

**CITY OF CLINTON, OKLAHOMA  
CLINTON, OKLAHOMA**

**FINANCIAL STATEMENTS AND  
AUDITOR'S REPORTS**

**FOR THE YEAR ENDED  
JUNE 30, 2013**

**THE CITY OF CLINTON, OKLAHOMA  
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YEAR ENDED JUNE 30, 2013**

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**CITY OF CLINTON, OKLAHOMA  
YEAR ENDED JUNE 30, 2013  
LIST OF PRINCIPAL OFFICIALS**

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MAYOR  
Seth Adams

COUNCIL MEMBERS  
Jason Hulin  
Don Rodolph  
Wheeler Lowry  
Lucas Martinez

CITY MANAGER  
Steve Hewitt

CITY CLERK  
Lisa Anders

CITY TREASURER  
Debra Blanchard



**BRITTON, KUYKENDALL, & MILLER**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and City Council  
City of Clinton, Oklahoma

***Report on the Financial Statements***

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, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Clinton, Oklahoma's basic financial statements as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***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, Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clinton, Oklahoma's basic financial statements. The accompanying supplementary information such as the Combining and Individual Nonmajor Fund Financial Statements and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2013, on our consideration of City of Clinton, Oklahoma's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Clinton, Oklahoma's internal control over financial reporting and compliance.

  
BRITTON, KUYKENDALL & MILLER  
Certified Public Accountants  
Weatherford, Oklahoma  
December 10, 2013

Our discussion and analysis of the City of Clinton's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$56,667,704 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$54,486,206.
- Total liabilities of the City decreased by \$508,890 to \$24,790,154.
- Total net assets are comprised of the following:
  - (1) Invested in capital assets, net of related debt, of \$32,280,766 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$8,787,173 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
  - (3) Unrestricted net assets of \$15,599,765 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$9,582,278 this year. This compares to the prior year ending fund balance of \$8,848,793 showing an increase of \$733,485.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,744,142, or 53.25% of total General Fund expenditures including transfers and 52.15% of General Fund revenues including transfers.

## Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

## Government-wide Financial Statements

The City's report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide financial statement is the *Statement of Activities* which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when the cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government; public safety and judiciary; transportation; cultural, parks and recreation; and public services. Business-type activities include water and wastewater utilities, solid waste management, airports, recreational

activities, health care, and economic development. Fiduciary activities such as employee pension plans are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting entity includes the funds of the City (primary government). Most of the legally separate organizations operate like city departments and serve as financing vehicles for the City services (revenue bond issuers), or are governed by a board of trustees wholly comprised of the City's Mayor and Council. These organizations are blended into the primary government for financial reporting purposes. The blended organizations reported as City funds include Clinton Public Works Authority, Clinton Solid Waste Authority, Clinton Airport Authority, Recreation Trust Authority, Clinton Hospital Authority, and Industrial Authority activities.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with the finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregate presentation. Individual fund data for non-major fund is provided in the form of combining statements in a later section of this report.

The City has three kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinct view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for near-term.

Since the government-wide focus includes long-term view, comparisons between these two perspectives may provide insight into the long-term impact of the short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement is included. This statement demonstrates compliance with the City's adopted and final revised budget.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same function reported as business-type activities in the government-wide statements. Services are provided to a customer external to the City organization such as the water utilities and the City golf course. Internal service funds provide services and charge fees to customers within the City organization such as equipment services (repair and maintenance of City vehicles). Because the City's internal service fund primarily serves governmental functions, they are included within the governmental activities of the governmental-wide financial statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government wide financial statements but with more detail for major enterprise funds.

*Fiduciary funds* such as the meter deposit fund are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

*Notes to the financial statements*

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

*Other Information*

Major funds and component units are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

**Financial Analysis of the City as a Whole**

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at fiscal year end was \$56,667,704. This is a net increase of \$2,181,498 over last year's net position of \$54,486,206. The following table provides a summary of the City's net assets at June 30:

**Summary of Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>		
Current and other assets	\$ 11,180,034	\$ 10,759,742	\$ 15,445,217	\$ 14,896,904	\$ 26,625,251	\$ 25,656,646	\$ 968,605	3.6%
Other noncurrent assets	-	-	12,879,889	14,396,714	12,879,889	14,396,714	\$ (1,516,825)	-11.8%
Capital assets	14,644,831	14,933,311	24,798,579	24,798,579	39,443,410	39,731,890	\$ (288,480)	-0.7%
<b>Total Assets</b>	<b>25,824,865</b>	<b>25,693,053</b>	<b>53,123,685</b>	<b>54,092,197</b>	<b>78,948,550</b>	<b>79,785,250</b>	<b>\$ (836,700)</b>	<b>-1.1%</b>
Long-term liabilities	197,814	288,568	19,607,084	18,817,762	19,804,898	19,106,330	\$ 698,568	3.5%
Other liabilities	1,675,004	1,990,357	3,310,252	4,202,357	4,985,256	6,192,714	\$ (1,207,458)	-24.2%
<b>Total Liabilities</b>	<b>1,872,818</b>	<b>2,278,925</b>	<b>22,917,336</b>	<b>23,020,119</b>	<b>24,790,154</b>	<b>25,299,044</b>	<b>\$ (508,890)</b>	<b>-2.1%</b>
<b>Net position:</b>								
Invested in capital assets, net of related debt	14,363,084	14,561,631	17,917,682	16,541,392	32,280,766	31,103,023	\$ 1,177,743	3.6%
Restricted	112,654	106,832	8,674,519	9,039,988	8,787,173	9,146,820	\$ (359,647)	-4.1%
Unrestricted	9,476,309	8,745,665	6,123,456	5,490,698	15,599,765	14,236,363	\$ 1,363,402	8.7%
<b>Total Net Position</b>	<b>\$ 23,952,047</b>	<b>\$ 23,414,128</b>	<b>\$ 32,715,657</b>	<b>\$ 31,072,078</b>	<b>\$ 56,667,704</b>	<b>\$ 54,486,206</b>	<b>\$ 2,181,498</b>	<b>3.8%</b>

The City reported positive balances in net assets for governmental activities, noting an increase of \$537,919. Business-type activities net assets increased \$1,796,001.

On June 14, 2011, City voters approved a special purpose sales tax of .95 cents for the purposes of the Acme Brick Park debt service, police and fire department construction, and economic development. The tax became effective October 1, 2011, and continues through August 31, 2019.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the City's changes in net assets for the year ended June 30:

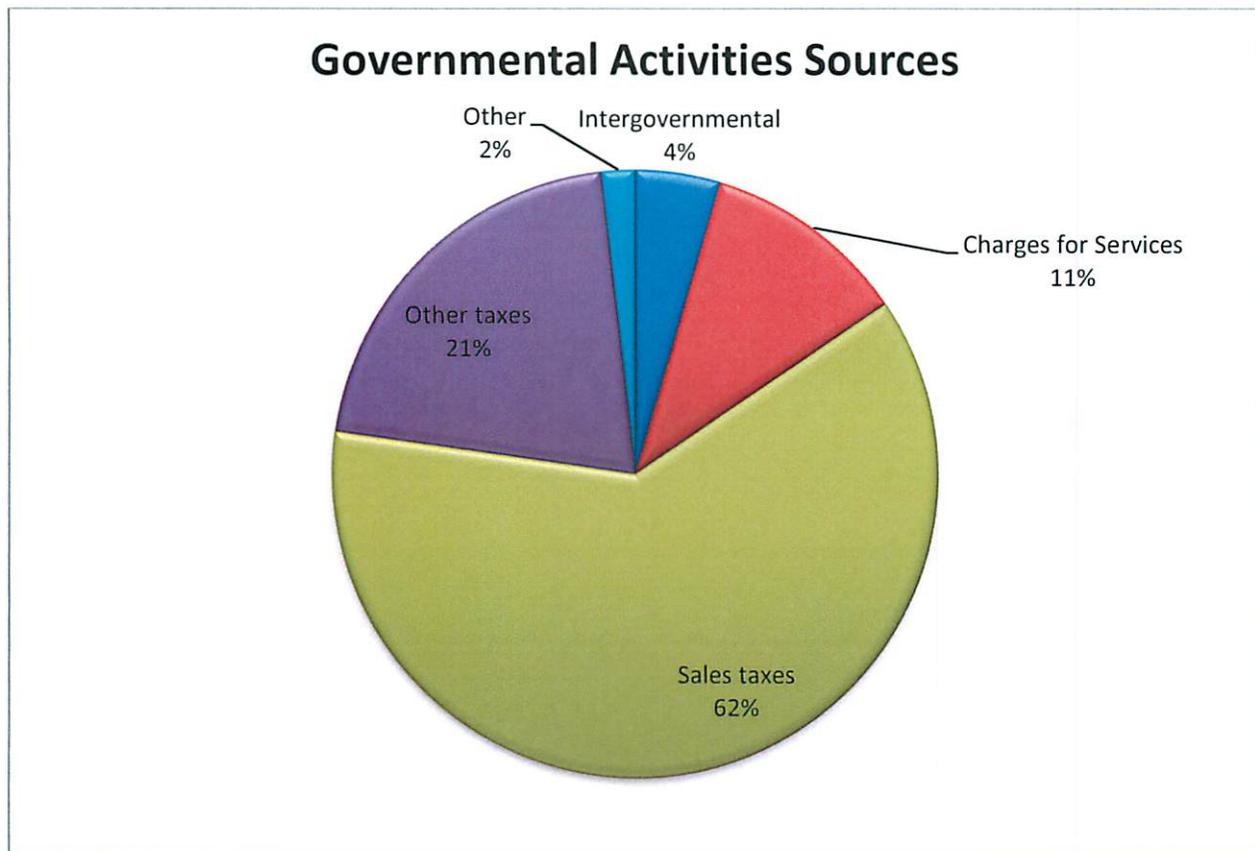
**Summary of Changes in Net Assets**

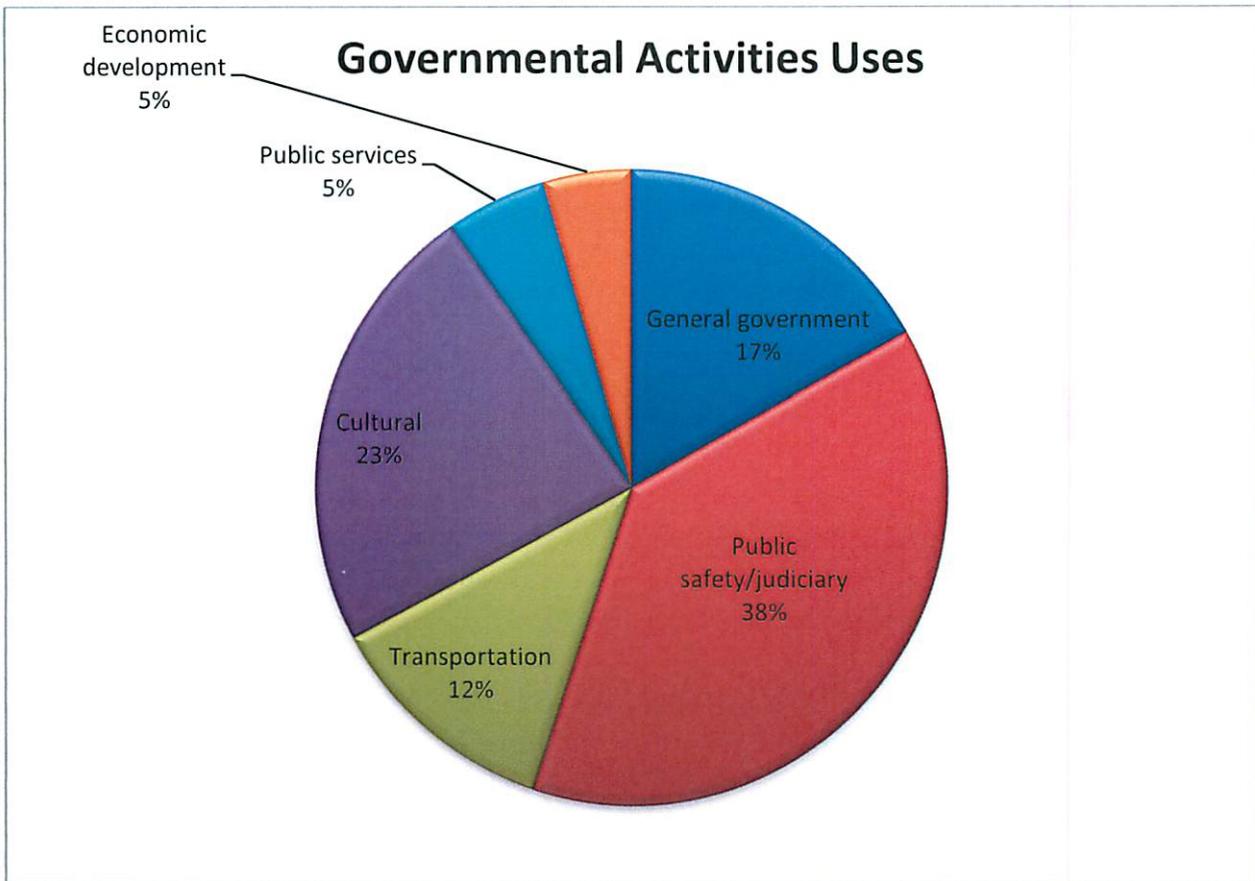
	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2013	2012	2013	2012	2013	2012		
<b>Revenues</b>								
<b>Program Revenues</b>								
Charges for services	\$ 1,049,820	\$ 1,101,491	\$ 6,115,144	\$ 6,535,702	\$ 7,164,964	\$ 7,637,193	\$ (472,229)	-6%
Operating grants and contributions	186,832	110,998	974,752	341,521	1,161,584	452,519	709,065	157%
Capital grants and contributions	251,970	348,951	915,442	41,325	1,167,412	390,276	777,136	199%
<b>General Revenues</b>								
Sales taxes	5,910,150	5,651,581	-	-	5,910,150	5,651,581	258,569	5%
Use taxes	913,155	1,638,633	-	-	913,155	1,638,633	(725,478)	-44%
Hotel/motel taxes	463,951	474,006	-	-	463,951	474,006	(10,055)	-2%
Property tax (TIF)	55,242	-	-	-	55,242	-	55,242	0%
E-911 taxes	95,244	93,392	-	-	95,244	93,392	1,852	2%
Franchise taxes (fees)	348,719	389,622	-	-	348,719	389,622	(40,903)	-10%
Cigarette taxes	76,086	78,442	-	-	76,086	78,442	(2,356)	-3%
Other taxes	53,068	49,024	-	-	53,068	49,024	4,044	8%
Oil & gas royalties	68,302	451,109	203,808	30,484	272,110	481,593	(209,483)	-43%
Investment income	120,096	149,986	68,646	199,915	188,742	349,901	(161,159)	-46%
Other	25,696	51,088	8,370	532	34,066	51,620	(17,554)	-34%
Penalties	-	-	58,154	67,002	58,154	67,002	(8,848)	-13%
Gain on termination lease	-	-	-	4,065,988	-	4,065,988	(4,065,988)	0%
Gain on disposal of assets	(37,889)	-	(30,845)	2,597	(68,734)	2,597	(71,331)	-2747%
Transfers - internal activity	(2,106,318)	(2,072,671)	2,106,318	2,072,671	-	-	-	0%
<b>Total Revenues</b>	<b>\$ 7,474,124</b>	<b>\$ 8,515,652</b>	<b>\$ 10,419,789</b>	<b>\$ 13,357,737</b>	<b>\$ 17,893,913</b>	<b>\$ 21,873,389</b>	<b>\$ (3,979,476)</b>	<b>-22%</b>
<b>Expenses</b>								
General government	\$ 1,169,091	\$ 1,074,109	\$ -	\$ -	\$ 1,169,091	\$ 1,074,109	\$ 94,982	9%
Public safety/judiciary	2,654,549	2,816,495	-	-	2,654,549	2,816,495	(161,946)	-6%
Transportation	833,410	747,721	-	-	833,410	747,721	85,689	11%
Cultural, parks, recreation	1,607,046	1,508,894	-	-	1,607,046	1,508,894	98,152	7%
Public services	358,350	324,616	-	-	358,350	324,616	33,734	10%
Water	-	-	3,426,650	3,686,914	3,426,650	3,686,914	(260,264)	-7%
Sewer	-	-	1,254,265	1,303,849	1,254,265	1,303,849	(49,584)	-4%
Sanitation	-	-	1,298,932	1,374,420	1,298,932	1,374,420	(75,488)	-5%
Airport	-	-	399,887	236,790	399,887	236,790	163,097	69%
Golf	-	-	534,429	583,224	534,429	583,224	(48,795)	-8%
Parks & recreation	-	-	55,478	57,541	55,478	57,541	(2,063)	-4%
Healthcare	-	-	672,578	255,569	672,578	255,569	417,009	163%
Education	-	-	403,207	17,458	403,207	17,458	385,749	2210%
Economic development	313,759	195,408	578,362	587,056	892,121	782,464	109,657	14%
<b>Total Expenses</b>	<b>\$ 6,936,205</b>	<b>\$ 6,667,243</b>	<b>\$ 8,623,788</b>	<b>\$ 8,102,821</b>	<b>\$ 15,559,993</b>	<b>\$ 14,770,064</b>	<b>\$ 789,929</b>	<b>5%</b>
	<b>\$ 537,919</b>	<b>\$ 1,848,409</b>	<b>\$ 1,796,001</b>	<b>\$ 5,254,916</b>	<b>\$ 2,333,920</b>	<b>\$ 7,103,325</b>	<b>(4,769,405)</b>	<b>-67%</b>

**Governmental Activities**

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with the revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions of the City's taxpayers. It also identifies how much each function draws from the general revenues or if it self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended June 30, 2013, the City's governmental activities were funded as follows:





## Financial Analysis of the City's Funds

### *Governmental Funds*

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resource focus. This is useful in assessing resources available at the end of the year in comparison with up coming financing requirements. Governmental funds reported ending fund balances of \$9,582,278. Of this year end total \$4,744,142 is unreserved indicating availability for continuing City service requirements. Restricted fund balances include: \$112,654 committed to cemetery capital improvements, \$4,636 for economic development and \$1,584,077 for capital projects.

The total ending fund balances of governmental funds showed an increase of \$733,485 over the prior year. This increase is primarily attributable to the 4<sup>th</sup> cent sales tax fund offset by the capital improvement fund.

### *Major Governmental Funds*

The General Fund is the City's primary operating fund. The fund balance of the primary operating fund of the City increased by \$188,335 from \$4,555,807 to \$4,744,142. Key factors contributing to this increase included an increase in charges for services and limiting operating expenses.

The Capital Improvement Fund has an ending fund balance of \$1,584,077. The fiscal year end included a net increase of \$434,385 in the Capital Improvement Fund. The change in Capital Improvement Fund is largely due to dedicated sales tax and ongoing capital improvements.

The 4<sup>th</sup> Cent Sales Tax Fund is the fund that accounts for the City's fourth cent sales tax that is to be used by the City for Acme Brick Park debt service (40% of .95), police and fire department construction (52% of .95), Acme Brick Park operation (5%), and economic development (8% of .95).

### ***Proprietary funds***

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

#### ***Major Proprietary Funds***

The Public Works Authority (PWA) accounts for activities in providing water and wastewater services to the public. The increase in net assets for the PWA Fund was \$829,024. This increase is attributable to a net loss before transfers of \$184,071 offset by net transfers in of \$829,024.

The Solid Waste Authority accounts for activities in providing solid waste services to the public. The increase in net assets for the Solid Waste Authority was \$162,894.

The Clinton Airport Authority accounts for providing airport facilities to the public. The increase in net assets for the Airport Authority was \$1,013,323. Net operating income of \$267,103 for the fiscal year is offset by grant income from the FAA and oil and gas royalties received.

The Recreation Trust Authority accounts for the financing, development, and operation of recreational facilities which currently includes only the golf course. The decrease in net assets of the Recreation Trust Authority was \$104,936.

The Clinton Hospital Authority accounts for the operation and development of the hospital and other medical activities of the City. The decrease in net assets of the Clinton Hospital Authority was \$572,854 which is mainly due to depreciation in the amount of \$656,645. The hospital is currently leased to Clinton HMA, LLC so the fund activity will mainly consist of the \$125,000 annual lease payment from the hospital, interest income on investments, and the depreciation on the assets leased to Integris.

The Industrial Authority accounts for the activities in promoting industrial development within the City of Clinton. The increase in net assets for the Industrial Authority was \$471,884. The increase is a function of the net operating loss incurred offset by transfers in from the General fund and 4<sup>th</sup> Cent Sales Tax fund of the City.

### **General Fund Budgetary Highlights**

The General Fund Budget for fiscal year 2013 was \$5,751,134. The General Fund budget complied with the financial policies approved by the City Council and maintained core City services.

### **Capital Assets and Debt Administration**

#### ***Capital assets***

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2013, was \$14,644,831 and \$27,307,887, respectively.

**Capital Assets, Net of Accumulated Depreciation**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>		
<b>Non-Depreciable Assets:</b>								
Land	\$ 772,431	\$ 782,727	\$ 2,285,111	\$ 2,303,527	\$ 3,057,542	\$ 3,086,254	\$ (28,712)	-1%
Construction in Progress	115,735	540,726	3,420,473	327,133	3,536,208	867,859	\$ 2,668,349	75%
<b>Depreciable Assets:</b>								
Buildings	6,842,731	6,156,850	7,934,517	7,994,675	14,777,248	14,151,525	\$ 625,723	4%
buildings	5,211,237	5,175,491	11,758,286	11,758,286	16,969,523	16,933,777	\$ 35,746	0%
equipment	5,500,872	5,300,847	13,148,023	13,083,000	18,648,895	18,383,847	\$ 265,048	1%
Infrastructure	7,123,850	7,123,850	30,836,036	29,771,487	37,959,886	36,895,337	\$ 1,064,549	3%
Less accumulated depreciation	10,922,025	10,147,180	42,074,559	40,439,529	52,996,584	50,586,709	\$ 2,409,875	5%
<b>Total</b>	<b>\$ 14,644,831</b>	<b>\$ 14,933,311</b>	<b>\$ 27,307,887</b>	<b>\$ 24,798,579</b>	<b>\$ 41,952,718</b>	<b>\$ 39,731,890</b>	<b>\$ 2,220,828</b>	<b>5%</b>

**Long-term debt**

At year-end, the City had \$21,978,762 in debt outstanding. The City's changes in long-term debt by type of debt are as follows:

**Primary Government Long-Term Debt**

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenue bonds	\$ -	\$ -	\$ 17,725,000	\$ 20,335,000	\$ 17,725,000	\$ 20,335,000
Notes payable/capital lease	281,747	371,680	3,972,015	1,130,872	4,253,762	1,502,552
subtotal	281,747	371,680	21,697,015	21,465,872	21,978,762	21,837,552
less current portion	(90,544)	(90,055)	(1,523,073)	(2,233,842)	(1,613,617)	(2,323,897)
<b>Totals</b>	<b>\$ 191,203</b>	<b>\$ 281,625</b>	<b>\$ 20,173,942</b>	<b>\$ 19,232,030</b>	<b>\$ 20,365,145</b>	<b>\$ 19,513,655</b>

The Clinton Public Works Authority issued \$12,875,000 of revenue bonds during the 6/30/2012 fiscal year to finance school improvements approved by voters on March 2, 2010 including classroom additions to Nance, Southwest and Washington schools, cafeteria addition at Southwest, CHS band room facility, CHS physical education/practice facility, roofing, parking lots, CMS auditorium remodel and other miscellaneous improvements. The Authority entered into a ground lease with the Clinton Public School District to lease the land upon which the improvements were to be constructed. Lease purchase acquisition payments and rental payments derived from the sublease agreement with the District will be assigned to make the debt service payments on the bonds. Upon payment in full of the amounts due under the sublease agreement, possession and ownership of the improvements will then belong to the District. The Authority has no obligation for the debt beyond the funds derived under the lease agreement.

The Clinton Public Works Authority issued \$6,000,000 of refunding revenue bonds during the fiscal year to provide funds which were used to pay off 2003 and 2004 Clinton Public Works Authority bond issues.

**THE CITY'S FUNDS**

The following schedule presents a summary of general fund revenues and expenditures for the fiscal year end June 30, 2013, and the amount and percentage of increases and decreases in relation to the prior year.

	FYE 2013 Actual Budget Basis	FYE 2012 Actual Budget Basis	Increase/ (Decrease) from FYE 2012	Percent Increase/ (Decrease)
<b>Revenues</b>				
Sales taxes	\$ 3,036,233	\$ 3,069,587	\$ (33,354)	-1%
Use taxes	888,188	1,658,776	(770,588)	-87%
Hotel/motel taxes	378,081	457,309	(79,228)	-21%
E911 taxes	95,244	93,392	1,852	2%
Franchise taxes	349,046	388,857	(39,811)	-11%
Cigarette taxes	78,701	76,625	2,076	3%
Licenses and permits	53,429	44,747	8,682	16%
Oil and gas royalties	68,303	451,109	(382,806)	-560%
Fines and forfeitures	119,670	128,626	(8,956)	-7%
Investment income	21,533	17,520	4,013	19%
Charges for services	289,849	278,227	11,622	4%
Rental income	32,048	26,273	5,775	18%
Intergovernmental	139,721	148,509	(8,788)	-6%
Intracity fees	532,632	389,019	143,613	27%
Miscellaneous	31,259	48,082	(16,823)	-54%
<b>Total Revenues</b>	<b>\$ 6,113,937</b>	<b>\$ 7,276,658</b>	<b>\$ (1,162,721)</b>	<b>-19%</b>
<b>Expenditures</b>				
Governing board & admin	\$ 696,349	\$ 644,624	\$ (51,725)	-7%
Finance	374,794	363,479	(11,315)	-3%
Legal & courts	126,575	124,671	(1,904)	-2%
Police	1,440,144	1,369,944	(70,200)	-5%
Fire	818,315	847,348	29,033	4%
Inspection/code enforcement	81,648	116,511	34,863	43%
Street	459,592	445,672	(13,920)	-3%
Parks & recreation	1,011,855	899,957	(111,898)	-11%
Cemetery	114,519	115,141	622	1%
Facilities maintenance	204,790	195,642	(9,148)	-4%
<b>Total Expenditures</b>	<b>\$ 5,328,581</b>	<b>\$ 5,122,989</b>	<b>\$ (205,592)</b>	<b>-4%</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Clinton has seen its financial condition improve and is seeing some growth in the local economy. The City's goal is to build reserves and invest in the future. The City has some obligations that it must maintain with past projects and purchases. The City must continue to make prudent financial management decisions and continue to progress, reinvest in infrastructure, and continue to plan for the long-term quality of future generations in Clinton. The budget continues to reflect a conservative and sustainable zero-based approach as our mission continues to be to "create, enhance, and preserve a human natural and economic environment which fosters our community's unique quality of life in Clinton."

The following are highlights from the 2013-2014 budget:

A conservative approach was taken in predicting sales tax- the past two year growth is a great sign for our economy. However the City must be diligent in maintaining priorities and goals. We must take advantage of every opportunity to increase efficiency and productivity. The City has made it a priority to build reserves. Recommended reserve percentages for municipalities is 20%-25%, while the goal of current management is maintaining a 30%-35% reserve. Most departments have minimal changes/increases to day-to-day operations. A 3% cost of living increase was approved for all employees and healthcare costs were projected to increase 9%.

Technology upgrades and maintenance is another increased cost to all budgets, but maintaining communications and information infrastructure is a necessity.

Public Works Authority revenues will increase due to a proposed rate increase. Drought and infrastructure issues have depleted reserves. New rate increase will cover growing operating costs and begin to slowly replace reserves.

Golf Course and Acme memberships are not proposed to increase, however revenue increases are expected from more tournaments, activities/programs, and concession sales.

Capital projects budgeted for the upcoming fiscal year include the City Hall roof debt payoff; finishing the Chapman Road project of which the City cost share is nearly \$1,590,000; and street overlay and seal. Remaining capital items are to assist in operations

The City budget provides the financial resources necessary to continue the current level of City services, meet the increasing demand of infrastructure issues, and position the community for continued growth.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Treasurer's Office at City Hall, Clinton, Oklahoma.

Debra Blanchard  
City Treasurer

**City of Clinton, Oklahoma**  
**Statement of Net Position**  
**June 30, 2013**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Current Assets:</b>			
Cash, including time deposits	\$ 2,120,244	\$ 2,338,342	\$ 4,458,586
Investments	5,772,000	11,138,498	16,910,498
Interest receivable	6,942	193,942	200,884
Accounts receivable (net)	82,033	582,613	664,646
Due from other funds	2,432,838	28,438	2,461,276
Receivable from other governments	727,186	-	727,186
Prepaid expenses	38,791	58,932	97,723
<b>Total current assets</b>	<b>11,180,034</b>	<b>14,340,765</b>	<b>25,520,799</b>
<b>Restricted assets:</b>			
Cash	-	1,104,452	1,104,452
Investments	-	-	-
<b>Total restricted assets</b>	<b>-</b>	<b>1,104,452</b>	<b>1,104,452</b>
<b>Noncurrent Assets:</b>			
Notes receivable	-	12,879,889	12,879,889
Land and construction in progress	888,166	5,705,584	6,593,750
Other capital assets (net of accumulated depreciation)	13,756,665	21,602,303	35,358,968
<b>Total noncurrent assets</b>	<b>14,644,831</b>	<b>40,187,776</b>	<b>54,832,607</b>
<b>Total assets</b>	<b>25,824,865</b>	<b>55,632,993</b>	<b>81,457,858</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	(513,344)	(513,344)
	-	(513,344)	(513,344)
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	20,678	168,533	189,211
Wages and benefits payable	144,119	30,918	175,037
Accrued interest payable	-	29,567	29,567
Compensated absences, current	199,735	61,691	261,426
Due to other funds	1,219,928	1,241,348	2,461,276
Notes payable, current	90,544	343,073	433,617
<b>Total current liabilities</b>	<b>1,675,004</b>	<b>1,875,130</b>	<b>3,550,134</b>
<b>Liabilities payable from restricted assets:</b>			
Accrued interest payable	-	255,122	255,122
Bonds payable, current	-	1,180,000	1,180,000
<b>Total liabilities payable from restricted assets</b>	<b>-</b>	<b>1,435,122</b>	<b>1,435,122</b>
<b>Noncurrent liabilities:</b>			
Other accrued liabilities	6,611	-	6,611
Notes payable, non-current	191,203	3,628,942	3,820,145
Bonds payable, non-current	-	16,545,000	16,545,000
Unamortized bond discount/premium	-	(53,514)	(53,514)
Bonds payable, net of unamortized discount/premium	-	16,491,486	16,491,486
<b>Total noncurrent liabilities</b>	<b>197,814</b>	<b>20,120,428</b>	<b>20,318,242</b>
<b>Total liabilities</b>	<b>1,872,818</b>	<b>23,430,680</b>	<b>25,303,498</b>
<b>NET POSITION</b>			
Net investment in capital assets	14,363,084	17,917,682	32,280,766
<b>Restricted for:</b>			
Cemetery care	112,654	-	112,654
Hospital investment	-	7,956,250	7,956,250
Debt obligations	-	718,269	718,269
Unrestricted	9,476,309	5,610,112	15,086,421
<b>Total net position</b>	<b>\$ 23,952,047</b>	<b>\$ 32,202,313</b>	<b>\$ 56,154,360</b>

**City of Clinton, Oklahoma**  
**Statement of Activities**  
**June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
<b>Governmental activities:</b>					
<b>General government:</b>					
Governing board and administration	\$ 788,710	\$ 409,925	\$ 6,988	\$ -	\$ (371,797)
Finance	380,381	213,074	-	-	(167,307)
Total general government	1,169,091	622,999	6,988	-	(539,104)
<b>Public safety and judiciary:</b>					
Legal & courts	128,077	-	-	-	(128,077)
Police	1,600,484	121,737	-	18,700	(1,460,047)
Fire	882,205	3,416	10,734	182,020	(686,035)
Inspection/code enforcement	43,783	800	-	-	(42,983)
Total public safety and judiciary	2,654,549	125,953	10,734	200,720	(2,317,142)
<b>Transportation:</b>					
Streets	833,410	-	81,107	50,000	(702,303)
Total transportation	833,410	-	81,107	50,000	(702,303)
<b>Cultural, parks and recreation:</b>					
Parks & recreation	1,420,618	217,245	30,391	1,250	(1,171,732)
Cemetery	186,428	69,127	-	-	(117,301)
Total cultural, parks and recreation	1,607,046	286,372	30,391	1,250	(1,289,033)
<b>Public services:</b>					
Facilities maintenance	358,350	14,496	57,612	-	(286,242)
Total public services	358,350	14,496	57,612	-	(286,242)
<b>Economic development:</b>					
Economic development	313,759	-	-	-	(313,759)
Total governmental activities	6,936,205	1,049,820	186,832	251,970	(5,447,583)
<b>Business-type activities:</b>					
Water	3,426,650	2,734,196	-	-	(692,454)
Sewer	1,254,265	1,284,766	-	-	30,501
Sanitation	1,298,932	1,459,164	-	-	160,232
Airport	399,887	132,782	-	915,442	648,337
Golf	534,429	252,576	-	-	(281,853)
Parks and recreation	55,478	-	-	-	(55,478)
Healthcare	672,578	156,250	-	-	(516,328)
Education	403,207	5,150	974,752	-	576,695
Economic development	578,362	90,260	-	-	(488,102)
Total business-type activities	8,623,788	6,115,144	974,752	915,442	(618,450)
<b>Total</b>	<b>\$ 15,559,993</b>	<b>\$ 7,164,964</b>	<b>\$ 1,161,584</b>	<b>\$ 1,167,412</b>	<b>\$ (6,066,033)</b>

(Continued)

**City of Clinton, Oklahoma**  
**Statement of Activities**  
**June 30, 2013**

Changes in Net Assets:	(Continued)		
	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (5,447,583)	\$ (618,450)	\$ (6,066,033)
General revenues:			
Taxes:			
Sales tax	5,910,150	-	5,910,150
Use tax	913,155	-	913,155
Hotel/Motel tax	463,951	-	463,951
Property tax (TIF)	55,242	-	55,242
E-911 tax	95,244	-	95,244
Franchise taxes	348,719	-	348,719
Cigarette tax	76,086	-	76,086
Alcoholic beverage tax	53,068	-	53,068
Oil and gas royalties	68,302	203,808	272,110
Investment income	120,096	68,646	188,742
Penalties	-	58,154	58,154
Gain (loss) on disposal of assets	(37,889)	(30,845)	(68,734)
Miscellaneous	25,696	8,370	34,066
Transfers-Internal activity	(2,106,318)	2,106,318	-
Total general revenues and transfers	5,985,502	2,414,451	8,399,953
Change in net assets	537,919	1,796,001	2,333,920
Net assets-beginning	23,414,128	31,072,078	54,486,206
Early implementation of GASB 65		(152,422)	
Net assets-ending	\$ 23,952,047	\$ 32,715,657	\$ 56,667,704

**City of Clinton, Oklahoma  
Balance Sheet  
June 30, 2013**

	General Fund	Capital Improvement Fund	4th Cent Sales Tax Fund	Industrial Authority TIF Fund	Cemetery Fund	Grant Fund	Total Governmental Funds
<b>ASSETS</b>							
Cash, including time deposits	\$ 392,464	\$ 919,240	\$ 737,610	\$ 12,640	\$ 33,511	\$ 18,145	\$ 2,113,610
Investments	4,198,000	470,000	1,025,000	-	79,000	-	5,772,000
Interest receivable	4,774	553	1,472	-	143	-	6,942
Accounts receivable	32,033	50,000	-	-	-	-	82,033
Due from other funds	-	-	1,219,928	1,211,924	-	-	2,431,852
Receivable from other governments	445,832	144,284	137,070	-	-	-	727,186
Prepaid expenses	38,791	-	-	-	-	-	38,791
<b>Total assets</b>	<b>\$ 5,111,894</b>	<b>\$ 1,584,077</b>	<b>\$ 3,121,080</b>	<b>\$ 1,224,564</b>	<b>\$ 112,654</b>	<b>\$ 18,145</b>	<b>\$ 11,041,615</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 18,196	\$ -	\$ -	\$ -	\$ -	\$ 2,456	\$ 20,652
Wages and benefits payable	143,210	-	-	-	-	-	143,210
Compensated absences, current	199,735	-	-	-	-	-	199,735
Due to other funds	-	-	-	1,219,928	-	-	1,219,928
Other accrued liabilities	6,611	-	-	-	-	-	6,611
<b>Total liabilities</b>	<b>367,752</b>	<b>-</b>	<b>-</b>	<b>1,219,928</b>	<b>-</b>	<b>2,456</b>	<b>1,590,136</b>
<b>FUND BALANCES</b>							
Restricted for:							
Cemetery care	-	-	-	-	112,654	-	112,654
Capital projects	-	1,584,077	-	-	-	-	1,584,077
Economic development	-	-	-	4,636	-	-	4,636
Special revenue funds	-	-	3,121,080	-	-	15,689	3,136,769
Unassigned	4,744,142	-	-	-	-	-	4,744,142
<b>Total fund balances</b>	<b>4,744,142</b>	<b>1,584,077</b>	<b>3,121,080</b>	<b>4,636</b>	<b>112,654</b>	<b>15,689</b>	<b>9,582,278</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,111,894</b>	<b>\$ 1,584,077</b>	<b>\$ 3,121,080</b>	<b>\$ 1,224,564</b>	<b>\$ 112,654</b>	<b>\$ 18,145</b>	<b>\$ 11,041,615</b>
<b>Total fund balance - total governmental funds</b>							<b>9,582,278</b>
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:							
Land and capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.							
						888,166	
						24,678,690	
						<u>(10,922,025)</u>	14,644,831
Long-term liabilities are not due and payable in the current period and are not reported in the funds.							
							(281,747)
Internal service funds are used by management to charge the costs of certain activities such as the central garage to the individual funds. Assets and liabilities of the internal service funds are reclassified to the governmental activities in the statement of net assets. Internal activity is reclassified to governmental and business-type activities based on the function of the activities charged.							
							<u>6,685</u>
<b>Net assets of governmental activities</b>							<b>\$ 23,952,047</b>

**City of Clinton, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**June 30, 2013**

	General Fund	Capital Improvement Fund	4th Cent Sales Tax Fund	Industrial Authority TIF Fund	Cemetery Fund	Grant Fund	Total Governmental Funds
<b>REVENUES</b>							
Sales tax	\$ 2,969,997	\$ 1,448,779	\$ 1,376,339	\$ 115,035	\$ -	\$ -	\$ 5,910,150
Use tax	913,155	-	-	-	-	-	913,155
Hotel/motel tax	369,030	-	-	94,921	-	-	463,951
Property taxes (TIF)	-	-	-	55,242	-	-	55,242
E911 tax	95,244	-	-	-	-	-	95,244
Franchise taxes	348,719	-	-	-	-	-	348,719
Cigarette tax	76,086	-	-	-	-	-	76,086
Licenses and permits	53,429	-	-	-	-	-	53,429
Oil and gas royalties	68,302	-	-	-	-	-	68,302
Fines and forfeitures	119,670	-	-	-	-	-	119,670
Investment income	17,447	3,711	52,653	45,945	340	-	120,096
Charges for services	298,357	-	-	-	5,482	-	303,839
Rental income	23,541	-	-	-	-	14,496	38,037
Intergovernmental	140,425	4,484	-	-	-	-	144,909
Intracity fees	532,686	-	-	-	-	-	532,686
Miscellaneous	31,206	343,610	-	-	-	-	374,816
Total revenues	<u>6,057,294</u>	<u>1,800,584</u>	<u>1,428,992</u>	<u>311,143</u>	<u>5,822</u>	<u>14,496</u>	<u>9,618,331</u>
<b>EXPENDITURES</b>							
<b>Current:</b>							
<b>General government:</b>							
Governing board and administration	700,062	8,149	-	-	-	-	708,211
Finance	378,004	-	-	-	-	-	378,004
Total general government	<u>1,078,066</u>	<u>8,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,086,215</u>
<b>Public safety and judiciary:</b>							
Legal and courts	127,655	-	-	-	-	-	127,655
Police	1,485,334	13,362	50,146	-	-	-	1,548,842
Fire	809,175	-	-	-	-	-	809,175
Inspection/code enforcement	43,683	-	-	-	-	-	43,683
Total public safety and judiciary	<u>2,465,847</u>	<u>13,362</u>	<u>50,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,529,355</u>
<b>Transportation:</b>							
Street	464,122	209,546	-	-	-	-	673,668
Total transportation	<u>464,122</u>	<u>209,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>673,668</u>
<b>Cultural, parks and recreation:</b>							
Parks & recreation	945,017	19,039	-	-	-	-	964,056
Cemetery	182,507	-	-	-	-	-	182,507
Total cultural, parks and recreation	<u>1,127,524</u>	<u>19,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,146,563</u>
<b>Public Services:</b>							
Facilities maintenance	206,870	19,271	-	-	-	6,299	232,440
Total public services	<u>206,870</u>	<u>19,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,299</u>	<u>232,440</u>
<b>Economic development:</b>							
Capital outlay	8,484	450,981	232,307	265,197	-	-	691,772
<b>Debt service:</b>							
Principle	-	90,038	-	-	-	-	90,038
Interest	-	14,718	-	48,562	-	-	63,280
Total debt service	<u>-</u>	<u>104,756</u>	<u>-</u>	<u>48,562</u>	<u>-</u>	<u>-</u>	<u>153,318</u>
Total expenditures	<u>5,350,913</u>	<u>825,104</u>	<u>282,453</u>	<u>313,759</u>	<u>-</u>	<u>6,299</u>	<u>6,778,528</u>
Excess (deficiency) of revenues over expenditures	706,381	975,480	1,146,539	(2,616)	5,822	8,197	2,839,803
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	3,040,378	1,156,193	915,683	400	-	-	5,112,654
Transfers out	(3,558,424)	(1,697,288)	(1,959,115)	(4,145)	-	-	(7,218,972)
Total other financing sources and uses	<u>(518,046)</u>	<u>(541,095)</u>	<u>(1,043,432)</u>	<u>(3,745)</u>	<u>-</u>	<u>-</u>	<u>(2,106,318)</u>
Net change in fund balances	188,335	434,385	103,107	(6,361)	5,822	8,197	733,485
Fund balances - beginning	4,555,807	1,149,692	3,017,973	10,997	106,832	7,492	8,848,793
Residual equity transfer	-	-	-	-	-	-	-
Fund balances - ending	<u>\$ 4,744,142</u>	<u>\$ 1,584,077</u>	<u>\$ 3,121,080</u>	<u>\$ 4,636</u>	<u>\$ 112,654</u>	<u>\$ 15,689</u>	<u>\$ 9,582,278</u>

(Continued)

**City of Clinton, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**June 30, 2013**

(Continued)

Reconciliation of the change in fund balances - total governmental funds  
to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds \$ 733,485

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases capitalized	691,772	
Depreciation expense	<u>(939,132)</u>	(247,360)

In the statement of activities, the loss on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resource. The change in net assets differs from the change in fund balance by the cost of the assets disposed, net of related accumulated depreciation

Loss on disposal of assets- government wide		(37,889)
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The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. See Note 3(E) for additional detail.

Debt activity reported in the fund statements

Long-term capital lease obligation	-	
Debt and capital lease principle	90,038	
Interest on debt	63,280	

Debt activity recognized in the statement of activities

Interest on long-term debt	(63,280)	90,038
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Internal service funds are used by management to charge the costs of internal activities

Internal service fund changes in net assets	(986)	
Business-type activities net activities due to governmental type activities	<u>631</u>	<u>(355)</u>

Change in Net Assets of Governmental Activities		<u>\$ 537,919</u>
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City of Clinton, Oklahoma  
General Fund  
June 30, 2013  
Budget and Actual (Non-GAAP Budgetary Basis)

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>					
Sales taxes	\$ 2,836,000	\$ 350,000	\$ 3,186,000	\$ 3,036,233	\$ (149,767)
Use taxes	650,000	-	650,000	888,188	238,188
Hotel/motel taxes	375,000	120,000	495,000	378,081	(116,919)
E911 taxes	93,000	-	93,000	95,244	2,244
Franchise taxes	374,000	-	374,000	349,046	(24,954)
Cigarette taxes	68,000	-	68,000	78,701	10,701
Licenses and permits	34,500	-	34,500	53,429	18,929
Oil & gas royalties	50,000	-	50,000	68,303	18,303
Fines and forfeitures	115,000	-	115,000	119,670	4,670
Investment income	14,000	-	14,000	21,533	7,533
Charges for services	230,950	-	230,950	289,849	58,899
Rental income	30,800	-	30,800	32,048	1,248
Intergovernmental	135,000	-	135,000	139,721	4,721
Intracity fees	532,528	-	532,528	532,632	104
Miscellaneous	12,200	-	12,200	31,259	19,059
Total revenues before carryover	5,550,978	470,000	6,020,978	6,113,937	92,959
Budgeted carryover (1)	4,079,828	-	4,079,828	4,591,370	511,542
Total revenues and budgeted carryover	9,630,806	470,000	10,100,806	10,705,307	604,501
<b>EXPENDITURES</b>					
Current:					
General government:					
Governing board and administration					
Personal services	442,360	10,000	452,360	447,695	4,665
Materials & supplies	8,400	-	8,400	8,609	(209)
Other services & charges	288,100	(33,000)	255,100	240,045	15,055
Finance					
Personal services	289,307	10,000	299,307	290,683	8,624
Materials & supplies	8,100	-	8,100	4,143	3,957
Other services & charges	74,981	5,000	79,981	79,968	13
Total general government	1,111,248	(8,000)	1,103,248	1,071,143	32,105
Public safety and judiciary:					
Legal and courts					
Personal services	125,577	-	125,577	122,693	2,884
Materials & supplies	1,100	-	1,100	701	399
Other services & charges	3,645	-	3,645	3,181	464
Police					
Personal services	1,451,771	(33,000)	1,418,771	1,330,339	88,432
Materials & supplies	73,800	-	73,800	75,954	(2,154)
Other services & charges	37,125	-	37,125	33,851	3,274
Fire					
Personal services	818,890	(20,000)	798,890	759,963	38,927
Materials & supplies	68,927	-	68,927	32,912	36,015
Other services & charges	29,655	-	29,655	25,440	4,215
Inspection/code enforcement					
Personal services	107,349	(22,000)	85,349	67,280	18,069
Materials & supplies	7,600	-	7,600	5,941	1,659
Other services & charges	28,677	(8,000)	20,677	8,427	12,250
Total public safety and judiciary	2,754,116	(83,000)	2,671,116	2,466,682	204,434
Transportation:					
Street					
Personal services	278,609	-	278,609	273,893	4,716
Materials & supplies	88,800	-	88,800	87,177	1,623
Other services & charges	129,500	-	129,500	98,522	30,978
Total transportation	496,909	-	496,909	459,592	37,317
Cultural, parks and recreation:					
Parks and recreation					
Personal services	673,510	23,500	697,010	636,774	60,236
Materials & supplies	160,550	55,500	216,050	189,356	26,694
Other services & charges	204,590	12,000	216,590	185,725	30,865
Cemetery					
Personal services	96,662	-	96,662	86,831	9,831
Materials & supplies	29,900	-	29,900	26,708	3,192
Other services & charges	4,875	-	4,875	980	3,895
Total cultural, parks and recreation	1,170,087	91,000	1,261,087	1,126,374	134,713

City of Clinton, Oklahoma  
 General Fund  
 June 30, 2013  
 Budget and Actual (Non-GAAP Budgetary Basis)

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
<b>Public Services:</b>					
Facilities maintenance					
Personal services	79,674	-	79,674	62,680	16,994
Materials & supplies	16,900	-	16,900	26,165	(9,265)
Other services & charges	122,200	-	122,200	115,945	6,255
Total public services	<u>218,774</u>	<u>-</u>	<u>218,774</u>	<u>204,790</u>	<u>13,984</u>
Total expenditures	<u>5,751,134</u>	<u>-</u>	<u>5,751,134</u>	<u>5,328,581</u>	<u>422,553</u>
Revenue over (under) expenditures	3,879,672	470,000	4,349,672	5,376,726	1,027,054
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Operating transfers in	2,810,000	-	2,810,000	3,036,233	226,233
Operating transfers out	<u>(3,444,500)</u>	<u>(344,000)</u>	<u>(3,788,500)</u>	<u>(3,641,572)</u>	<u>146,928</u>
Net other financing sources (uses)	<u>(634,500)</u>	<u>(344,000)</u>	<u>(978,500)</u>	<u>(605,339)</u>	<u>373,161</u>
Revenues and other financing sources over (under) expenditures and other uses	3,245,172	126,000	3,371,172	4,771,387	1,400,215
Fund balance at beginning of year (Non-GAAP budgetary basis)	4,079,828	-	4,079,828	4,555,807	475,979
Less budgeted carryover (1)	<u>(4,079,828)</u>	<u>-</u>	<u>(4,079,828)</u>	<u>(4,591,370)</u>	<u>(511,542)</u>
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 3,245,172</u>	<u>\$ 126,000</u>	<u>\$ 3,371,172</u>	<u>\$ 4,735,824</u>	<u>\$ 1,364,652</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and transfer accruals				30,649	
Expenditure and transfer accruals				(22,331)	
Fund balance at end of year (GAAP basis)				<u>\$ 4,744,142</u>	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.

**City of Clinton, Oklahoma**  
**Statement of Net Position**  
**June 30, 2013**

	Public Works Authority	Solid Waste Authority	Clinton Airport Authority	Recreation Trust Authority	Clinton Hospital Authority	Industrial Authority	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>								
<b>Current assets:</b>								
Cash, including time deposits	\$ 442,250	\$ 110,918	\$ 67,808	\$ 41,036	\$ 877,917	\$ 798,413	\$ 2,338,342	\$ 6,634
Investment	1,236,000	588,000	70,000	-	8,534,498	712,000	11,138,498	-
Interest receivable	190,234	597	87	-	2,345	679	193,942	-
Accounts receivable (net)	442,085	129,853	4,875	-	-	6,000	582,813	-
Due from other funds	-	-	-	-	-	28,438	28,438	-
Prepaid expenses	29,288	5,997	9,136	5,623	-	8,888	58,932	-
<b>Total current assets</b>	<b>2,339,857</b>	<b>833,185</b>	<b>151,906</b>	<b>46,659</b>	<b>9,414,780</b>	<b>1,554,418</b>	<b>14,340,765</b>	<b>6,634</b>
<b>Restricted assets:</b>								
Cash, including time deposits	1,104,452	-	-	-	-	-	1,104,452	-
Investments	-	-	-	-	-	-	-	-
<b>Total restricted assets</b>	<b>1,104,452</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,104,452</b>	<b>-</b>
<b>Noncurrent assets:</b>								
Capital lease receivable	11,725,000	-	-	-	-	1,154,889	12,879,889	-
Unamortized bond issue costs	-	-	-	-	-	-	-	-
Capital assets (net)	11,306,263	323,021	2,752,239	1,869,188	3,973,237	7,283,939	27,307,887	4,086
<b>Total noncurrent assets</b>	<b>23,031,263</b>	<b>323,021</b>	<b>2,752,239</b>	<b>1,869,188</b>	<b>3,973,237</b>	<b>8,438,828</b>	<b>40,187,776</b>	<b>4,086</b>
<b>Total assets</b>	<b>26,475,572</b>	<b>1,156,186</b>	<b>2,904,145</b>	<b>1,715,847</b>	<b>13,387,997</b>	<b>9,993,246</b>	<b>55,632,993</b>	<b>10,720</b>
<b>LIABILITIES</b>								
<b>Current liabilities:</b>								
Accounts payable	108,164	51,673	5,814	1,647	106	1,329	168,533	26
Wages and benefits payable	12,157	8,496	-	8,838	-	1,427	30,918	909
Due to other funds	28,438	-	-	-	-	1,211,924	1,240,362	-
Accrued interest payable	-	-	-	-	-	29,567	29,567	-
Compensated absences, current	22,917	21,687	-	13,905	-	3,182	61,691	-
Notes payable, current	34,849	-	-	22,103	-	288,121	343,073	-
<b>Total current liabilities</b>	<b>206,525</b>	<b>81,856</b>	<b>5,814</b>	<b>46,493</b>	<b>106</b>	<b>1,533,550</b>	<b>1,874,144</b>	<b>935</b>
<b>Liabilities payable from restricted assets:</b>								
Accrued interest payable	255,122	-	-	-	-	-	255,122	-
Bonds payable, current	1,180,000	-	-	-	-	-	1,180,000	-
<b>Total liabilities payable from restricted assets</b>	<b>1,435,122</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,435,122</b>	<b>-</b>
<b>Noncurrent liabilities:</b>								
Other accrued liabilities	-	-	-	-	-	-	-	-
Notes payable, non-current	260,840	-	-	25,785	-	3,342,317	3,628,942	-
Bonds payable, noncurrent	16,545,000	-	-	-	-	-	16,545,000	-
Unamortized bond discount/premium	(53,514)	-	-	-	-	-	(53,514)	-
Deferred amount on refunding	(513,344)	-	-	-	-	-	(513,344)	-
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	15,978,142	-	-	-	-	-	15,978,142	-
<b>Total noncurrent liabilities</b>	<b>16,238,982</b>	<b>-</b>	<b>-</b>	<b>25,785</b>	<b>-</b>	<b>3,342,317</b>	<b>19,607,084</b>	<b>-</b>
<b>Total liabilities</b>	<b>17,880,629</b>	<b>81,856</b>	<b>5,814</b>	<b>72,278</b>	<b>106</b>	<b>4,875,867</b>	<b>22,918,350</b>	<b>935</b>
<b>NET POSITION</b>								
Net investment in capital assets	5,306,263	323,021	2,752,239	1,821,300	3,973,237	3,941,622	17,917,682	4,086
Restricted for hospital investment	-	-	-	-	7,956,250	-	7,956,250	-
Restricted for debt obligations	718,269	-	-	-	-	-	718,269	-
Unrestricted	2,570,411	751,309	146,292	22,269	1,458,404	1,175,757	6,124,442	5,699
<b>Total net position</b>	<b>\$ 8,594,943</b>	<b>\$ 1,074,330</b>	<b>\$ 2,898,531</b>	<b>\$ 1,843,569</b>	<b>\$ 13,387,891</b>	<b>\$ 5,117,379</b>	<b>32,716,843</b>	<b>\$ 9,785</b>
Adjustment to reflect the consolidation of applicable internal service fund activities to enterprise funds							(986)	
Net assets of business-type activities							<u>\$ 32,715,657</u>	

**City of Clinton, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**June 30, 2013**

	Public Works Authority	Solid Waste Authority	Clinton Airport Authority	Recreation Trust Authority	Clinton Hospital Authority	Industrial Authority	Total Enterprise Funds	Internal Service Fund
<b>Operating revenues:</b>								
Charges for services:								
Water charges	\$ 2,711,534	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,711,534	\$ -
Sewer charges	1,276,301	-	-	-	-	-	1,276,301	-
Sanitation charges	-	1,449,580	-	-	-	-	1,449,580	-
Penalties	58,154	-	-	-	-	-	58,154	-
Golf fees	-	-	-	252,166	-	-	252,166	-
Parks and recreation	-	-	-	-	-	-	-	-
Swimming fees	-	-	-	-	-	-	-	-
Concessions/merchandise sales	-	-	75,530	-	-	3,518	79,048	-
Internal service charges	-	-	-	-	-	-	-	26,313
Total charges for services	4,045,989	1,449,580	75,530	252,166	-	3,518	5,826,783	26,313
Lease and rental income	20,957	-	57,252	-	156,250	86,742	321,201	-
Miscellaneous	228,070	9,584	-	410	-	-	238,064	38,515
Total operating revenues	4,295,016	1,459,164	132,782	252,576	156,250	90,260	6,386,048	64,828
<b>Operating expenses:</b>								
Cost of goods sold	1,777,961	-	-	-	-	-	1,777,961	-
Personal services	404,497	353,083	-	257,805	-	52,988	1,068,153	31,725
Materials and supplies	172,437	109,200	97,548	43,885	-	19,471	442,541	28,940
Other services and charges	1,517,410	782,013	177,231	69,051	15,933	271,806	2,853,444	4,516
Bad debt expense	14,306	2,412	-	-	-	-	16,718	-
Depreciation	631,523	51,866	125,106	140,448	656,645	97,918	1,703,506	633
Total operating expenses	4,518,134	1,298,554	399,885	530,889	672,578	442,183	7,862,323	65,814
Net operating income	(223,118)	160,610	(267,103)	(278,413)	(516,328)	(351,923)	(1,476,275)	(986)
<b>Nonoperating revenue (expense):</b>								
Grants income	-	-	915,442	-	-	-	915,442	-
Investment income	14,163	2,284	180	-	49,658	2,361	68,646	-
Gain (loss) on disposal of fixed assets	(19,071)	-	-	(1,430)	-	(10,344)	(30,845)	-
Acquisition payments- Clinton Public Schools	773,075	-	-	-	-	-	773,075	-
Interest expense	(458,453)	-	-	(3,440)	-	(28,274)	(490,167)	-
Fiscal charges	(20,971)	-	-	-	-	-	(20,971)	-
Bond issue costs	(120,371)	-	-	-	-	-	(120,371)	-
Amortization	(129,325)	-	-	-	-	-	(129,325)	-
Oil and gas royalties	-	-	203,808	-	-	-	203,808	-
Total nonoperating revenue (expense)	39,047	2,284	1,119,430	(4,870)	49,658	(36,257)	1,169,292	-
Net income before contributions and transfers	(184,071)	162,894	852,327	(283,283)	(466,670)	(388,180)	(306,983)	(986)
Transfers from other funds	6,047,786	-	160,996	178,347	-	933,482	7,320,611	-
Transfers to other funds	(5,034,691)	-	-	-	(106,184)	(73,418)	(5,214,293)	-
Change in net assets	829,024	162,894	1,013,323	(104,936)	(572,854)	471,884	1,799,335	(986)
Net position-beginning of year	7,918,341	911,436	1,885,208	1,748,505	13,960,745	4,645,495	-	10,771
Early implement GASB 65	(152,422)	-	-	-	-	-	-	-
Net position-end of year	\$ 8,594,943	\$ 1,074,330	\$ 2,898,531	\$ 1,643,569	\$ 13,387,891	\$ 5,117,379	-	\$ 9,785
Adjustment to reflect the consolidation of applicable internal service fund activities to enterprise funds							(3,334)	
Change in net position of business-type activities							\$ 1,798,001	

City of Clinton, Oklahoma  
Statement of Cash Flows  
June 30, 2013

	Public Works Authority	Solid Waste Authority	Clinton Airport Authority	Recreation Trust Authority	Clinton Hospital Authority	Industrial Authority	Total Enterprise Funds	Internal Service Fund
<b>Cash flows from operating activities:</b>								
Receipts from customers	\$ 4,181,204	\$ 1,442,587	\$ 130,475	\$ 252,166	\$ 156,250	\$ 158,722	\$ 6,321,404	\$ 26,313
Payments to suppliers	(3,533,677)	(898,613)	(272,710)	(136,671)	(15,933)	(300,028)	(5,157,630)	(33,796)
Payments to employees	(401,462)	(356,790)	-	(256,434)	-	(55,701)	(1,070,387)	(31,696)
Other operating revenues	228,070	9,584	-	410	-	-	238,064	38,515
<b>Net cash provided (used) by operating activities</b>	<b>474,135</b>	<b>196,768</b>	<b>(142,235)</b>	<b>(140,529)</b>	<b>140,317</b>	<b>(197,005)</b>	<b>331,451</b>	<b>(664)</b>
<b>Cash flows from non-capital financing activities:</b>								
Receipts under interfund loan agreements	-	-	-	-	-	214,402	214,402	-
Payments under interfund loan agreements	(4,375)	-	-	-	-	(160,027)	(164,402)	-
Transfers from other funds	6,047,786	-	160,996	178,347	-	933,482	7,320,611	-
Transfers to other funds	(5,034,691)	-	-	-	(106,184)	(73,418)	(5,214,293)	-
Payments received on capital lease	1,150,000	-	-	-	-	-	1,150,000	-
Acquisition payments- Clinton Public Schools	653,839	-	-	-	-	-	653,839	-
<b>Net cash provided (used) by non-capital financing activities</b>	<b>2,812,559</b>	<b>-</b>	<b>160,996</b>	<b>178,347</b>	<b>(106,184)</b>	<b>914,439</b>	<b>3,960,157</b>	<b>-</b>
<b>Cash flows from capital and related financing activities:</b>								
Payment of bond issue costs	(120,371)	-	-	-	-	-	(120,371)	-
Purchases of capital assets	(126,289)	-	(1,060,733)	(20,344)	-	(3,036,293)	(4,243,659)	-
Principal paid on capital debt	(8,985,535)	-	-	(20,661)	-	(4,375)	(9,010,771)	-
Proceeds from debt issuance	6,060,000	-	-	-	-	2,900,000	8,960,000	-
Interest and fiscal charges paid on capital debt	(423,478)	-	-	(3,440)	-	-	(426,918)	(3,440)
Capital grants/donations received	-	-	915,442	-	-	-	915,442	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(3,595,673)</b>	<b>-</b>	<b>(145,291)</b>	<b>(44,645)</b>	<b>-</b>	<b>(140,668)</b>	<b>(3,926,277)</b>	<b>-</b>
<b>Cash flows from investing activities:</b>								
Sale (purchase) of investments	1,580,000	(255,000)	(25,000)	-	258,997	(325,000)	1,233,997	-
Investment income	17,615	2,359	298	-	49,703	3,430	73,405	-
Receipts from oil & gas royalties	-	-	203,808	-	-	-	203,808	-
<b>Net cash provided (used) by investing activities</b>	<b>1,597,615</b>	<b>(252,641)</b>	<b>179,106</b>	<b>-</b>	<b>308,700</b>	<b>(321,570)</b>	<b>1,511,210</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,288,636</b>	<b>(55,873)</b>	<b>52,576</b>	<b>(6,827)</b>	<b>342,833</b>	<b>255,196</b>	<b>1,876,541</b>	<b>(664)</b>
Cash and cash equivalents, July 1, 2012	258,066	166,791	15,232	47,863	535,084	543,217	1,566,253	7,288
<b>Cash &amp; cash equivalents, June 30, 2013</b>	<b>\$ 1,546,702</b>	<b>\$ 110,918</b>	<b>\$ 67,808</b>	<b>\$ 41,036</b>	<b>\$ 877,917</b>	<b>\$ 798,413</b>	<b>\$ 3,442,794</b>	<b>\$ 6,634</b>
Cash, including time deposits	\$ 442,250	\$ 110,918	\$ 67,808	\$ 41,036	\$ 877,917	\$ 798,413	\$ 2,338,342	\$ 6,634
Restricted cash, including time deposits	1,104,452	-	-	-	-	-	1,104,452	-
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 1,546,702</b>	<b>\$ 110,918</b>	<b>\$ 67,808</b>	<b>\$ 41,036</b>	<b>\$ 877,917</b>	<b>\$ 798,413</b>	<b>\$ 3,442,794</b>	<b>\$ 6,634</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>								
Operating income (loss)	\$ (223,118)	\$ 160,610	\$ (267,103)	\$ (278,413)	\$ (516,328)	\$ (351,923)	\$ (1,476,275)	\$ (986)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	631,523	51,666	125,106	140,448	656,645	97,918	1,703,506	633
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable	114,258	(6,993)	(2,307)	-	-	68,462	173,420	-
(Increase) decrease in prepaids	(15,078)	(99)	(2,932)	(153)	-	(825)	(19,087)	-
Increase (decrease) in accounts payable	(36,485)	(4,889)	5,001	(3,582)	-	(7,924)	(47,879)	(340)
Increase (decrease) in wages & benefits payable	(2,333)	(3,555)	-	(91)	-	(2,610)	(8,589)	29
Increase (decrease) in compensated absences	5,368	(172)	-	1,262	-	(103)	6,355	-
Increase (decrease) in other accrued liabilities	-	-	-	-	-	-	-	-
Total adjustments	697,253	36,158	124,868	137,884	656,645	154,918	1,807,726	322
<b>Net cash provided (used) by operating activities</b>	<b>\$ 474,135</b>	<b>\$ 196,768</b>	<b>\$ (142,235)</b>	<b>\$ (140,529)</b>	<b>\$ 140,317</b>	<b>\$ (197,005)</b>	<b>\$ 331,451</b>	<b>\$ (664)</b>
<b>Non-cash investing, capital, and financing activities:</b>								
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ -	\$ -	\$ (112,451)	\$ -	\$ (112,451)	\$ -
<b>Total non-cash investing, capital, and financing activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (112,451)</b>	<b>\$ -</b>	<b>\$ (112,451)</b>	<b>\$ -</b>

**City of Clinton, Oklahoma**  
**Statement of Fiduciary Net Position**  
**June 30, 2013**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash, including time deposits	\$ 12,529
Investments	236,000
Total assets	<u>\$ 248,529</u>
<b>LIABILITIES</b>	
Due to depositors	248,529
Total liabilities	<u>\$ 248,529</u>

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**(A) Introduction:**

The accounting and reporting framework and the more significant accounting principles and practices of the City of Clinton (City) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2013.

**(B) Financial Reporting Entity:**

The City of Clinton is a Council-Manager charter city in which citizens elect the mayor at large and four council members by wards. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Due to restrictions of the state constitution relating to the issuance of municipal debt, the City created public trusts pursuant to Title 60 of Oklahoma State Law to finance City services with revenue bonds or other non-general obligation financing, and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government although retaining separate legal identity. Component units that do not meet the criteria for blending are reported discretely.

***Blended Component Units Reported with Primary Government***

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Reporting Fund Type</u>
Clinton Public Works Authority (CPWA)	Created November 15, 1977 to finance, develop and operate the water, sewer and solid waste activities. The current City Council serves as entire governing body (Trustees). Any issuances of debt would require a two-thirds approval of the City Council.	Enterprise Fund
Clinton Solid Waste Authority (CSWA)	Created September 4, 1997 to finance, develop and operate the solid waste activities of the City. The current City Council serves as entire governing body (Trustees). Any issuances of debt would require a two-thirds approval of the City Council.	Enterprise Fund
Clinton Airport Authority (CAA)	Created March 2, 1971 to originally provide airport hanger facilities. The current City Council serves as entire governing body (Trustees). Any issuances of debt would require a two-thirds approval of the City Council.	Enterprise Fund
Clinton Recreational Authority (CRA)	Created December 20, 1990 to finance, develop and operate recreational, athletic, sports, amusement, entertainment, cultural and educational services and facilities. The current City Council serves as entire governing body (Trustees). Any issuances of debt would require a two-thirds approval of the City Council.	Enterprise Fund
Clinton Industrial Authority (CIA)	Created September 20, 1996 to promote industrial development. The current City Council serves as entire governing body (Trustees). Any issuances of debt would require a two-thirds approval of the City Council.	Enterprise Fund
Clinton Hospital Authority (CHA)	Created May 31, 1972 to finance, develop and operate the hospital and other medical activities of the City. The current City Council serves as entire governing body (Trustees). The hospital was leased to Integris on January 1, 1998. This lease is for a 20-year period. Before the leasing of the hospital, it was an excluded component unit.	Enterprise Fund

**(C) Government-wide and Fund Financial Statements:**

***Government-wide Financial Statements***

The government-wide financial statements include the statement of net assets and statement of activities. These statements report financial information for the City as a whole. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

***Fund Financial Statements:***

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

***Measurement Focus and Basis of Accounting***

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility and repair services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

***Restricted Assets***

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

***Use of Estimates***

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

***Interfund Balances***

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

All activity between governmental and blended business-type activities are eliminated and any residual balances outstanding between the activities are reported in the government-wide financial statements as internal balances.

**(D) Fund Types and Major Funds:**

***Major Governmental Funds***

***General Fund***

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

***Capital Project Fund***

The Capital Projects Fund is used to account for sales tax resources restricted for the acquisition or construction of specific capital projects or items.

***Cemetery Care***

Accounts for 12.5% of cemetery revenue restricted by State law for cemetery capital improvements.

***4<sup>th</sup> Cent Sales Tax***

Accounts for the fourth cent of city sales tax which is restricted for Acme Brick Park debt service, Acme Brick Park operation, police and fire department construction, and economic development.

***Tax Incremental Financing (TIF)***

Accounts for the incremental increase in sales tax, hotel/motel tax, and ad valorem tax received within a defined geographic boundaries set by the council as an enterprise zone. TIF is a method of obtaining financing using future gains in taxes to finance current improvements which will create the conditions for those future gains. When a public project is carried out, the increase in the value of surrounding real estate, and perhaps new investment, generates increased property and sales tax revenues dedicated to finance the debt issued to pay for the project. The City uses TIF to stimulate economic development.

***Major Proprietary Funds***

<u>Fund</u>	<u>Brief Description</u>
Clinton Public Works Authority	Accounts for the activities of the public trust in providing water and wastewater services to the public.
Clinton Solid Waste Authority	Accounts for the activities of the public trust in providing solid waste services to the public.
Clinton Airport Authority	Accounts for the activities of the public trust in providing airport facilities to the public.
Clinton Recreational Authority	Accounts for the activities of the public trust in providing recreational, cultural, and educational activities and facilities to the public. The Authority presently operates the municipal golf course facility.
Clinton Industrial Authority	Accounts for the activities of the public trust in promoting industrial development within the limits of the City of Clinton.
Clinton Hospital Authority	Accounts for the activities of the public trust in leasing the hospital facility for a 20-year period beginning January 1, 1998.

***Internal Service Fund***

Accounts for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis. These include fleet services, risk management, and information technology. This proprietary fund is reported primarily with governmental activities in the government-wide financial statements.

***Agency Funds***

Agency funds account for assets held by the City in a trustee or agency capacity. Expendable trust funds account for financial activity in essentially the same manner as governmental funds. Pension trust funds use the economic resources measurement focus in essentially the same manner as proprietary funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

**(E) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

Cash and Investments

For the purposes of the Statement of Net Assets and Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts, and certificate of deposit or short-term investment with an original maturity of three months or less. In addition, revenue bond trust account investments in open-ended mutual funds are considered "cash and cash equivalents". Cash deposits are reported at carrying amount which reasonably estimates fair value.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

Receivables and Uncollectible Accounts

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days, depending on the fund.

Prepays

Prepays are payments to vendors that benefit future reporting periods and are also reported on the consumption basis.

Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary and component unit capital assets are also reported in their respective fund and combining component units' financial statements. Donated assets are stated at fair value on the date donated.

The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Costs incurred during the construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

- Buildings	25-50 years
- Other Improvements	2-50 years
- Machinery, Furniture and Equipment	5-20 years
- Infrastructure	25-50 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometime report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. An example of an item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category would be unavailable revenue from property taxes and special assessments. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. Those amounts would be deferred and recognized as an inflow of resources in the period that the amounts become available. The City does not currently have any items that qualify as a deferred inflow of resources.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**Net Position/Fund Balance**

***Fund Balance***

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

***Net Position***

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net position.

**Invested in capital assets, net of related debt:**

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net assets:**

Amounts reported as restricted consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

***Governmental Fund Balances***

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

**Nonspendable**

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

**Restricted**

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

**Committed**

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Commission, the City's highest level of decision-making authority,

**Assigned**

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

**Unassigned**

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

***Use of Estimates***

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

***Date of Management's Review***

Subsequent events were evaluated through November 30, 2013, which is the date the financial statements were available to be issued.

**(F) Revenues, Expenditures and Expenses:**

**Sales Tax**

The City presently levies a four-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. Sales tax collected by the State in June (which represent sales for May) and received by the City in July have been accrued and are included under the caption "Due from other governments". The sales tax received is recorded as sales tax revenue within certain funds as follows:

- 2 cents General Fund
- 1 cent Capital Improvement Fund
- 1 cent Special Revenue Fund (through August 31, 2019)

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2013**

In accordance with the CPWA Series 2003 Revenue Bond indentures, sales tax is to be appropriated and paid to the Public Works Authority and used for debt service if needed before being transferred back to and used by the General Fund and Capital Improvement Fund.

Voters approved an additional .95 cent sales tax to begin October 1, 2011 for 8 years which is committed to various capital projects.

**Property Tax**

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments.

The property tax levy, as determined by the City's debt service needs, is submitted to the County Excise Board for approval. County assessors, elected officials, determine the taxable value of real estate and personal property in the County. A State Board of Equalization hears complaints on real estate values with the power to equalize assessments. Under present State law, the ratio of assessed value to true value cannot exceed 35%.

Property taxes levied by the City are billed and collected by the County Treasurer's Office and remitted to the City in the month following collection. Property taxes are levied normally in October and are due in equal installments on December 31 and March 31. Property taxes unpaid for the fiscal year are attached by an enforceable lien on property in the following October.

For the year ended June 30, 2013, the City's net assessed valuation of taxable property was \$41,877,105. The City levied no property taxes this year.

**Charges for Services**

Program revenues reported with governmental activities include charges for services like permits and fees, parks charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

**Grants and Contributions**

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activities grants and contributions include restricted investment income, donations from others, as well as grants from Federal and state agencies.

**Compensated Absences**

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to all accrued vacation leave and comp time upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide, proprietary and fiduciary financial statements.

**(G) New Accounting Pronouncements:**

The City implemented the following accounting standards during the fiscal year ended June 30, 2013:

*Governmental Accounting Standards Board Statement No. 60- Accounting and Financial Reporting for Service Concession Arrangements-* This had no impact on the City's financial report.

*Governmental Accounting Standards Board Statement No. 61- The Financial Reporting Entity: Omnibus-* This had no impact on the City's financial report.

*Governmental Accounting Standards Board Statement No. 62- Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements-* A few sentences were removed from Note 1 (C) note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

*Governmental Accounting Standards Board Statement No. 63- Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position-* The only change required from the implementation of this statement was to change the Statement of Net Assets to a Statement of Net Position by creating two new financial statement elements.

*Governmental Accounting Standards Board Statement No. 65- Items Previously Reported as Assets and Liabilities-* This was early implemented, and required the reporting of deferred inflows and deferred outflows.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**(A) Deficit Fund Net Assets/Fund Balance:**

Deficits resulting from accrual reporting do not constitute violations of the Oklahoma State Statues. For the year ended June 30, 2013, the City reported no individual fund deficits.

**(B) Budgetary Information:**

**Budget Policy and Practice**

The City Manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Council review and approval process.

**Budget Basis of Accounting**

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: Personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the City Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

For the year ended June 30, 2013, the City complied, in all material respects, with the applicable budget laws. The City did not over-expend appropriations at the legal level of control in any object category.

There were 2 General Fund supplemental appropriations approved by the City Council during fiscal year 2013.

**(C) Revenue Restrictions:**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 1(F)
Gasoline Excise and Commercial Vehicle Tax	Street and Alley Purposes
Airport Revenue	Airport Operations and Debt Service
E-911 Revenue	E-911 Emergency Services Purposes
Clinton Hospital Authority Lease Trust Funds	Only interest on hospital funds may be spent
Golf Course Revenue	Golf Course Operations and Debt Service
Cemetery Revenue (12.5%)	Cemetery Capital Improvements
Lodging Tax	Cost of operating and maintaining a community center
Ad-Valorem Tax	Debt Service on Bonds and Judgments
Incremental tax on sales, hotel/motel & advalorem	Capital improvements in defined area

For the year ended June 30, 2013, the City complied, in all material respects, with these revenue restrictions.

**(D) Debt Restrictions and Covenants**

**Revenue Bond Debt**

The various bond indentures relating to the revenue bond issues of the Clinton Public Works Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, a revenue bond debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authorities' level of compliance thereon as of June 30, 2012.

<u>Requirement</u>	<u>Level of Compliance</u>
a. <u>Flow of Funds – Bond Reserve Account, Construction Account, Gross Revenue Account, and Sinking Fund Reserve.</u>	All required debt service payments were made.
b. Revenue Bond Coverage - Net operating revenue must equal 1.25 times average annual debt service on the bonds for the Public Works Authority.	For the year ended June 30, 2013, this requirement was met (see computation below).

**Revenue Bond Coverage:**

<u>Gross revenue available for debt service:</u>	
Operating revenues for Public Works and Solid Waste Authorities	\$ 5,495,569
Pledged sales tax	1,481,089
Gross revenue available for debt service	<u>6,976,658</u>
<u>Operating expenses for Public Works and Solid Waste Authorities</u>	
Excluding depreciation and amortization	(5,133,299)
Net revenues available for debt service	<u>1,843,359</u>
<u>Debt service requirements:</u>	
Average annual debt service- OWRB note	42,258
Average annual debt service – Series 2012 revenue bonds	1,000,000
Total average annual debt service	<u>1,042,258</u>
Computed coverage	<u>1.77</u>
Coverage requirement	<u>1.25</u>

**NOTE 3: DETAIL NOTES ON FUNDS, ACCOUNT GROUPS, AND COMPONENT UNITS**

**(A) Cash and Investments:**

Deposits

The City invests in various investments securities. Investment securities are exposed to various risks such as interest rate risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the City's financial position.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City or applicable public trust.

Investments

As of June 30, 2013, the City's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
<b>Primary government</b>				
<b><u>POOLED INVESTMENTS:</u></b>				
Certificates of deposit	\$ 9,026,000	\$ 9,026,000	N/A	240
Total pooled investments	9,026,000	9,026,000		
<b><u>NON-POOLED INVESTMENTS:</u></b>				
Federal agency notes	2,666,125	2,688,932	Aaa	-
Mortgage backed securities (3)	1,258,373	1,226,453	AAA	
Certificates of deposit	3,960,000	3,960,000	N/A	538
Total non-pooled investments	7,884,498	7,875,385		
 Total primary government investments	 \$ 16,910,498	 \$ 16,901,385		
<b>Reconciliation to Statement of Net Assets</b>				
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Unrestricted Investments	5,772,000	11,138,498	16,910,498	
Total	5,772,000	11,138,498	16,910,498	
<b>Fiduciary funds</b>				
<b><u>POOLED INVESTMENTS:</u></b>				
Certificates of deposit	\$ 236,000	\$ 236,000	N/A	325
 Total fiduciary investments	 \$ 236,000	 \$ 236,000		
 Grand total investments	 \$ 17,146,498	 \$ 17,137,385		

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

(3) These include investments highly sensitive to interest rate changes.

Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in accordance with investment policy adopted by the City Council on January 7, 1997 and by complying with State Statutes and the City Charter.

**(B) Accounts Receivable**

Governmental activities report sales and use taxes receivable of \$727,186 comprised of amount received after year-end for current year taxes on sales.

	<u>Business-type Activities</u>				
	<u>Public Works</u>	<u>Solid Waste</u>	<u>Airport</u>	<u>Industrial Authority</u>	<u>Total</u>
Accounts Receivable	\$ 442,085	\$ 129,653	\$ 4,875	\$ 6,000	\$ 582,613
Less: allowance for uncollectible accounts	-	-	-	-	-
<b>Net accounts receivable</b>	<b>\$ 442,085</b>	<b>\$ 129,653</b>	<b>\$ 4,875</b>	<b>\$ 6,000</b>	<b>\$ 582,613</b>

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
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**(C) Restricted Assets:**

The amounts reported as restricted assets on the combined balance sheet are comprised of cash and investments held by the trustee banks on behalf of the various public trusts authorities related to their required revenue bond accounts.

The restricted assets as of June 30, 2013 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
<b>Enterprise Funds:</b>			
Public Works Authority			
Revenue Bond Trustee Accounts:			
2010 Bonds	\$ 386,183	\$ -	\$ 386,183
2012 bonds	718,269	-	718,269
Grand total enterprise fund	<u>\$ 1,104,452</u>	<u>\$ -</u>	<u>\$ 1,104,452</u>

**(D) Capital Assets:**

**Governmental Activities**

A summary of the changes in the governmental activities fixed assets is as follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2013</u>
Land	\$ 782,727	\$ -	\$ 10,296	\$ 772,431
Buildings	6,156,850	688,880	2,999	6,842,731
Other improvements	5,175,491	49,209	13,463	5,211,237
Machinery, furniture & equip.	5,300,847	378,674	178,649	5,500,872
Infrastructure	7,123,850	-	-	7,123,850
Construction in process	540,726	56,235	481,226	115,735
	<u>25,080,491</u>	<u>1,172,998</u>	<u>686,633</u>	<u>25,566,856</u>
Less accumulated depreciation	10,147,180	939,765	164,920	10,922,025
Net property, plant, & equipment	<u>\$ 14,933,311</u>			<u>\$ 14,644,831</u>

**Business-Type Activities**

A summary of the changes in the business-type activities fixed assets is as follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2013</u>
Land	\$ 2,303,527	\$ -	\$ 18,416	\$ 2,285,111
Buildings	7,994,675	-	60,158	7,934,517
Other improvements	11,758,286	-	-	11,758,286
Machinery, furniture & equip.	13,083,000	123,588	58,565	13,148,023
Infrastructure	29,771,487	1,084,432	19,883	30,836,036
Construction in progress	327,133	3,137,223	43,883	3,420,473
	<u>65,238,108</u>	<u>4,345,243</u>	<u>200,905</u>	<u>69,382,446</u>
Less accumulated depreciation	40,439,529	1,703,506	68,476	42,074,559
Net property, plant, & equipment	<u>\$ 24,798,579</u>			<u>\$ 27,307,887</u>

**CITY OF CLINTON, OKLAHOMA**  
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Fixed assets of the Enterprise Funds were comprised of the following at June 30, 2013:

	Public Works Authority	Solid Waste Authority	Airport Authority	Recreation Authority	Industrial Authority	Hospital Authority
Land	\$ 164,305	\$ 76,351	\$ 127,608	\$ 302,000	\$ 1,570,040	\$ 44,807
Buildings	503,011	72,307	514,933	230,752	2,761,932	3,851,582
Other Improvements	570,078	-	767,397	1,518,364	80,465	8,821,982
Machinery, furniture, & equip.	1,675,837	1,167,809	191,224	624,003	270,709	9,218,441
Infrastructure	28,130,094	-	2,467,319	124,713	113,910	-
Construction in progress	44,794	-	-	-	3,375,679	-
Less accumulated depreciation	19,781,856	993,446	1,316,242	1,130,644	888,796	17,963,575
Net property, plant, & equipment	<u>\$ 11,306,263</u>	<u>\$ 323,021</u>	<u>\$ 2,752,239</u>	<u>\$ 1,669,188</u>	<u>\$ 7,283,939</u>	<u>\$ 3,973,237</u>

**Depreciation**

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

Governmental Activities		Business-type Activities	
General government:		Water	\$ 321,201
Governing board & administration	\$ 80,568	Sewer	310,322
Finance	2,377	Sanitation	51,866
Public safety & judiciary:		Airport	125,106
Legal and courts	422	Golf	140,448
Police	51,556	Healthcare	656,645
Fire	73,005	Economic development	97,918
Inspection/code enforcement	99		<u>\$ 1,703,506</u>
Transportation:			
Street	159,707		
Cultural, parks and recreation:			
Parks & recreation	456,562		
Cemetery	3,920		
Public services:			
Facilities maintenance	111,549		
	<u>\$ 939,765</u>		

(E) **Long-Term Debt:**

The City's long-term is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**Governmental Activities**

As of June 30, 2013, the long-term debt payable from governmental fund resources consisted of the following:

**CAPITAL LEASE PAYABLE:**

Capital lease of a Canon digital laser copier financed through Canon Financial Services payable in 36 monthly installments of \$348.00 beginning September 2010. Lease carries a 12.75% interest rate and matures August 2013.

685

Lease purchase agreement through the First Bank and Trust of Clinton dated May 17, 2011 for the lease of property totalling \$450,000 for City Hall roof and windows for governmental activities. Equal payments over 5 years of \$50,290.31 are due semi-annually on May 10th and November 10th of each year until paid in full at 4.14% beginning on November 17, 2011. Lease matures May 17, 2016.

281,062

\$ 281,747

**Business-Type Activities**

As of June 30, 2013, the long-term debt payable from enterprise fund resources consisted of the following:

**CAPITAL LEASE PAYABLE:**

Capital lease purchase of golf carts through the PNC Equipment Finance dated July 6, 2010 for the lease of property totalling \$105,750. Leased equipment attributable to business-type activities includes 30 new golf carts. Monthly payments of \$2,025 are required under the lease beginning August, 2010 with a balloon payment of \$24,000 due in July, 2014. Lease matures July 6, 2014.

47,888

\$ 47,888

**NOTES PAYABLE**

Note Payable with Oklahoma Water Resources Board for water system improvements, issued by the Clinton Public Works Authority, payable in semi-annual installments to be determined at completion of construction on a 20 year amortization with an annual interest rate of 3.161%.

\$ 295,689

Note payable for water system improvements from CDBG loan funds issued by the Clinton Industrial Authority, payable in monthly installments of \$365 to the Oklahoma Department of Commerce, no interest, to begin February 29, 2000.

28,438

Note payable to Robinsons for housing development land to be paid as lots sell, no interest, balance due by January 1, 2017 if lots not all sold.

100,000

Note Payable for fire station construction and equipment issued by the Clinton Industrial Authority, payable in semi annual payments to the Oklahoma Bank & Trust with an annual interest rate of 2.95%, to begin August 12, 2012.

3,500,000

\$ 3,924,127

**REVENUE BONDS PAYABLE:**

2012 Series Clinton Public Works Authority Refunding Revenue Bonds original issue amount of \$6,000,000, dated November 15, 2012, issued by Clinton Public Works Authority, secured by utility revenues and pledged sales tax, interest rates from 1.5% to 3.00%, final maturity on January 1, 2019.

6,000,000

**Conduit Debt Obligations:**

2010A Series Clinton Public Works Educational Facilities Lease Revenue Bonds original issue amount of \$12,660,000, dated August 1, 2010, secured by pledged lease purchase acquisition payments and rental payments on improved property, interest rates ranging from 2.256% to 5.45%, final maturity September 1, 2020. Refer to conduit debt further described below.

11,725,000

**CITY OF CLINTON, OKLAHOMA**  
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Total revenue bonds payable	17,725,000
Less: unamortized discounts	(53,514)
Less: unamortized deferred amount on refunding	(513,344)
Net revenue bonds payable	<b>\$ 17,158,142</b>

**Conduit Debt**

The Clinton Public Works Authority issued \$12,875,000 of revenue bonds during the 2012 fiscal year to finance school improvements approved by voters on March 2, 2010 including classroom additions to Nance, Southwest and Washington schools, cafeteria addition at Southwest, CHS band room facility, CHS physical education/practice facility, roofing, parking lots, CMS auditorium remodel and other miscellaneous improvements. The Authority entered into a ground lease with the Clinton Public School District to lease the land upon which the improvements were to be constructed. Lease purchase acquisition payments and rental payments derived from the sublease agreement with the District will be assigned to make the debt service payments on the bonds. Upon payment in full of the amounts due under the sublease agreement (September 1, 2020 according to Schedule of Lease Purchase Acquisition Payments for Improvements), possession and ownership of the improvements will then belong to the District. The Authority has no obligation for the debt beyond the funds derived under the lease agreement.

**Changes in Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

Type of Debt	Balance at July 1, 2012	Amount Issued	Amount Retired	Balance at June 30, 2013	Due Within One Year
<b>Governmental Fund Debt:</b>					
Capital lease payable	\$ 371,680	\$ -	\$ 89,933	\$ 281,747	\$ 90,544
Total governmental fund debt	\$ 371,680	\$ -	\$ 89,933	\$ 281,747	\$ 90,544
<b>Enterprise Fund Debt:</b>					
Capital lease payable	\$ 68,749	\$ -	\$ 20,861	\$ 47,888	\$ 22,103
Notes payable	1,062,123	2,900,000	37,996	3,924,127	320,970
Revenue bonds payable	7,460,000	6,000,000	7,460,000	6,000,000	1,180,000
Conduit debit	12,875,000	-	1,150,000	11,725,000	-
Total enterprise fund debt	\$ 21,465,872	\$ 8,900,000	\$ 8,668,857	\$ 21,697,015	\$ 1,523,073

**Annual Debt Service Requirements**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2013 are as follows:

Year Ending June 30	<b>Governmental Activities</b>				<b>Business-Type Activities</b>			
	Leases Payable		Notes and Leases Payable		Revenue Bonds		Conduit Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 90,534	\$ 10,743	\$ 343,073	\$ 70,373	\$ 1,180,000	\$ 142,843	\$ -	\$ 565,673
2015	93,614	6,967	352,323	62,824	1,225,000	96,118	1,470,000	565,673
2016	97,599	3,044	332,093	57,414	1,255,000	59,367	-	516,884
2017	-	-	337,758	51,936	1,270,000	31,130	2,390,000	516,884
2018	-	-	343,538	46,352	530,000	15,255	-	415,930
2019-2023	-	-	1,776,446	147,711	540,000	8,100	7,865,000	549,360
2024	-	-	486,784	29,155	-	-	-	-
<b>Totals</b>	<b>\$ 281,747</b>	<b>\$ 20,754</b>	<b>\$ 3,972,015</b>	<b>\$ 465,765</b>	<b>\$ 6,000,000</b>	<b>\$ 352,813</b>	<b>\$ 11,725,000</b>	<b>\$ 3,130,404</b>

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
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**(F) Interfund Transactions and Balances:**

Interfund receivables and payables at June 30, 2013 were as follows:

<u>DUE TO AND DUE FROM:</u>	<u>Due From</u>	<u>Due To</u>
<b>GOVERNMENTAL FUNDS:</b>		
4 <sup>th</sup> Cent Sales Tax Fund:		
TIF Fund	\$ 1,219,928	-
TIF Fund:		
4 <sup>th</sup> Cent Sales Tax Fund	-	1,219,928
Industrial Authority	1,211,924	-
<b>ENTERPRISE FUNDS:</b>		
Public Works Authority:		
Industrial Authority	-	28,438
Industrial Authority:		
TIF Fund	-	1,211,924
Public Works Authority	28,438	-
<b>GRAND TOTAL</b>	<u>\$ 2,460,290</u>	<u>\$ 2,460,290</u>

Operating transfers for the year ended June 30, 2013 were as follows:

<u>OPERATING TRANSFERS:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>GENERAL FUND:</b>		
Public Works Authority (an enterprise fund)	\$ 3,036,233	\$ 3,036,233
TIF Fund	4,145	400
Recreation Authority (an enterprise fund)	-	130,000
Industrial Authority (an enterprise fund)	-	391,791
Total General Fund	<u>3,040,378</u>	<u>3,558,424</u>
<b>SPECIAL REVENUE FUNDS:</b>		
4 <sup>th</sup> Cent Sales Tax :		
Public Works Authority (an enterprise fund)	844,221	1,424,280
Industrial Authority (an enterprise fund)	71,462	534,835
TIF Fund :		
General Fund	400	4,145
Total Special Revenue Fund	<u>916,083</u>	<u>1,963,260</u>
<b>CAPITAL PROJECTS FUND:</b>		
Public Works Authority (an enterprise fund)	1,154,237	1,481,089
Clinton Airport Authority	-	160,996
Clinton Recreation Authority (an enterprise fund)	-	48,347
Industrial Authority (an enterprise fund)	1,956	6,856
Total Capital Project Funds	<u>1,156,193</u>	<u>1,697,288</u>
<b>ENTERPRISE FUNDS:</b>		
Clinton Public Works Authority:		
General Fund	3,036,233	3,036,233
Capital Projects Fund	1,481,089	1,154,237
4 <sup>th</sup> Cent Sales Tax Fund (a special revenue fund)	1,424,280	844,221
Clinton Hospital Authority	106,184	-
Clinton Airport Authority:		
Capital Projects Fund	160,996	-
Clinton Recreation Authority:		
General Fund	130,000	-
Capital Projects Fund	48,347	-
Clinton Industrial Authority:		
General Fund	391,791	-
Capital Projects Fund	6,856	1,956
4 <sup>th</sup> Cent Sales Tax Fund (a special revenue fund)	534,835	71,462
Clinton Hospital Authority:		
Public Works Authority (an enterprise fund)	-	106,184
Total Enterprise Funds	<u>7,320,611</u>	<u>5,214,293</u>
<b>GRAND TOTAL</b>	<u>\$ 12,433,265</u>	<u>\$ 12,433,265</u>

**(G) Fund Equity:**

*Retained Earnings Reserves*

The retained earnings of the enterprise funds and internal service funds are reserved for debt retirements and loan disbursements related to the various revenue bond issues. Reserves at June 30, 2013 are as follows:

	Reserved For Debt Service	Reserved Hospital Lease Funds	Total
Enterprise Funds:			
Public Works Authority	\$ 718,269	\$ -	\$ 718,269
Hospital Authority	-	7,956,250	7,956,250
<b>Total Enterprise Fund</b>	<b>\$ 718,269</b>	<b>\$ 7,956,250</b>	<b>\$ 8,674,519</b>

**NOTE 4: OTHER NOTES**

**(A) Employee Pension and Other Benefit Plans:**

The City participates in four employee pension systems as follows:

Name of Plan/System	Type of Plan
Oklahoma Municipal Retirement Fund (OMRF - DBP)	Agent Multiple Employer - Defined Benefit Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Municipal Retirement Fund (OMRF-DCP)	Agent Multiple Employer - Defined Contribution Plan

***Oklahoma Municipal Retirement Fund Defined Benefit Plan (OMRF -DBP)***

*Plan Description*

The City contributes to the OMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan. An actuarial valuation is performed annually. The following is a summary of eligibility, contribution methods and benefits provisions:

	OMRF Plan
Year established and governing authority	1970, City Council Ordinance
Determination of contribution requirements	Actuarially determined
Employer	13.78% of participant payroll
Plan members	5.25% of participant payroll
Funding of administrative costs	Investment earnings
Period required to vest	7 years
Post-retirement benefit increases	Cost of living adjustment each July 1 <sup>st</sup> based upon the percentage change in the CPI, maximum increase or decrease of 3% in any year
Eligibility for distribution	<ul style="list-style-type: none"> <li>- Normal retirement- age 65 with 7 or more years of vesting service or age 62 with 30 years of service.</li> <li>- Early retirement at age 55 with 7 years of service</li> <li>- Disability retirement upon total and permanent disability with 7 years of service</li> </ul>

**CITY OF CLINTON, OKLAHOMA**  
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Membership of the plan is as follows:

	As of January 1, 2013
Non-vested active members	45
Fully vested active members	17
Retirees and beneficiaries receiving benefits	32
Terminated plan members entitled to but not yet receiving benefits	13
	107

**Annual Required Contributions**

Actuarial assumptions and other information used to determine the annual required contributions (ARC) for the plan is:

	OMRF Plan
Provisions for:	
Disability benefits	Yes
Death benefits	Yes
Valuation date	March 2013
Actuarial cost method	Entry age normal cost method
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increase	4.0% - 7.42%
Post retirement benefit increase (max)	3%
Other	Mortality table UP 1994 with project mortality improvement; 100% married; 3 year spouse age difference

**Funding Status and Progress**

Actuarial Valuation Date/Type	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
1/1/2010	8,330,057	9,327,216	997,159	89.3%	2,463,146	40.5%
1/1/2011	8,716,471	9,175,868	459,397	95.0%	2,142,372	21.4%
1/1/2012	9,081,752	9,682,705	600,953	93.8%	2,173,927	27.6%
1/1/2013	9,653,920	10,139,940	486,021	95.2%	2,150,598	22.6%

**Oklahoma Police and Firefighter's Pension and Retirement Systems**

The City of Clinton, as the employer, participates in two statewide cost-sharing multi-employer defined benefit plans on behalf of police officers and firefighters. The systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and State appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
Eligibility to participate	All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired.	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Plan member's contribution rate	8% of covered payroll	8% of covered payroll
City's contribution rate	13% of covered payroll	13% of covered payroll, \$60 per year for volunteer firefighters
Period required to vest	10 years	10 years

**CITY OF CLINTON, OKLAHOMA**  
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Benefits and eligibility for distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Benefits and eligibility for distribution (volunteer)	NA	20 years credited service equal to \$7.53 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with option to participate in the deferred option plan for a maximum of 5 years.	Yes, 20 years credited service with continued service for 30 or more years

These two plans are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriates, as necessary.

**Annual Required Contributions**

Actuarial assumptions and other information used to determine the annual required contributions (ARC) for both plans are:

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
Provision for:		
Cost of living adjustment	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes
Valuation Date	7/1/13	7/1/13
Actuarial cost method	Individual entry age	Individual entry age normal
Amortization method/period	Level dollar 30 years, open	Level dollar 30 years, open
Actuarial asset valuation method	5 year moving average	5 year moving average
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increase	5.0% - 19.0%	4.0% - 10.0%
Post retirement benefit increase (max)	2.0%	2.0%
Inflation	3.0%	3.0%
Other	1994 group annuity table set forward 1 year for men and 2 years for women	1994 group annuity table set forward 1 year for men and 2 years for women

**Trend Information**

Employer contribution rates are determined by Oklahoma State Statute. Trend information showing the progress of the systems in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the respective plans. Copies of these reports may be obtained from the respective retirement systems: Oklahoma Police Pension and Retirement System, 1001 NW 63<sup>rd</sup> Street, Suite 305, Oklahoma City, OK 73116-7335, and the Oklahoma Firefighter Pension and Retirement System at 4545 N Lincoln Blvd, Ste 265, Oklahoma City, OK 73105

**Funding Status and Funding Progress**

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
Actuarial value of plan assets (AVA)	\$1,902,581,000	\$1,811,650,751
Actuarial accrued liability (AAL)	\$ 2,131,17,172	\$3,081,898,361
Unfunded actuarial accrued liability (UAAL)	\$ 228,591,172	\$1,270,247,610
Funded ratio (AVA/AAL)	89.3%	58.8%
Covered payroll (active plan members)	\$ 279,013,522	\$ 253,955,389
UAAL as a percentage of covered payroll	81.9%	500.2%

***Oklahoma Municipal Retirement Fund - Defined Contribution Plan - (OMRF-DCP)***

The City has also provided effective October 1, 1991, an enhancement to the existing pension benefit structure with the Oklahoma Municipal Retirement Fund. The enhancement is a defined contribution plan available on a voluntary basis to all full-time employees already participating in the existing OMRF defined benefit plan. The plan is a money purchase plan qualified under section 401(a) of the Internal Revenue Code. The employee may contribute to the Plan an amount not less than 2% or more than 10% of their compensation.

For the year ended June 30, 2013, the following amounts related to the defined contribution plan:

City total payroll	\$ 3,526,457
Payroll for covered employees	\$ 542,451
Employees contributions made	\$ 15,446
Employer (City) contributions made	\$ 0
City contributions as a % of covered payroll	0%

**Other Post-Employment Benefits**

For the year ended June 30, 2013, the City provided no post-employment benefits (other than pension) to terminated employees.

**(B) Commitments and Contingencies:**

*Grant Program Involvement*

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

*Clinton Regional Hospital Lease*

On January 1, 1998, the Clinton Hospital Authority leased Clinton Regional Hospital to Baptist Health Care of Oklahoma, Inc. (Integris) for an initial term of twenty (20) years beginning January 1, 1998 to, and including, December 31, 2017. The lease terms called for an initial payment of \$6 million by Integris and annual payments of \$125,000 beginning January 1, 1999 and \$150,000 beginning January 1, 2010. This lease was terminated on March 31, 2012.

On April 1, 2012, the Clinton Hospital Authority leased Clinton Regional Hospital to Clinton HMA, LLC dba Integris Regional Hospital for a term beginning on April 1, 2012 and shall expire on December 31, 2017 with an option to extend the term of the lease for 3 consecutive 5 year terms on the same terms and conditions applicable to the initial term. The lease terms call for annual rent of \$125,000.04 payable in equal monthly installments of \$10,416.67. The lease grants the tenant the option after the 4<sup>th</sup> year of the initial term of the lease to purchase the hospital premises for a price equal to the fair market value as determined by an appraiser.

*Clinton Public School District Lease*

The Clinton Public Works Authority issued \$12,875,000 of revenue bonds during the fiscal year to finance school improvements approved by voters on March 2, 2010. The Authority entered into a ground lease with the Clinton Public School District to lease the land upon which the improvements were to be constructed. Lease purchase acquisition payments and rental payments derived from the sublease agreement with the District will be assigned to make the debt service payments on the bonds. Upon payment in full of the amounts due under the sublease agreement (September 1, 2020 according to Schedule of Lease Purchase Acquisition Payments for Improvements), possession and ownership of the improvements will then belong to the District.

*Litigation*

The City is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City.

While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

**(C) Subsequent Events:**

A chlorine container leak damaged Clinton Water Treatment Plant at Clinton Lake in August, 2011. Total repairs were estimated to be in excess of \$600,000. The chemical provider was Alivia. Their insurance company settled with City of Clinton in November, 2013 and City received check for \$499,000 near the end of November, 2013. After repairs are completed, repairs over that \$499,000 amount will be submitted to the City's insurance carrier and they will cover the excess amount.

A contractor hired by AT&T to run lines south of town cut through the electric power lines to the Clinton Wastewater Treatment Plant. A lawsuit was filed by City and settlement negotiations are ongoing. Approximately \$16-18,000. The case still had not been settled as of the report date.



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**INDEPENDENT AUDITOR'S 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**

The Honorable Mayor and City Council  
City of Clinton, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Clinton, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Clinton, Oklahoma's basic financial statements, and have issued our report thereon dated December 10, 2013.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered City of Clinton, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

*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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether City of Clinton, Oklahoma's financial statements are free from 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* in the United States of America.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Britton Kuykendall + Miller*  
BRITTON, KUYKENDALL AND MILLER  
Certified Public Accountants  
Weatherford, Oklahoma  
December 10, 2013