

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

**FINANCIAL STATEMENTS AND  
AUDITOR'S REPORTS**

**FOR THE YEAR ENDED  
JUNE 30, 2018**

**THE CITY OF CLINTON, OKLAHOMA  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2018**

	<u>Page</u>
LIST OF PRINCIPAL OFFICIALS	2
INDEPENDENT AUDITOR'S REPORT	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-13
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	14
Statement of Activities	15-16
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	19
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	21
Statement of Cash Flows – Proprietary Funds	22
Statement of Fiduciary Net Position – Fiduciary Funds	23
Notes to Financial Statements	24-47
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures, & Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund Schedule of the City's Proportionate Share of the Net Pension Liability- Oklahoma Police Pension Retirement System	48-49
Schedule of the City's Proportionate Share of the Net Pension Liability- Oklahoma Fire Pension Retirement System	50
Schedule of Change in the City's Net Pension Liability & Related Ratios- Oklahoma Municipal Retirement Fund	51
	52
INTERNAL CONTROL AND COMPLIANCE INFORMATION:	
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	53-54

**CITY OF CLINTON, OKLAHOMA**  
**YEAR ENDED JUNE 30, 2018**  
**LIST OF PRINCIPAL OFFICIALS**

---

MAYOR  
David Berrong

COUNCIL MEMBERS  
Jason Hulin  
Don Rodolph  
Chuy Rosales  
Bobby Stewart

CITY MANAGER  
Mark Skiles

CITY CLERK  
Lisa Anders

CITY TREASURER  
Debra Blanchard



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

JAMES M. KUYKENDALL  
RICK D. MILLER

204 E. FRANKLIN - P.O. BOX 507  
WEATHERFORD, OK 73096  
580-772-3596  
FAX 580-772-3085

BRANCH OFFICE:  
106 N. COLLEGE - P.O. BOX 266  
CORDELL, OK 73632  
580-832-5313  
FAX 580-832-5314

**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, 2018, 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 from 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, 2018, 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 Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2018, 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 13, 2018

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, 2018. 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 \$61,954,489 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$57,826,343.
- Total liabilities of the City decreased by \$2,103,919 to \$42,940,732.
- Total net assets are comprised of the following:
  - (1) Invested in capital assets, net of related debt, of \$37,261,984 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 \$9,686,292 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
  - (3) Unrestricted net assets of \$15,006,213 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 \$7,883,678 this year. This compares to the prior year ending fund balance of \$6,181,192 showing an increase of \$1,702,486.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,318,072, or 29.94% of total General Fund expenditures including transfers and 27.07% 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 position 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 government-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 \$61,954,489. This is a net increase of \$4,128,146 over last year's net position of \$57,826,343. The following table provides a summary of the City's net assets at June 30:

**Summary of Net Position**

	Governmental Activities		Business-type Activites		Totals		\$ Change	% Change
	2018	2017	2018	2017	2018	2017		
Current and other assets	\$ 8,689,829	\$ 7,158,765	\$ 25,597,300	\$ 37,536,665	\$ 34,287,129	\$ 44,695,430	\$ (10,408,301)	-30.4%
Other noncurrent assets	712,208	74,053	7,865,000	7,865,000	8,577,208	7,939,053	\$ 638,155	7.4%
Capital assets	19,011,664	19,829,065	42,691,668	30,243,387	61,703,332	50,072,452	\$ 11,630,880	18.8%
<b>Total assets</b>	<b>28,413,701</b>	<b>27,061,883</b>	<b>76,153,968</b>	<b>75,645,052</b>	<b>104,567,669</b>	<b>102,706,935</b>	<b>\$ 1,860,734</b>	<b>1.8%</b>
<b>Deferred outflows of resources</b>	<b>1,851,675</b>	<b>1,585,594</b>	<b>-</b>	<b>-</b>	<b>1,851,675</b>	<b>1,585,594</b>	<b>266,081</b>	<b>14.4%</b>
Long-term liabilities	2,283,204	2,764,572	34,976,387	39,130,585	37,259,591	41,895,157	\$ (4,635,566)	-12.4%
Other liabilities	826,175	1,003,996	4,854,966	2,145,498	5,681,141	3,149,494	\$ 2,531,647	44.6%
<b>Total liabilities</b>	<b>3,109,379</b>	<b>3,768,568</b>	<b>39,831,353</b>	<b>41,276,083</b>	<b>42,940,732</b>	<b>45,044,651</b>	<b>\$ (2,103,919)</b>	<b>-4.9%</b>
<b>Deferred inflows of resources</b>	<b>1,524,123</b>	<b>1,421,535</b>	<b>-</b>	<b>-</b>	<b>1,524,123</b>	<b>1,421,535</b>	<b>102,588</b>	<b>6.7%</b>
<b>Net position:</b>								
Invested in capital assets, net of related debt	18,913,920	19,696,265	18,348,064	18,094,959	37,261,984	37,791,224	\$ (529,240)	-1.4%
Restricted	115,656	108,423	9,570,636	9,577,020	9,686,292	9,685,443	\$ 849	0.0%
Unrestricted	6,602,298	3,652,686	8,403,915	6,696,990	15,006,213	10,349,676	\$ 4,656,537	310%
<b>Total net position</b>	<b>\$ 25,631,874</b>	<b>\$ 23,457,374</b>	<b>\$ 36,322,615</b>	<b>\$ 34,368,969</b>	<b>\$ 61,954,489</b>	<b>\$ 57,826,343</b>	<b>\$ 4,128,146</b>	<b>6.7%</b>

The City reported positive balances in net assets for governmental activities, noting an increase of \$2,174,500. Business-type activities net assets increased \$1,953,646.

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. In 2015, voters approved extending the termination date to December 31, 2044 with 85% of the amount collected during the 2019-2044 time period going to pay for the Utility System and Sales Tax Revenue Bonds Services 2014. Also in 2015, voters approved an additional .5% sales tax to provide revenues for repayment of the Utility System and Sales Tax Revenue Bonds Services 2014 which were issued for the construction of the Clinton Water Treatment Plant- this additional .5% to become effective July 1, 2015 and shall expire on September 30, 2019.

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

**Summary of Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activites</u>		<u>Totals</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>		
<b>Revenues</b>								
Program Revenues								
Charges for services	\$ 1,080,460	\$ 1,047,724	\$ 8,076,867	\$ 7,740,189	\$ 9,157,327	\$ 8,787,913	\$ 369,414	4%
Operating grants and contributions	121,362	90,850	135,749	166,242	257,111	257,092	19	0%
Capital grants and contributions	118,873	8,118	293,938	1,285,424	412,811	1,293,542	(880,731)	-68%
General Revenues								
Sales taxes	5,790,318	5,430,268	-	-	5,790,318	5,430,268	360,050	7%
Use taxes	430,818	361,663	-	-	430,818	361,663	69,155	19%
Hotel/motel taxes	388,378	316,327	-	-	388,378	316,327	72,051	23%
E-911 taxes	99,871	100,103	-	-	99,871	100,103	(232)	0%
Franchise taxes (fees)	387,912	367,063	-	-	387,912	367,063	20,849	6%
Cigarette taxes	68,197	66,218	-	-	68,197	66,218	1,979	3%
Other taxes	59,305	58,369	-	-	59,305	58,369	936	2%
Oil & gas royalties	22,436	19,687	34,548	44,587	56,984	64,274	(7,290)	-11%
Investment income	71,657	41,523	248,237	172,661	319,894	214,184	105,710	49%
Other	131,864	40,491	358,128	138,583	489,992	179,074	310,918	174%
Pension change	1,250,860	(632,681)	-	-	1,250,860	(632,681)	1,883,541	
Penalties	-	-	69,295	67,489	69,295	67,489	1,806	3%
Gain on disposal of assets	(10,867)	-	55,279	278,519	44,412	278,519	(234,107)	-84%
Transfers - internal activity	(1,896,998)	(1,773,137)	1,896,998	1,773,137	-	-	-	0%
<b>Total Revenues</b>	<b>\$ 8,114,446</b>	<b>\$ 5,542,586</b>	<b>\$ 11,169,039</b>	<b>\$ 11,666,831</b>	<b>\$ 19,283,485</b>	<b>\$ 17,209,417</b>	<b>\$ 2,074,068</b>	<b>11%</b>
<b>Expenses</b>								
General government	\$ 1,093,075	\$ 1,127,858	\$ -	\$ -	\$ 1,093,075	\$ 1,127,858	\$ (34,783)	-3%
Public safety/judiciary	2,640,807	2,698,329	-	-	2,640,807	2,698,329	(57,522)	-2%
Transportation	657,509	951,762	-	-	657,509	951,762	(294,253)	-31%
Cultural, parks, recreation	1,171,340	1,245,323	-	-	1,171,340	1,245,323	(73,983)	-6%
Public services	377,215	388,994	-	-	377,215	388,994	(11,779)	-3%
Water	-	-	4,240,380	4,019,308	4,240,380	4,019,308	221,072	6%
Sewer	-	-	1,409,885	1,281,936	1,409,885	1,281,936	127,949	10%
Sanitation	-	-	1,298,157	1,321,601	1,298,157	1,321,601	(23,444)	-2%
Airport	-	-	437,649	441,029	437,649	441,029	(3,380)	-1%
Golf	-	-	530,334	531,235	530,334	531,235	(901)	0%
Parks & recreation	-	-	3,556	4,889	3,556	4,889	(1,333)	-27%
Healthcare	-	-	342,677	423,726	342,677	423,726	(81,049)	-19%
Education	-	-	428,795	481,662	428,795	481,662	(52,867)	-11%
Economic development	-	-	523,960	489,936	523,960	489,936	34,024	7%
<b>Total Expenses</b>	<b>\$ 5,939,946</b>	<b>\$ 6,412,266</b>	<b>\$ 9,215,393</b>	<b>\$ 8,995,322</b>	<b>\$ 15,155,339</b>	<b>\$ 15,407,588</b>	<b>\$ (252,249)</b>	<b>-2%</b>
<b>Increase (decrease) in net position</b>	<b>\$ 2,174,500</b>	<b>\$ (869,680)</b>	<b>\$ 1,953,646</b>	<b>\$ 2,671,509</b>	<b>\$ 4,128,146</b>	<b>\$ 1,801,829</b>	<b>2,326,317</b>	<b>129%</b>

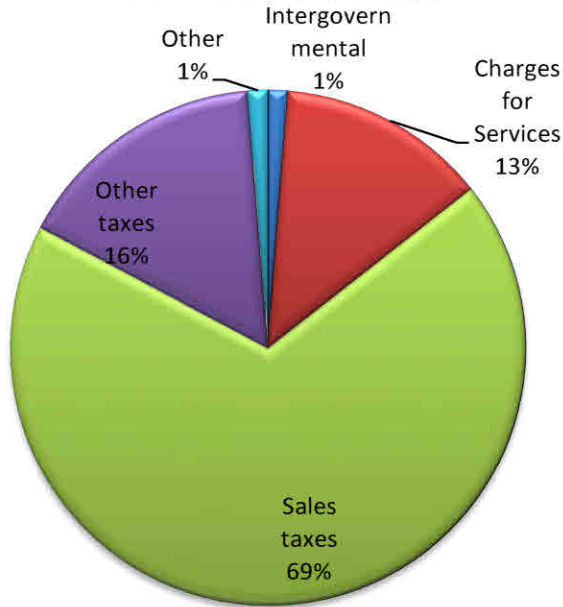
**Governmental Activities**

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.

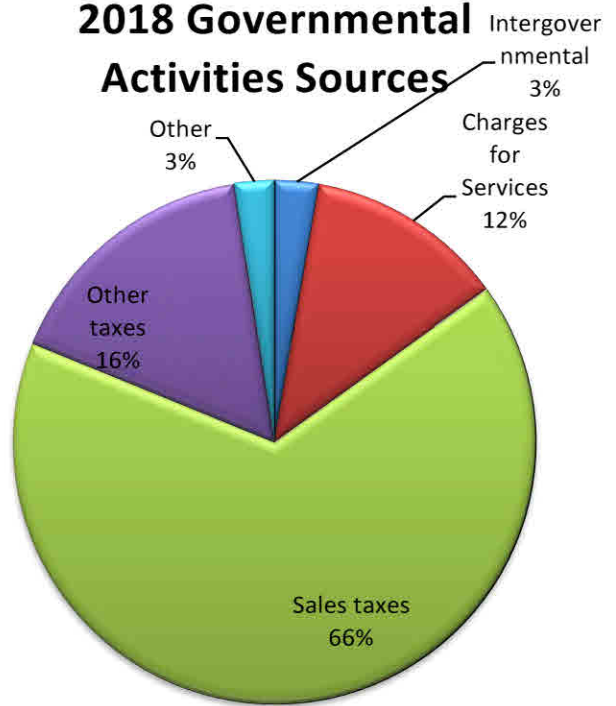


For the year ended June 30, 2018, the City's governmental activities were funded as follows:

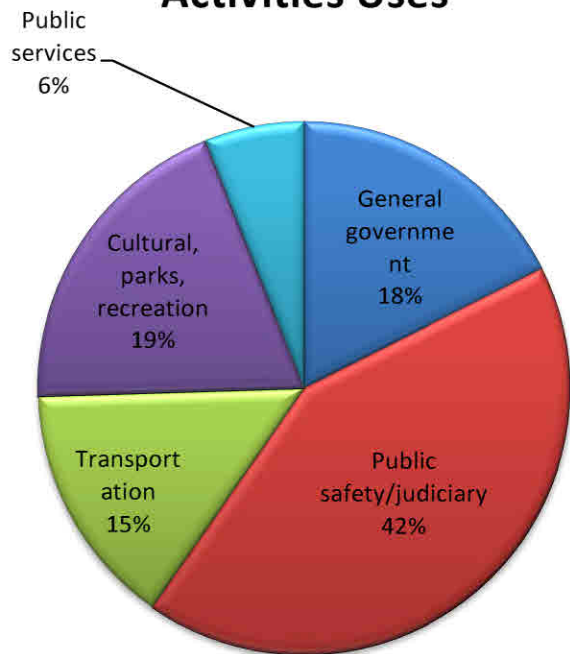
**2017 Governmental Activities Sources**



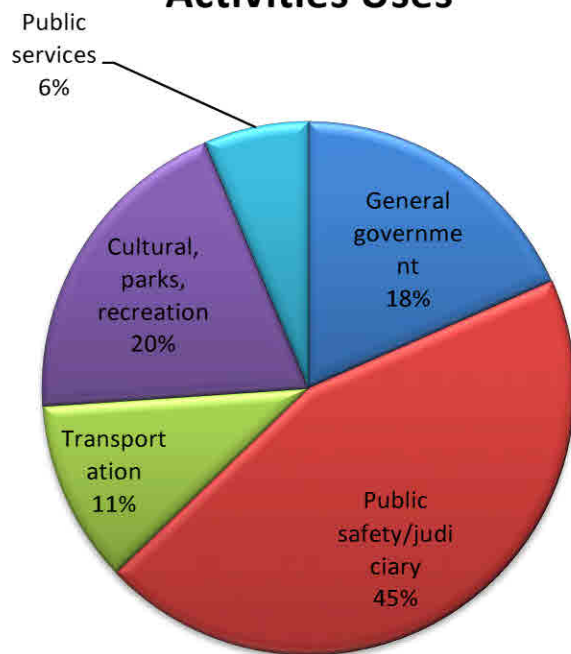
**2018 Governmental Activities Sources**



**2017 Governmental Activities Uses**



**2018 Governmental Activities Uses**



## **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 \$7,883,678. Of this year end total \$2,318,072 is unreserved indicating availability for continuing City service requirements. Restricted fund balances include: \$115,656 committed to cemetery capital improvements and \$2,114,797 for capital projects.

The total ending fund balances of governmental funds showed an increase of \$1,702,486 from the prior year. This increase is primarily attributable to increased sales tax in general fund, capital improvement fund, and 4<sup>th</sup> cent sales tax fund as well as lower operating expense in general fund and fewer capital purchases in 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 \$820,362 from \$1,497,710 to \$2,318,072. Key factors contributing to this increase included increases in sales and use tax and a decrease in operating expenses.

The Capital Improvement Fund has an ending fund balance of \$2,114,797. The fiscal year end included a net increase of \$429,890 in the Capital Improvement Fund. The change in Capital Improvement Fund is largely due to an increase in sales tax and lower capital outlay.

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 position for the PWA Fund was \$1,266,685. This increase is attributable to a net income before transfers of \$624,485 in addition to net transfers in of \$642,200.

The Solid Waste Authority accounts for activities in providing solid waste services to the public. The increase in net position for the Solid Waste Authority was \$187,493.

The Clinton Airport Authority accounts for providing airport facilities to the public. The increase in net position for the Airport Authority was \$93,664. This net operating loss for the fiscal year was offset by grants 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 position of the Recreation Trust Authority was \$59,096.

The Clinton Hospital Authority accounts for the operation and development of the hospital and other medical activities of the City. The decrease in net position of the Clinton Hospital Authority was \$33,356 after depreciation in the amount of \$326,449. The hospital is currently leased to Alliance Health Clinton so the fund activity will mainly consist of the annual lease payment from the hospital, interest income on investments, and the depreciation on the assets leased to Alliance Health.

The Industrial Authority accounts for the activities in promoting industrial development within the City of Clinton. The increase in net position for the Industrial Authority was \$500,061. The increase is mainly due to net transfers from other funds of \$907,738.

**General Fund Budgetary Highlights**

The General Fund Budget for fiscal year 2018 was \$4,847,452. Total expenditures for the City were \$4,602,880, which is \$224,572 less than the approved budget. The City was in compliance with all budget laws and regulations

**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, 2018, was \$19,011,664 and \$42,691,668 respectively.

**Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2018	2017	2018	2017	2018	2017		
<b>Non-Depreciable Assets:</b>								
Land	\$ 992,391	\$ 992,391	\$ 2,057,301	\$ 2,055,667	\$ 3,049,692	\$ 3,048,058	\$ 1,634	0%
Construction in Progress	-	53,206	18,055,197	5,122,204	18,055,197	5,175,410	\$ 12,879,787	71%
<b>Depreciable Assets:</b>								
Buildings	10,650,785	10,650,785	7,941,455	7,954,332	18,592,240	18,605,117	\$ (12,877)	0%
Other improvements	5,918,580	5,909,791	13,248,523	13,044,379	19,167,103	18,954,170	\$ 212,933	1%
Machinery, furniture & equipment	6,517,829	6,301,763	13,844,342	13,872,777	20,362,171	20,174,540	\$ 187,631	1%
Infrastructure	10,629,259	10,594,904	36,759,894	36,230,203	47,389,153	46,825,107	\$ 564,046	1%
Less accumulated depreciation	15,697,180	14,673,775	49,215,044	48,036,175	64,912,224	62,709,950	\$ 2,202,274	3%
<b>Total</b>	<b>\$ 19,011,664</b>	<b>\$ 19,829,065</b>	<b>\$ 42,691,668</b>	<b>\$ 30,243,387</b>	<b>\$ 61,703,332</b>	<b>\$ 50,072,452</b>	<b>\$ 11,630,880</b>	<b>19%</b>

**Long-term debt**

At year-end, the City had \$39,204,071 in debt outstanding. The City's changes in long-term debt by type of debt are as follows:

**Primary Government Long-Term Debt**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue bonds	\$ -	\$ -	\$ 37,855,000	\$ 38,385,000	\$ 37,855,000	\$ 38,385,000
Notes payable/capital lease	97,744	132,800	1,251,327	1,815,910	1,349,071	1,948,710
subtotal	97,744	132,800	39,106,327	40,200,910	39,204,071	40,333,710
less current portion	(33,489)	(34,532)	(4,378,699)	(1,319,018)	(4,412,188)	(1,353,550)
<b>Totals</b>	<b>\$ 64,255</b>	<b>\$ 98,268</b>	<b>\$ 34,727,628</b>	<b>\$ 38,881,892</b>	<b>\$ 34,791,883</b>	<b>\$ 38,980,160</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 \$29,450,000 of revenue bonds on December 1, 2014 for the purpose of constructing and acquiring improvements to the City's water system. The bonds are secured by utility revenues and pledged sales tax.

**THE CITY'S FUNDS**

The following schedule presents a summary of general fund revenues and expenditures for the fiscal year end June 30, 2018, and the amount and percentage of increases and decreases in relation to the prior year.

	FYE 2018 Actual Budget Basis	FYE 2017 Actual Budget Basis	Increase/ (Decrease) from FYE 2016	Percent Increase/ (Decrease)
<b>Revenues</b>				
Sales taxes	\$ 2,602,391	\$ 2,467,652	\$ 134,739	5%
Use taxes	426,463	364,323	62,140	15%
Hotel/motel taxes	375,541	319,348	56,193	15%
E911 taxes	99,871	100,102	(231)	0%
Franchise taxes	387,080	364,612	22,468	6%
Cigarette taxes	68,099	65,392	2,707	4%
Licenses and permits	55,557	55,377	180	0%
Oil and gas royalties	22,436	19,687	2,749	12%
Fines and forfeitures	92,842	84,595	8,247	9%
Investment income	24,001	19,047	4,954	21%
Charges for services	236,852	222,577	14,275	6%
Rental income	29,722	24,865	4,857	16%
Intergovernmental	140,836	140,836	-	0%
Intracity fees	641,579	641,579	-	0%
Miscellaneous	108,907	38,579	70,328	65%
<b>Total Revenues</b>	<b>\$ 5,312,177</b>	<b>\$ 4,928,571</b>	<b>\$ 383,606</b>	<b>7%</b>
<b>Expenditures</b>				
Governing board & admin	\$ 660,334	\$ 643,132	\$ 17,202	3%
Finance	361,756	401,757	(40,001)	-11%
Legal & courts	89,006	126,822	(37,816)	-42%
Police	1,369,267	1,428,117	(58,850)	-4%
Fire	821,753	820,969	784	0%
Inspection/code enforcement	71,703	70,762	941	1%
Street	322,819	412,893	(90,074)	-28%
Parks & recreation	542,349	706,198	(163,849)	-30%
Cemetery	114,206	111,460	2,746	2%
Facilities maintenance	249,687	233,363	16,324	7%
<b>Total Expenditures</b>	<b>\$ 4,602,880</b>	<b>\$ 4,955,473</b>	<b>\$ (352,593)</b>	<b>-8%</b>

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

Oklahoma employment has shown gains this year led by the oil and gas industry but most sectors have added jobs. Oil and gas production is at a record high, but with considerable fewer rigs and workers than in 2017. State economies were hurt by low commodity prices but now are growing solidly.

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. Serving the public trust requires the best possible balance of allocation to meet the varied needs of all citizens. The budget provides a framework for us to accomplish our mission, which is 'to create, enhance, and preserve a human natural and economic environment which fosters our community's unique quality of life in Clinton.' The budget also reflects our core City organization values of integrity, teamwork, service excellence, personal growth, and innovation.

The following are highlights from the 2018-2019 budget:

The 2017-2018 sales tax revenues have increased such that the general fund cash reserves will increase by more than \$400,000. The City employees last received a COLA on 7-1-2013 so the 2018-2019 budget includes a 2% salary increase for department heads and a 4% increase for other personnel. There was a 15% increase in the cost of health insurance which will be evaluated through levels of deductibles, FSA contributions etc. The city staffing levels are down approximately by 20 positions which is why things that have been done in the past aren't being done. While some things are being accomplished through community involvement, some things will not be done without employee involvement. Department heads have realigned staff and redistributed responsibilities to minimize the impact. The Tourism Fund has resulted in events being held in Clinton that might not have come otherwise and their patrons put money in the pockets of our merchants.

The City will continue to work to increase sales tax generation, streamline operations, modify processes and redefine how we do what we do. This will prove to be critical to continue the current level of City services and to achieve the long term goals and economic vitality of the Clinton community.

#### **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, 2018**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current Assets:			
Cash, including time deposits	\$ 621,281	\$ 1,593,368	\$ 2,214,649
Investments	7,347,000	15,591,503	22,938,503
Interest receivable	11,854	137,299	149,153
Accounts receivable (net)	750	822,442	823,192
Internal balances	1,201	(1,201)	-
Receivable from other governments	652,217	-	652,217
Prepaid expenses	55,526	56,982	112,508
Total current assets	<u>8,689,829</u>	<u>18,200,393</u>	<u>26,890,222</u>
Restricted assets:			
Cash	-	6,696,907	6,696,907
Investments	-	700,000	700,000
Total restricted assets	<u>-</u>	<u>7,396,907</u>	<u>7,396,907</u>
Noncurrent Assets:			
Pension asset	712,208	-	712,208
Notes receivable	-	7,865,000	7,865,000
Land and construction in progress	992,391	20,112,498	21,104,889
Other capital assets (net of accumulated depreciation)	18,019,273	22,579,170	40,598,443
Total noncurrent assets	<u>19,723,872</u>	<u>50,556,668</u>	<u>70,280,540</u>
Total assets	<u>28,413,701</u>	<u>76,153,968</u>	<u>104,567,669</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on pension obligations	1,851,675	-	1,851,675
	<u>1,851,675</u>	<u>-</u>	<u>1,851,675</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	21,363	153,494	174,857
Wages and benefits payable	163,694	41,552	205,246
Accrued interest payable	-	6,785	6,785
Compensated absences, current	147,255	61,055	208,310
Due to other governments	460,374	-	460,374
Notes payable, current	33,489	733,699	767,188
Total current liabilities	<u>826,175</u>	<u>996,585</u>	<u>1,822,760</u>
Liabilities payable from restricted assets:			
Accrued interest payable	-	213,381	213,381
Bonds payable, current	-	3,645,000	3,645,000
Total liabilities payable from restricted assets	<u>-</u>	<u>3,858,381</u>	<u>3,858,381</u>
Noncurrent liabilities:			
Pension liability	2,213,545	-	2,213,545
Other accrued liabilities	5,404	-	5,404
Notes payable, non-current	64,255	517,568	581,823
Bonds payable, non-current	-	34,210,000	34,210,000
Unamortized bond premium	-	248,819	248,819
Bonds payable, net of unamortized premium	-	34,458,819	34,458,819
Total noncurrent liabilities	<u>2,283,204</u>	<u>34,976,387</u>	<u>37,259,591</u>
Total liabilities	<u>3,109,379</u>	<u>39,831,353</u>	<u>42,940,732</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred charges on pension obligations	1,524,123	-	1,524,123
	<u>1,524,123</u>	<u>-</u>	<u>1,524,123</u>
<b>NET POSITION</b>			
Net investment in capital assets	18,913,920	18,348,064	37,261,984
Restricted for:			
Cemetery care	115,656	-	115,656
Hospital investment	-	8,331,250	8,331,250
Debt obligations	-	1,239,386	1,239,386
Unrestricted	6,602,298	8,403,915	15,006,213
Total net position	<u>\$ 25,631,874</u>	<u>\$ 36,322,615</u>	<u>\$ 61,954,489</u>

**City of Clinton, Oklahoma**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
Governing board and administration	\$ 724,707	\$ 479,455	\$ -	\$ -	\$ (245,252)
Finance	368,368	256,586	-	-	(111,782)
Total general government	<u>1,093,075</u>	<u>736,041</u>	<u>-</u>	<u>-</u>	<u>(357,034)</u>
Public safety and judiciary:					
Legal & courts	90,676	-	-	-	(90,676)
Police	1,465,864	95,127	2,627	9,785	(1,358,325)
Fire	1,009,760	750	-	102,332	(906,678)
Inspection/code enforcement	74,507	2,005	-	-	(72,502)
Total public safety and judiciary	<u>2,640,807</u>	<u>97,882</u>	<u>2,627</u>	<u>112,117</u>	<u>(2,428,181)</u>
Transportation:					
Streets	657,509	-	82,699	-	(574,810)
Total transportation	<u>657,509</u>	<u>-</u>	<u>82,699</u>	<u>-</u>	<u>(574,810)</u>
Cultural, parks and recreation:					
Parks & recreation	1,053,630	156,029	-	6,756	(890,845)
Cemetery	117,710	72,329	-	-	(45,381)
Total cultural, parks and recreation	<u>1,171,340</u>	<u>228,358</u>	<u>-</u>	<u>6,756</u>	<u>(936,226)</u>
Public services:					
Facilities maintenance	377,215	18,179	36,036	-	(323,000)
Total public services	<u>377,215</u>	<u>18,179</u>	<u>36,036</u>	<u>-</u>	<u>(323,000)</u>
Total governmental activities	<u>5,939,946</u>	<u>1,080,460</u>	<u>121,362</u>	<u>118,873</u>	<u>(4,619,251)</u>
Business-type activities:					
Water	4,240,380	4,507,786	-	-	267,406
Sewer	1,409,885	1,476,774	-	-	66,889
Sanitation	1,298,157	1,471,766	-	-	173,609
Airport	437,649	167,049	-	293,938	23,338
Golf	530,334	238,222	-	-	(292,112)
Parks and recreation	3,556	-	-	-	(3,556)
Healthcare	342,677	121,688	-	-	(220,989)
Education	428,795	10,240	135,749	-	(282,806)
Economic development	523,960	83,342	-	-	(440,618)
Total business-type activities	<u>9,215,393</u>	<u>8,076,867</u>	<u>135,749</u>	<u>293,938</u>	<u>(708,839)</u>
Total	<u>\$ 15,155,339</u>	<u>\$ 9,157,327</u>	<u>\$ 257,111</u>	<u>\$ 412,811</u>	<u>\$ (5,328,090)</u>

(Continued)

**City of Clinton, Oklahoma**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

**Changes in Net Position:**

(Continued)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net (expense)/revenue	\$ (4,619,251)	\$ (708,839)	\$ (5,328,090)
General revenues:			
Taxes:			
Sales tax	5,790,318	-	5,790,318
Use tax	430,818	-	430,818
Hotel/Motel tax	388,378	-	388,378
E-911 tax	99,871	-	99,871
Franchise taxes	387,912	-	387,912
Cigarette tax	68,197	-	68,197
Alcoholic beverage tax	59,305	-	59,305
Oil and gas royalties	22,436	34,548	56,984
Investment income	71,657	248,237	319,894
Penalties	-	69,295	69,295
Gain (loss) on disposal of assets	(10,867)	55,279	44,412
Pension change	1,250,860	-	1,250,860
Gen utility fee	-	294,337	294,337
Miscellaneous	131,864	63,791	195,655
Transfers-Internal activity	(1,896,998)	1,896,998	-
Total general revenues and transfers	<u>6,793,751</u>	<u>2,662,485</u>	<u>9,456,236</u>
Change in net position	2,174,500	1,953,646	4,128,146
Net position-beginning	23,457,374	34,368,969	57,826,343
Net position-ending	<u>\$ 25,631,874</u>	<u>\$ 36,322,615</u>	<u>\$ 61,954,489</u>

**City of Clinton, Oklahoma**  
**Balance Sheet**  
**June 30, 2018**

	General Fund	Capital Improvement Fund	4th Cent Sales Tax Fund	Drug Seizure Fund	Cemetery Fund	Grant Fund	Total Governmental Funds
<b>ASSETS</b>							
Cash, including time deposits	\$ 177,982	\$ 176,112	\$ 240,154	\$ 6,005	\$ 5,515	\$ 7,567	\$ 613,335
Investments	2,523,000	1,814,000	2,840,000	-	110,000	60,000	7,347,000
Interest receivable	4,046	3,057	4,540	-	141	70	11,854
Accounts receivable	750	-	-	-	-	-	750
Due from other funds	-	-	-	-	-	-	-
Receivable from other governments	354,229	121,628	176,360	-	-	-	652,217
Prepaid expenses	54,229	-	-	-	-	1,297	55,526
<b>Total assets</b>	<b>\$ 3,114,236</b>	<b>\$ 2,114,797</b>	<b>\$ 3,261,054</b>	<b>\$ 6,005</b>	<b>\$ 115,656</b>	<b>\$ 68,934</b>	<b>\$ 8,496,092</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 20,820	\$ -	\$ -	\$ -	\$ -	\$ 840	\$ 21,660
Wages and benefits payable	162,311	-	-	-	-	-	162,311
Compensated absences, current	147,255	-	-	-	-	-	147,255
Due to other funds	-	-	-	-	-	-	-
Due to other governments	460,374	-	-	-	-	-	460,374
Other accrued liabilities	5,404	-	-	-	-	-	5,404
<b>Total liabilities</b>	<b>796,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>840</b>	<b>797,004</b>
<b>FUND BALANCES</b>							
Restricted for:							
Cemetery care	-	-	-	-	115,656	-	115,656
Capital projects	-	2,114,797	-	-	-	-	2,114,797
Special revenue funds	-	-	3,261,054	6,005	-	68,094	3,335,153
Unassigned	2,318,072	-	-	-	-	-	2,318,072
<b>Total fund balances</b>	<b>2,318,072</b>	<b>2,114,797</b>	<b>3,261,054</b>	<b>6,005</b>	<b>115,656</b>	<b>68,094</b>	<b>7,883,678</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,114,236</b>	<b>\$ 2,114,797</b>	<b>\$ 3,261,054</b>	<b>\$ 6,005</b>	<b>\$ 115,656</b>	<b>\$ 68,934</b>	<b>\$ 8,496,092</b>
<b>Total fund balance - total governmental funds</b>							<b>7,883,678</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.							
						992,391	
Land and construction in process						33,716,453	
Capital assets						(15,697,180)	19,011,664
Less: Accumulated depreciation							
Long-term liabilities are not due and payable in the current period and are not reported in the funds:							
							(97,744)
Net pension asset							712,208
Pension related deferred outflows							1,851,675
Net pension liability							(2,213,545)
Pension related deferred inflows							(1,524,123)
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.							
							8,484
Internal service funds net position							(423)
Business-type activities internal liabilities to government fund activities							(423)
<b>Net assets of governmental activities</b>							<b>\$ 25,631,874</b>

**City of Clinton, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	General Fund	Capital Improvement Fund	4th Cent Sales Tax Fund	DFT Drug Seizure Fund	Cemetery Fund	Grant Fund	Total Governmental Funds
<b>REVENUES</b>							
Sales tax	\$ 2,636,802	\$ 1,286,289	\$ 1,867,227	\$ -	\$ -	\$ -	\$ 5,790,318
Use tax	430,818	-	-	-	-	-	430,818
Hotel/motel tax	388,378	-	-	-	-	-	388,378
E911 tax	99,871	-	-	-	-	-	99,871
Franchise taxes	387,912	-	-	-	-	-	387,912
Cigarette tax	68,197	-	-	-	-	-	68,197
Licenses and permits	55,557	-	-	-	-	-	55,557
Oil and gas royalties	22,436	-	-	-	-	-	22,436
Fines and forfeitures	92,842	-	-	-	-	-	92,842
Investment income	26,093	12,959	30,599	-	1,469	537	71,657
Charges for services	236,852	-	-	-	5,844	-	242,696
Rental income	29,722	-	-	-	-	18,179	47,901
Intergovernmental	142,004	83,832	-	-	-	-	225,836
Intracity fees	641,464	-	-	-	-	-	641,464
Miscellaneous	108,128	97,440	-	-	-	-	205,568
Total revenues	<u>5,367,076</u>	<u>1,480,520</u>	<u>1,897,826</u>	<u>-</u>	<u>7,313</u>	<u>18,716</u>	<u>8,771,451</u>
<b>EXPENDITURES</b>							
Current:							
General government:							
Governing board and administration	655,456	112	423	-	-	-	655,991
Finance	366,538	-	-	-	-	-	366,538
Total general government	<u>1,021,994</u>	<u>112</u>	<u>423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,022,529</u>
Public safety and judiciary:							
Legal and courts	89,934	-	-	-	-	-	89,934
Police	1,360,994	23,760	-	125	-	-	1,384,879
Fire	817,607	28,798	-	-	-	-	846,405
Inspection/code enforcement	71,348	-	-	-	-	-	71,348
Total public safety and judiciary	<u>2,339,883</u>	<u>52,558</u>	<u>-</u>	<u>125</u>	<u>-</u>	<u>-</u>	<u>2,392,566</u>
Transportation:							
Street	321,850	53,042	-	-	-	-	374,892
Total transportation	<u>321,850</u>	<u>53,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>374,892</u>
Cultural, parks and recreation:							
Parks & recreation	552,530	50,825	-	-	-	-	603,355
Cemetery	114,294	-	-	-	80	-	114,374
Total cultural, parks and recreation	<u>666,824</u>	<u>50,825</u>	<u>-</u>	<u>-</u>	<u>80</u>	<u>-</u>	<u>717,729</u>
Public Services:							
Facilities maintenance	245,131	3,430	-	-	-	9,978	258,539
Total public services	<u>245,131</u>	<u>3,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,978</u>	<u>258,539</u>
Economic development:	-	-	398	-	-	-	398
Capital outlay	-	366,815	-	-	-	-	366,815
Debt service:							
Principal	-	35,056	-	-	-	-	35,056
Interest	-	3,443	-	-	-	-	3,443
Total debt service	<u>-</u>	<u>38,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,499</u>
Total expenditures	<u>4,595,682</u>	<u>565,281</u>	<u>821</u>	<u>125</u>	<u>80</u>	<u>9,978</u>	<u>5,171,967</u>
Excess (deficiency) of revenues over expenditures	<u>771,394</u>	<u>915,239</u>	<u>1,897,005</u>	<u>(125)</u>	<u>7,233</u>	<u>8,738</u>	<u>3,599,484</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	3,196,900	845,278	1,099,411	-	-	-	5,141,589
Transfers out	(3,147,932)	(1,330,627)	(2,560,028)	-	-	-	(7,038,587)
Total other financing sources and uses	<u>48,968</u>	<u>(485,349)</u>	<u>(1,460,617)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,896,998)</u>
Net change in fund balances	820,362	429,890	436,388	(125)	7,233	8,738	1,702,486
Fund balances - beginning	1,497,710	1,684,907	2,824,666	6,130	108,423	59,356	6,181,192
Fund balances - ending	<u>\$ 2,318,072</u>	<u>\$ 2,114,797</u>	<u>\$ 3,261,054</u>	<u>\$ 6,005</u>	<u>\$ 115,656</u>	<u>\$ 68,094</u>	<u>\$ 7,883,678</u>

(Continued)

**City of Clinton, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

(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 \$ 1,702,486

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	366,815	
Depreciation expense	<u>(1,173,349)</u>	(806,534)

Government-Wide Statement of Activities report the cost of pension benefits earned  
net of employee contributions is reported as an element of pension expense. The  
fund financial statements report pension contributions as expenditures.

1,250,860

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		(10,867)
---	--	----------

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		
Debt and capital lease principle	35,056	
Interest on debt	3,443	
Debt activity recognized in the statement of activities		
Interest on long-term debt	(3,443)	35,056

Internal service funds are used by management to charge the costs of internal activities

Internal service fund changes in net position	1,201	
Business-type activities net activities due to governmental type activities	<u>2,298</u>	<u>3,499</u>

		<u>\$ 2,174,500</u>
--	--	---------------------



**City of Clinton, Oklahoma**  
**Statement of Fund Net Position**  
**June 30, 2018**

	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>								
Current assets:								
Cash, including time deposits	\$ 178,612	\$ 62,834	\$ 36,664	\$ 28,756	\$ 955,559	\$ 330,943	\$ 1,593,368	\$ 7,946
Investment	3,925,000	1,109,000	-	-	9,639,503	918,000	15,591,503	-
Interest receivable	133,068	1,309	-	-	1,517	1,405	137,299	-
Accounts receivable (net)	688,957	127,882	5,232	-	-	371	822,442	-
Due from other funds	-	-	-	-	-	6,563	6,563	-
Prepaid expenses	28,717	5,741	7,291	4,817	-	10,416	56,982	-
<b>Total current assets</b>	<b>4,954,354</b>	<b>1,306,766</b>	<b>49,187</b>	<b>33,573</b>	<b>10,596,579</b>	<b>1,267,698</b>	<b>18,208,157</b>	<b>7,946</b>
Restricted assets:								
Cash, including time deposits	6,696,907	-	-	-	-	-	6,696,907	-
Investments	700,000	-	-	-	-	-	700,000	-
<b>Total restricted assets</b>	<b>7,396,907</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,396,907</b>	<b>-</b>
Noncurrent assets:								
Capital lease receivable	7,865,000	-	-	-	-	-	7,865,000	-
Capital assets (net)	33,011,135	509,561	2,750,474	1,498,935	1,478,516	3,443,047	42,691,668	1,624
<b>Total noncurrent assets</b>	<b>40,876,135</b>	<b>509,561</b>	<b>2,750,474</b>	<b>1,498,935</b>	<b>1,478,516</b>	<b>3,443,047</b>	<b>50,556,668</b>	<b>1,624</b>
<b>Total assets</b>	<b>53,227,396</b>	<b>1,816,327</b>	<b>2,799,661</b>	<b>1,532,508</b>	<b>12,075,095</b>	<b>4,710,745</b>	<b>76,161,732</b>	<b>9,570</b>
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable	91,649	43,019	13,888	1,726	30	3,182	153,494	(297)
Wages and benefits payable	12,653	15,163	-	11,851	-	1,885	41,552	1,383
Due to other funds	6,563	-	-	-	-	-	6,563	-
Accrued interest payable	-	-	-	-	-	6,785	6,785	-
Compensated absences, current	18,976	22,960	-	15,603	-	3,516	61,055	-
Notes payable, current	45,041	-	-	26,734	-	661,924	733,699	-
<b>Total current liabilities</b>	<b>174,882</b>	<b>81,142</b>	<b>13,888</b>	<b>55,914</b>	<b>30</b>	<b>677,292</b>	<b>1,003,148</b>	<b>1,086</b>
Liabilities payable from restricted assets:								
Accrued interest payable	213,381	-	-	-	-	-	213,381	-
Bonds payable, current	3,645,000	-	-	-	-	-	3,645,000	-
<b>Total liabilities payable from restricted assets</b>	<b>3,858,381</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,858,381</b>	<b>-</b>
Noncurrent liabilities:								
Other accrued liabilities	-	-	-	-	-	-	-	-
Notes payable, non-current	33,177	-	-	152,223	-	332,168	517,568	-
Bonds payable, noncurrent	34,210,000	-	-	-	-	-	34,210,000	-
Unamortized bond discount/premium	248,819	-	-	-	-	-	248,819	-
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	34,458,819	-	-	-	-	-	34,458,819	-
<b>Total noncurrent liabilities</b>	<b>34,491,996</b>	<b>-</b>	<b>-</b>	<b>152,223</b>	<b>-</b>	<b>332,168</b>	<b>34,976,387</b>	<b>-</b>
<b>Total liabilities</b>	<b>38,525,259</b>	<b>81,142</b>	<b>13,888</b>	<b>208,137</b>	<b>30</b>	<b>1,009,460</b>	<b>39,837,916</b>	<b>1,086</b>
<b>NET POSITION</b>								
Net investment in capital assets	9,178,656	509,561	2,750,474	1,319,978	1,478,516	3,110,879	18,348,064	1,624
Restricted for hospital investment	-	-	-	-	8,331,250	-	8,331,250	-
Restricted for debt obligations	1,239,386	-	-	-	-	-	1,239,386	-
Unrestricted	4,284,095	1,225,624	35,299	4,393	2,265,299	590,406	8,405,116	6,860
<b>Total net position</b>	<b>\$ 14,702,137</b>	<b>\$ 1,735,185</b>	<b>\$ 2,785,773</b>	<b>\$ 1,324,371</b>	<b>\$ 12,075,065</b>	<b>\$ 3,701,285</b>	<b>36,323,816</b>	<b>\$ 8,484</b>
Adjustment to reflect the consolidation of applicable internal service fund activities to enterprise funds							(1,201)	
<b>Net assets of business-type activities</b>							<b>\$ 36,322,615</b>	

**City of Clinton, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<b>Public Works Authority</b>	<b>Solid Waste Authority</b>	<b>Clinton Airport Authority</b>	<b>Recreation Trust Authority</b>	<b>Clinton Hospital Authority</b>	<b>Industrial Authority</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Fund</b>
<b>Operating revenues:</b>								
Charges for services:								
Water charges	\$ 4,466,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,466,805	\$ -
Sewer charges	1,468,774	-	-	-	-	-	1,468,774	-
Sanitation charges	-	1,446,037	-	-	-	-	1,446,037	-
Penalties	69,295	-	-	-	-	-	69,295	-
Golf fees	-	-	-	236,838	-	-	236,838	-
Parks and recreation	-	-	-	-	-	-	-	-
Swimming fees	-	-	-	-	-	-	-	-
Concessions/merchandise sales	-	-	102,504	-	-	600	103,104	-
Internal service charges	-	-	-	-	-	-	-	34,324
Total charges for services	6,004,874	1,446,037	102,504	236,838	-	600	7,790,853	34,324
Lease and rental income	26,482	-	62,635	-	121,688	81,117	291,922	-
Miscellaneous	529,146	25,729	1,910	1,384	-	1,625	559,794	43,157
Total operating revenues	<u>6,560,502</u>	<u>1,471,766</u>	<u>167,049</u>	<u>238,222</u>	<u>121,688</u>	<u>83,342</u>	<u>8,642,569</u>	<u>77,481</u>
<b>Operating expenses:</b>								
Cost of goods sold	1,315,093	-	-	-	-	-	1,315,093	-
Personal services	294,074	380,405	-	256,896	-	49,778	981,153	34,666
Materials and supplies	412,259	88,242	120,493	12,799	-	15,265	649,058	39,331
Other services and charges	1,755,246	760,167	137,744	131,891	16,228	331,129	3,132,405	1,791
Bad debt expense	36,100	5,859	-	-	-	-	41,959	-
Depreciation	769,583	63,957	179,415	125,925	326,449	81,434	1,546,763	492
Total operating expenses	<u>4,582,355</u>	<u>1,298,630</u>	<u>437,652</u>	<u>527,511</u>	<u>342,677</u>	<u>477,606</u>	<u>7,666,431</u>	<u>76,280</u>
Net operating income	1,978,147	173,136	(270,603)	(289,289)	(220,989)	(394,264)	976,138	1,201
<b>Nonoperating revenue (expense):</b>								
Investment income	152,622	12,510	287	75	71,741	11,002	248,237	-
Gain (loss) on disposal of fixed assets	1,150	1,847	-	37,267	-	15,015	55,279	-
Acquisition payments- Clinton Public Schools	-	-	-	-	-	-	-	-
Grants and contributions	-	-	293,938	-	-	-	293,938	-
Interest expense	(1,489,633)	-	-	(2,823)	-	(39,430)	(1,531,886)	-
Fiscal charges	(17,674)	-	-	-	-	-	(17,674)	-
Amortization	(127)	-	-	-	-	-	(127)	-
Oil and gas royalties	-	-	34,548	-	-	-	34,548	-
Total nonoperating revenue (expense)	<u>(1,353,662)</u>	<u>14,357</u>	<u>328,773</u>	<u>34,519</u>	<u>71,741</u>	<u>(13,413)</u>	<u>(917,685)</u>	<u>-</u>
Net income before contributions and transfers	624,485	187,493	58,170	(254,770)	(149,248)	(407,677)	58,453	1,201
Transfers from other funds	5,934,626	-	35,494	195,674	185,192	1,164,153	7,515,139	-
Transfers to other funds	<u>(5,292,426)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,300)</u>	<u>(256,415)</u>	<u>(5,618,141)</u>	<u>-</u>
Change in net position	1,266,685	187,493	93,664	(59,096)	(33,356)	500,061	1,955,451	1,201
Net position-beginning of year	13,435,452	1,547,692	2,692,109	1,383,467	12,108,421	3,201,224	-	7,283
Net position-end of year	<u>\$ 14,702,137</u>	<u>\$ 1,735,185</u>	<u>\$ 2,785,773</u>	<u>\$ 1,324,371</u>	<u>\$ 12,075,065</u>	<u>\$ 3,701,285</u>	<u>-</u>	<u>\$ 8,484</u>
Adjustment to reflect the consolidation of applicable internal service fund activities to enterprise funds							(1,805)	
Change in net position of business-type activities							<u>\$ 1,953,646</u>	

City of Clinton, Oklahoma  
Statement of Cash Flows  
For the Year Ended June 30, 2018

	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	\$ 5,917,818	\$ 1,446,965	\$ 167,412	\$ 236,838	\$ 121,688	\$ 87,277	\$ 7,977,998	\$ -
Cash payments for internal services	-	-	-	-	-	-	-	34,324
Payments to suppliers	(3,830,649)	(862,935)	(261,755)	(144,980)	(16,228)	(344,067)	(5,460,614)	(41,498)
Payments to employees	(290,759)	(376,185)	-	(258,587)	-	(49,528)	(975,059)	(34,645)
Other operating revenues	529,146	25,729	1,910	1,384	-	1,625	559,794	43,157
<b>Net cash provided (used) by operating activities</b>	<b>2,325,556</b>	<b>233,574</b>	<b>(92,433)</b>	<b>(165,345)</b>	<b>105,460</b>	<b>(304,693)</b>	<b>2,102,119</b>	<b>1,338</b>
<b>Cash flows from non-capital financing activities:</b>								
Receipts under interfund loan agreements	-	-	-	-	-	4,375	4,375	-
Payments under interfund loan agreements	(4,375)	-	-	-	-	-	(4,375)	-
Transfers from other funds	5,934,626	-	35,494	195,674	185,192	1,164,153	7,515,139	-
Transfers to other funds	(5,292,426)	-	-	-	(69,300)	(256,415)	(5,618,141)	-
<b>Net cash provided (used) by non-capital financing activities</b>	<b>637,825</b>	<b>-</b>	<b>35,494</b>	<b>195,674</b>	<b>115,892</b>	<b>912,113</b>	<b>1,896,998</b>	<b>-</b>
<b>Cash flows from capital and related financing activities:</b>								
Purchases of capital assets	(13,524,774)	(799)	(355,995)	(194,570)	-	(59,962)	(14,136,100)	-
Proceeds from issuance of long-term debt	-	-	-	183,242	-	-	183,242	-
Principal paid on capital debt	(574,835)	-	-	(60,118)	-	(642,932)	(1,277,885)	-
Proceeds from sale of capital assets	130,593	1,847	-	48,595	-	15,300	196,335	-
Proceeds received on grants	-	-	293,938	-	-	-	293,938	-
Interest and fiscal charges paid on capital debt	(1,525,187)	-	-	(2,823)	-	(43,551)	(1,571,561)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(15,494,203)</b>	<b>1,048</b>	<b>(62,057)</b>	<b>(25,674)</b>	<b>-</b>	<b>(731,145)</b>	<b>(16,312,031)</b>	<b>-</b>
<b>Cash flows from investing activities:</b>								
Sale (purchase) of investments	(975,000)	(209,000)	40,000	-	(68,355)	(90,000)	(1,302,355)	-
Investment income	160,178	11,968	325	75	70,546	10,889	253,981	-
Receipts from oil & gas royalties	-	-	34,548	-	-	-	34,548	-
<b>Net cash provided (used) by investing activities</b>	<b>(814,822)</b>	<b>(197,032)</b>	<b>74,873</b>	<b>75</b>	<b>2,191</b>	<b>(79,111)</b>	<b>(1,013,826)</b>	<b>-</b>
Net increase (decrease) in cash and cash equivalents	(13,345,644)	37,590	(44,123)	4,730	223,543	(202,836)	(13,326,740)	1,338
Cash and cash equivalents, July 1, 2017	20,221,163	25,244	80,787	24,026	732,016	533,779	21,617,015	6,608
Cash & cash equivalents, June 30, 2018	\$ 6,875,519	\$ 62,834	\$ 36,664	\$ 28,756	\$ 955,559	\$ 330,943	\$ 8,290,275	\$ 7,946
Cash, including time deposits	\$ 178,612	\$ 62,834	\$ 36,664	\$ 28,756	\$ 955,559	\$ 330,943	\$ 1,593,368	\$ 7,946
Restricted cash, including time deposits	6,696,907	-	-	-	-	-	6,696,907	-
Total cash and cash equivalents, end of year	\$ 6,875,519	\$ 62,834	\$ 36,664	\$ 28,756	\$ 955,559	\$ 330,943	\$ 8,290,275	\$ 7,946
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>								
Operating income (loss)	\$ 1,978,147	\$ 173,136	\$ (270,603)	\$ (289,289)	\$ (220,989)	\$ (394,264)	\$ 976,138	\$ 1,201
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	769,583	63,957	179,415	125,925	326,449	81,434	1,546,763	492
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable	(113,538)	928	2,273	-	-	5,560	(104,777)	-
(Increase) decrease in prepaids	16,002	(431)	(2,927)	(234)	-	(202)	12,208	-
Increase (decrease) in accounts payable	(327,953)	(8,236)	(591)	(56)	-	2,529	(334,307)	(376)
Increase (decrease) in wages & benefits payable	3,370	1,931	-	(1,160)	-	29	4,170	21
Increase (decrease) in compensated absences	(55)	2,289	-	(531)	-	221	1,924	-
Increase (decrease) in other accrued liabilities	-	-	-	-	-	-	-	-
Total adjustments	347,409	60,438	178,170	123,944	326,449	89,571	1,125,981	137
<b>Net cash provided (used) by operating activities</b>	<b>2,325,556</b>	<b>233,574</b>	<b>(92,433)</b>	<b>(165,345)</b>	<b>105,460</b>	<b>(304,693)</b>	<b>2,102,119</b>	<b>1,338</b>
<b>Non-cash investing, capital, and financing activities:</b>								
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total non-cash investing, capital, and financing activities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Clinton, Oklahoma**  
**Statement of Fiduciary Net Position**  
**June 30, 2018**

---

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash, including time deposits	\$ 12,755
Investments	305,000
Total assets	<u>\$ 317,755</u>
<b>LIABILITIES</b>	
Due to depositors	317,755
Total liabilities	<u>\$ 317,755</u>

INDEX

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

- A. INTRODUCTION
- B. FINANCIAL REPORTING ENTITY
- C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
- D. FUND TYPES AND MAJOR FUNDS
- E. ASSETS, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, LIABILITIES AND NET POSITION/FUND BALANCE
- F. REVENUES, EXPENDITURES AND EXPENSES

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

- A. DEFICIT FUND NET POSITION/FUND BALANCE
- B. BUDGETARY INFORMATION
- C. REVENUE RESTRICTIONS
- D. DEBT RESTRICTIONS AND COVENANTS

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

- A. CASH AND INVESTMENTS
- B. ACCOUNTS RECEIVABLE
- C. RESTRICTED ASSETS
- D. CAPITAL ASSETS
- E. LONG-TERM DEBT
- F. INTERFUND TRANSACTIONS AND BALANCES
- G. FUND EQUITY

**NOTE 4: OTHER NOTES**

- A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS
- B. COMMITMENTS AND CONTINGENCIES
- C. SUBSEQUENT EVENTS

**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, 2018.

**(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 (now Alliance Health) on January 1, 1998. This lease is for a 20-year period. Clinton HMA LLC exercised its first option for a renewal term which will commence on January 1, 2018 and expire on December 31, 2023.	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 City'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.

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

Subsequent events were evaluated through November 15, 2018, which is the date the financial statements were available to be issued.

**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.

**Major Proprietary Funds**

Fund	Brief Description
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 net 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 two items that qualify for reporting in this category. They are a deferred charge on refunding and a deferred charge on net pension obligations for the retirement plans of the City 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 and a deferred charge on pension obligations results from the net difference between projected and actual earning on pension plan investments. These deferred charge on refunding is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes 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. The City reports deferred charges on net pension obligations for the retirement plans of the City. A deferred charge on pension obligations results from the net difference between projected and actual earnings on pension plan investments.

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.

**Net investment in capital assets:**

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 position:**

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.

**Unrestricted net position:**

This consists of net position that does not meet the criteria of "restricted" or "net investment in capital assets."

**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.

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

**Sales Tax**

The City presently levies a four ½ -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)
- ½ cent Debt Service (eff 7/1/2015)

In accordance with Revenue Bond indentures, all 4 ½ cents of the sales tax is appropriated and paid to the Public Works Authority, then .95 of the 1 cent is retained for Acme Debt and a set amount is retained for the water improvement debt and the remainder is 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, 2018, the City's net assessed valuation of taxable property was \$47,408,580. 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.

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

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

Deficits resulting from accrual reporting do not constitute violations of the Oklahoma State Statutes. For the year ended June 30, 2018, 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, 2018, 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 was 1 General Fund supplemental appropriation approved by the City Council during fiscal year 2018.

**(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, 2018, 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, 2018.

<u>Requirement</u>	<u>Level of Compliance</u>
a. Flow of Funds – Bond Reserve Account, Construction Account, Gross Revenue Account, and Sinking Fund Reserve.	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, 2018, this requirement was met (see computation below).

**Revenue Bond Coverage**

<b>Gross revenue available for debt service</b>	
Operating revenues for Public Works Authority	6,004,874
Pledged sales tax	5,712,566
Gross revenue available for debt service	11,717,440
<b>Operating expenses for Public Works Authority</b>	
Excluding depreciation and amortization	(3,812,772)
Net revenues available for debt service	7,904,668
<b>Debt service requirements:</b>	
Average annual debt service- OWRB note	42,258
Average annual debt service- Series 2012 revenue bonds	1,000,000
Average annual debt service- Series 2014 revenue bonds	1,681,495
Total average annual debt service	2,723,753
Computed coverage	2.90
Required coverage	1.25

**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, 2018, 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>				
<u>POOLED INVESTMENTS:</u>				
Certificates of deposit	\$ 15,750,000	\$ 15,750,000	N/A	247
Total pooled investments	15,750,000	15,750,000		
<u>NON-POOLED INVESTMENTS:</u>				
Federal agency notes	3,020,044	3,099,725	Aaa	-
Mortgage backed securities (3)	217,459	217,441	AAA	
Certificates of deposit	4,651,000	4,651,000	N/A	325
Total non-pooled investments	7,888,503	7,968,166		
Total primary government investments	\$ 23,638,503	\$ 23,718,166		

**Reconciliation to Statement of Net Assets**

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Unrestricted Investments	7,347,000	15,591,503	22,938,503
Restricted Investments	-	700,000	700,000
Total	7,347,000	16,291,503	23,638,503

**Fiduciary funds**

POOLED INVESTMENTS:

Certificates of deposit	\$ 305,000	\$ 305,000	N/A	101
Total fiduciary investments	\$ 305,000	\$ 305,000		
Grand total investments	\$ 23,943,503	\$ 24,023,166		

(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 September 2, 2014 and by complying with State Statutes and the City Charter.

**(B) Accounts Receivable**

Governmental activities report sales, use, lodging, alcoholic beverage, cigarette, gas excise, commercial vehicle and franchise taxes receivable of \$652,216 comprised of amounts received after year-end for current year taxes.

	<i>Business-type Activities</i>				
	<b>Public Works</b>	<b>Solid Waste</b>	<b>Airport</b>	<b>Industrial Authority</b>	<b>Total</b>
Accounts Receivable	\$ 688,957	\$ 127,882	\$ 5,232	\$ 371	\$ 822,442
Less: allowance for uncollectible accounts	-	-	-	-	-
<b>Net accounts receivable</b>	<b>\$ 688,957</b>	<b>\$ 127,882</b>	<b>\$ 5,232</b>	<b>\$ 371</b>	<b>\$ 822,442</b>



**(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, 2018 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
Enterprise Funds:			
Public Works Authority			
Revenue Bond Trustee Accounts:			
2010 Bonds	\$ 11,336	\$ -	\$ 11,336
2012 bonds	272,977	-	272,977
2014 bonds	6,412,594	-	6,412,594
Grand total enterprise fund	<u>\$ 6,696,907</u>	<u>\$ -</u>	<u>\$ 6,696,907</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, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2018</u>
Land	\$ 992,391	\$ -	\$ -	\$ 992,391
Buildings	10,650,785			10,650,785
Other improvements	5,909,791	105,865	97,076	5,918,580
Machinery, furniture & equip.	6,301,763	279,801	63,735	6,517,829
Infrastructure	10,594,904	34,355		10,629,259
Construction in process	53,206		53,206	-
	<u>34,502,840</u>	<u>420,021</u>	<u>214,017</u>	<u>34,708,844</u>
Less accumulated depreciation	14,673,775	1,173,349	149,944	15,697,180
Net property, plant, & equipment	<u>\$ 19,829,065</u>			<u>\$ 19,011,664</u>

Business-Type Activities

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

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2018</u>
Land	\$ 2,055,667	\$ 1,900	\$ 266	\$ 2,057,301
Buildings	7,954,332	-	12,877	7,941,455
Other improvements	13,044,379	231,688	27,544	13,248,523
Machinery, furniture & equip.	13,872,777	319,036	347,471	13,844,342
Infrastructure	36,230,203	536,491	6,800	36,759,894
Construction in progress	5,122,204	13,046,986	113,993	18,055,197
	<u>78,279,562</u>	<u>14,136,101</u>	<u>508,951</u>	<u>91,906,712</u>
Less accumulated depreciation	48,036,175	1,546,763	367,894	49,215,044
Net property, plant, & equipment	<u>\$ 30,243,387</u>			<u>\$ 42,691,668</u>

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2018**

Fixed assets of the Enterprise Funds were comprised of the following at June 30, 2018:

	<b>Public Works Authority</b>	<b>Solid Waste Authority</b>	<b>Airport Authority</b>	<b>Recreation Authority</b>	<b>Industrial Authority</b>	<b>Hospital Authority</b>
Land	\$ 164,305	\$ 84,601	\$ 128,733	\$ 302,000	\$ 1,332,856	\$ 44,806
Buildings	534,005	179,822	514,933	253,752	2,760,081	3,698,862
Other Improvements	1,286,361	-	1,443,473	1,507,764	188,943	8,821,982
Machinery, furniture, & equip.	1,997,490	1,552,316	186,697	601,805	287,593	9,218,441
Infrastructure	33,892,282	-	2,648,539	105,163	113,910	-
Construction in progress	18,023,572	-	31,625	-	-	-
Less accumulated depreciation	22,886,880	1,307,178	2,203,526	1,271,549	1,240,336	20,305,575
Net property, plant, & equipment	<u>\$ 33,011,135</u>	<u>\$ 509,561</u>	<u>\$ 2,750,474</u>	<u>\$ 1,498,935</u>	<u>\$ 3,443,047</u>	<u>\$ 1,478,516</u>

Depreciation

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

Governmental Activities	Business-type Activities	
General government:	Water	\$464,229
Governing board & administration	Sewer	305,354
Finance	Sanitation	63,957
Public safety & judiciary:	Airport	179,415
Legal and courts	Golf	125,925
Police	Healthcare	326,449
Fire	Economic development	81,434
Inspection/code enforcement		<u>\$1,546,763</u>
Transportation:		
Street		279,758
Cultural, parks and recreation:		
Parks & recreation		450,369
Cemetery		3,348
Public services:		
Facilities maintenance		118,676
		<u>\$1,173,349</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, 2018, the long-term debt payable from governmental fund resources consisted of the following:



CAPITAL LEASES PAYABLE:

Capital lease purchase of street sweeper through the Government Capital Corporation dated April 7, 2015 for the lease of property totalling \$172,750. Leased equipment attributable to governmental-type activities includes 2015 TYMCO Model 600 BAH street sweeper. Annual payments of \$31,157 are required under the lease beginning July 15, 2015. Lease matures July , 2020.

\$ 89,394

Capital lease purchase of copier through Canon Financial Services dated May 17, 2016 for the lease of property totalling \$16,929. Leased equipment attributable to governmental-type activities includes a Canon C5255 copier. 48 monthly payments of \$389.37 are required under the lease beginning June 20, 2016. Lease matures May 20, 2020.

8,174

Capital lease purchase of copier through Canon Financial Services dated September 5, 2016 for the lease of property totalling \$6,351. Leased equipment attributable to governmental-type activities includes a Canon copier model IRC33301. 36 monthly payments of \$176.56 are required under the lease beginning September 20, 2015. Lease matures August 20, 2018.

176

\$ 97,744

Business-Type Activities

As of June 30, 2018, the long-term debt payable from enterprise fund resources consisted of the following:

CAPITAL LEASES PAYABLE:

Capital lease purchase of golf carts through the PNC Equipment Finance dated November 14, 2017 for the lease of property totalling \$183,242. Leased equipment attributable to business-type activities includes 30 new golf carts. Monthly payments of \$2,595 are required under the lease beginning January, 2018 with a balloon payment of \$45,000 due in May, 2018. Lease matures April , 2023.

\$ 175,164

Capital lease purchase of 2016 Cushman Hauler 800G Range vehicle through PNC Equipment Finance dated September 3, 2015 for the lease of property totalling \$8,209. Monthly payments of \$166 are required under the lease beginning October, 2015 with a balloon payment of \$1,000 due October, 2019. Lease matures October, 2019.

3,793

\$ 178,957

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%.	\$ 78,218
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.	6,563
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.	<u>987,589</u>
	<u>\$ 1,072,370</u>

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.	540,000
--	---------

2014 Series Clinton Public Works Authority Utility System and Sales Tax Revenue Bonds original issue amount of \$29,450,000, dated December 1, 2014, issued by Clinton Public Works Authority, secured by utility revenues and pledged sales tax, interest rates from 2.5% to 4.0%, final maturity on December 1, 2044.	29,450,000
---	------------

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.	7,865,000
--	-----------

Total revenue bonds payable	37,855,000
Add: unamortized premiums	253,684
Less: unamortized discounts	(4,865)
Net revenue bonds payable	<u>\$ 38,103,819</u>

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.

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2018**

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

<u>Type of Debt</u>	<u>Balance at July 1, 2017</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2018</u>	<u>Due Within One Year</u>
<b>Governmental Fund Debt:</b>					
Capital leases payable	\$ 132,800	\$ -	\$ 35,056	\$ 97,744	\$ 33,489
Total governmental fund debt	<u>\$ 132,800</u>	<u>\$ -</u>	<u>\$ 35,056</u>	<u>\$ 97,744</u>	<u>\$ 33,489</u>
<b>Enterprise Fund Debt:</b>					
Capital lease payable	\$ 55,833	\$ 183,242	\$ 60,118	\$ 178,957	\$ 26,734
Notes payable	1,759,712	-	687,342	1,072,370	706,965
Revenue bonds payable	30,520,000	-	530,000	29,990,000	820,000
Conduit debit	7,865,000	-	-	7,865,000	2,825,000
Total enterprise fund debt	<u>\$ 40,200,545</u>	<u>\$ 183,242</u>	<u>\$ 1,277,460</u>	<u>\$ 39,106,327</u>	<u>\$ 4,378,699</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>				<u>Business-Type Activities</u>			
	<u>Leases Payable</u>		<u>Notes and Leases Payable</u>		<u>Revenue Bonds</u>		<u>Conduit Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 33,489	\$ 2,502	\$ 733,699	\$ 30,983	\$ 820,000	\$ 1,070,131	\$ 2,825,000	\$ 415,930
2020	33,495	1,582	393,057	9,224	710,000	1,047,181	-	274,680
2021	30,760	389	26,749	4,391	730,000	1,025,581	5,040,000	274,680
2022	-	-	27,793	3,347	755,000	1,003,306	-	-
2023	-	-	70,029	-	775,000	976,481	-	-
2024-2028	-	-	-	-	4,330,000	4,440,141	-	-
2029-2033	-	-	-	-	5,035,000	3,715,078	-	-
2034-2038	-	-	-	-	6,090,000	2,627,844	-	-
2039-2043	-	-	-	-	7,395,000	1,308,034	-	-
2044-2048	-	-	-	-	3,350,000	122,525	-	-
Totals	<u>\$ 97,744</u>	<u>\$ 4,473</u>	<u>\$ 1,251,327</u>	<u>\$ 47,945</u>	<u>\$ 29,990,000</u>	<u>\$ 17,336,302</u>	<u>\$ 7,865,000</u>	<u>\$ 965,290</u>

**(F) Interfund Transactions and Balances:**

Interfund receivables and payables at June 30, 2018 were as follows:

<u>DUE TO AND DUE FROM:</u>	<u>Due From</u>	<u>Due To</u>
ENTERPRISE FUNDS:		
Public Works Authority:		
Industrial Authority	-	\$ 6,563
Industrial Authority:		
Public Works Authority	6,563	-
GRAND TOTAL	<u>\$ 6,563</u>	<u>\$ 6,563</u>

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2018**

Operating transfers for the year ended June 30, 2018 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)	\$ 3,196,900	\$ 2,602,391
Recreation Authority (an enterprise fund)	-	170,000
Industrial Authority (an enterprise fund)	-	375,541
Total General Fund	3,196,900	3,147,932
<b>SPECIAL REVENUE FUNDS:</b>		
<i>4<sup>th</sup> Cent Sales Tax :</i>		
Public Works Authority (an enterprise fund)	1,099,411	1,840,716
Industrial Authority (an enterprise fund)	-	719,312
Total Special Revenue Fund	1,099,411	2,560,028
<b>CAPITAL PROJECTS FUND:</b>		
Public Works Authority	810,923	1,269,459
Airport Authority (an enterprise fund)	-	61,168
Industrial Authority (an enterprise fund)	34,355	-
Total Capital Project Funds	845,278	1,330,627
<b>ENTERPRISE FUNDS:</b>		
<i>Clinton Public Works Authority:</i>		
General Fund	2,602,391	3,196,900
Capital Projects Fund	1,269,459	810,923
4 <sup>th</sup> Cent Sales Tax Fund (a special revenue fund)	1,840,716	1,099,411
Industrial Authority (an enterprise fund)	222,060	185,192
<i>Clinton Airport Authority:</i>		
Capital Projects Fund	35,494	-
<i>Clinton Recreation Authority:</i>		
General Fund	170,000	-
Capital Projects Fund	25,674	-
<i>Clinton Industrial Authority:</i>		
General Fund	375,541	-
Capital Projects Fund	-	34,355
4 <sup>th</sup> Cent Sales Tax Fund (a special revenue fund)	719,312	-
Public Works Authority (an enterprise fund)	-	222,060
Clinton Hospital Authority (an enterprise fund)	69,300	-
<i>Clinton Hospital Authority:</i>		
Public Works Authority (an enterprise fund)	-	69,300
Industrial Authority (an enterprise fund)	185,192	-
Total Enterprise Funds	7,515,139	5,618,141
GRAND TOTAL	\$ 12,656,728	\$ 12,656,728

**(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, 2018 are as follows:

	<u>Reserved For Debt Service</u>	<u>Reserved Hospital Lease Funds</u>	<u>Total</u>
Enterprise Funds:			
Public Works Authority	\$ 1,239,386	\$ -	\$ 1,239,386
Hospital Authority	-	8,331,250	8,331,250
Total Enterprise Fund	\$ 1,239,386	\$ 8,331,250	\$ 9,570,636

**NOTE 4: OTHER NOTES**

**A. Employee Pension and Other Benefit Plans:**

The City participates in four employee pension systems as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
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 Contribution Plans**

The City has provided a defined contribution plan with the Oklahoma Municipal Retirement Fund. The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions rests with the city council. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after 7 years of service. The City is currently contributing to an elective defined contribution plan. Under the Trust Money Purchase Pension plan, the participants may contribute any percentage of their compensation and the city contributes 1.37% of compensation for participating employees. This percentage can vary from year to year. Participants are permitted to make voluntary deductible contributions to the plan.

For the year ended June 30, 2018, the following amounts related to the defined contribution plan:

City total payroll	\$3,291,519
Payroll for covered employees	\$1,810,076
Employer (City) contributions made	\$81,454

**CMO Plan Description and Funding Policy** – The City has also provided a defined contribution plan and trust known as the City of Clinton City Manager Retirement Plan and Trust (CMO Plan). The plan is administered by JP Morgan Chase Bank of Oklahoma City, Oklahoma. According to state law, the authority for establishing or amending the plan's provisions and contribution requirements rests with the city council. This plan is available only to the City Manager. The employee contributes 2% to the plan and the employer makes a 3.0% contribution to the fund. Contributions to the plan for the year ended June 30, 2018 were \$3,063 on a covered payroll of \$103,302.

**Oklahoma Municipal Retirement Fund- Defined Benefit Plan**

**Plan Description**

Substantially all of the City's full-time employees, except police and firefighters, participate in a defined benefit pension plan adopted by the City and administered by the Oklahoma Municipal Retirement System (OMRF), which was established to administer pension plans for municipal employees. OMRF issues a publically available financial report that can be obtained at [www.okmrf.org](http://www.okmrf.org).

**Benefits Provided**

OMRF provides retirement, disability, and death benefits. Retirement benefits are determined as 3 percent of the employee's final average compensation multiplied by the employee's years of service; final average compensation is the average of the 5 highest consecutive years of salaries out of the last 10 years of service. Vesting requires 7 years of service. Members are eligible for normal retirement at age 65 with 7 years of vested service. The benefit is payable immediately. Early retirement is available after age 55 with 7 years of vested service. Early retirement benefits are paid at the normal retirement age, or reduced 5% per year for commencement prior to the normal retirement age.

Disability retirement is provided for member's total and permanent disability after 7 or more years of service. The accrued benefit is payable upon disablement without reduction for early payment.

In-service death benefits are payable after vesting at 50% of the accrued benefit until the death of the spouse or remarriage. If the member was not vested at the time of in-service death, member contributions are returned, if any, with interest.

**Contributions**

Required contribution rates are actuarially measured each year and authorized through City Ordinance. Employees are required to contribute 5.25% of paid salary. For the year ended June 30, 2018, the City's contribution was 9.30%. Contributions to the pension plan from the City were \$177,871 for the year ended June 30, 2018.

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2018**

Membership

Membership in the plan is as follows:

	<b>As of January 1, 2017</b>
Inactive employees & beneficiaries receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	15
Active participants	49
<b>Total</b>	<b>98</b>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPRRS

At June 30, 2018, the City reported an asset of \$712,208 for its proportionate share of the net pension asset. The net pension asset was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined.

Changes to the actuarial valuation between the measurement date of the net pension liability and the City's reporting dates are not expected to have a significant effect on the net pension liability.

For the year ended June 30, 2018, the City recognized pension expense of \$113,844. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 380,380
Changes of assumptions	85,550	-
Net difference between projected and actual earnings on pension plan investments	657,509	600,651
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	177,871	-
<b>Total</b>	<b>\$ 920,930</b>	<b>\$ 981,031</b>

Other amounts reported deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2019	\$ (137,073)
2020	46,658
2021	(43,327)
2022	(104,230)
2023	-
After	-
	<b>\$ (237,972)</b>

*Actuarial assumptions:* The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	5.07 percent, average
Investment rate of return	7.5 percent, net of pension plan investment expense and inflation

Mortality rates were based on the UP 1994 with projected mortality improvement. Valuation rates are projected for mortality improvement by the Society of Actuaries' table AA based upon the employee's year of birth.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period ended July 1, 2009 through June 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset



**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2018**

class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2016 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks - S&P 500	25%	5.80%	1.45%
Small/mid cap stocks - Russell 2500	10%	6.40%	64.00%
Long/short equity - MSCI ACWI	10%	5.00%	50.00%
International stocks - MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.30%	69.00%
Real estate - NCREIF	5%	4.60%	23.00%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	100%		
Average Real Return			4.75%
Inflation			2.75%
Long term expected return			<u>7.50%</u>

*Discount rate:* The discount rate used to measure the total pension liability was 7.5 percent, as the plan's net fiduciary position is projected to be sufficient to make projected benefit payments. The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of the member's working career. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Therefore, no separate cash flow projection is required to determine the sufficiency of the plan assets. The 20 year tax free bond yield of 2.10% was used in the analysis.

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
<b>Balances at July 1, 2016</b>	11,384,215	11,458,268	(74,053)
<b>Changes for the year:</b>			
Service cost	358,958	-	358,958
Interest	860,704	-	860,704
Differences between expected and actual experience	(263,677)	-	(263,677)
Assumption changes	115,255	-	115,255
Contributions - employer	-	219,501	(219,501)
Contributions - employee	-	115,049	(115,049)
Net investment income	-	1,399,382	(1,399,382)
Benefit payments, including refunds of employee contributions	(567,299)	(567,299)	-
Administrative expense	-	(24,537)	24,537
<b>Net changes</b>	<u>503,941</u>	<u>1,142,096</u>	<u>(638,155)</u>
<b>Balances at July 1, 2017</b>	<u>\$ 11,888,156</u>	<u>\$ 12,600,364</u>	<u>\$ (712,208)</u>

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate:* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:



**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2018**

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	966,855	(712,208)	(2,089,395)

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued OMRF financial report.

**A. Defined Benefit Cost-Sharing, Multiple Employer Pension Plans**

Plan Description

The City of Clinton, as the employer, participates in two statewide, cost-sharing, multiple-employer defined benefit plans on behalf of police officers and firefighters.

Under Title 36-312.1 of the State of Oklahoma Statutes, 14% and 34% of taxes collected for insurance premium taxes is allocated and distributed to the Oklahoma Police Pension and Retirement System and the Oklahoma Firefighters Pension Retirement System, respectively. This provides earmarked state taxes to help with the financing burden for the police and fire plans. The expected employer contributions expected to be funded by the State are not considered in the calculations of the net pension asset/liability and related deferred inflows, deferred outflows and pension expense.

Reporting

The required supplementary information schedules of funding progress immediately following the notes to the financial statements presents certain ten-year trend information for as many years for which information measured in conformity with the requirements of GASB 68 is available. Detailed information about the Oklahoma Police and Firefighter Plans' fiduciary net position is available in the separately issued Oklahoma Police Pension report and the Oklahoma Firefighters Pension report. Copies of these reports may be obtained from the respective state retirement systems: Oklahoma Police Pension and Retirement System, 1001 NW 63<sup>rd</sup> Street, Suite 305, Oklahoma City OK 73116-7335 (or [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS)), and the Oklahoma Firefighters Pension and Retirement System at 4545 N Lincoln Blvd., Suite 265, Oklahoma City, OK 73105 (or [www.ok.gov/fprs](http://www.ok.gov/fprs)).

**Funding Policies, Contribution Methods, & Benefit Provisions**

	<b>Police Pension</b>	<b>Firefighters Pension</b>
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 & benefit provisions	State Statute	State Statute
Plan members' contribution rate	8% of covered payroll	9% of covered payroll
City's contribution rate	13% of covered payroll	14% of covered payroll
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full-time)	20 years credited service, 2 ½% 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	20 years credited service, 2 ½% 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)	N/A	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 additional option to participate in deferred option plan for a maximum of 5 years	Yes, 20 years credited service with additional option to participate in deferred option plan for a maximum of 5 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 appropriations, as necessary.

**Actuarial Assumptions**

	<b>Police Pension</b>	<b>Firefighters Pension</b>
Valuation date	7/1/17	7/1/17
Provisions for:		
Disability benefits	Yes	Yes
Death benefits	Yes	Yes

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2018**

Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, closed	Level dollar, closed
Amortization period	5 years	30 years
Actuarial asset valuation method	5-year smoothed	An expected actuarial value is determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains losses) for the year ended on the valuation date and assuming a 7.5% interest return. 20% of any (gain) loss is amortized over 5 years. The result is constrained to a value of 80% to 120% of the fair value at the valuation
Investment rate of return	7.5%	7.5%
Projected salary increases	4.5% to 17% average, including inflation	3.5% to 9.0%
Cost of living increases (maximum)	Up to ½ of the increase of any adjustment to the base salary of a regular police officer, based on an increase in base salary	Half of the dollar amount of a 3% assumed increase in base pay for firefighters with 20 years of service as of May 26, 1983. No COLA is assumed for members not eligible for this increase
Inflation	2.75%	3.00%
Source of mortality assumptions	RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA	RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA
Experience study	Actuarial assumptions were based upon results of an experience study covering the period July 1, 2012 through June 30, 2017	Actuarial assumptions were based upon results of an experience study covering the period July 1, 2007 through June 30, 2012

**Trend Information**

	Police Pension				Fire Pension					
	Actuarially Determined Contribution	City Proportionate Share	City Contributions	% Contributed	State Contribution	Actuarially Determined Contribution	City Proportionate Share	City Contribution	% Contributed	State Contribution
2018	\$51,417,000	\$105,508	\$38,887,000	36856.92%	\$34,283,000	\$141,510,000	\$247,276	\$40,326,000	16308.09%	\$88,133,633
2017	\$45,054,000	\$98,128	\$38,533,000	39268.10%	\$35,915,000	\$139,226,000	\$265,444	\$39,174,000	14757.92%	\$92,330,000
2016	\$63,908,000	\$139,895	\$37,261,000	28634.98%	\$35,490,000	\$142,495,000	\$285,120	\$38,876,000	13634.96%	\$91,236,000
2015	\$90,283,000	\$218,665	\$35,547,000	16256.37%	\$31,329,000	\$162,103,000	\$344,639	\$36,104,000	10475.89%	\$79,545,000

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 state retirement systems: Oklahoma Police Pension and Retirement System, 1001 NW 63<sup>rd</sup> Street, Suite 305, Oklahoma City OK 73116-7335 (or [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS)), and the Oklahoma Firefighters Pension and Retirement System at 4545 N Lincoln Blvd., Suite 265, Oklahoma City, OK 73105 (or [www.ok.gov/fprs](http://www.ok.gov/fprs)).

**Net Pension Asset (Liability)**

*Proportionate Share*

**Police Pension**

The Police Pension's net pension liability was allocated proportionately to the City of Clinton based on the ratio of the City's actual contributions to the Police pension, relative to the total contributions of the Police pension for the fiscal year ended June 30, 2017. The City's portion for 2017 was 0.2052% compared to .2178% for 2016.

**Firefighters Pension**

The Firefighters Pension's net pension liability was allocated proportionately to the City of Clinton based on the ratio of the City's actual contributions, relative to the total contributions for the fiscal year ended June 30, 2017. The City's portion for 2017 was 0.174741% compared to 0.190657% for 2016.

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2018**

*Net Pension Asset (Liability)*

	Police Pension		Firefighters Pension	
	Total	Proportionate Share	Total	Proportionate Share
Total pension liability	(2,403,073,000)	(4,931,106)	(3,767,195,100)	(6,582,834)
Fiduciary net position	2,395,381,000	4,915,323	2,509,471,449	4,385,072
Net pension asset (liability)	(7,692,000)	(15,783)	(1,257,723,651)	(2,197,762)

Plan fiduciary net position as a percentage of the total pension liability	99.68%	99.68%	66.61%	66.61%
--	--------	--------	--------	--------

	Total Pension Liability (a)		Plan Fiduciary Net Position (b)		Net Pension Liability (a) - (b)	
	POLICE	FIRE	POLICE	FIRE	POLICE	FIRE
<b>Beginning balance *</b>	4,832,080	6,076,571	4,517,829	3,941,735	314,251	2,134,836
Service cost	129,336	107,447	-	-	129,336	107,447
Interest cost	351,520	450,682	-	-	351,520	450,682
and actual experience	(86,153)	297,991	-	-	(86,153)	297,991
Contributions - employer	-	-	79,796	70,466	(79,796)	(70,466)
Contributions - employee	-	-	49,076	44,098	(49,076)	(44,098)
Contributions - State of OK	-	-	70,349	154,006	(70,349)	(154,006)
Net investment income	-	-	497,436	528,800	(497,436)	(528,800)
refunds of employee	(295,677)	(349,857)	(295,677)	(349,857)	-	-
Administrative expense	-	-	(3,486)	(4,176)	3,486	4,176
Other changes	-	-	-	-	-	-
<b>Ending balance</b>	<b>\$ 4,931,106</b>	<b>\$ 6,582,834</b>	<b>\$ 4,915,323</b>	<b>\$ 4,385,072</b>	<b>\$ 15,783</b>	<b>\$ 2,197,762</b>

\* Represents the beginning balance based on current year proportionate shares therefore, amounts will not equal amount reported in required supplementary information for the prior year

Rate of Return and Discount Rate

*Rate of Return*

Police Pension

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 3.36%. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Firefighters Pension

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 14.36%. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Long-term Expected Rate of Return and Target Allocations*

Police Pension

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation.

Firefighters Pension

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2018**

asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation.

<u>Police Pension</u>		<u>Firefighters Pension</u>	
	Long-term Expected		Long-term Expected
	<u>Rate of Return</u>		<u>Rate of Return</u>
Fixed income	4.51%	Fixed income	4.38%
Domestic equity	6.62%	Domestic equity	7.72%
International equity	9.70%	International equity	9.70%
Real estate	6.96%	Real estate	6.96%
Private equity	9.86%	Other assets	5.75%
Commodities	5.18%		
	<u>Target Allocation</u>		<u>Target Allocation</u>
US Large Cap Equity	15.00%	Equity	62.00%
Long/Short Equity	15.00%	Fixed Income	20.00%
Private Equity	10.00%	Real Estate	18.00%
US Small/Mid Cap Equity	5.00%		
Emerging Markets Equity	5.00%		
International Equity	10.00%		
Low Volatility Strategies	10.00%		
Global Fixed Income	15.00%		
Real Assets	15.00%		

**Discount Rate**

**Police Pension**

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Firefighters Pension**

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that the Fund's contributions will continue to follow the current funding policy. Total covered employee payroll is assumed to grow at 4% per year. The total statewide insurance premium tax is assumed to grow at 3% per year. In addition, the allocation of the tax to the System is assumed to be 36% for the entire projection period. The Normal Cost Rate for future members is assumed to be 21.52% for all years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all future years and hence, the blended GASB discount rate is equal to the long-term rate of return. Therefore, the long-term expected rate of return on pension plan investments of 7.5% was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return remained at 7.5% to reflect the expected asset allocation.

***Sensitivity of Net Pension Liability to Changes in the Discount Rate***

The following table presents the City's proportionate allocation of the total pension liability of the Police Pension and Firefighters Pension would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate and the resulting net pension asset (liability):

	<u>Rate</u>	Police Pension	<u>Rate</u>	Firefighters Pension
		<u>Net Pension</u>		<u>Net Pension</u>
		<u>Asset(Liability)</u>		<u>Asset(Liability)</u>
1% decrease	6.5%	(533,417)	6.5%	(2,883,138)
Current single discount rate	7.5%	(15,783)	7.5%	(2,197,762)
1% increase	8.5%	421,437	8.5%	(1,616,916)

**Other Post-Employment Benefits**

For the year ended June 30, 2018, the City provided no post-employment benefits (other than pension) to terminated employees.



**(B) Commitments and Contingencies:**

*Litigation*

The City is a party to various legal proceedings which normally occur in the course of government operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. 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.

*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 HMA LLC exercised its first option for a renewal term which will commence on January 1, 2018 and expire on December 31, 2023 for an annual rent of \$118,375.04 payable in equal monthly installments of \$9,864.59. Provided that the Tenant provides outpatient chemotherapy services (the "Incentive Services") as a part of Tenant's permitted use, Landlord agrees to abate Tenant's obligation to pay \$60,000.00 of Base Rent per year during the Term, as Extended, (the "Free Rent"). If Tenant discontinues the Incentive Services for a period longer than one year and efforts are no longer being made by Tenant to reinstate the Incentive Services, the Free Rent shall cease and Tenant shall continue to pay Base Rent at the rate of \$118,375.04 per annum.

*Clinton Public School District Lease*

The Clinton Public Works Authority issued \$12,875,000 of revenue bonds during the 2011 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.

City of Clinton, Oklahoma  
General Fund  
For the Year Ended June 30, 2018  
Budget and Actual (Non-GAAP Budgetary Basis)

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>					
Sales taxes	\$ 2,375,000	\$ 250,000	\$ 2,625,000	\$ 2,602,391	\$ (22,609)
Use taxes	210,000	-	210,000	426,463	216,463
Hotel/motel taxes	300,000	48,000	348,000	375,541	27,541
E911 taxes	100,000	-	100,000	99,871	(129)
Franchise taxes	338,500	-	338,500	387,080	48,580
Cigarette taxes	62,000	-	62,000	68,099	6,099
Licenses and permits	34,200	-	34,200	55,557	21,357
Oil & gas royalties	17,000	-	17,000	22,436	5,436
Fines and forfeitures	86,000	-	86,000	92,842	6,842
Investment income	19,000	-	19,000	24,001	5,001
Charges for services	209,900	-	209,900	236,852	26,952
Rental income	20,000	-	20,000	29,722	9,722
Intergovernmental	135,000	-	135,000	140,836	5,836
Intracity fees	641,571	-	641,571	641,579	8
Miscellaneous	11,700	-	11,700	108,907	97,207
Total revenues before carryover	4,559,871	298,000	4,857,871	5,312,177	454,306
Budgeted carryover (1)	1,497,710	-	1,497,710	1,497,710	-
Total revenues and budgeted carryover	6,057,581	298,000	6,355,581	6,809,887	454,306
<b>EXPENDITURES</b>					
Current:					
General government:					
Governing board and administration					
Personal services	392,959	35,000	427,959	423,826	4,133
Materials & supplies	10,775	-	10,775	6,847	3,928
Other services & charges	236,090	4,000	240,090	229,661	10,429
Finance					
Personal services	282,850	-	282,850	277,473	5,377
Materials & supplies	3,600	-	3,600	4,337	(737)
Other services & charges	85,450	-	85,450	79,946	5,504
Total general government	1,011,724	39,000	1,050,724	1,022,090	28,634
Public safety and judiciary:					
Legal and courts					
Personal services	89,169	-	89,169	85,430	3,739
Materials & supplies	1,300	-	1,300	664	636
Other services & charges	3,410	-	3,410	2,912	498
Police					
Personal services	1,353,911	(49,000)	1,304,911	1,279,701	25,210
Materials & supplies	70,600	-	70,600	56,528	14,072
Other services & charges	31,780	4,300	36,080	33,038	3,042
Fire					
Personal services	683,222	53,000	736,222	731,865	4,357
Materials & supplies	52,680	-	52,680	44,156	8,524
Other services & charges	49,550	8,000	57,550	45,732	11,818
Inspection/code enforcement					
Personal services	62,884	-	62,884	62,104	780
Materials & supplies	2,900	-	2,900	1,910	990
Other services & charges	22,950	(5,000)	17,950	7,689	10,261
Total public safety and judiciary	2,424,356	11,300	2,435,656	2,351,729	83,927
Transportation:					
Street					
Personal services	165,522	-	165,522	162,836	2,686
Materials & supplies	82,950	(30,000)	52,950	33,838	19,112
Other services & charges	147,800	(12,300)	135,500	126,145	9,355
Total transportation	396,272	(42,300)	353,972	322,819	31,153
Cultural, parks and recreation:					
Parks and recreation					
Personal services	320,379	-	320,379	307,598	12,781
Materials & supplies	142,400	(15,000)	127,400	92,721	34,679
Other services & charges	173,350	(13,000)	160,350	142,030	18,320
Cemetery					
Personal services	100,542	-	100,542	98,621	1,921
Materials & supplies	21,300	-	21,300	12,963	8,337
Other services & charges	3,825	-	3,825	2,622	1,203
Total cultural, parks and recreation	761,796	(28,000)	733,796	656,555	77,241

City of Clinton, Oklahoma  
General Fund  
For the Year Ended June 30, 2018  
Budget and Actual (Non-GAAP Budgetary Basis)

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Public Services:					
Facilities maintenance					
Personal services	75,279	-	75,279	44,392	30,887
Materials & supplies	31,500	-	31,500	35,634	(4,134)
Other services & charges	146,525	20,000	166,525	169,661	(3,136)
Total public services	<u>253,304</u>	<u>20,000</u>	<u>273,304</u>	<u>249,687</u>	<u>23,617</u>
Total expenditures	<u>4,847,452</u>	<u>-</u>	<u>4,847,452</u>	<u>4,602,880</u>	<u>244,572</u>
Revenue over (under) expenditures	1,210,129	298,000	1,508,129	2,207,007	698,878
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers in	2,972,000	-	2,972,000	3,196,900	224,900
Operating transfers out	(2,855,000)	(298,000)	(3,153,000)	(3,147,932)	5,068
Net other financing sources (uses)	<u>117,000</u>	<u>(298,000)</u>	<u>(181,000)</u>	<u>48,968</u>	<u>229,968</u>
Revenues and other financing sources over (under) expenditures and other uses	1,327,129	-	1,327,129	2,255,975	928,846
Fund balance at beginning of year (Non-GAAP budgetary basis)	1,553,309	-	1,553,309	1,519,778	(33,531)
Less budgeted carryover (1)	<u>(1,497,710)</u>	<u>-</u>	<u>(1,497,710)</u>	<u>(1,497,710)</u>	<u>-</u>
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 1,382,728</u>	<u>\$ -</u>	<u>\$ 1,382,728</u>	<u>\$ 2,278,043</u>	<u>\$ 895,315</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				54,900	
Expenditure and transfer accruals				(14,871)	
Fund balance at end of year (GAAP basis)				<u>\$ 2,318,072</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**  
**Schedules of Required Supplementary Information**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Oklahoma Police Pension Retirement Plan**

	<u>2017*</u>	<u>2018*</u>
City's portion of the net pension liability (asset)	0.2178%	0.2052%
City's proportionate share of the net pension liability (asset)	\$ 333,474	\$ 15,783
City's covered-employee payroll	\$ 642,169	\$ 611,869
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	51.93%	2.58%
Plan fiduciary net position as a percentage of the total pension liability	93.50%	99.68%

\* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS**

**Oklahoma Police Pension Retirement Plan**

	<u>2017*</u>	<u>2018*</u>
Contractually required contribution	\$ 83,482	\$ 79,543
Contributions in relation to the contractually required contribution	<u>(83,482)</u>	<u>(79,543)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 642,169	\$ 611,869
Contributions as a percentage of covered-employee payroll	13.00%	13.00%

**City of Clinton, Oklahoma**  
**Schedules of Required Supplementary Information**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Oklahoma Fire Pension Retirement Plan**

	<b>2017*</b>	<b>2018*</b>
City's portion of the net pension liability (asset)	0.190657%	0.174741%
City's proportionate share of the net pension liability (asset)	\$ 2,329,283	\$ 2,197,762
City's covered-employee payroll	\$ 533,307	\$ 496,679
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	437%	442%
Plan fiduciary net position as a percentage of the total pension liability	64.87%	66.61%

\* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS**

**Oklahoma Fire Pension Retirement Plan**

	<b>2017*</b>	<b>2018*</b>
Contractually required contribution	\$ 74,663	\$ 69,535
Contributions in relation to the contractually required contribution	(74,663)	(69,535)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 533,307	\$ 496,679
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

City of Clinton, Oklahoma  
Schedules of Required Supplementary Information

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS**

**Oklahoma Municipal Retirement Fund  
SINCE INITIAL APPLICATION**

	<b>2017*</b>	<b>2018*</b>
<b>Total pension liability</b>		
Service cost	\$ 360,214	\$ 360,214
Interest	833,517	833,517
Changes in benefit terms	-	-
Differences between expected and actual experience	(297,969)	(297,969)
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(523,446)	(523,446)
	<u>\$ 372,316</u>	<u>\$ 372,316</u>
<b>Net change in total pension liability</b>	<u>\$ 372,316</u>	<u>\$ 372,316</u>
<b>Total pension liability - beginning</b>	11,011,899	11,011,899
<b>Total pension liability - ending (a)</b>	<u>\$ 11,384,215</u>	<u>\$ 11,384,215</u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	238,073	238,073
Contributions - employee	123,819	123,819
Net investment income	100,472	100,472
Benefit payments, including refunds of employee contributions	(523,446)	(523,446)
Administrative expense	(22,729)	(22,729)
Other	-	-
	<u>(83,811)</u>	<u>(83,811)</u>
<b>Net change in plan fiduciary net position</b>	<u>(83,811)</u>	<u>(83,811)</u>
 <b>Plan fiduciary net position - beginning</b>	11,542,079	11,542,079
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 11,458,268</u>	<u>\$ 11,458,268</u>
 <b>City's net pension liability - ending (a) - (b)</b>	<u>\$ (74,053)</u>	<u>\$ (74,053)</u>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	100.65%	100.65%
<b>Covered-employee payroll</b>	\$ 2,240,881	\$ 2,240,881
<b>City's net pension liability as a percentage of covered-employee payroll</b>	-3.30%	-3.30%

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

JAMES M. KUYKENDALL  
RICK D. MILLER

204 E. FRANKLIN - P.O. BOX 507  
WEATHERFORD, OK 73096  
580-772-3596  
FAX 580-772-3085

BRANCH OFFICE:  
106 N. COLLEGE - P.O. BOX 266  
CORDELL, OK 73632  
580-832-5313  
FAX 580-832-5314

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 the 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, 2018, 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 13, 2018.

***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 13, 2018