Debt

As of June 30, 2011, the City of Clinton had total bonded debt outstanding of \$10,007,005. Of this, \$635,437 is debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

City of Clinton
Outstanding Debt - General Obligation and Revenue Bonds
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 635,437	\$ 303,123	\$ -	\$ -	\$ 635,437	\$ 303,123
Revenue Bonds	-	-	9,371,568	5,920,915	9,371,568	5,920,915
	<u>\$ 635,437</u>	<u>\$ 303,123</u>	<u>\$ 9,371,568</u>	<u>\$ 5,920,915</u>	<u>\$10,007,005</u>	<u>\$ 6,224,038</u>

South Carolina State Law limits 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 \$312,465. The City has \$635,437 in general obligation bonds outstanding at June 30, 2011. Additional information regarding the City of Clinton's long-term debt can be found in note 2 of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the challenges the City faces with the local economy:

- **New Manufacturing Jobs.** The City continues to try to replace the 2,000 jobs lost over the past 5 years.

- Utility Revenues. The City continues to try to replace the utility revenues lost with the closing of the local textile mills.
- Corporate Park. The City's creation of a multi-phased business/industrial park is expected to improve each of the above economic factors.
- The construction of a frontage road along Interstate 26 and the location of varied retail and other commercial entities will also improve the above-mentioned economic factors.
- In June 2011, the City issued General Obligation Bonds for \$4,000,000 to fund the infrastructure of the frontage road, replace meters, new software and the renovation of utility billing in the M. S. Bailey Municipal Center.

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities

The City of Clinton did not increase Property taxes for 2011. The City did not increase any of the cost of services to the citizens of Clinton that are provided by the governmental sector. Budgeted expenditures in the General Fund are expected to rise only as necessary to meet the fixed cost of City operations.

Business-type Activities:

Electric rates will increase approximately 13% to cover increased cost of wholesale power from Piedmont Municipal Power Agency. Water rates increased 2.5% to customers who reside outside of the city limits. Sewer rates increased by 3.5% to cover a rate increase implemented by Laurens County Water and Sewer Commission, the Agency that treats the City of Clinton's sewer.

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 Frank N. Stovall, City Manager, City of Clinton, P. O. Box 748, Clinton, SC 29325.

CITY OF CLINTON, SOUTH CAROLINA

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 546,381	\$ 456,955	\$ 1,003,336
Restricted cash	1,930,725	4,532,590	6,463,315
Investments	111,273	408,216	519,489
Taxes receivable - net	90,881	-	90,881
Other receivables - net	193,820	4,445,620	4,639,440
Internal balances	(1,060,172)	1,060,172	-
Inventories	6,238	577,411	583,649
Land held for resale	1,101,588	-	1,101,588
Capital assets			
Land and construction in progress	1,761,751	545,829	2,307,580
Other capital assets - net of depreciation	5,120,321	8,211,761	13,332,082
Bond issue costs, net of accumulated amortization	-	135,291	135,291
Total assets	<u>\$ 9,802,806</u>	<u>\$ 20,373,845</u>	<u>\$ 30,176,651</u>
LIABILITIES AND NET ASSETS			
Accounts payable and accrued liabilities	\$ 236,521	\$ 1,453,252	\$ 1,689,773
Customer deposits	-	6,425	6,425
Unearned revenue	270,764	-	270,764
Accrued interest payable	16,909	31,836	48,745
Long-term liabilities			
Net OPEB obligation	35,128	85,707	120,835
Due within one year	315,234	679,287	994,521
Due in more than one year	1,533,359	8,727,355	10,260,714
Total liabilities	<u>2,407,915</u>	<u>10,983,862</u>	<u>13,391,777</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,387,929	3,963,898	10,351,827
Restricted for			
Debt service	239,717	-	239,717
Tourism	1,641,413	-	1,641,413
Public safety	49,595	-	49,595
Capital projects	-	4,532,590	4,532,590
Unrestricted	(923,763)	893,495	(30,268)
Total net assets	<u>7,394,891</u>	<u>9,389,983</u>	<u>16,784,874</u>
Total net assets	<u>\$ 9,802,806</u>	<u>\$ 20,373,845</u>	<u>\$ 30,176,651</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLINTON, SOUTH CAROLINA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 1,314,915	\$ 728,486	\$ 848,136	\$ -	\$ 261,707	\$ -	\$ 261,707
Public Safety	3,296,784	609,697	79,972	-	(2,607,115)	-	(2,607,115)
Streets and Sanitation	1,152,525	353,313	-	358,835	(440,377)	-	(440,377)
Museum	39,020	-	114,687	-	75,667	-	75,667
Cultural and Recreational	344,306	-	46,034	-	(298,272)	-	(298,272)
Interest on long-term debt	62,511	-	-	-	(62,511)	-	(62,511)
Total governmental activities	6,210,061	1,691,496	1,088,829	358,835	(3,070,901)	-	(3,070,901)
Business-type activities							
Public Works	971,533	299,046	-	-	(672,487)	(672,487)	(672,487)
Water and Sewer	3,314,660	4,323,426	-	236,960	1,245,726	1,245,726	1,245,726
Electric	11,075,488	13,560,212	-	-	2,484,724	2,484,724	2,484,724
Total business-type activities	15,361,681	18,182,684	-	236,960	3,057,963	3,057,963	3,057,963
Total primary government	\$ 21,571,742	\$ 19,874,180	\$ 1,088,829	\$ 595,795	(3,070,901)	3,057,963	(12,938)
General revenues							
Taxes							
Property taxes, levied for general purposes					570,899		570,899
Local option sales tax					619,777		619,777
Other Taxes					476,062		476,062
Grants and contributions not restricted to specific programs					192,346		192,346
Miscellaneous					299,367	113,954	413,321
Transfers					1,740,045	(1,740,045)	-
Total general revenues and transfers					3,898,496	(1,626,091)	2,272,405
Change in net assets					827,595	1,431,872	2,259,467
Net assets, beginning					6,567,296	7,958,111	14,525,407
Net assets, ending					\$ 7,394,891	\$ 9,389,983	\$ 16,784,874

The accompanying notes are an integral part of these financial statements.

CITY OF CLINTON, SOUTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General Fund</u>	<u>Economic Development Corporation Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,477,106	\$ -	\$ 2,477,106
Investments	111,273	-	111,273
Receivables - net			
Taxes	90,881	-	90,881
Accounts and other	193,820	-	193,820
Inventories	6,238	-	6,238
Land held for resale	-	1,101,588	1,101,588
Total assets	<u>\$ 2,879,318</u>	<u>\$ 1,101,588</u>	<u>\$ 3,980,906</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ 236,521	\$ -	\$ 236,521
Due to other funds	913,385	146,787	1,060,172
Deferred revenue	76,721	240,000	316,721
Total liabilities	<u>1,226,627</u>	<u>386,787</u>	<u>1,613,414</u>
Fund Balances			
Nonspendable	96,879	1,101,588	1,198,467
Restricted	1,930,725	-	1,930,725
Committed	394,775	-	394,775
Assigned	80,034	-	80,034
Unassigned	(849,722)	(386,787)	(1,236,509)
Total fund balances	<u>1,652,691</u>	<u>714,801</u>	<u>2,367,492</u>
Total liabilities and fund balances	<u>\$ 2,879,318</u>	<u>\$ 1,101,588</u>	<u>\$ 3,980,906</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLINTON, SOUTH CAROLINA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
TO THE STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2011**

Total Fund Balance, Governmental Funds		\$ 2,367,492
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		6,882,072
Certain other long-term liabilities are not available to pay current period expenditures and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		(35,128)
Property taxes receivable are not considered available and are, therefore, deferred in the funds.		45,957
Some liabilities (such as Notes Payable, Accrued Interest Payable, Capital Leases Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		
General obligation bonds	(635,437)	
Note payable	(734,957)	
Capital Leases	(225,337)	
Compensated absences	(252,862)	
Accrued interest payable	(16,909)	
	(1,865,502)	(1,865,502)
Net Assets of Governmental Activities in the Statement of Net Assets		\$ 7,394,891

The accompanying notes are an integral part of these financial statements.

CITY OF CLINTON, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Economic Development Corporation Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 591,042	\$ -	\$ 591,042
Licenses and permits	728,486	-	728,486
Intergovernmental revenues	1,328,628	-	1,328,628
Fines and forfeitures	269,953	-	269,953
Accommodations tax	147,865	-	147,865
Hospitality tax	328,197	-	328,197
Charges for services	755,222	-	755,222
Contributions	991,159	-	991,159
Interest revenue	4,670	-	4,670
Miscellaneous	172,532	-	172,532
Total revenues	<u>5,317,754</u>	<u>-</u>	<u>5,317,754</u>
EXPENDITURES			
Current			
General government	1,191,967	-	1,191,967
Public safety	3,046,848	-	3,046,848
Streets and sanitation	1,009,491	-	1,009,491
Museum	39,020	-	39,020
Cultural and recreational	338,353	-	338,353
Capital outlay	634,859	-	634,859
Debt service			
Principal retirement	190,903	107,448	298,351
Interest	25,180	40,902	66,082
Total expenditures	<u>6,476,621</u>	<u>148,350</u>	<u>6,624,971</u>
Excess of revenues over (under) expenditures	<u>(1,158,867)</u>	<u>(148,350)</u>	<u>(1,307,217)</u>
OTHER FINANCING SOURCES			
Issuance of long-term debt	450,000	-	450,000
Issuance of capital leases	84,900	-	84,900
Transfers to other funds			
Overhead allocation transfer	307,446	-	307,446
Contributions transfer	1,432,599	-	1,432,599
Total other financing sources	<u>2,274,945</u>	<u>-</u>	<u>2,274,945</u>
Net change in fund balances	1,116,078	(148,350)	967,728
Fund Balance, beginning of year	<u>536,613</u>	<u>863,151</u>	<u>1,399,764</u>
Fund Balance, end of year	<u>\$ 1,652,691</u>	<u>\$ 714,801</u>	<u>\$ 2,367,492</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLINTON, SOUTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Total Governmental Funds	\$	967,728
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p>		
Capital outlay		634,858
Depreciation expense		(514,972)
<p>Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.</p>		
		(325)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Changes in deferred revenue for tax revenues		(20,143)
<p>Governmental funds report bond proceeds and capital lease issuances as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.</p>		
Issuance of long-term debt		(450,000)
Repayment of long-term debt		298,351
Issuance of capital leases		(84,900)
<p>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.</p>		
Accrued interest payable		3,571
Net OPEB obligation		(8,332)
Compensated absences		1,759
		827,595
Change in Net Assets of Governmental Activities	\$	827,595

The accompanying notes are an integral part of these financial statements.

CITY OF CLINTON, SOUTH CAROLINA

STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2011

ASSETS

Current Assets	
Cash	\$ 456,955
Restricted cash	4,532,590
Investments	408,216
Accounts receivable - net	3,207,766
Unbilled revenue	1,237,854
Due from the general fund	1,060,172
Inventories	<u>577,411</u>
Total current assets	<u>11,480,964</u>
Noncurrent Assets	
Capital assets - net of accumulated depreciation	8,757,590
Bond issue costs - net of amortization	<u>135,291</u>
Total noncurrent assets	<u>8,892,881</u>
Total assets	<u><u>\$ 20,373,845</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable and accrued liabilities	1,453,252
Customer deposits	6,425
Accrued interest payable	31,836
Compensated absences - current portion	12,054
Obligations under capital leases - current portion	68,246
Revenue bonds payable - current portion	628,023
Deferred amount on refunding - current portion	<u>(29,036)</u>
Total current liabilities	<u>2,170,800</u>
Noncurrent Liabilities	
Net OPEB obligation	85,707
Compensated absences - net of current portion	68,306
Obligations under capital leases - net of current portion	147,791
Revenue bonds payable - net of current portion	8,743,545
Deferred amount on refunding - net of current portion	<u>(232,287)</u>
Total noncurrent liabilities	<u>8,813,062</u>
Total liabilities	<u>10,983,862</u>
Net Assets	
Invested in capital assets, net of related debt	3,963,898
Unrestricted	<u>5,426,085</u>
Total net assets	<u>9,389,983</u>
Total liabilities and net assets	<u><u>\$ 20,373,845</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLINTON, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2011

	Combined Utility System Enterprise Fund
OPERATING REVENUES	
Utility sales	\$ 17,633,086
Interdepartmental utility sales	277,767
Hookup fees	42,771
Penalties	211,313
Miscellaneous	129,247
Total operating revenues	18,294,184
OPERATING EXPENSES	
Public works administration department	515,809
Utility billing department	325,730
Electric distribution department	10,588,824
Sanitary sewer department	1,530,414
Water distribution department	333,447
Water plant department	861,328
Storm sewer department	49,732
Maintenance department	62,675
Risk management department	78,256
Depreciation	703,486
Total operating expenses	15,049,701
Operating income	3,244,483
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	2,454
Interest expense	(286,622)
Bond issue cost amortization	(25,358)
Total nonoperating revenues (expenses)	(309,526)
Income before contributions and transfers	2,934,957
Capital contributions - federal grants	236,960
Transfers to other funds	(1,740,045)
Net income	1,431,872
Net assets, beginning of year	7,958,111
Net assets, end of year	\$ 9,389,983

The accompanying notes are an integral part of these financial statements.

CITY OF CLINTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2011

	<u>Combined Utility System Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 17,724,747
Cash paid for goods and services	(12,566,983)
Cash paid to employees	(1,423,759)
Net cash provided by operating activities	<u>3,734,005</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(1,952,508)
Net cash provided by investing activities	<u>(1,952,508)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(471,962)
Principal payments on capital leases	(74,849)
Principal payments on revenue bonds	(549,346)
Interest and other fees paid	(310,253)
Subsidy from federal grants	236,960
Proceeds from capital debt	4,000,000
Net cash used by capital and related financing activities	<u>2,830,550</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	2,454
Net cash provided by investing activities	<u>2,454</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,614,501
CASH AND CASH EQUIVALENTS, beginning of year	<u>783,260</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 5,397,761</u></u>

(continued)

CITY OF CLINTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - CONTINUED
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2011

	<u>Combined Utility System Enterprise Fund</u>
Reconciliation of Operating Income to Net	
Cash Provided by Operating Activities:	
Operating income	\$ 3,244,483
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	703,486
(Increase) decrease in assets	
Accounts receivable	(550,553)
Unbilled receivables	(25,309)
Inventories	8,398
Increase (decrease) in liabilities	
Accounts payable and accrued liabilities	280,294
Deferred amount on refunding	29,036
Net OPEB obligation	34,203
Compensated absences	3,542
Customer deposits	6,425
Net cash provided by operating activities	<u><u>\$ 3,734,005</u></u>
Noncash Investing, Capital and Financing Activities	
Transfers to other funds	\$ (212,463)
Bond cost amortization	\$ (25,358)
Amortization included in interest expense	\$ (29,036)
Issuance of capital lease obligations	\$ 88,331
Reconciliation of Cash and Investments as Shown on the Statement of Net Assets and Cash Flow Statement	
Statement of net assets classification	
Current assets	
Cash	\$ 456,955
Restricted cash	4,532,590
Investments	408,216
Total cash and cash equivalents	<u><u>\$ 5,397,761</u></u>
Cash flow classification	
Cash deposits	\$ 4,989,545
Investments - cash equivalents	408,216
Total cash and cash equivalents	<u><u>\$ 5,397,761</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF CLINTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Clinton conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

The City of Clinton (the “City”) was incorporated as a city in May of 1957. Prior to 1957, the entity was called the Town of Clinton. The City operates under a council-manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services. The City also owns and operates a utility system which provides electric, water and sewer services. The financial statements of the City include all of the above operations.

As required by U.S. generally accepted accounting principles, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The entities also provide their services entirely to the City. A blended component unit, although a legally separate entity is, in substance, part of the City’s operations, and data from this unit is presented as a special revenue fund within the City’s governmental activities. The blended component unit has a June 30 yearend. The City has no discretely presented component units. The following entity is presented as a blended component unit:

Clinton Economic Development Corporation (EDC) – The EDC was established to support economic development in and around the City and is governed by a board of not less than 25 nor more than 35 members appointed by the EDC executive committee. The EDC holds land for sale to entities that intend to develop the land for new business in the City. The EDC is reported in the Economic Development Corporation Fund.

Basis of Presentation

Government-wide Statements

The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. 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.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are charges for sales and purchases of goods and services between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities 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 fees and charges paid by the

CITY OF CLINTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

recipient of goods or services offered by the programs and 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 of which is displayed in a separate column.

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 and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those accounted for and reported in another fund.

Economic Development Corporation Fund – The Economic Development Corporation Fund is a special revenue fund established to account for land held and sold by the Clinton Economic Development Corporation (a blended component unit).

The City reports the following major enterprise fund:

Combined Utility System Enterprise Fund – The Combined Utility System Enterprise Fund is the only Proprietary Fund of the City of Clinton. The City, in compliance with the revenue bond ordinances, accounts for the financial activity of this enterprise fund using three separate sub-funds. The purpose of the fund is to account for the collection of the gross revenues of the system and to provide for the payment of all expenses incurred in connection with the administration and operation of the system.

Measurement Focus and 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 and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been satisfied.

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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the

CITY OF CLINTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

City considers revenues to be available if they are collected within sixty (60) days after yearend. 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 only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales tax, grants from other governments and interest on investments are susceptible to accrual. Revenues from fines, forfeits, penalties and franchise fees become measurable and available when cash is received by the City and are recognized as revenue at that time.

All government-wide and proprietary funds are accounted for using the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. The City applied all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements, in accounting and reporting for its proprietary operations.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. During the month of June, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the City Hall to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through council approval for the General Fund.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund. The legal level of control for each budget is maintained at the department level.
5. The budget for the General Fund is adopted on a basis consistent with U.S. generally accepted accounting principles. Budgeted amounts are as originally adopted.
6. The City Council adopts a budget ordinance at the outset of each fiscal year, establishing revenue anticipated on a line item basis and appropriations on a departmental basis. The City Council has authority to amend the approved budget during the fiscal year as necessary as recommended by management.
7. The City Manager is authorized to transfer budgeted amounts within a department within any fund; however, any revisions that alter the total budget of any department of any fund or the total expenditures of any fund must be approved by the City Council.
8. The City Council may authorize supplemental appropriations during the year. Appropriations lapse at the end of each fiscal year. No supplemental appropriations were made during fiscal year 2011.

CITY OF CLINTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The following departments in the general fund had an excess of actual expenditures over budget for the year ended June 30, 2011:

<u>Fund/Function/Department</u>	<u>Excess Amount</u>
General Fund:	
General government	
Mayor and Council	\$ 37,450
Administration	308,041
Finance	2,724
Public safety	
Planning and Inspections	26,136
Streets and sanitation	
Streets	348,646
Sanitation	24,129
Museum	18,010

Assets, Liabilities, and Fund Equity

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Cash and Investments

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, cash and investments (including restricted assets) include cash on hand, demand deposits, short-term investments with a maturity of three months or less when purchased, and long-term investments with a maturity of greater than three months when purchased. Cash on hand, demand deposits and highly liquid investments with a maturity of three months or less when purchased are considered to be cash and cash equivalents. Investments are reported at fair value. The calculation of realized gains and losses is independent of the calculation of changes in the fair value of investments. During the year ended June 30, 2011, the City did not experience any significant changes in the fair value of its investments.

Inventory

Inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventory in the General Fund consists of gasoline held for consumption. The cost is recorded as an expenditure at the time individual inventory items are used. Reported inventories in the General Fund are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more

CITY OF CLINTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Capital assets are depreciated on the straight-line basis over the estimated useful lives of the assets as follows:

	<u>Useful Life</u>
Buildings and other improvements	30 to 50 years
Machinery and equipment	7 to 10 years
Vehicles	6 years

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund. Material bond premiums and discounts, as well as material 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 discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Compensated Absences

The vacation policies of the City provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. The City has assumed a last-in, first-out method of using accumulated compensated time. The entire compensated absences liability and expense is reported on the government-wide and proprietary fund financial statements and are payable with expendable available resources. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The City's sick leave policies provide for the accumulation of earned sick leave up to 720 hours. 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 the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Assets/Fund Balances

Net assets in the 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 balance in the governmental fund financial statements is classified in five categories as follows:

Nonspendable

Nonspendable fund balances include amounts that are not in spendable form or are legally required to remain intact.

CITY OF CLINTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted

Restricted fund balances include amounts that have external restrictions by either grantors, debt covenants, laws, or other governments.

Committed

Committed fund balances include amounts that are committed to a specific purpose by council ordinance.

Assigned

Assigned fund balances include amounts that are constrained by limitations resulting from intended uses as established by City Council or by the City Manager.

Unassigned

Unassigned fund balance includes amounts that have not been assigned to any purpose.

Unless specifically designated otherwise, fund expenditures and encumbrances are from restricted fund balance to the extent of restricted fund balance revenue, followed by committed fund balance, assigned fund balance, and unassigned fund balance, respectively.

Minimum Fund Balance Policy

The City has adopted a policy to maintain the fund balance of the General Fund such that the unassigned portion of fund balance is equal to a minimum of 17% of the total audited General Fund expenditures for the previous fiscal year. The City has set the goal of reaching the minimum unassigned fund balance target within three to five years.

Below are the fund balance classifications for the governmental funds at June 30, 2011:

	<u>General Fund</u>	<u>Non-Major Governmental</u>	<u>Total Governmental</u>
Fund Balances			
Nonspendable			
Inventory	\$ 6,328	\$ -	\$ 6,328
Land held for resale	-	1,101,588	1,101,588
Long-term receivable	90,551	-	90,551
Restricted			
Debt service	239,717	-	239,717
Public safety	49,595	-	49,595
Accommodations tax	425,869	-	425,869
Hospitality tax	1,215,544	-	1,215,544
Other	-	-	-
Committed			
Economic development	394,775	-	394,775
Assigned			
Other	80,034	-	80,034
Unassigned	(849,722)	(386,787)	(1,236,509)
Total Fund Balances	<u>\$ 1,652,691</u>	<u>\$ 714,801</u>	<u>\$ 2,367,492</u>

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF CLINTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2011

NOTE 2 – DETAILED NOTES ON ALL FUNDS

Assets

Deposits and Investments

South Carolina statutes authorize the City to invest in obligations of the United States and its agencies, general obligations (not revenue obligations) of the State of South Carolina and its subdivisions, savings and loan associations to the extent of federal insurance, certificates of deposit collaterally secured, repurchase agreements secured by the foregoing obligations, and the State Treasurer's Investment Pool. The State Treasurer's investment pool is a 2a7-like pool which is not registered with the Securities and Exchange Commission (SEC), but has a policy that it will operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The pool is included as an investment trust fund of the State of South Carolina Comprehensive Annual Financial Report and is subject to the audit procedures of the State Auditor. The investments in the State Treasurer's investment pool are determined by the pool's share price which is the same as the value of the pool. The City has not adopted a formal deposit or investment policy.

Interest rate risk – the City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

The City had the following investments as of June 30, 2011:

<u>Investment Type</u>	<u>Maturity</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Credit Quality</u>
State Treasurer's investment pool	Daily	\$ 111,273	\$ 408,214	\$ 519,487	Unrated
U.S. government securities	Daily	-	12	12	N/A
		<u>\$ 111,273</u>	<u>\$ 408,226</u>	<u>\$ 519,499</u>	

Receivables and Allowances for Doubtful Accounts

Receivables presented in the Statement of Net Assets are net of allowances for doubtful accounts of \$128,870 for business-type activities. The governmental and business-type activities' receivables consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Mortgages receivable	\$ 90,551	\$ -	\$ 90,551
Customers	-	4,445,620	4,445,620
Other receivables	103,269	-	103,269
	<u>\$ 193,820</u>	<u>\$ 4,445,620</u>	<u>\$ 4,639,440</u>

Property Taxes

Property taxes are levied based on a calendar year (January 1 – December 31). The property tax assessment for taxes, other than vehicle taxes, is formally levied in October on property values assessed as of the same date. The property tax bills are mailed in October and are payable between November 1 and January 15. Liens attach to the property at the time taxes are levied. A three percent penalty is assessed on taxes unpaid at January 16. All property taxes are billed and collected by Laurens County, and these collections are remitted to the City. Property tax revenues are recognized when they become available, including those property tax receivables expected to be collected within sixty days after yearend.

The millage rate was 97.5 for the 2009 tax year and the assessed valuation of real property was \$8,718,720. The purpose of the levies was for current expenditures and to defray public expenditures of the City as well as to meet current indebtedness contracted by the City for general corporate purposes.

CITY OF CLINTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2011

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Taxes receivable – net presented on the Balance Sheet (of the Governmental Funds) and the Statement of Net Assets represent unpaid real and personal property taxes and delinquent tax receivables, less an allowance for uncollectible taxes, and consist of the following:

Unpaid real and personal property taxes	\$	5,275
Delinquent tax receivables		96,090
Allowance for uncollectibles		(10,484)
	\$	<u>90,881</u>

Capital Assets

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

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balances
Government Activities:				
Nondepreciable capital assets				
Land	\$ 1,105,851	\$ -	\$ 325	\$ 1,105,526
Construction in progress	232,330	423,895	-	656,225
	<u>1,338,181</u>	<u>423,895</u>	<u>325</u>	<u>1,761,751</u>
Depreciable capital assets				
Buildings	3,596,100	13,456	-	3,609,556
Other improvements	6,072,174	-	-	6,072,174
Vehicles and other equipment	6,742,011	197,507	-	6,939,518
	<u>16,410,285</u>	<u>210,963</u>	<u>-</u>	<u>16,621,248</u>
Less accumulated depreciation				
Buildings	928,198	92,502	-	1,020,700
Other improvements	4,165,515	145,240	-	4,310,755
Vehicles and other equipment	5,892,242	277,230	-	6,169,472
Total accumulated depreciation	<u>10,985,955</u>	<u>514,972</u>	<u>-</u>	<u>11,500,927</u>
Total depreciable capital assets - net	<u>5,424,330</u>	<u>(304,009)</u>	<u>-</u>	<u>5,120,321</u>
Governmental Activities Capital Assets - Net	<u>\$ 6,762,511</u>	<u>\$ 119,886</u>	<u>\$ 325</u>	<u>\$ 6,882,072</u>
	Beginning Balance	Increases	Decreases/ Transfers	Ending Balances
Business-type Activities:				
Nondepreciable capital assets				
Land	\$ 11,983	\$ -	\$ -	\$ 11,983
Construction in progress	266,055	355,504	87,713	533,846
	<u>278,038</u>	<u>355,504</u>	<u>87,713</u>	<u>545,829</u>
Depreciable capital assets				
Buildings	954,036	13,456	-	967,492
Other improvements	26,257,829	68,722	-	26,326,551
Vehicles and other equipment	2,908,385	210,324	-	3,118,709
	<u>30,120,250</u>	<u>292,502</u>	<u>-</u>	<u>30,412,752</u>
Less accumulated depreciation				
Buildings	780,280	25,839	-	806,119
Other improvements	17,991,773	598,336	-	18,590,109
Vehicles and other equipment	2,725,452	79,311	-	2,804,763
Total accumulated depreciation	<u>21,497,505</u>	<u>703,486</u>	<u>-</u>	<u>22,200,991</u>
Total depreciable capital assets - net	<u>8,622,745</u>	<u>(410,984)</u>	<u>-</u>	<u>8,211,761</u>
Business-type Activities Capital Assets - Net	<u>\$ 8,900,783</u>	<u>\$ (55,480)</u>	<u>\$ 87,713</u>	<u>\$ 8,757,590</u>

CITY OF CLINTON, SOUTH CAROLINA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2011**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

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

Government Activities		
General government	\$	116,049
Public safety		249,936
Streets and sanitation		143,034
Cultural and recreational		5,953
Total depreciation expense	\$	<u>514,972</u>
Business-type Activities		
Public works	\$	2,813
Water and sewer		463,355
Electric		237,318
Total depreciation expense	\$	<u>703,486</u>

Liabilities

Long-term Liabilities

The following is a summary of long-term obligations of the City for the year ended June 30, 2011:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Net OPEB obligation	\$ 26,796	\$ 8,332	\$ -	\$ 35,128	\$ -
General obligation bonds	303,124	450,000	(117,687)	635,437	114,685
Note payable	842,405	-	(107,448)	734,957	96,741
Capitalized lease obligations	213,653	84,900	(73,216)	225,337	65,879
Compensated absences	254,621	72,899	(74,658)	252,862	37,929
Total governmental activities	<u>\$ 1,640,599</u>	<u>\$ 616,131</u>	<u>\$ (373,009)</u>	<u>\$ 1,883,721</u>	<u>\$ 315,234</u>
Business-type Activities:					
Net OPEB obligation	\$ 51,504	\$ 34,203	\$ -	\$ 85,707	\$ -
Revenue bonds	5,920,914	4,000,000	(549,346)	9,371,568	628,023
Deferred loss on refunding	(290,359)	-	29,036	(261,323)	(29,036)
Capital lease obligations	202,555	88,331	(74,849)	216,037	68,246
Compensated absences	76,818	54,384	(50,842)	80,360	12,054
Total business-type activities	<u>\$ 5,961,432</u>	<u>\$ 4,176,918</u>	<u>\$ (646,001)</u>	<u>\$ 9,492,349</u>	<u>\$ 679,287</u>

Compensated Absences

The City reports a liability for compensated absences representing paid time off made available to employees in connection with vacation leave, sick leave and similar benefits. The general fund is used to liquidate compensated absences incurred in governmental activities.

Net OPEB Obligation

Retired employees are allowed to participate in the health, dental and life insurance programs. The general fund is used to liquidate the net OPEB obligation of the governmental activities.

CITY OF CLINTON, SOUTH CAROLINA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2011**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Governmental Fund Debt

General Obligation Bonds

Bonds payable at June 30, 2011 comprised of the following issue:

\$700,000 General Obligation Bonds of the City of Clinton, South Carolina, dated August 12, 2003. Annual maturities of \$65,212 to \$78,850 and an annual interest rate of 2.75%.	\$ 230,437
\$450,000 General Obligation Bonds of the City of Clinton, South Carolina, dated September 8, 2010. Annual maturities of \$40,000 to \$51,000 and an annual interest rate of 3.02%.	<u>405,000</u>
	635,437
Less current maturities	<u>(114,685)</u>
Long-term liabilities	<u><u>\$ 520,752</u></u>

Annual debt requirements for the City's general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2012	\$ 114,685	\$ 18,564	\$ 133,249
2013	117,739	15,302	133,041
2014	121,013	11,953	132,966
2015	44,000	8,516	52,516
2016	45,000	7,188	52,188
2017-2020	193,000	14,828	207,828
	<u>\$ 635,437</u>	<u>\$ 76,351</u>	<u>\$ 711,788</u>

Note Payable

On April 15, 2010, the City refinanced the \$717,405 outstanding notes payable balance, that was used for the purchase of land held for resale, for a new note payable of \$967,405. The new note matures May 2019 with annual installments of \$96,741 beginning May 2011 with an interest rate of 4.75% payable for the first five years.

Annual debt requirements for the City's note payable are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2012	\$ 96,741	\$ 36,200	\$ 132,941
2013	96,741	31,504	128,245
2014	96,741	26,807	123,548
2015	96,741	22,111	118,852
2016	96,741	17,414	114,155
2017-2020	251,252	27,549	278,801
	<u>\$ 734,957</u>	<u>\$ 161,585</u>	<u>\$ 896,542</u>

CITY OF CLINTON, SOUTH CAROLINA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2011**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Governmental Fund Debt

Capital Lease Obligations

Capital leases payable at June 30, 2011 were comprised of the following:

\$68,002 Garbage truck capital lease for 5 years, beginning February, 2008. Annual payments of \$15,236, including interest of 3.85%.	\$ 28,779
\$176,927 Fire truck capital lease for 5 years, beginning January 15, 2009. Annual payments of \$40,645, including interest of 4.537%.	111,658
\$84,900 Leaf vacuum truck capital lease for 5 years, beginning November, 2011. Annual payments of \$18,217, including interest of 2.39%.	84,900
	<u>\$ 225,337</u>

The future minimum lease obligations as of June 30, 2011, were as follows:

<u>Year Ending June 30,</u>	
2012	\$ 74,100
2013	74,100
2014	58,867
2015	18,217
2016	18,217
Total Minimum Lease Obligation	<u>243,501</u>
Less Amount Representing Interest	<u>(18,164)</u>
Present Value of Minimum Lease Payments	<u>\$ 225,337</u>

Proprietary Fund Debt

Revenue Bonds

Bonds payable at June 30, 2011 and were comprised of the following issues:

\$4,610,000 Combined Utility System Refunding and Improvement Revenue Bonds, Series 2005A, of the City of Clinton, South Carolina, dated January 14, 2004. Annual maturities of \$47,439 to \$54,711 and an annual interest rate of 3.63% maturing in 2011.	\$ 3,990,000
\$1,515,000 Combined Utility System Improvement Revenue Bonds, Series 2005A, of the City of Clinton, South Carolina, dated October 6, 2005. Annual maturities of \$20,000 to \$295,000 and a semi-annual interest rate of 5.5% maturing in 2020.	1,155,000
\$360,000 Combined Utility System Improvement Revenue Bonds, Series 2008, of the City of Clinton, South Carolina, dated November 3, 2008. Annual maturities of \$30,687 to \$41,823 and an interest rate of 3.5% maturing in 2020.	226,568

CITY OF CLINTON, SOUTH CAROLINA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2011**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

\$4,000,000 Combined Utility System Refunding and Improvement Revenue Bonds of the City of Clinton, South Carolina, dated June 7, 2011. Annual maturities of \$114,000 to \$951,000 and semi-annual interest at 3.32% maturing in 2023.

	<u>4,000,000</u>
	9,371,568
Less current maturities	<u>(628,023)</u>
Long-term liabilities	<u>\$ 8,743,545</u>

Debt service requirements to maturity including interest on all outstanding revenue bonds at June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 628,023	\$ 353,713	\$ 981,736
2013	654,214	327,568	981,782
2014	683,446	298,448	981,894
2015	714,722	268,071	982,793
2016	745,042	236,957	981,999
2017-2020	4,075,121	756,105	4,831,226
2021-2023	1,871,000	93,691	1,964,691
	<u>\$ 9,371,568</u>	<u>\$ 2,334,553</u>	<u>\$ 11,706,121</u>

There are a number of limitations and restrictions contained in the revenue bond ordinances. The City is in compliance with all significant limitations and restrictions.

Capital Lease Obligations

Capital leases payable at June 30, 2011 were comprised of the following:

\$170,910 Sewer truck capital lease for 6 years, beginning December, 2007. Annual payments of \$31,540, including interest of 3.49%.	\$ 59,924
\$109,568 Bucket truck capital lease for 6 years, beginning September, 2008. Annual payments of \$24,356, including interest of 3.65%.	67,782
\$88,331 Bucket truck capital lease for 5 years, beginning November, 2011. Annual payments of \$19,029, including interest of 2.51%.	88,331
	<u>\$ 216,037</u>

The future minimum lease obligations as of June 30, 2011, were as follows:

<u>Year Ending June 30,</u>	
2012	\$ 75,143
2013	75,144
2014	42,803
2015	19,028
2016	19,030
Total Minimum Lease Obligation	<u>231,148</u>
Less Amount Representing Interest	<u>(15,111)</u>
Present Value of Minimum Lease Payments	<u>\$ 216,037</u>

CITY OF CLINTON, SOUTH CAROLINA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2011**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Advanced Refundings and Prior Year Defeasance of Debt

In prior years, the City defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2011, all prior year defeased bonds were fully redeemed and funds disbursed.

Also in prior years, the advanced refundings resulted in book losses that are being amortized over the original remaining life of the old bonds that were defeased. The unamortized losses for the prior year refundings at June 30, 2011 are shown on the statement of net assets as a deferred loss on refunding. Amortization has been included in interest expense and was \$29,036 for the year ended June 30, 2011.

Deferred/Unearned Revenue

The balance in deferred/unearned revenue on the fund statements and the government-wide statements at yearend is composed of the following elements:

	<u>Fund Statements</u>	<u>Accrual Adjustment</u>	<u>Government- wide</u>
Taxes receivable	\$ 45,957	\$ (45,957)	\$ -
Deferred rental income	267,160	-	267,160
Deposits on pending police cases	3,604	-	3,604
	<u>\$ 316,721</u>	<u>\$ (45,957)</u>	<u>\$ 270,764</u>

Interfund Receivables, Payables and Transfers

On June 30, 2011, the Enterprise Fund was due \$1,060,172 from the General Fund for utility services incurred by the General Fund. The General Fund was due \$146,787 from the Economic Development Corporation Fund for expenditures relating to economic development.

The composition of interfund transfers during the year was as follows:

	<u>Transfer to General Fund</u>
Transfer from	
Combined Utility Fund for contributions	\$ 1,432,599
Combined Utility Fund for overhead allocations	307,446
	<u>\$ 1,740,045</u>

Transfers were made to help cover operating and overhead expenses of the General Fund.

Employee Retirement Systems

The City maintains two cost-sharing, multiple-employer, defined benefit pension plans for its employees. The South Carolina Retirement System (SCRS) covers substantially all of the City's general employees, and the South Carolina Police Officers' Retirement System (SCPORS) covers all of the City's public safety employees. These plans are administered by the Retirement Division of the State Budget and Control Board.

CITY OF CLINTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2011

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Both the SCRS and SCPORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the SC Code of Laws. Any amendments would necessitate an amendment to the law.

A Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the SCRS and SCPORS is issued and publicly available on the South Carolina Retirement System's website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

Both employees and employers are required to contribute to the Plans under the authority of Title 9 of the SC Code of Laws. The employees contribute the following:

South Carolina Retirement System – 6.50% of salary
 South Carolina Police Officers Retirement System – 6.50% of salary

The City's contribution on behalf of employees is at the following actuarially determined rates:

South Carolina Retirement System – 9.24% of salary
 South Carolina Police Officers Retirement System – 11.13% of salary

In addition to the above rates, the City, as a participating employer with the South Carolina Retirement System, contributes .15% of payroll to provide a group life insurance benefit for its participants. The City, as a participating employer under the Police Officers Retirement System, also contributes .2% of payroll to provide a group life insurance benefit and .2% of payroll to provide an accidental death benefit for its participants.

All employers contribute at the actuarially required contribution rates.

The total required contributions for both plans and the percentage of that amount contributed for the current year and each of the two preceding years are as follows:

	South Carolina Retirement System		South Carolina Police Officers Retirement System	
	Amount	Percentage Contributed	Amount	Percentage Contributed
Year Ended June 30, 2011				
Employer	\$ 228,115	100%	\$ 170,641	100%
Employees	157,907	100%	96,198	100%
Year Ended June 30, 2010				
Employer	\$ 228,282	100%	\$ 162,670	100%
Employees	159,120	100%	99,282	100%
Year Ended June 30, 2009				
Employer	\$ 233,452	100%	\$ 178,821	100%
Employees	151,099	100%	109,140	100%

CITY OF CLINTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2011

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Post Retirement Health Care Benefits

Description

Effective July 1, 2008, the City adopted the provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions (GASB 45). The City, through a substantive commitment to provide certain postretirement healthcare maintains a single employer defined benefit plan to provide certain postretirement healthcare benefits. For all participants that have a minimum of 25 years of service with the City and are eligible to retire under SCRS/SCPORS, the City explicitly provides the entire cost of coverage for retirees and 50% of the cost of coverage for their spouses prior to the age of 65 that is not paid for by retiree contributions. The cost of coverage for pre-65 retirees and spouses is also implicitly subsidized by the City through the development of an average premium rate. After age 65, the City will pay for up to 50% of a Medicare supplement for retirees, not to exceed \$85 per month per retiree. Spouses receive no benefit after age 65. Because the Plan consists solely of the City's firm commitment to provide OPEB through the payment premiums to the State of South Carolina Insurance Benefits Program, no stand-alone financial report is either available or generated.

Funding Policy

As of June 30, 2011, there were 22 employee retirees receiving benefits. The Plan is financed on a pay-as-you-go basis and through separate contributions to the South Carolina Other Retirement Benefits Employer Trust (SCORBET), a tax-exempt governmental trust under Internal Revenue Code 115. SCORBET allows each member to choose a contribution amount into the trust based on the actuarially determined annual required contribution. Each member continues to contract with its current health provider for retiree health care coverage and the SCORBET pays the benefits chosen by the employer directly to the employer or provider. Each member also shares in the SCORBET's administrative and investment related expenses.

Annual OPEB Cost and Net OPEB Obligation (Asset)

The City's OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 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 presents the OPEB cost for the year, the amount actually contributed and changes in the OPEB Plan for the year ended June 30, 2011:

	Net OPEB Obligation (Asset)		
	Governmental Activities	Business-type Activities	Total
Annual required contribution (ARC)	\$ 101,539	\$ 63,461	\$ 165,000
Interest on net OPEB obligation	2,408	1,507	3,915
Adjustment to ARC	(1,930)	(1,208)	(3,138)
Annual OPEB cost	102,017	63,760	165,777
Contributions made	(93,685)	(29,557)	(123,242)
Increase in net OPEB (asset) obligation	8,332	34,203	42,535
Net OPEB obligation (assets), beginning of year	26,796	51,504	78,300
Net OPEB obligation (assets), end of year	\$ 35,128	\$ 85,707	\$ 120,835

CITY OF CLINTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2011

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation (asset) for the fiscal year ended June 30, 2011 is as follows:

Governmental Activities			
Year Ended	Annual OPEB Cost	% of OPEB Contributed	Net OPEB Obligation (Asset)
June 30, 2011	\$ 102,017	91.83%	\$ 35,128
June 30, 2010	101,588	73.00%	26,796
June 30, 2009	101,549	100.62%	(628)
Business-type Activities			
Year Ended	Annual OPEB Cost	% of OPEB Contributed	Net OPEB Obligation (Asset)
June 30, 2011	\$ 63,760	46.35%	\$ 85,707
June 30, 2010	51,472	49.62%	51,504
June 30, 2009	51,451	50.84%	25,574
Total			
Year Ended	Annual OPEB Cost	% of OPEB Contributed	Net OPEB Obligation (Asset)
June 30, 2011	\$ 165,777	74.34%	\$ 120,835
June 30, 2010	153,060	65.14%	78,300
June 30, 2009	153,000	83.70%	24,946

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the Plan had not been funded. The actuarial accrued liability for benefits was \$1,448,300, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,448,300. The covered payroll (annual payroll of active employees covered by the plan) was \$3,430,100, and the ratio of the UAAL to the covered payroll was 42.22%.

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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC 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 for retiree health plan, presented as RSI following the notes to financial statements, will present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs by the employer to a point. The actuarial

CITY OF CLINTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2011

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table summarizes actuarial methods and assumptions used:

Valuation Date	July 1, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Amount, Closed
Amortization Period	30 years from July 1, 2008
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.00% annual returns net of both administrative and investment related expenses
Health Cost Trend Assumption	Getzen Trend Model – 8.10% graded to 4.50% over 80 years
Payroll Growth Rate	4.00%

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; and natural disasters.

The City's risk management has purchased insurance policies divided into coverage for comprehensive general liability, including all property and liability, workers' compensation and crime insurance. The City contracts with brokers, BB&T-CIC, for coverage with St. Paul Travelers Insurance Company. The City pays quarterly premiums for its insurance coverage and has various deductibles with a maximum of \$1,000,000 insurance coverage per occurrence.

The City contracts with the Ferguson Employee Benefit Agency for employee health insurance coverage through Blue Choice of South Carolina. The City pays monthly premiums for its insurance coverage and has no further responsibilities beyond the premium amounts.

There have been no significant reductions in insurance coverage by major category of risk in recent years. Settled claims resulting from risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS

Piedmont Municipal Power Agency

The City of Clinton is a charter member of the Piedmont Municipal Power Agency (PMPA) that was formed in 1979. PMPA is a public body corporate and politic of the State of South Carolina consisting of ten municipalities in South Carolina, which purchase electric power from PMPA. PMPA owns a 25% undivided interest in Unit 2 of Duke Power's Catawba Nuclear Station in York County, South Carolina.

CITY OF CLINTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2011

**NOTE 3 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS
- CONTINUED**

The City has agreed pursuant to the Catawba Nuclear Project Power Sales Agreement, in exchange for a share of the power and energy from the Catawba Nuclear Station, to take or pay for a cost of its share (7.84%) of the Catawba Project output whether or not the Project is operable or operating. Such costs are all of PMPA's costs resulting from or attributable to the ownership, operation, maintenance, termination, retirement from service, decommissioning of, necessary repairs and additions, and amounts required to be deposited to debt service funds. In addition, if any other party to the agreement defaults, the City's share of the Project output would increase prorate by a maximum of 25% of the nondefaulting participant's Catawba share prior to any such increases. The Sales Agreement is in effect until the later of January 1, 2022 or the completion of payment and satisfaction of bon obligations under the agreement. In no case may the agreement extend beyond August 1, 2035.

The purpose of the contract is to purchase power from PMPA at rates lower than Duke Power Company would charge. If future power rates of PMPA become greater than expected, the City of Clinton would be committed to buy from PMPA at the higher rates. The amount of this commitment cannot be estimated as of June 30, 2010.

For the year ended June 30, 2011, the City's purchased power expense from PMPA was \$9,675,285. Also, the amount included in accounts payable and accrued liabilities for accrued purchased power from PMPA at June 30, 2011 is \$998,710.

Arbitrage Rebate Liabilities

Arbitrage represents the difference of "spread" between lower interest rates on tax-exempt government securities and the higher interest on taxable investment securities. The Internal Revenue Code requires local governments to rebate arbitrage earnings to the federal government every five years for as long as the local government has tax-exempt bonds outstanding. No estimate of potential liability, if any, has been made on the accompanying financial statements.

Construction Commitments

There was \$209,055 in outstanding commitments on construction contracts at June 30, 2011.

NOTE 4 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 3, 2011, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CLINTON, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 635,000	\$ 635,000	\$ 591,042	\$ (43,958)
Licenses and permits	730,000	730,000	728,486	(1,514)
Intergovernmental revenues	1,046,056	1,046,056	1,328,628	282,572
Fines and forfeitures	207,000	207,000	269,953	62,953
Accommodations tax	130,000	130,000	147,865	17,865
Hospitality tax	250,000	250,000	328,197	78,197
Charges for services	686,744	686,744	755,222	68,478
Contributions	628,000	628,000	991,159	363,159
Interest	-	-	4,670	4,670
Miscellaneous	25,500	25,500	172,532	147,032
Total revenues	4,338,300	4,338,300	5,317,754	979,454
EXPENDITURES				
Current				
General government	1,416,357	1,416,357	1,191,967	224,390
Public safety	2,987,589	2,987,589	3,046,848	(59,259)
Streets and sanitation	715,150	715,150	1,009,491	(294,341)
Museum	21,010	21,010	39,020	(18,010)
Culture and recreation	339,382	339,382	338,353	1,029
Capital outlay	147,746	147,746	634,859	(487,113)
Debt service				
Principal retirement	270,111	270,111	190,903	79,208
Interest	-	-	25,180	(25,180)
Total expenditures	5,897,345	5,897,345	6,476,621	(579,276)
Excess of revenues over (under) expenditures	(1,559,045)	(1,559,045)	(1,158,867)	400,178
OTHER FINANCING SOURCES				
Proceeds from capital leases	-	-	84,900	84,900
Proceeds from issuance of long-term debt	-	-	450,000	450,000
Proceeds from sale of capital assets	1,000	1,000	-	(1,000)
Operating transfers in				
Overhead allocation transfer	307,446	307,446	307,446	-
Contributions transfer	1,560,599	1,560,599	1,432,599	(128,000)
Operating transfers out	(310,000)	(310,000)	-	310,000
Total other financing sources	1,559,045	1,559,045	2,274,945	715,900
Net change in fund balance	\$ -	\$ -	1,116,078	\$ 1,116,078
Fund Balance, beginning			536,613	
Fund Balance, ending			\$ 1,652,691	

Note: The budget is prepared and monitored on a U.S. generally accepted account principles (GAAP) basis of accounting.

CITY OF CLINTON, SOUTH CAROLINA

SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
JUNE 30, 2011

Actuarial Valuation Date July 1,	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded Actuarial Accrued Liability (UAAL) (B-A)	Ratio of Funded Obligation (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
2007	\$ -	\$ 1,440,000	\$ 1,440,000	0.00%	\$ 3,724,000	38.67%
2009	\$ -	\$ 1,448,300	\$ 1,448,300	0.00%	\$ 3,430,100	42.22%

OTHER SUPPLEMENTARY INFORMATION

CITY OF CLINTON, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Budget Amounts	Actual Amounts	Variance With Final Budget
General Government			
Mayor and City Council			
Salaries and employee benefits	\$ 74,209	\$ 67,417	\$ 6,792
Operating	49,550	93,792	(44,242)
	<u>123,759</u>	<u>161,209</u>	<u>(37,450)</u>
Administration			
Salaries and employee benefits	190,139	195,650	(5,511)
Operating	241,850	126,809	115,041
Capital outlay	-	423,896	(423,896)
Debt service	140,000	133,675	6,325
	<u>571,989</u>	<u>880,030</u>	<u>(308,041)</u>
Economic Development			
Salaries and employee benefits	85,234	-	85,234
Operating	101,600	85,237	16,363
Capital outlay	5,000	-	5,000
	<u>191,834</u>	<u>85,237</u>	<u>106,597</u>
Municipal Court			
Salaries and employee benefits	82,862	75,236	7,626
Operating	13,637	20,088	(6,451)
Capital outlay	9,280	-	9,280
	<u>105,779</u>	<u>95,324</u>	<u>10,455</u>
Legal Services			
Operating	27,100	23,204	3,896
	<u>27,100</u>	<u>23,204</u>	<u>3,896</u>
Case Expediter			
Salaries and employee benefits	42,923	15,781	27,142
Operating	41,053	19,829	21,224
	<u>83,976</u>	<u>35,610</u>	<u>48,366</u>
Finance Department			
Salaries and employee benefits	204,763	215,974	(11,211)
Operating	261,437	252,950	8,487
	<u>466,200</u>	<u>468,924</u>	<u>(2,724)</u>
Total General Government	<u>1,570,637</u>	<u>1,749,538</u>	<u>(178,901)</u>
Public Safety			
Police Department			
Salaries and employee benefits	2,257,300	2,187,332	69,968
Operating	505,915	597,306	(91,391)
Capital outlay	44,766	67,791	(23,025)
Debt service	98,203	50,238	47,965
	<u>2,906,184</u>	<u>2,902,667</u>	<u>3,517</u>

(Continued)

CITY OF CLINTON, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2011

	<u>Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Planning and Inspections			
Salaries and employee benefits	\$ 195,389	\$ 213,626	\$ (18,237)
Operating	28,985	48,584	(19,599)
Capital outlay	11,700	-	11,700
	<u>236,074</u>	<u>262,210</u>	<u>(26,136)</u>
Total Public Safety	<u>3,142,258</u>	<u>3,164,877</u>	<u>(22,619)</u>
Streets and Sanitation			
Streets			
Salaries and employee benefits	196,842	188,634	8,208
Operating	60,075	423,473	(363,398)
Capital outlay	20,000	13,456	6,544
	<u>276,917</u>	<u>625,563</u>	<u>(348,646)</u>
Sanitation			
Salaries and employee benefits	306,033	234,300	71,733
Operating	152,200	163,084	(10,884)
Capital outlay	45,000	129,716	(84,716)
Debt service	31,908	32,170	(262)
	<u>535,141</u>	<u>559,270</u>	<u>(24,129)</u>
Total Streets and Sanitation	<u>812,058</u>	<u>1,184,833</u>	<u>(372,775)</u>
Museum			
Salaries and employee benefits	16,085	13,813	2,272
Operating	4,925	25,207	(20,282)
Total Museum	<u>21,010</u>	<u>39,020</u>	<u>(18,010)</u>
Cultural and Recreational			
Salaries and employee benefits	115,682	109,772	5,910
Operating	223,700	228,581	(4,881)
Capital outlay	12,000	-	12,000
Total Cultural and Recreational	<u>351,382</u>	<u>338,353</u>	<u>13,029</u>
Total General Fund Expenditures	<u>\$ 5,897,345</u>	<u>\$ 6,476,621</u>	<u>\$ (579,276)</u>

CITY OF CLINTON, SOUTH CAROLINA
SCHEDULE OF FINES AND ASSESSMENTS COLLECTED
GENERAL FUND
YEAR ENDED JUNE 30, 2011

Municipal Court Assessments and Court Surcharges

Retained for victim's assistance	\$ 10,590
Municipal court fines remitted to the state	<u>155,858</u>
Total Fines and Assessments Collected	<u><u>\$ 166,448</u></u>

STATISTICAL SECTION

Note: The following statistical tables are not applicable to the City of Clinton:

Special Assessments Collections

Computation of Overlapping Debt

Statistical Section

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

CONTENTS

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain trend information to help the reader assess the government's most significant local revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The government implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of Clinton, South Carolina
 Net Assets by Component
 Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities								
Invested in capital assets, net of related debt	\$ 6,387,929	\$ 6,245,735	\$ 6,240,831	\$ 5,215,823	\$ 2,522,698	\$ 2,461,642	\$ 2,534,996	\$ 2,172,808
Restricted	1,930,725	120,951	60,000	25,073	-	-	-	-
Unrestricted (Deficit)	(923,763)	200,610	(664,830)	(481,829)	229,640	(471,974)	(176,259)	(496,224)
Total Governmental Activities Net Assets	<u>7,394,891</u>	<u>6,567,296</u>	<u>5,636,001</u>	<u>4,759,067</u>	<u>2,752,338</u>	<u>1,989,668</u>	<u>2,358,737</u>	<u>1,676,584</u>
Business-type Activities								
Invested in capital assets, net of related debt	3,963,898	3,987,388	4,055,002	4,576,566	4,606,805	5,653,939	6,283,999	6,021,601
Restricted	4,532,590	-	-	-	-	-	-	-
Unrestricted (Deficit)	893,495	3,970,723	3,459,117	3,784,152	4,271,333	3,672,367	3,071,846	3,592,474
Total Business-type Activities Net Assets	<u>9,389,983</u>	<u>7,958,111</u>	<u>7,514,119</u>	<u>8,360,718</u>	<u>8,878,138</u>	<u>9,326,306</u>	<u>9,355,845</u>	<u>9,614,075</u>
Primary Government								
Invested in capital assets, net of related debt	10,351,827	10,233,123	10,295,833	9,792,389	7,129,503	8,115,581	8,818,995	8,194,409
Restricted	6,463,315	120,951	60,000	25,073	-	-	-	-
Unrestricted (Deficit)	(30,268)	4,171,333	2,794,287	3,302,323	4,500,973	3,200,393	2,895,587	3,096,250
Total Primary Government Net Assets	<u>\$ 16,784,874</u>	<u>\$ 14,525,407</u>	<u>\$ 13,150,120</u>	<u>\$ 13,119,785</u>	<u>\$ 11,630,476</u>	<u>\$ 11,315,974</u>	<u>\$ 11,714,582</u>	<u>\$ 11,290,659</u>

Note: The government began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

City of Clinton, South Carolina
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
Expenses								
<u>Governmental Activities:</u>								
General government	\$ 1,314,915	\$ 1,220,943	\$ 1,372,530	\$ 1,216,241	\$ 1,785,710	\$ 1,082,973	\$ 814,568	\$ 844,815
Public safety	3,296,784	3,371,542	3,706,146	3,478,603	3,379,432	3,285,175	3,079,613	2,906,301
Streets and sanitation	1,152,525	823,845	860,665	803,276	932,856	1,050,878	1,002,933	859,123
Museum	39,020	36,519	30,757	14,414	24,402	23,197	51,343	56,051
Cultural and recreation	344,306	414,612	380,733	487,729	423,428	347,284	431,827	345,322
General public	-	-	-	-	-	-	-	217,686
Interest on long-term debt	62,511	46,892	45,375	51,595	53,871	38,607	20,691	17,548
Total Governmental Activities Expenses	6,210,061	5,914,353	6,396,206	6,051,858	6,599,699	5,828,114	5,400,975	5,246,846
<u>Business-type Activities:</u>								
Public works	971,533	896,709	1,102,250	1,002,794	964,756	953,155	810,439	620,857
Water and sewer	3,314,660	3,540,149	3,543,150	3,412,184	3,710,374	3,097,398	2,874,736	3,077,335
Electric	11,075,488	10,177,208	9,901,610	9,717,295	9,021,313	9,215,461	8,851,717	8,665,982
Total Business-type Activities Expenses	15,361,681	14,614,066	14,547,010	14,132,273	13,696,443	13,266,014	12,536,892	12,364,174
Total Primary Government Expenses	21,571,742	20,528,419	20,943,216	20,184,131	20,296,142	19,094,128	17,937,867	17,611,020
<u>Governmental Activities:</u>								
Charges for services								
General government	728,486	726,281	784,473	-	-	-	-	4,100
Public safety	609,697	602,499	574,395	1,505,245	1,257,787	1,204,143	1,245,292	1,322,915
Streets and sanitation	353,313	370,654	369,226	373,479	358,592	321,559	288,109	-
Operating grants and contributions	1,088,829	1,116,663	1,318,142	615,355	1,168,980	-	-	705,827
Capital grants and contributions	358,835	31,761	557,642	811,434	1,000,000	697,809	1,198,155	-
Total Governmental Activities Program Revenues	3,139,160	2,847,858	3,603,878	3,305,513	3,785,359	2,223,511	2,731,556	2,032,842
<u>Business-type Activities:</u>								
Utility Sales	17,910,853	16,348,768	14,855,640	15,256,635	14,430,222	14,376,677	13,483,046	13,333,924
Hook up fees	42,771	41,400	38,965	40,180	42,250	40,353	46,050	47,996
Penalties	211,313	239,276	200,520	193,431	201,377	212,080	204,158	179,216
Operating grants and contributions	-	-	-	42,008	-	-	-	445,863
Capital grants and contributions	236,960	-	-	-	-	-	-	-
Total Business-type Activities Program Revenues	18,401,897	16,629,444	15,095,125	15,532,254	14,673,849	14,629,110	13,743,254	14,006,999
Total Primary Government Program Revenues	21,541,057	19,477,302	18,699,003	18,837,767	18,459,208	16,852,621	16,474,810	16,039,841

(Continued)

City of Clinton, South Carolina
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
Net (Expense) Revenue								
Governmental Activities	\$ (3,070,901)	\$ (3,066,495)	\$ (2,792,328)	\$ (2,746,345)	\$ (2,814,340)	\$ (3,604,603)	\$ (2,669,419)	\$ (3,214,004)
Business-type Activities	3,040,216	2,015,378	548,115	1,399,981	977,406	1,363,096	1,206,362	1,642,825
Total Primary Government	<u>(30,685)</u>	<u>(1,051,117)</u>	<u>(2,244,213)</u>	<u>(1,346,364)</u>	<u>(1,836,934)</u>	<u>(2,241,507)</u>	<u>(1,463,057)</u>	<u>(1,571,179)</u>
General Revenues and Other Changes in Net Assets								
<u>Governmental Activities:</u>								
Taxes	1,666,738	1,748,808	1,682,231	1,504,992	1,326,390	1,231,373	1,134,890	1,234,423
Grants and contributions not restricted to specific programs	192,346	235,149	274,252	274,252	245,746	230,320	229,147	218,862
Miscellaneous	299,367	239,567	180,669	763,579	540,935	195,981	477,481	307,259
Transfers	1,740,045	1,679,446	1,587,583	1,688,105	1,609,055	1,577,860	1,624,220	1,256,922
Total Governmental Activities	<u>3,898,496</u>	<u>3,902,970</u>	<u>3,724,735</u>	<u>4,230,928</u>	<u>3,722,126</u>	<u>3,235,534</u>	<u>3,465,738</u>	<u>3,017,466</u>
<u>Business-type Activities:</u>								
Miscellaneous	131,701	108,060	192,870	158,682	183,451	185,225	159,628	257,973
Transfers	(1,740,045)	(1,679,446)	(1,587,583)	(1,688,105)	(1,609,055)	(1,577,860)	(1,624,220)	(1,256,922)
Total Business-type Activities	<u>(1,608,344)</u>	<u>(1,571,386)</u>	<u>(1,394,713)</u>	<u>(1,529,423)</u>	<u>(1,425,604)</u>	<u>(1,392,635)</u>	<u>(1,464,592)</u>	<u>(998,949)</u>
Total Primary Government	<u>2,290,152</u>	<u>2,331,584</u>	<u>2,330,022</u>	<u>2,701,505</u>	<u>2,296,522</u>	<u>1,842,899</u>	<u>2,001,146</u>	<u>2,018,517</u>
Change in Net Assets								
Governmental Activities	827,595	836,475	932,407	1,484,583	907,786	(369,069)	796,319	(196,538)
Prior Period Adjustment	-	94,820	-	-	-	-	-	-
Total Governmental Activities	<u>827,595</u>	<u>931,295</u>	<u>932,407</u>	<u>1,484,583</u>	<u>907,786</u>	<u>(369,069)</u>	<u>796,319</u>	<u>(196,538)</u>
Business-type Activities	1,431,872	443,992	(846,598)	(129,442)	(448,198)	(29,539)	(258,230)	643,876
Total Primary Government	<u>\$ 2,259,467</u>	<u>\$ 1,375,287</u>	<u>\$ 85,809</u>	<u>\$ 1,355,141</u>	<u>\$ 459,588</u>	<u>\$ (398,608)</u>	<u>\$ 538,089</u>	<u>\$ 447,338</u>

Note: The government began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

City of Clinton, South Carolina
Program Revenues by Function/Program
Last Five Fiscal Years
(accrual basis of accounting)

Function/Program	Fiscal Year				
	2011	2010	2009	2008	2007
<u>Governmental Activities</u>					
General government	\$ 1,576,622	\$ 1,578,526	\$ 1,996,856	\$ 1,307,122	\$ 1,952,269
Public safety	689,669	755,239	1,080,858	1,550,448	1,377,674
Streets and sanitation	712,148	370,654	409,226	373,479	358,592
Museum	114,687	-	-	-	-
Cultural and recreation	46,034	143,439	116,938	74,464	96,823
Subtotal Governmental Activities	<u>3,139,160</u>	<u>2,847,858</u>	<u>3,603,878</u>	<u>3,305,513</u>	<u>3,785,358</u>
<u>Business-type Activities:</u>					
Public works	299,046	280,676	239,485	233,611	243,627
Water and sewer	4,323,426	4,059,056	3,854,730	4,246,996	3,881,204
Electric	13,560,212	12,289,712	11,000,910	11,051,647	10,549,018
Subtotal Business-type Activities	<u>18,182,684</u>	<u>16,629,444</u>	<u>15,095,125</u>	<u>15,532,254</u>	<u>14,673,849</u>
Total Primary Government	<u>\$ 21,321,844</u>	<u>\$ 19,477,302</u>	<u>\$ 18,699,003</u>	<u>\$ 18,837,767</u>	<u>\$ 18,459,207</u>

City of Clinton, South Carolina
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund										
Nonspendable	\$ 96,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	360,140	382,055	355,255	307,948	231,854	111,111	109,921	112,876	117,527
Restricted	1,930,725	-	-	-	-	-	-	-	-	-
Unreserved	-	176,473	(818,360)	(956,070)	(1,512,940)	(1,080,667)	(658,269)	(493,947)	(703,233)	(320,966)
Unrestricted:										
Committed	394,775	-	-	-	-	-	-	-	-	-
Assigned	80,034	-	-	-	-	-	-	-	-	-
Unassigned	(849,722)	-	-	-	-	-	-	-	-	-
Total General Fund	1,652,691	536,613	(436,305)	(600,815)	(1,204,992)	(848,813)	(547,158)	(384,026)	(590,357)	(203,438)
All Other Governmental Funds										
Nonspendable	1,101,588	1,101,588	-	-	-	-	-	-	-	-
Reserved	-	-	1,062,588	1,148,810	1,148,810	1,448,778	837,498	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	(303,173)	(173,388)	155,854	191,415	214,072	-	-	-
Unrestricted:										
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(386,787)	(238,437)	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	714,801	863,151	759,415	975,422	1,304,664	1,640,193	1,051,570	-	-	-
Total Governmental Fund Balance	\$ 2,367,492	\$ 1,399,764	\$ 323,110	\$ 374,607	\$ 99,672	\$ 791,380	\$ 504,412	\$ (384,026)	\$ (590,357)	\$ (203,438)

Note: In 2010 GASB 54 was implemented which eliminated the reserved and unreserved classifications and replaced them with Nonspendable, Restricted and Unrestricted. Within the Unrestricted category three classifications of fund balance were created. They are Committed, Assigned and Unassigned.

City of Clinton, South Carolina
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Taxes	\$ 591,042	\$ 651,227	\$ 662,479	\$ 613,895	\$ 646,308	\$ 629,118	\$ 569,738	\$ 612,311	\$ 667,990	\$ 680,869
Fees, licenses and permits	728,486	726,090	784,473	837,851	711,586	721,869	658,879	1,035,116	845,413	952,542
Intergovernmental	1,328,628	1,038,369	1,690,632	1,758,264	1,411,905	995,366	943,139	604,216	632,468	765,441
Fines and forfeitures	269,953	253,903	225,799	268,449	230,880	204,925	284,370	167,396	207,469	208,264
Accommodations tax	147,865	137,474	107,220	66,374	45,987	35,582	26,376	27,310	25,549	22,516
Hospitality tax	328,197	321,362	305,224	247,182	-	-	-	-	-	-
Charges for services	755,222	807,928	813,595	852,342	701,074	598,909	590,152	551,303	569,514	551,216
Contributions	991,159	964,005	1,290,153	1,081,773	709,547	489,985	1,014,842	501,955	273,400	501,400
Investment income	4,670	17,796	10,605	18,210	2,549	2,146	474	7,454	4,787	6,776
Miscellaneous	172,532	133,434	(151,790)	151,324	436,225	192,480	477,011	294,235	121,386	55,015
Total Revenues	5,317,754	5,051,588	5,738,390	5,895,664	4,896,061	3,870,380	4,564,981	3,801,296	3,347,976	3,744,029
Expenditures										
General government	1,191,967	1,098,197	1,235,251	1,089,052	1,676,950	997,309	754,796	818,298	656,322	461,439
Public safety	3,046,848	3,066,580	3,417,130	3,329,282	3,199,801	3,157,865	2,886,851	2,781,574	2,888,811	2,723,718
Streets and sanitation	1,009,491	684,463	718,471	776,723	833,831	930,179	877,360	823,641	729,662	824,670
Museum	39,020	36,519	30,757	14,415	24,401	22,401	50,449	56,051	49,784	5,639
Culture and recreation	338,353	407,862	374,258	472,873	410,236	332,852	359,339	345,322	334,217	-
Other	-	-	-	-	-	-	-	-	-	520,025
Capital outlay	634,859	319,008	1,617,592	1,448,925	1,562,234	240,756	852,004	736,445	346,730	107,208
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	66,082	46,999	40,959	59,084	51,439	37,872	20,691	17,548	12,905	17,585
Interest	298,351	339,572	204,236	302,037	437,830	128,853	620,261	112,342	110,788	122,440
Total Expenditures	6,624,971	5,999,200	7,638,654	7,492,391	8,196,824	5,848,087	6,421,751	5,691,221	5,129,219	4,782,724
Excess of Revenues Over (Under) Expenditures	(1,307,217)	(947,612)	(1,900,264)	(1,596,727)	(3,300,763)	(1,977,707)	(1,856,770)	(1,889,925)	(1,781,243)	(1,038,695)
Other Financing Sources (Uses)										
Contributions	-	-	-	-	1,000,000	-	-	-	-	-
Issuance of long-term debt	450,000	250,000	-	-	-	611,280	1,000,000	-	-	-
Proceeds from capital leases	84,900	-	176,927	-	-	74,180	-	133,764	-	-
Proceeds from bond issuance	-	-	-	-	-	-	-	700,000	200,000	-
Sale of capital assets	-	-	-	-	-	1,355	-	5,570	6,712	7,650
Transfers in (out)	1,740,045	1,679,446	1,587,583	1,912,757	1,609,055	1,577,860	1,624,220	1,256,922	1,187,622	1,130,457
Total Other Financing Sources (Uses)	2,274,945	1,929,446	1,764,510	1,912,757	2,609,055	2,264,675	2,624,220	2,096,256	1,394,334	1,138,107
Net Change in Fund Balance	\$ 967,728	\$ 981,834	\$ (135,754)	\$ 316,030	\$ (691,708)	\$ 286,968	\$ 767,450	\$ 206,331	\$ (386,909)	\$ 99,412
Debt Service as a percentage of noncapital expenditures	6.08%	6.81%	4.07%	5.98%	7.36%	2.97%	11.51%	2.62%	2.59%	2.99%

City of Clinton, South Carolina
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Calendar Years

Calendar Year	Tax Year	Real Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2000	2000	6,813,550	3,804,240	10,617,790	8.40%	182,091,710	5.8%
2001	2001	7,561,270	3,429,550	10,990,820	8.40%	224,206,621	4.9%
2002	2002	7,784,601	2,478,400	10,263,001	9.05%	192,583,807	5.3%
2003	2003	7,675,091	4,112,159	11,787,250	9.05%	201,073,915	5.9%
2004	2004	7,655,161	3,957,436	11,612,597	9.05%	201,270,016	5.8%
2005	2005	7,681,321	3,909,031	11,590,352	9.05%	204,168,749	5.7%
2006	2006	7,985,181	3,824,823	11,810,004	9.85%	214,900,518	5.5%
2007	2007	7,807,600	3,684,127	11,491,727	9.85%	211,137,532	5.4%
2008	2008	8,679,500	3,499,199	12,178,699	9.75%	226,705,700	5.4%
2009	2009	8,718,720	3,225,845	11,944,565	9.75%	222,968,991	5.4%
2010	2010	8,858,150	2,990,625	11,848,775	9.75%	218,885,476	5.4%

Source: Laurens County Auditor's Office

Notes: Property Taxes are levied in October of each year and are payable between November 1 and January 15, excluding vehicle taxes. The Laurens County Auditor assesses property at 4% of market value for legal residence and 6% of market value for rental and other real property. Assessed values for motor vehicles are at 9% of market value while all other personal property is assessed at 10.5% of market value. These percentages are set by the South Carolina Department of Revenue.

City of Clinton, South Carolina
Direct and Overlapping Property Tax Rates (1)
Last Ten Calendar Years
(rate per \$1,000 of assessed value)

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Property Tax Rates	9.75%	9.75%	9.75%	9.85%	9.85%	9.85%	9.05%	9.05%	9.05%	9.05%
City Direct Rates (2)	9.75%	9.75%	9.75%	9.85%	9.85%	9.85%	9.05%	9.05%	9.05%	9.05%

Source: City of Clinton Annual Budget

Notes: (1) No overlapping governments in the last ten fiscal years.

(2) The City's direct rate consists only of the basic property tax rate.

(3) The only limitations on the City's ability to raise property tax rates are those set by state law.

City of Clinton, South Carolina
Principal Property Taxpayers
Current Fiscal Year and Nine Fiscal Years Ago

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
The Clinton Hotel Group	\$ 324,730	1	2.74%	\$ -	-	-
BellSouth	310,900	2	2.62%	438,080	1	3.99%
Comfort Inn	271,060	3	2.29%	-	-	-
National Health Care	167,240	4	1.41%	186,000	2	1.69%
ReHold Clinton, LLC	132,590	5	1.12%	155,200	4	1.41%
MLD Delaware Trust(Langston house)	121,940	6	1.03%	116,990	7	1.06%
Ingles	93,540	7	0.79%	170,870	3	1.56%
Piedmont Rural Telephone Comm.	84,080	8	0.71%	-	-	-
Westchase	82,420	9	0.70%	-	-	-
Related Clinton Manor, LLC	74,650	10	0.63%	-	-	-
M S Bailey & Son Bankers	72,050	-	0.61%	143,380	5	1.31%
Clinton Mills (CMI)	-	-	-	130,590	6	1.19%
Trinton PCS Holdings	45,905	-	0.39%	81,730	8	0.74%
Centennial Apts	-	-	-	71,670	9	0.65%
Quality Inn (Was Comfort Inn)	70,160	-	0.59%	68,410	10	0.62%
	<u>\$ 1,851,265</u>		<u>15.62%</u>	<u>\$ 1,562,920</u>		<u>14.22%</u>

Source: Laurens County Treasurer's Office

**City of Clinton, South Carolina
City Property Tax Levy and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Tax Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 481,696	\$ 383,182	79.5%	5,060	388,242	80.6%
2003	471,822	410,361	87.0%	21,093	431,454	91.4%
2004	334,701	303,019	90.5%	21,076	324,095	96.8%
2005	530,679	423,096	80.0%	22,070	445,166	83.9%
2006	592,427	459,789	78.0%	26,210	485,999	82.0%
2007	531,559	487,557	91.7%	19,116	506,673	95.3%
2008	531,287	491,411	92.5%	22,784	514,195	96.8%
2009	532,686	483,412	90.7%	41,392	524,804	98.5%
2010	559,594	487,542	87.1%	-	487,542	87.1%
2011	553,011	480,089	86.8%	-	480,089	86.8%

Source: Laurens County Treasurer's Office

City of Clinton, South Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Population	Per Capita (1)
	General Obligation Bonds	Total			
2002	\$ -	\$ -	0.00%	8,091	-
2003	200,000	200,000	0.10%	8,091	24.72
2004	871,868	871,868	0.43%	9,129	95.51
2005	781,828	781,828	0.39%	9,129	85.64
2006	689,934	689,934	0.34%	9,129	75.58
2007	596,158	596,158	0.28%	9,129	65.30
2008	500,582	500,582	0.24%	9,129	54.83
2009	404,720	404,720	0.18%	9,129	44.33
2010	303,123	303,123	0.14%	9,129	33.20
2011	635,437	635,437	0.29%	8,490	74.85

(1) See the "Demographic and Economic Statistics" table for personal income

City of Clinton, South Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Governmental Activities							
Fiscal Year	General		Capital Leases	Notes Payable	Total Governmental Activities	Percentage of	
	Obligation Bonds					Personal Income (2)	Per Capita (2)
2002	\$ -	\$ 188,981	\$ 71,274	\$ 260,255	0.21%	32	
2003	200,000	130,431	16,240	346,671	0.25%	43	
2004	871,868	179,985	-	1,051,853	0.89%	115	
2005	781,828	116,892	536,000	1,434,720	1.19%	157	
2006	689,934	153,968	1,147,280	1,991,182	1.61%	218	
2007	596,158	114,685	842,405	1,553,248	1.22%	170	
2008	500,582	257,875	717,405	1,475,862	1.14%	162	
2009	404,720	328,428	717,405	1,450,553	1.09%	159	
2010	303,123	213,624	842,405	1,359,152	1.00%	149	
2011	635,437	225,337	734,957	1,595,731	1.23%	188	

Business-type Activities							
Fiscal Year	Revenue		Capital Leases	Line of Credit	Total Business Activities	Percentage of	
	Bonds					Personal Income (2)	Per Capita (2)
2002	\$ 5,900,000	\$ 144,688	\$ -	\$ 6,044,688	4.80%	747	
2003	5,485,000	71,913	112,724	5,669,637	4.02%	701	
2004	5,395,000	49,387	-	5,444,387	4.62%	596	
2005	4,895,827	110,767	198,531	5,205,125	4.31%	570	
2006	7,660,050	200,830	-	7,860,880	6.35%	861	
2007	7,112,612	152,668	-	7,265,280	5.73%	796	
2008	6,623,450	244,008	-	6,867,458	5.28%	752	
2009	6,512,506	289,482	448,092	7,250,080	5.44%	794	
2010	5,920,915	202,251	-	6,123,166	4.48%	671	
2011	9,371,568	216,036	-	9,587,604	7.37%	1,129	

Total Primary Government							
Fiscal Year	Revenue		Capital Leases	Notes Payable and Line of Credit	Total Government Activities	Percentage of	
	Bonds					Personal Income (2)	Per Capita (2)
2002	\$ 5,900,000	\$ 333,669	\$ 71,274	\$ 6,304,943	5.01%	779	
2003	5,685,000	202,344	128,964	6,016,308	4.27%	744	
2004	6,266,868	229,372	-	6,496,240	5.52%	712	
2005	5,677,655	227,659	734,531	6,639,845	5.50%	727	
2006	8,349,984	354,798	1,147,280	9,852,062	7.96%	1,079	
2007	7,708,770	267,353	842,405	8,818,528	6.95%	966	
2008	7,124,032	501,883	717,405	8,343,320	6.42%	914	
2009	6,917,226	617,910	1,165,497	8,700,633	6.53%	953	
2010	6,224,038	415,875	842,405	7,482,318	5.48%	820	
2011	10,007,005	441,373	734,957	11,183,335	8.59%	1,317	

Notes: (1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(2) See the "Demographic and Economic Statistics" table for personal income and population data.

City of Clinton, South Carolina
 Legal Debt Margin Information
 Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	<u>\$ 11,848,775</u>
Debt limit (8% of total assessed value)	<u>947,902</u>
Debt applicable to limit:	
General obligation bonds	635,437
Less: Amount set aside for repayment	-
Total net debt applicable to limit	<u>635,437</u>
Legal debt margin	<u>\$ 312,465</u>

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Debt Limit	\$ 947,902	\$ 955,565	\$ 974,296	\$ 919,338	\$ 944,800	\$ 927,228	\$ 929,008	\$ 942,980	\$ 821,040	\$ 879,266
Total Net Debt Applicable to Limit	<u>635,437</u>	<u>303,123</u>	<u>404,720</u>	<u>500,582</u>	<u>596,158</u>	<u>689,934</u>	<u>781,828</u>	<u>871,868</u>	<u>200,000</u>	<u>-</u>
Legal Debt Margin	<u>\$ 312,465</u>	<u>\$ 652,442</u>	<u>\$ 569,576</u>	<u>\$ 418,756</u>	<u>\$ 348,642</u>	<u>\$ 237,294</u>	<u>\$ 147,180</u>	<u>\$ 71,112</u>	<u>\$ 621,040</u>	<u>\$ 879,266</u>

Total Net Debt Applicable to the Limit as a % of Debt Limit	67.04%	31.72%	41.54%	54.45%	63.10%	74.41%	84.16%	92.46%	24.36%	0.00%
Total General Bonded Debt as a Percentage of Actual Taxable Value	0.28%	0.14%	0.13%	0.19%	0.23%	0.29%	0.34%	0.39%	0.45%	0.09%
Total Net General Bonded Debt per Capita	\$ 70	\$ 33	\$ 44	\$ 55	\$ 65	\$ 76	\$ 86	\$ 96	\$ 22	\$ -

Notes: (1) Property value data can be found in the "Assessed Value of Taxable Property and Actual Value of Property Schedule."
 (2) The legal debt limit is 8 % of total assessed value.
 (3) The legal debt margin is the government's available borrowing under SC Code of Laws and is calculated by subtracting the debt applicable to the legal debt limit from the legal debt limit.

City of Clinton, South Carolina
 Direct and Overlapping Debt
 As of June 30, 2011

City of Clinton	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Direct and Overlapping Debt
Total direct debt	\$ 1,595,731	100%	\$ 1,595,731
Total direct and overlapping debt	<u>\$ 1,595,731</u>	<u>100%</u>	<u>\$ 1,595,731</u>

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments. Presently, the City does not have any overlapping debt.

City of Clinton, South Carolina
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Utilities Revenue	Operating Expenses	Available Revenue	Debt Service		Coverage
				Principal	Interest	
2002	\$ 13,179,712	\$ 12,182,177	\$ 997,535	\$ 405,000	\$ 306,298	1.40
2003	13,960,453	12,152,799	1,807,654	415,000	288,882	2.57
2004	13,764,431	12,046,410	1,718,021	435,000	271,038	2.43
2005	13,652,401	12,231,724	1,420,677	499,173	264,422	1.86
2006	14,505,825	12,903,742	1,602,083	535,777	312,123	1.89
2007	14,533,442	13,317,342	1,216,100	547,439	327,590	1.39
2008	15,341,211	13,792,893	1,548,318	489,161	303,069	1.95
2009	15,001,725	14,187,260	814,465	470,945	319,750	1.03
2010	16,464,082	14,295,918	2,168,164	591,592	276,442	2.50
2011	18,018,871	15,049,701	2,969,170	679,287	117,345	3.73

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Clinton, South Carolina
Demographic and Economic Statistics
Last Ten Calendar Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
2001	8,091	125,895,960	15,560	3,490	10.00%
2002	8,091	140,929,038	17,418	3,490	8.90%
2003	9,129	117,791,487	12,903	3,490	9.00%
2004	9,129	120,731,025	13,225	3,249	6.50%
2005	9,129	123,743,595	13,555	3,208	6.70%
2006	9,129	126,831,337	13,893	3,108	6.90%
2007	9,129	129,996,126	14,240	3,173	6.50%
2008	9,129	133,239,886	14,595	3,279	12.40%
2009	9,129	136,564,586	14,959	3,158	11.40%
2010	8,490	130,174,650	15,333	3,077	10.90%

Sources: Population and Per Capita Personal Income provided by the Bureau of Census/SC Budget & Control Board Office of Research and Statistics. School enrollment provided by the school district. Unemployment rate provided by the SC Dept of Employment and Workforce

Notes: The population and per capita personal income numbers are based on estimates, except the year 2000, which is based on the census. School enrollment is based on the census at the beginning of the school year. The unemployment rate is an adjusted yearly average.

City of Clinton, Laurens County, South Carolina

Principal Employers

Current Year and Nine Years Ago

	June 30, 2011			June 30, 2002		
	Number of Employees (1)	Rank	Percent of Total County Employment(1)	Number of Employees(2)	Rank(2)	Percent of Total County Employment(2)
Wal-Mart Associates Inc		1				
Laurens County School District #55		2				
S. C. Dept. of Disabilities and Special Needs		3				
Laurens County Health Care System		4				
Laurens County School District #56		5				
Sterilite Corporation of SC		6				
Laurens County		7				
Presbyterian College		8				
Asten Johnson		9				
National Healthcare Corporation		10				

City of Clinton, South Carolina
Full-time Equivalent City Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government	6	6	6	6	6	5	6	5	4	5
Public Safety	36	44	45	52	49	50	47	48	46	55
Streets and Sanitation	3	3	3	4	5	8	10	8	10	10
Culture and Recreation	3	2	2	3	3	3	3	3	3	3
Public Works	6	6	7	7	7	7	6	9	6	6
Building Inspector/Planning	2	3	3	3	2	3	2	3	2	3
Utility Employees	35	38	37	38	35	35	34	34	37	34
Total	91	102	103	113	107	111	108	110	108	116

Source: City of Clinton Annual Budget

Notes: All full-time employees, excluding Public Safety Officers are scheduled to work 2,080 hours per year (including vacation and sick leave). Public Safety Officers are scheduled to work 2,142 hours per year.

City of Clinton, South Carolina
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government										
Building permits issued	171	157	124	120	129	133	158	243	234	186
Public Safety										
Police department										
Criminal/physical non-juvenile arrests	2,800	2,879	2,737	2,198	2,456	1,586	2,593	1,223	997	919
Fire department										
Fire calls	766	749	575	755	510	765	980	1,021	1,048	324
Fire inspections	124	100	88	55	42	65	75	95	120	130
Streets and Sanitation										
Street resurfacing (in miles)	-	-	-	-	-	-	-	-	-	5
Refuse collected (tons per year)	3,494	3,340	3,706	3,306	3,207	2,367	2,927	2,365	2,659	3,474
Maintenance										
Average Equipment Repairs/month	81	61	75	80	70	84	80	80	75	65
Cultural and Recreational										
Museum Operating Hours	168	168	168	168	168	168	160	160	156	104
Public Works										
Water Meters Replaced (1)	205	98	133	97	97	120	-	-	-	-
Water and Sewer										
Water										
Average daily consumption (in millions of gallons)	2	2	2	3	3	2	2	2	2	2
Number of consumers	4,377	4,411	4,334	4,388	4,378	4,283	4,356	4,362	4,362	4,423
Sewer										
Electric										
Number of consumers	4,285	4,392	4,102	4,326	4,322	4,148	4,202	4,215	4,215	4,282

Sources: Various City department records.

Notes: (1) Data not retained for years prior to 2006.

City of Clinton, South Carolina
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public Safety										
Police department										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	32	29	29	25	25	25	25	23	23
Fire Department										
Fire Stations	2	2	2	2	2	2	2	2	2	2
Service units	9	9	9	9	9	9	9	9	9	9
Streets and Sanitation										
Recycling center	1	1	1	1	1	1	1	1	1	1
Streets (in miles)	81	81	81	63	63	63	62	61	61	58
Number of Street Lights	1,285	1,279	1,279	1,276	1,276	1,276	1,276	1,143	1,143	1,143
Cultural and Recreational										
Number of Parks	7	7	7	7	7	7	7	7	7	6
Museum	1	1	1	1	1	1	1	1	1	1
Acreage	21	21	21	21	21	21	21	21	16	11
Public Works										
Storm Sewers (in miles)	53	53	53	53	53	53	53	53	53	50
Water and Sewer										
Water main (in miles)	101	101	101	101	101	74	74	74	74	74
Sanitary sewers (in miles)	63	63	63	63	63	60	60	60	60	60
Electric										
Distribution lines (in miles)	75	75	70	70	70	70	70	70	70	70
Number of Substations	4	4	4	4	4	4	4	4	4	6

Source: Capital Asset schedules and various department records.

SINGLE AUDIT SECTION

CITY OF CLINTON

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Clinton.
2. No reportable conditions relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of the City of Clinton were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Schedule of Findings and Questioned Costs.
5. The auditor's report on compliance for the major federal award programs for the City of Clinton expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City of Clinton are reported in section C of this schedule.
7. The programs that tested as major programs for the year ended June 30, 2011 include:

<u>Program Name</u>	<u>CFDA Number</u>
Community Development Block Grant – Lydia Waterline Upgrade	14.228
Community Development Block Grant – Downtown Streetscape	14.228

8. The threshold for distinguishing Type A programs was \$300,000.
9. The City of Clinton did not qualify as a low-risk auditee under Section .530 of OMB Circular A-133.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

CITY OF CLINTON

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
US Department of Housing and Urban Development, Community Development Block Grants/Passed Through SC Department of Commerce/Downtown Streetscape	14.228	4-W-08-005	\$ 358,835
US Department of Housing and Urban Development, Community Development Block Grants/Passed Through SC Department of Commerce/Lydia Waterline Upgrade	14.228	4-CI-09-005	236,960
US Department of Justice, Department of Public Safety, Edward Byrne Memorial Justice Assistance Grant Program, Local Solicitation Grant - Stimulus	16.566	1GS09172	40,474
US Department of Justice, Office of Justice Programs, Edward Byrne Memorial Justice Assistance Grant Program	16.738	1J08003	<u>38,498</u>
Total Federal Expenditures			<u><u>\$ 674,767</u></u>

See accompanying notes.

CITY OF CLINTON

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

The accompanying Schedule of Expenditures of Federal Awards includes the federal 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*.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Members of City Council
City of Clinton
Clinton, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, South Carolina as of and for the year ended June 30, 2011, which collectively comprise the City of Clinton's basic financial statements and have issued our report thereon dated September 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

To the Mayor and Members of City Council
City of Clinton
September 16, 2011

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

McKinley, Cooper & Co., LLC

September 16, 2011

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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To the Mayor and Members of City Council
City of Clinton
Clinton, South Carolina

Compliance

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

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

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

Internal Control Over Compliance

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

To the Mayor and Members of City Council
City of Clinton
September 16, 2011

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

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

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

McKinley, Cooper & Co., LLC

September 16, 2011