

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

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2016**

**THE CITY OF CLINTON, OKLAHOMA
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YEAR ENDED JUNE 30, 2016**

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CITY OF CLINTON, OKLAHOMA
YEAR ENDED JUNE 30, 2016
LIST OF PRINCIPAL OFFICIALS

MAYOR
Seth Adams

COUNCIL MEMBERS
Jason Hulin
Don Rodolph
Chuy Rosales
Lucas Martinez

CITY MANAGER
Mark Skiles

CITY CLERK
Lisa Anders

CITY TREASURER
Debra Blanchard



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL
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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Clinton, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Oklahoma, as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clinton, Oklahoma's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2016, 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
BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
December 9, 2016

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, 2016. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$56,024,514 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$55,203,407.
- Total liabilities of the City decreased by \$2,196,731 to \$48,867,416.
- Total net assets are comprised of the following:
 - (1) Invested in capital assets, net of related debt, of \$36,296,065 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 \$9,174,274 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
 - (3) Unrestricted net assets of \$10,554,175 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 \$6,415,321 this year. This compares to the prior year ending fund balance of \$6,521,275 showing a decrease of \$105,954.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,770,439, or 20.13% of total General Fund expenditures including transfers and 22.94% 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 \$56,024,514. This is a net increase of \$821,027 over last year's net position of \$55,203,487. The following table provides a summary of the City's net assets at June 30:

Summary of Net Position

	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2016	2015	2016	2015	2016	2015		
Current and other assets	\$ 7,597,171	\$ 7,891,297	\$ 39,137,614	\$ 41,111,643	\$ 46,734,785	\$ 49,002,940	\$ (2,268,155)	-4.9%
Other noncurrent assets	530,180	1,046,920	10,255,000	10,580,921	10,785,180	11,627,841	\$ (842,661)	-7.8%
Capital assets	19,866,354	20,603,944	27,621,714	25,732,931	47,488,068	46,336,875	\$ 1,151,193	2.4%
Total assets	27,993,705	29,542,161	77,014,328	77,425,495	105,008,033	106,967,656	\$ (1,959,623)	-1.9%
Deferred outflows of resources	994,560	469,103	73,335	220,005	1,067,895	689,108	378,787	35.5%
Long-term liabilities	2,267,903	2,338,793	40,547,874	44,890,181	42,815,777	47,228,974	\$ (4,413,197)	-10.3%
Other liabilities	1,209,310	1,383,094	4,842,329	2,452,079	6,051,639	3,835,173	\$ 2,216,466	36.6%
Total liabilities	3,477,213	3,721,887	45,390,203	47,342,260	48,867,416	51,064,147	\$ (2,196,731)	-4.5%
Deferred inflows of resources	1,183,998	1,389,130	-	-	1,183,998	1,389,130	(205,132)	-17.3%
Net position:								
Invested in capital assets, net of related debt	19,699,894	20,431,194	16,596,171	15,879,179	36,296,065	36,310,373	\$ (14,308)	0.0%
Restricted	115,546	109,792	9,058,728	9,215,210	9,174,274	9,325,002	\$ (150,728)	-1.6%
Unrestricted	4,511,614	4,359,261	6,042,561	5,208,851	10,554,175	9,568,112	\$ 986,063	9.3%
Total net position	\$ 24,327,054	\$ 24,900,247	\$ 31,697,460	\$ 30,303,240	\$ 56,024,514	\$ 55,203,487	\$ 821,027	1.5%

The City reported positive balances in net assets for governmental activities, noting a decrease of \$573,193. Business-type activities net assets increased \$1,394,220.

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.

CITY OF CLINTON, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2016

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

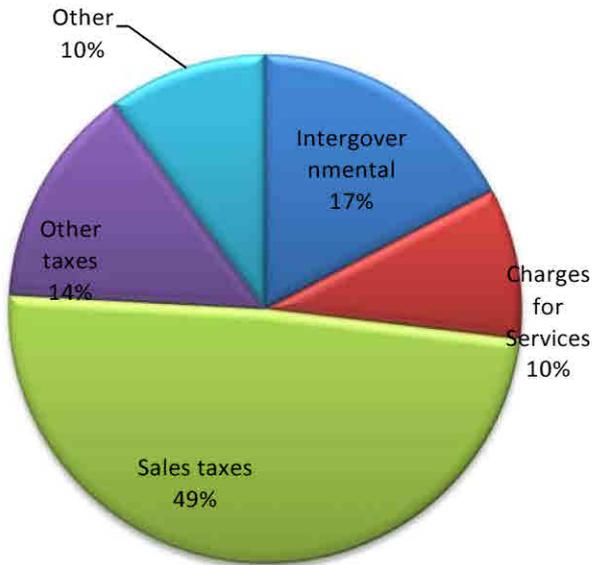
	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2016	2015	2016	2015	2016	2015		
Revenues								
Program Revenues								
Charges for services	\$ 1,054,865	\$ 1,088,145	\$ 7,812,636	\$ 7,430,165	\$ 8,867,501	\$ 8,518,310	\$ 349,191	4%
Operating grants and contributions	132,993	125,593	183,909	192,448	316,902	318,041	(1,139)	0%
Capital grants and contributions	40,123	1,833,693	316,765	929,490	356,888	2,763,183	(2,406,295)	-87%
General Revenues								
Sales taxes	5,822,153	5,549,113	-	-	5,822,153	5,549,113	273,040	5%
Use taxes	377,856	510,224	-	-	377,856	510,224	(132,368)	-26%
Hotel/motel taxes	342,017	379,252	-	-	342,017	379,252	(37,235)	-10%
Property tax (TIF)	143,571	116,690	-	-	143,571	116,690	26,881	0%
E-911 taxes	100,086	100,020	-	-	100,086	100,020	66	0%
Franchise taxes (fees)	333,385	386,111	-	-	333,385	386,111	(52,726)	-14%
Cigarette taxes	69,103	66,365	-	-	69,103	66,365	2,738	4%
Other taxes	55,338	56,046	-	-	55,338	56,046	(708)	-1%
Oil & gas royalties	22,325	297,851	22,472	78,564	44,797	376,415	(331,618)	-88%
Investment income	55,607	70,187	159,696	153,681	215,303	223,868	(8,565)	-4%
Other	40,786	13,760	5,044	1,069	45,830	14,829	31,001	209%
Pension change	267,464	797,702	-	-	267,464	797,702	(530,238)	
Penalties	-	-	63,753	67,062	63,753	67,062	(3,309)	-5%
Gain on disposal of assets	-	(42,280)	-	(1,028)	-	(43,308)	43,308	-100%
Transfers - internal activity	(2,168,752)	(1,973,948)	2,168,752	1,973,948	-	-	-	0%
Total Revenues	\$ 6,688,920	\$ 9,374,524	\$ 10,733,027	\$ 10,825,399	\$ 17,421,947	\$ 20,199,923	\$ (2,777,976)	-16%
Expenses								
General government	\$ 1,170,145	\$ 1,167,059	\$ -	\$ -	\$ 1,170,145	\$ 1,167,059	\$ 3,086	0%
Public safety/judiciary	2,883,569	2,825,331	-	-	2,883,569	2,825,331	58,238	2%
Transportation	858,319	1,006,038	-	-	858,319	1,006,038	(147,719)	-15%
Cultural, parks, recreation	1,591,840	1,610,751	-	-	1,591,840	1,610,751	(18,911)	-1%
Public services	421,193	359,960	-	-	421,193	359,960	61,233	17%
Water	-	-	3,955,480	4,536,212	3,955,480	4,536,212	(580,732)	-13%
Sewer	-	-	1,342,271	1,389,284	1,342,271	1,389,284	(47,013)	-3%
Sanitation	-	-	1,339,436	1,344,270	1,339,436	1,344,270	(4,834)	0%
Airport	-	-	500,586	374,092	500,586	374,092	126,494	34%
Golf	-	-	565,711	556,718	565,711	556,718	8,993	2%
Parks & recreation	-	-	13,502	17,375	13,502	17,375	(3,873)	-22%
Healthcare	-	-	566,568	589,226	566,568	589,226	(22,658)	-4%
Education	-	-	532,179	558,003	532,179	558,003	(25,824)	-5%
Economic development	337,047	464,153	523,074	635,709	860,121	1,099,862	(239,741)	-22%
Total Expenses	\$ 7,262,113	\$ 7,433,292	\$ 9,338,807	\$ 10,000,889	\$ 16,600,920	\$ 17,434,181	\$ (833,261)	-5%
Increase (decrease) in net position	\$ (573,193)	\$ 1,941,232	\$ 1,394,220	\$ 824,510	\$ 821,027	\$ 2,765,742	(1,944,715)	-70%

Governmental Activities

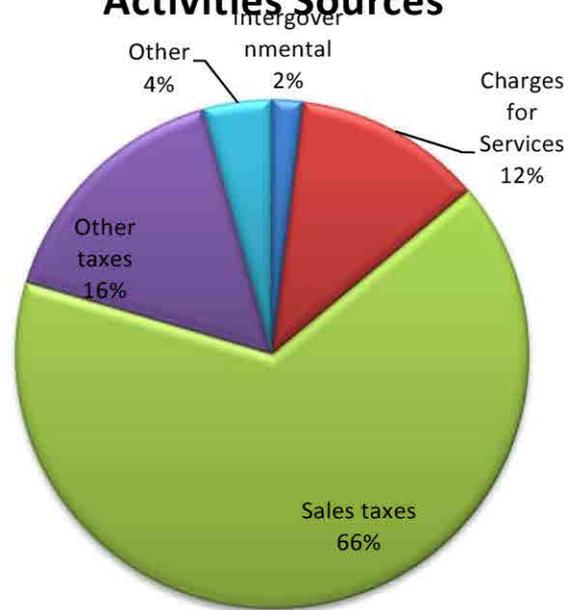
To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column 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, 2016, the City's governmental activities were funded as follows:

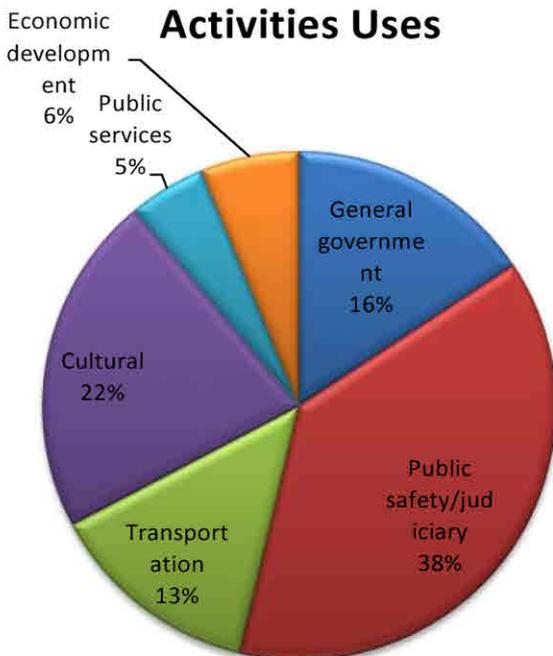
2015 Governmental Activities Sources



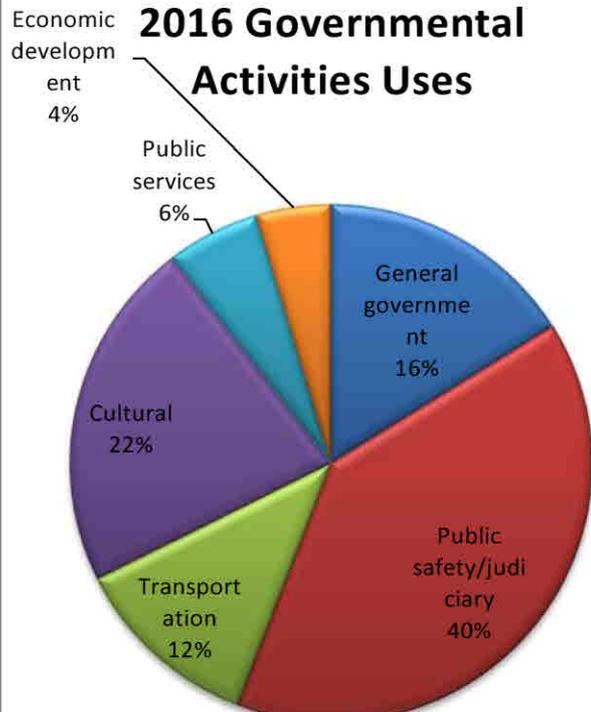
2016 Governmental Activities Sources



2015 Governmental Activities Uses



2016 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 \$6,415,321. Of this year end total \$1,770,439 is unreserved indicating availability for continuing City service requirements. Restricted fund balances include: \$115,546 committed to cemetery capital improvements and \$1,612,401 for capital projects.

The total ending fund balances of governmental funds showed a decrease of \$105,954 from the prior year. This decrease is primarily attributable to the general fund offset by the capital improvement fund and 4th cent sales tax 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 decreased by \$1,077,213 from \$2,847,652 to \$1,770,439. Key factors contributing to this decrease included a decrease in sales and use tax.

The Capital Improvement Fund has an ending fund balance of \$1,612,401. The fiscal year end included a net increase of \$377,869 in the Capital Improvement Fund. The change in Capital Improvement Fund is largely due to dedicated sales tax.

The 4th 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 \$1,242,043. This increase is attributable to a net income before transfers of \$274,542 in addition to net transfers in of \$967,501.

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 \$45,811.

The Clinton Airport Authority accounts for providing airport facilities to the public. The decrease in net position for the Airport Authority was \$56,823. The net operating loss of \$289,768 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 \$82,830.

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 \$430,045 which is mainly due to depreciation in the amount of \$550,184. The hospital is currently leased to Alliance Health Clinton so the fund activity will mainly consist of the \$125,000 annual lease payment from the hospital, interest income on investments, and the depreciation on the assets leased to 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 \$673,642. The increase is mainly due to net transfers from other funds of \$1,077,912 (General Fund and 4th Cent Sales Tax Fund).

General Fund Budgetary Highlights

The General Fund Budget for fiscal year 2016 was \$6,163,564. Total expenditures for the City were \$5,681,968, which is \$481,596 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, 2016, was \$19,866,354 and \$27,621,714 respectively.

Capital Assets, Net of Accumulated Depreciation

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>		
Non-Depreciable Assets:								
Land	\$ 992,391	\$ 992,391	\$ 2,077,781	\$ 2,077,781	\$ 3,070,172	\$ 3,070,172	\$ -	0%
Construction in Progress	10,206	-	5,933,643	3,424,463	5,943,849	3,424,463	\$ 2,519,386	42%
Depreciable Assets:								
Buildings	10,588,763	10,588,763	8,083,993	8,065,034	18,672,756	18,653,797	\$ 18,959	0%
Other improvements	5,743,954	5,660,872	12,904,862	12,664,062	18,648,816	18,324,934	\$ 323,882	2%
Machinery, furniture & equipment	6,278,901	6,028,667	13,774,604	13,460,335	20,053,505	19,489,002	\$ 564,503	3%
Infrastructure	9,856,706	9,856,706	31,603,696	31,106,664	41,460,402	40,963,370	\$ 497,032	1%
Less accumulated depreciation	13,604,567	12,523,455	46,756,865	45,065,408	60,361,432	57,588,863	\$ 2,772,569	5%
Total	\$ 19,866,354	\$ 20,603,944	\$ 27,621,714	\$ 25,732,931	\$ 47,488,068	\$ 46,336,875	\$ 1,151,193	2%

Long-term debt

At year-end, the City had \$44,817,976 in debt outstanding. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue bonds	\$ -	\$ -	\$ 42,045,000	\$ 43,300,000	\$ 42,045,000	\$ 43,300,000
Notes payable/capital lease	166,460	172,750	2,606,516	3,270,035	2,772,976	3,442,785
subtotal	166,460	172,750	44,651,516	46,570,035	44,817,976	46,742,785
less current portion	(33,660)	(30,161)	(4,352,209)	(1,928,294)	(4,385,869)	(1,958,455)
Totals	\$ 132,800	\$ 142,589	\$ 40,299,307	\$ 44,641,741	\$ 40,432,107	\$ 44,784,330

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, 2016, and the amount and percentage of increases and decreases in relation to the prior year.

	FYE 2016 Actual Budget Basis	FYE 2015 Actual Budget Basis	Increase/ (Decrease) from FYE 2015	Percent Increase/ (Decrease)
Revenues				
Sales taxes	\$ 2,625,534	\$ 2,778,319	\$ (152,785)	-6%
Use taxes	203,523	513,783	(310,260)	-152%
Hotel/motel taxes	355,686	362,519	(6,833)	-2%
E911 taxes	100,086	100,020	66	0%
Franchise taxes	332,989	382,659	(49,670)	-15%
Cigarette taxes	68,981	65,916	3,065	4%
Licenses and permits	43,973	40,647	3,326	8%
Oil and gas royalties	22,325	297,851	(275,526)	-1234%
Fines and forfeitures	136,874	134,211	2,663	2%
Investment income	29,211	24,322	4,889	17%
Charges for services	258,426	300,977	(42,551)	-16%
Rental income	23,235	20,075	3,160	14%
Intergovernmental	162,745	164,602	(1,857)	-1%
Intracity fees	568,923	568,925	(2)	0%
Miscellaneous	42,377	16,945	25,432	60%
Total Revenues	\$ 4,974,888	\$ 5,771,771	\$ (796,883)	-16%
Expenditures				
Governing board & admin	\$ 692,727	\$ 694,419	\$ 1,692	0%
Finance	402,875	395,379	(7,496)	-2%
Legal & courts	131,748	130,358	(1,390)	-1%
Police	1,515,677	1,443,333	(72,344)	-5%
Fire	882,395	875,551	(6,844)	-1%
Inspection/code enforcement	72,913	121,098	48,185	66%
Street	558,669	502,318	(56,351)	-10%
Parks & recreation	1,032,323	1,029,519	(2,804)	0%
Cemetery	113,802	116,537	2,735	2%
Facilities maintenance	278,839	243,376	(35,463)	-13%
Total Expenditures	\$ 5,681,968	\$ 5,551,888	\$ (130,080)	-2%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

According to the Tulsa World newspaper, "gross revenue for the state of Oklahoma continued a downward spiral for the 18th consecutive month in August, as unemployment figures show the state's jobless numbers exceeded the national rate for the first time in almost 26 years." "We keep scouring through the data to find signs of an impending turnaround, but it's just not there," Ken Miller said. "Some aspects of the August report aren't as negative as in prior months. A few revenue streams have picked back up, but we can't yet point to a positive trend." The economic environment of the state sheds light on the local economy of the City.

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 2016-2017 budget:

The Western Oklahoma economy has resulted in an approximately 7.5% decrease in sales tax revenues for the City of Clinton. The Canute water purchase agreement requires additional expense. Water, waste water and sanitation rate have been increased by 1.64%. In light of the aforementioned conditions, the City decreased the budget deficit from the prior year by implementing a hiring freeze, streamlining operations and staff's creativity in providing services. Administration must look to support projects/events that will increase commerce for Clinton businesses that will in turn, increase City sales tax revenues. Solving a dilemma that may extend beyond this year will require efforts of both administration and staff.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Debra Blanchard
City Treasurer

City of Clinton, Oklahoma
Statement of Net Position
June 30, 2016

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash, including time deposits	\$ 1,406,224	\$ 1,689,277	\$ 3,095,501
Investments	5,580,000	13,206,078	18,786,078
Interest receivable	6,253	177,687	183,940
Accounts receivable (net)	250	699,589	699,839
Internal balances	(1,475)	1,475	-
Receivable from other governments	548,191	-	548,191
Prepaid expenses	57,728	57,263	114,991
Total current assets	7,597,171	15,831,369	23,428,540
Restricted assets:			
Cash	-	23,306,245	23,306,245
Investments	-	-	-
Total restricted assets	-	23,306,245	23,306,245
Noncurrent Assets:			
Pension asset	530,180	-	530,180
Notes receivable	-	10,255,000	10,255,000
Land and construction in progress	1,002,597	8,011,424	9,014,021
Other capital assets (net of accumulated depreciation)	18,863,757	19,610,290	38,474,047
Total noncurrent assets	20,396,534	37,876,714	58,273,248
Total assets	27,993,705	77,014,328	105,008,033
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on pension obligations	994,560	-	994,560
Deferred charge on refunding	-	73,335	73,335
	994,560	73,335	1,067,895
LIABILITIES			
Current liabilities:			
Accounts payable	13,392	97,117	110,509
Wages and benefits payable	173,704	39,814	213,518
Accrued interest payable	-	15,059	15,059
Compensated absences, current	204,176	65,074	269,250
Due to other governments	784,378	-	784,378
Notes payable, current	33,660	692,209	725,869
Total current liabilities	1,209,310	909,273	2,118,583
Liabilities payable from restricted assets:			
Accrued interest payable	-	273,056	273,056
Bonds payable, current	-	3,660,000	3,660,000
Total liabilities payable from restricted assets	-	3,933,056	3,933,056
Noncurrent liabilities:			
Pension liability	2,132,706	-	2,132,706
Other accrued liabilities	2,397	-	2,397
Notes payable, non-current	132,800	1,914,307	2,047,107
Bonds payable, non-current	-	38,385,000	38,385,000
Unamortized bond discount/premium	-	248,567	248,567
Bonds payable, net of unamortized discount/premium	-	38,633,567	38,633,567
Total noncurrent liabilities	2,267,903	40,547,874	42,815,777
Total liabilities	3,477,213	45,390,203	48,867,416
DEFERRED INFLOWS OF RESOURCES			
Deferred charges on pension obligations	1,183,998	-	1,183,998
NET POSITION			
Net investment in capital assets	19,699,894	16,596,171	36,296,065
Restricted for:			
Cemetery care	115,546	-	115,546
Hospital investment	-	8,331,250	8,331,250
Debt obligations	-	727,478	727,478
Unrestricted	4,511,614	6,042,561	10,554,175
Total net position	\$ 24,327,054	\$ 31,697,460	\$ 56,024,514

City of Clinton, Oklahoma
Statement of Activities
For the Year Ended June 30, 2016

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	\$ 761,729	\$ 418,263	\$ 1,585	\$ -	\$ (341,881)
Finance	408,416	227,569	-	-	(180,847)
Total general government	1,170,145	645,832	1,585	-	(522,728)
Public safety and judiciary:					
Legal & courts	133,006	-	-	-	(133,006)
Police	1,628,663	139,293	39,602	1,325	(1,448,443)
Fire	1,052,052	850	4,290	-	(1,046,912)
Inspection/code enforcement	69,848	1,480	-	-	(68,368)
Total public safety and judiciary	2,883,569	141,623	43,892	1,325	(2,696,729)
Transportation:					
Streets	858,319	-	87,516	19,548	(751,255)
Total transportation	858,319	-	87,516	19,548	(751,255)
Cultural, parks and recreation:					
Parks & recreation	1,476,425	183,536	-	19,250	(1,273,639)
Cemetery	115,415	65,377	-	-	(50,038)
Total cultural, parks and recreation	1,591,840	248,913	-	19,250	(1,323,677)
Public services:					
Facilities maintenance	421,193	18,497	-	-	(402,696)
Total public services	421,193	18,497	-	-	(402,696)
Economic development:					
Total governmental activities	7,262,113	1,054,865	132,993	40,123	(6,034,132)
Business-type activities:					
Water	3,955,480	4,335,411	-	-	379,931
Sewer	1,342,271	1,430,154	-	107,040	194,923
Sanitation	1,339,436	1,377,554	-	-	38,118
Airport	500,586	210,813	-	209,725	(80,048)
Golf	565,711	247,912	-	-	(317,799)
Parks and recreation	13,502	-	-	-	(13,502)
Healthcare	566,568	125,000	-	-	(441,568)
Education	532,179	4,102	183,909	-	(344,168)
Economic development	523,074	81,690	-	-	(441,384)
Total business-type activities	9,338,807	7,812,636	183,909	316,765	(1,025,497)
Total	\$ 16,600,920	\$ 8,867,501	\$ 316,902	\$ 356,888	\$ (7,059,629)

(Continued)

City of Clinton, Oklahoma
Statement of Activities
For the Year Ended June 30, 2016

Changes in Net Position:

(Continued)

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (6,034,132)	\$ (1,025,497)	\$ (7,059,629)
General revenues:			
Taxes:			
Sales tax	5,822,153	-	5,822,153
Use tax	377,856	-	377,856
Hotel/Motel tax	342,017	-	342,017
Property tax (TIF)	143,571	-	143,571
E-911 tax	100,086	-	100,086
Franchise taxes	333,385	-	333,385
Cigarette tax	69,103	-	69,103
Alcoholic beverage tax	55,338	-	55,338
Oil and gas royalties	22,325	22,472	44,797
Investment income	55,607	159,696	215,303
Penalties	-	63,753	63,753
Gain (loss) on disposal of assets	-	-	-
Pension change	267,464	-	267,464
Miscellaneous	40,786	5,044	45,830
Transfers-Internal activity	(2,168,752)	2,168,752	-
Total general revenues and transfers	<u>5,460,939</u>	<u>2,419,717</u>	<u>7,880,656</u>
Change in net position	(573,193)	1,394,220	821,027
Net position-beginning	24,900,247	30,303,240	55,203,487
Net position-ending	<u>\$ 24,327,054</u>	<u>\$ 31,697,460</u>	<u>\$ 56,024,514</u>

City of Clinton, Oklahoma
Balance Sheet
June 30, 2016

	General Fund	Capital Improvement Fund	4th Cent Sales Tax Fund	Drug Seizure Fund	Cemetery Fund	Grant Fund	Total Governmental Funds
ASSETS							
Cash, including time deposits	\$ 412,404	\$ 333,123	\$ 616,910	\$ 6,669	\$ 7,456	\$ 23,073	\$ 1,399,635
Investments	2,176,000	1,176,000	2,090,000	-	108,000	30,000	5,580,000
Interest receivable	2,222	1,269	2,636	-	90	36	6,253
Accounts receivable	250	-	-	-	-	-	250
Due from other funds	-	-	-	-	-	-	-
Receivable from other governments	298,268	102,009	147,914	-	-	-	548,191
Prepaid expenses	56,409	-	-	-	-	1,319	57,728
Total assets	\$ 2,945,553	\$ 1,612,401	\$ 2,857,460	\$ 6,669	\$ 115,546	\$ 54,428	\$ 7,422,083
LIABILITIES							
Accounts payable	\$ 11,744	\$ -	\$ -	\$ -	\$ -	\$ 1,622	\$ 13,366
Wages and benefits payable	172,419	-	-	-	-	-	172,419
Compensated absences, current	204,176	-	-	-	-	-	204,176
Due to other funds	-	-	-	-	-	-	-
Due to other governments	784,378	-	-	-	-	-	784,378
Other accrued liabilities	2,397	-	-	-	-	-	2,397
Total liabilities	1,175,114	-	-	-	-	1,622	1,176,736
FUND BALANCES							
Restricted for:							
Cemetery care	-	-	-	-	115,546	-	115,546
Capital projects	-	1,612,401	-	-	-	-	1,612,401
Special revenue funds	-	-	2,857,460	6,669	-	52,806	2,916,935
Unassigned	1,770,439	-	-	-	-	-	1,770,439
Total fund balances	1,770,439	1,612,401	2,857,460	6,669	115,546	52,806	6,415,321
Total liabilities and fund balances	\$ 2,945,553	\$ 1,612,401	\$ 2,857,460	\$ 6,669	\$ 115,546	\$ 54,428	\$ 7,422,083
 Total fund balance - total governmental funds							 6,415,321
 Amounts reported for governmental activities 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.							
						1,002,597	
						32,468,324	
						(13,604,567)	19,866,354
 Long-term liabilities are not due and payable in the current period and are not reported in the funds.							
							(166,460)
							530,180
							994,560
							(2,132,706)
							(1,183,998)
 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.							
							7,887
							(4,084)
 Net assets of governmental activities							 <u>\$ 24,327,054</u>

City of Clinton, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2016

	General Fund	Capital Improvement Fund	4th Cent Sales Tax Fund	Industrial Authority TIF Fund	DFT Drug Seizure Fund	Cemetery Fund	Grant Fund	Total Governmental Funds
REVENUES								
Sales tax	\$ 2,609,928	\$ 1,273,136	\$ 1,791,828	\$ 147,261	\$ -	\$ -	\$ -	\$ 5,822,153
Use tax	377,856	-	-	-	-	-	-	377,856
Hotel/motel tax	244,642	-	-	97,375	-	-	-	342,017
Property taxes (TIF)	-	-	-	143,571	-	-	-	143,571
E911 tax	100,086	-	-	-	-	-	-	100,086
Franchise taxes	333,385	-	-	-	-	-	-	333,385
Cigarette tax	69,103	-	-	-	-	-	-	69,103
Licenses and permits	43,973	-	-	-	-	-	-	43,973
Oil and gas royalties	22,325	-	-	-	-	-	-	22,325
Fines and forfeitures	136,874	-	-	-	-	-	-	136,874
Investment income	27,644	5,472	16,485	4,788	-	921	297	55,607
Charges for services	258,426	-	-	-	-	4,937	-	263,363
Rental income	23,235	-	-	-	-	-	18,497	41,732
Intergovernmental	163,230	5,615	-	-	-	-	-	168,845
Intracity fees	568,923	-	-	-	-	-	-	568,923
Miscellaneous	42,371	48,921	-	-	9,103	-	-	100,395
Total revenues	<u>5,022,001</u>	<u>1,333,144</u>	<u>1,808,313</u>	<u>392,995</u>	<u>9,103</u>	<u>5,858</u>	<u>18,794</u>	<u>8,590,208</u>
EXPENDITURES								
Current:								
General government:								
Governing board and administration	688,533	-	-	-	-	-	-	688,533
Finance	406,159	-	-	-	-	-	-	406,159
Total general government	<u>1,094,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,094,692</u>
Public safety and judiciary:								
Legal and courts	132,253	-	-	-	-	-	-	132,253
Police	1,525,540	22,376	-	-	2,434	-	-	1,550,350
Fire	876,934	10,544	-	-	-	-	-	887,478
Inspection/code enforcement	69,755	-	-	-	-	-	-	69,755
Total public safety and judiciary	<u>2,604,482</u>	<u>32,920</u>	<u>-</u>	<u>-</u>	<u>2,434</u>	<u>-</u>	<u>-</u>	<u>2,639,836</u>
Transportation:								
Street	556,368	21,332	-	-	-	-	-	577,700
Total transportation	<u>556,368</u>	<u>21,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>577,700</u>
Cultural, parks and recreation:								
Parks & recreation	988,464	25,806	-	-	-	-	-	1,014,270
Cemetery	113,776	-	-	-	-	104	-	113,880
Total cultural, parks and recreation	<u>1,102,240</u>	<u>25,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104</u>	<u>-</u>	<u>1,128,150</u>
Public Services:								
Facilities maintenance	279,397	11,690	-	-	-	-	5,803	296,890
Total public services	<u>279,397</u>	<u>11,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,803</u>	<u>296,890</u>
Economic development:	-	-	502	330,709	-	-	-	331,211
Capital outlay	33,724	411,509	-	-	-	-	-	445,233
Debt service:								
Principle	-	27,486	-	-	-	-	-	27,486
Interest	-	3,656	-	5,836	-	-	-	9,492
Total debt service	<u>-</u>	<u>31,142</u>	<u>-</u>	<u>5,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,978</u>
Total expenditures	<u>5,670,903</u>	<u>534,399</u>	<u>502</u>	<u>336,545</u>	<u>2,434</u>	<u>104</u>	<u>5,803</u>	<u>6,550,690</u>
Excess (deficiency) of revenues over expenditures	<u>(648,902)</u>	<u>798,745</u>	<u>1,807,811</u>	<u>56,450</u>	<u>6,669</u>	<u>5,754</u>	<u>12,991</u>	<u>2,039,518</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	2,694,964	935,370	1,280,417	-	-	-	-	4,910,751
Transfers out	(3,123,275)	(1,379,526)	(2,519,668)	(57,034)	-	-	-	(7,079,503)
Capital lease proceeds	-	23,280	-	-	-	-	-	23,280
Total other financing sources and uses	<u>(428,311)</u>	<u>(420,876)</u>	<u>(1,239,251)</u>	<u>(57,034)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,145,472)</u>
Net change in fund balances	(1,077,213)	377,869	568,560	(584)	6,669	5,754	12,991	(105,954)
Fund balances - beginning	2,847,652	1,234,532	2,288,900	584	-	109,792	39,815	6,521,275
Fund balances - ending	<u>\$ 1,770,439</u>	<u>\$ 1,612,401</u>	<u>\$ 2,857,460</u>	<u>\$ -</u>	<u>\$ 6,669</u>	<u>\$ 115,546</u>	<u>\$ 52,806</u>	<u>\$ 6,415,321</u>

(Continued)

City of Clinton, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2016

(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 \$ (105,954)

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	445,233	
Depreciation expense	<u>(1,182,330)</u>	(737,097)

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.

267,464

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

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		
Capital lease financing	(23,280)	
Debt and capital lease principle	29,570	
Interest on debt	9,492	
Debt activity recognized in the statement of activities		
Interest on long-term debt	(9,492)	6,290

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

Internal service fund changes in net position	(1,475)	
Business-type activities net activities due to governmental type activities	<u>(2,421)</u>	<u>(3,896)</u>

	\$	<u><u>(573,193)</u></u>
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City of Clinton, Oklahoma
Statement of Fund Net Position
June 30, 2016

	Public Works Authority	Solid Waste Authority	Clinton Airport Authority	Recreation Trust Authority	Clinton Hospital Authority	Industrial Authority	Total Enterprise Funds	Internal Service Fund
ASSETS								
Current assets:								
Cash, including time deposits	\$ 356,650	\$ 12,154	\$ 27,418	\$ 21,571	\$ 646,945	\$ 624,539	\$ 1,689,277	\$ 6,589
Investment	2,433,000	763,000	130,000	-	9,242,078	638,000	13,206,078	-
Interest receivable	174,516	980	131	-	705	1,355	177,687	-
Accounts receivable (net)	561,836	130,795	4,576	-	-	2,382	699,589	-
Due from other funds	-	-	-	-	-	15,313	15,313	-
Prepaid expenses	28,512	6,650	6,625	4,465	-	11,011	57,263	-
Total current assets	<u>3,554,514</u>	<u>913,579</u>	<u>168,750</u>	<u>26,036</u>	<u>9,889,728</u>	<u>1,292,600</u>	<u>15,845,207</u>	<u>6,589</u>
Restricted assets:								
Cash, including time deposits	23,306,245	-	-	-	-	-	23,306,245	-
Investments	-	-	-	-	-	-	-	-
Total restricted assets	<u>23,306,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,306,245</u>	<u>-</u>
Noncurrent assets:								
Capital lease receivable	10,255,000	-	-	-	-	-	10,255,000	-
Capital assets (net)	16,849,869	626,239	2,737,110	1,537,697	2,214,327	3,656,471	27,621,713	2,609
Total noncurrent assets	<u>27,104,869</u>	<u>626,239</u>	<u>2,737,110</u>	<u>1,537,697</u>	<u>2,214,327</u>	<u>3,656,471</u>	<u>37,876,713</u>	<u>2,609</u>
Total assets	<u>53,965,628</u>	<u>1,539,818</u>	<u>2,905,860</u>	<u>1,563,733</u>	<u>12,104,055</u>	<u>4,949,071</u>	<u>77,028,165</u>	<u>9,198</u>
LIABILITIES								
Current liabilities:								
Accounts payable	40,118	53,757	122	1,688	30	1,402	97,117	26
Wages and benefits payable	11,210	14,786	-	11,929	-	1,889	39,814	1,285
Due to other funds	15,313	-	-	-	-	-	15,313	-
Accrued interest payable	-	-	-	-	-	15,059	15,059	-
Compensated absences, current	19,619	23,979	-	18,342	-	3,134	65,074	-
Notes payable, current	44,635	-	-	23,056	-	624,518	692,209	-
Total current liabilities	<u>130,895</u>	<u>92,522</u>	<u>122</u>	<u>55,015</u>	<u>30</u>	<u>646,002</u>	<u>924,586</u>	<u>1,311</u>
Liabilities payable from restricted assets:								
Accrued interest payable	273,056	-	-	-	-	-	273,056	-
Bonds payable, current	3,660,000	-	-	-	-	-	3,660,000	-
Total liabilities payable from restricted assets	<u>3,933,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,933,056</u>	<u>-</u>
Noncurrent liabilities:								
Other accrued liabilities	-	-	-	-	-	-	-	-
Notes payable, non-current	123,053	-	-	55,685	-	1,735,569	1,914,307	-
Bonds payable, noncurrent	38,385,000	-	-	-	-	-	38,385,000	-
Unamortized bond discount/premium	248,567	-	-	-	-	-	248,567	-
Deferred amount on refunding	(73,335)	-	-	-	-	-	(73,335)	-
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	<u>38,560,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,560,232</u>	<u>-</u>
Total noncurrent liabilities	<u>38,683,285</u>	<u>-</u>	<u>-</u>	<u>55,685</u>	<u>-</u>	<u>1,735,569</u>	<u>40,474,539</u>	<u>-</u>
Total liabilities	<u>42,747,236</u>	<u>92,522</u>	<u>122</u>	<u>110,700</u>	<u>30</u>	<u>2,381,571</u>	<u>45,332,181</u>	<u>1,311</u>
NET POSITION								
Net investment in capital assets	7,638,637	626,239	2,737,110	1,458,956	2,214,327	1,920,902	16,596,171	2,609
Restricted for hospital investment	-	-	-	-	8,331,250	-	8,331,250	-
Restricted for debt obligations	727,478	-	-	-	-	-	727,478	-
Unrestricted	<u>2,852,277</u>	<u>821,057</u>	<u>168,628</u>	<u>(5,923)</u>	<u>1,558,448</u>	<u>646,598</u>	<u>6,041,085</u>	<u>5,278</u>
Total net position	<u>\$ 11,218,392</u>	<u>\$ 1,447,296</u>	<u>\$ 2,905,738</u>	<u>\$ 1,453,033</u>	<u>\$ 12,104,025</u>	<u>\$ 2,567,500</u>	<u>31,695,984</u>	<u>\$ 7,887</u>
Adjustment to reflect the consolidation of applicable internal service fund activities to enterprise funds							1,476	
Net assets of business-type activities							<u>\$ 31,697,460</u>	

City of Clinton, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

	Public Works Authority	Solid Waste Authority	Clinton Airport Authority	Recreation Trust Authority	Clinton Hospital Authority	Industrial Authority	Total Enterprise Funds	Internal Service Fund
Operating revenues:								
Charges for services:								
Water charges	\$ 4,258,059	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,258,059	\$ -
Sewer charges	1,425,804	-	-	-	-	-	1,425,804	-
Sanitation charges	-	1,377,189	-	-	-	-	1,377,189	-
Penalties	63,753	-	-	-	-	-	63,753	-
Golf fees	-	-	-	247,502	-	-	247,502	-
Parks and recreation	-	-	-	-	-	-	-	-
Swimming fees	-	-	-	-	-	-	-	-
Concessions/merchandise sales	-	-	123,051	-	-	1,113	124,164	-
Internal service charges	-	-	-	-	-	-	-	33,377
Total charges for services	5,747,616	1,377,189	123,051	247,502	-	1,113	7,496,471	33,377
Lease and rental income	32,504	-	65,963	-	125,000	80,545	304,012	-
Miscellaneous	345,989	365	21,799	410	-	32	368,595	41,881
Total operating revenues	6,126,109	1,377,554	210,813	247,912	125,000	81,690	8,169,078	75,258
Operating expenses:								
Cost of goods sold	1,158,107	-	-	-	-	-	1,158,107	-
Personal services	321,860	394,289	-	288,529	-	52,865	1,057,543	34,069
Materials and supplies	295,522	104,808	122,390	21,050	-	25,355	569,125	39,136
Other services and charges	1,560,696	772,165	189,928	129,003	16,384	267,044	2,935,220	3,036
Bad debt expense	30,902	5,258	-	-	-	-	36,160	-
Depreciation	692,405	62,374	188,263	123,576	550,184	74,654	1,691,456	492
Total operating expenses	4,059,492	1,338,894	500,581	562,158	566,568	419,918	7,447,611	76,733
Net operating income	2,066,617	38,660	(289,768)	(314,246)	(441,568)	(338,228)	721,467	(1,475)
Nonoperating revenue (expense):								
Investment income	17,817	7,151	748	60	123,093	10,827	159,696	-
Gain (loss) on disposal of fixed assets	-	-	-	-	-	-	0	-
Acquisition payments- Clinton Public Schools	-	-	-	-	-	-	0	-
Grants and contributions	-	-	209,725	-	-	-	209,725	-
Interest expense	(1,643,796)	-	-	(3,553)	-	(76,869)	(1,724,218)	-
Fiscal charges	(19,300)	-	-	-	-	-	(19,300)	-
Amortization	(146,796)	-	-	-	-	-	(146,796)	-
Oil and gas royalties	-	-	22,472	-	-	-	22,472	-
Total nonoperating revenue (expense)	(1,792,075)	7,151	232,945	(3,493)	123,093	(66,042)	(1,498,421)	-
Net income before contributions and transfers	274,542	45,811	(56,823)	(317,739)	(318,475)	(404,270)	(776,954)	(1,475)
Transfers from other funds	5,878,252	-	-	234,909	-	1,077,912	7,191,073	-
Transfers to other funds	(4,910,751)	-	-	-	(111,570)	-	(5,022,321)	-
Change in net position	1,242,043	45,811	(56,823)	(82,830)	(430,045)	673,642	1,391,798	(1,475)
Net position-beginning of year	9,976,349	1,401,485	2,962,561	1,535,863	12,534,070	1,893,858	-	9,362
Net position-end of year	\$ 11,218,392	\$ 1,447,296	\$ 2,905,738	\$ 1,453,033	\$ 12,104,025	\$ 2,567,500	-	\$ 7,887
Adjustment to reflect the consolidation of applicable internal service fund activities to enterprise funds							2,422	
Change in net position of business-type activities							\$ 1,394,220	

City of Clinton, Oklahoma
Statement of Cash Flows
For the Year Ended June 30, 2016

	Public Works Authority	Solid Waste Authority	Clinton Airport Authority	Recreation Trust Authority	Clinton Hospital Authority	Industrial Authority	Total Enterprise Funds	Internal Service Fund
Cash flows from operating activities:								
Receipts from customers	\$ 5,751,271	\$ 1,382,505	\$ 188,200	\$ 247,502	\$ 125,000	\$ 80,467	\$ 7,774,945	\$ 33,377
Payments to suppliers	(3,049,460)	(886,465)	(311,574)	(149,615)	(16,384)	(292,579)	(4,706,077)	(42,289)
Payments to employees	(320,008)	(393,228)	-	(291,304)	-	(53,138)	(1,057,678)	(33,929)
Other operating revenues	345,989	365	21,799	410	-	32	368,595	41,881
Net cash provided (used) by operating activities	2,727,792	103,177	(101,575)	(193,007)	108,616	(265,218)	2,379,785	(960)
Cash flows from non-capital financing activities:								
Receipts under interfund loan agreements	-	-	-	-	-	330,296	330,296	-
Payments under interfund loan agreements	(4,375)	-	-	-	-	(382,955)	(387,330)	-
Transfers from other funds	5,878,252	-	-	234,909	-	1,077,912	7,191,073	-
Transfers to other funds	(4,910,751)	-	-	-	(111,570)	-	(5,022,321)	-
Payments received on capital lease	-	-	-	-	-	-	-	-
Acquisition payments- Clinton Public Schools	-	-	-	-	-	-	-	-
Net cash provided (used) by non-capital financing activities	963,126	-	-	234,909	(111,570)	1,025,253	2,111,718	-
Cash flows from capital and related financing activities:								
Purchases of capital assets	(3,201,450)	(127,801)	(201,243)	(43,925)	-	(5,819)	(3,580,238)	-
Principal paid on capital debt	(1,299,440)	-	-	(13,267)	-	(605,812)	(1,918,519)	-
Proceeds from debt issuance	-	-	-	-	-	-	-	-
Proceeds received on grants	-	-	209,725	-	-	-	209,725	-
Interest and fiscal charges paid on capital debt	(1,677,347)	-	-	(3,553)	-	(80,671)	(1,761,571)	-
Net cash provided (used) by capital and related financing activities	(6,178,237)	(127,801)	8,482	(60,745)	-	(692,302)	(7,050,603)	-
Cash flows from investing activities:								
Sale (purchase) of investments	(626,000)	(57,000)	85,000	-	(61,240)	342,000	(317,240)	-
Investment income	17,874	7,019	778	60	123,141	10,900	159,772	-
Receipts from oil & gas royalties	-	-	22,472	-	-	-	22,472	-
Net cash provided (used) by investing activities	(608,126)	(49,981)	108,250	60	61,901	352,900	(134,996)	-
Net increase (decrease) in cash and cash equivalents	(3,095,445)	(74,605)	15,157	(18,783)	58,947	420,633	(2,694,096)	(960)
Cash and cash equivalents, July 1, 2015	26,758,340	86,759	12,261	40,354	587,998	203,906	27,689,618	7,549
Cash & cash equivalents, June 30, 2016	<u>\$ 23,662,895</u>	<u>\$ 12,154</u>	<u>\$ 27,418</u>	<u>\$ 21,571</u>	<u>\$ 646,945</u>	<u>\$ 624,539</u>	<u>\$ 24,995,522</u>	<u>\$ 6,589</u>
Cash, including time deposits	\$ 356,650	\$ 12,154	\$ 27,418	\$ 21,571	\$ 646,945	\$ 624,539	\$ 1,689,277	\$ 6,589
Restricted cash, including time deposits	23,306,245	-	-	-	-	-	23,306,245	-
Total cash and cash equivalents, end of year	<u>\$ 23,662,895</u>	<u>\$ 12,154</u>	<u>\$ 27,418</u>	<u>\$ 21,571</u>	<u>\$ 646,945</u>	<u>\$ 624,539</u>	<u>\$ 24,995,522</u>	<u>\$ 6,589</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities								
Operating income (loss)	\$ 2,066,617	\$ 38,660	\$ (289,768)	\$ (314,246)	\$ (441,568)	\$ (338,228)	\$ 721,467	\$ (1,475)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	692,405	62,374	188,263	123,576	550,184	74,654	1,691,456	492
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable	(28,849)	5,316	(814)	-	-	(1,191)	(25,538)	-
(Increase) decrease in prepaids	7,123	(207)	1,524	360	-	(789)	8,011	-
Increase (decrease) in accounts payable	(11,356)	(4,027)	(780)	78	-	609	(15,476)	(117)
Increase (decrease) in wages & benefits payable	4	1,054	-	-	-	(282)	776	140
Increase (decrease) in compensated absences	1,848	7	-	(2,775)	-	9	(911)	-
Increase (decrease) in other accrued liabilities	-	-	-	-	-	-	-	-
Total adjustments	661,175	64,517	188,193	121,239	550,184	73,010	1,658,318	515
Net cash provided (used) by operating activities	\$ 2,727,792	\$ 103,177	\$ (101,575)	\$ (193,007)	\$ 108,616	\$ (265,218)	\$ 2,379,785	\$ (960)
Non-cash investing, capital, and financing activities:								
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total non-cash investing, capital, and financing activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

City of Clinton, Oklahoma
Statement of Fiduciary Net Position
June 30, 2016

	<u>Agency Fund</u>
ASSETS	
Cash, including time deposits	\$ 13,934
Investments	<u>272,000</u>
Total assets	<u><u>\$ 285,934</u></u>
LIABILITIES	
Due to depositors	<u>285,934</u>
Total liabilities	<u><u>\$ 285,934</u></u>

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(A) Introduction:

The accounting and reporting framework and the more significant accounting principles and practices of the City of Clinton (City) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2016.

(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. Before the leasing of the hospital, it was an excluded component unit.	Enterprise Fund

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

Government-wide Financial Statements

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the 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 October 15, 2016, 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.

4th Cent Sales Tax

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

Tax Incremental Financing (TIF)

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

Major Proprietary Funds

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

Internal Service Fund

Accounts for the financing of goods or services provided by on 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)

CITY OF CLINTON, OKLAHOMA
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June 30, 2016

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, 2016, the City's net assessed valuation of taxable property was \$45,533,922. 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 Statues. For the year ended June 30, 2016, 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

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2016

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, 2016, 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 2016.

(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, 2016, 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, 2014.

<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, 2016, this requirement was met (see computation below).

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2016

<u>Revenue Bond Coverage</u>	
Gross revenue available for debt service	
Operating revenues for Public Works Authority	5,747,616
Pledged sales tax	5,776,682
Gross revenue available for debt service	11,524,298
Operating expenses for Public Works Authority	
Excluding depreciation and amortization	(3,367,087)
Net revenues available for debt service	8,157,211
Debt service requirements:	
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	2.99
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.

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2016

Investments

As of June 30, 2016, 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>
Primary government				
<u>POOLED INVESTMENTS:</u>				
Certificates of deposit	\$ 10,692,000	\$ 10,692,000	N/A	320
Total pooled investments	<u>10,692,000</u>	<u>10,692,000</u>		
<u>NON-POOLED INVESTMENTS:</u>				
Federal agency notes	2,908,883	2,888,907	Aaa	-
Mortgage backed securities (3)	478,195	464,655	AAA	
Certificates of deposit	4,707,000	4,707,000	N/A	626
Total non-pooled investments	<u>8,094,078</u>	<u>8,060,562</u>		
Total primary government investments	<u>\$ 18,786,078</u>	<u>\$ 18,752,562</u>		
Reconciliation to Statement of Net Assets				
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	
Unrestricted Investments	<u>5,580,000</u>	<u>13,206,078</u>	<u>18,786,078</u>	
Total	<u>5,580,000</u>	<u>13,206,078</u>	<u>18,786,078</u>	
Fiduciary funds				
<u>POOLED INVESTMENTS:</u>				
Certificates of deposit	\$ 272,000	\$ 272,000	N/A	101
Total fiduciary investments	<u>\$ 272,000</u>	<u>\$ 272,000</u>		
Grand total investments	<u>\$ 19,058,078</u>	<u>\$ 19,024,562</u>		

(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 and use taxes receivable of \$548,191 comprised of amount received after year-end for current year taxes on sales.

	<i>Business-type Activities</i>				Total
	Public Works	Solid Waste	Airport	Industrial Authority	
Accounts Receivable	\$ 561,836	\$ 130,795	\$ 4,576	\$ 2,382	\$ 699,589
Less: allowance for uncollectible accounts	-	-	-	-	-
Net accounts receivable	<u>\$ 561,836</u>	<u>\$ 130,795</u>	<u>\$ 4,576</u>	<u>\$ 2,382</u>	<u>\$ 699,589</u>

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2016

(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, 2016 were as follows:

Type of Restricted Assets	Cash and cash equivalents	Investments	Total
Enterprise Funds:			
Public Works Authority			
Revenue Bond Trustee Accounts:			
2010 Bonds	\$ 2,770	\$ -	\$ 2,770
2012 bonds	635,814	-	635,814
2014 bonds	22,667,661	-	22,667,661
Grand total enterprise fund	<u>\$ 23,306,245</u>	<u>\$ -</u>	<u>\$ 23,306,245</u>

(D) Capital Assets:

Governmental Activities

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

	Balance at			Balance at	
	July 1, 2015	Additions	Disposals	June 30, 2016	
Land	\$ 992,391	\$ -	\$ -	\$ 992,391	
Buildings	10,588,763	-	-	10,588,763	
Other improvements	5,660,872	83,082	-	5,743,954	
Machinery, furniture & equip.	6,028,667	351,944	101,710	6,278,901	
Infrastructure	9,856,706	-	-	9,856,706	
Construction in process	-	10,206	-	10,206	
	<u>33,127,399</u>	<u>445,232</u>	<u>101,710</u>	<u>33,470,921</u>	
Less accumulated depreciation	12,523,455	1,182,822	101,710	13,604,567	
Net property, plant, & equipment	<u>\$ 20,603,944</u>			<u>\$ 19,866,354</u>	

Business-Type Activities

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

	Balance at			Balance at	
	July 1, 2015	Additions	Disposals	June 30, 2016	
Land	\$ 2,077,781	-	-	\$ 2,077,781	
Buildings	8,065,034	18,959	-	8,083,993	
Other improvements	12,664,062	240,800	-	12,904,862	
Machinery, furniture & equip.	13,460,335	314,269	-	13,774,604	
Infrastructure	31,106,664	497,032	-	31,603,696	
Construction in progress	3,424,463	2,835,148	325,968	5,933,643	
	<u>70,798,339</u>	<u>3,906,208</u>	<u>325,968</u>	<u>74,378,579</u>	
Less accumulated depreciation	45,065,408	1,691,456	(1)	46,756,865	
Net property, plant, & equipment	<u>\$ 25,732,931</u>			<u>\$ 27,621,714</u>	

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2016

Fixed assets of the Enterprise Funds were comprised of the following at June 30, 2016:

	Public Works Authority	Solid Waste Authority	Airport Authority	Recreation Authority	Industrial Authority	Hospital Authority
Land	\$ 164,305	\$ 84,601	\$ 128,733	\$ 302,000	\$ 1,353,336	\$ 44,806
Buildings	521,970	179,823	514,933	253,752	2,761,932	3,851,583
Other Improvements	1,194,008	-	1,274,223	1,507,764	106,885	8,821,982
Machinery, furniture, & equip.	1,981,381	1,524,981	188,026	569,576	292,199	9,218,441
Infrastructure	28,917,304	-	2,467,319	105,163	113,910	-
Construction in progress	5,784,795	-	-	-	148,848	-
Less accumulated depreciation	21,713,894	1,163,166	1,836,124	1,200,558	1,120,639	19,722,485
Net property, plant, & equipment	<u>\$ 16,849,869</u>	<u>\$ 626,239</u>	<u>\$ 2,737,110</u>	<u>\$ 1,537,697</u>	<u>\$ 3,656,471</u>	<u>\$ 2,214,327</u>

Depreciation

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

Governmental Activities	Business-type Activities	
General government:	Water	\$361,372
Governing board & administration	Sewer	331,033
Finance	Sanitation	62,374
Public safety & judiciary:	Airport	188,263
Legal and courts	Golf	123,576
Police	Healthcare	550,184
Fire	Economic development	74,654
Inspection/code enforcement		<u>\$1,691,456</u>
Transportation:		
Street		276,859
Cultural, parks and recreation:		
Parks & recreation		462,117
Cemetery		1,528
Public services:		
Facilities maintenance		124,303
		<u>\$1,182,330</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.

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2016

Governmental Activities

As of June 30, 2016, 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 May , 2018.

\$ 145,264

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.

16,609

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.

4,587

\$ 166,460

Business-Type Activities

As of June 30, 2016, 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 March 11, 2014 for the lease of property totalling \$113,317. Leased equipment attributable to business-type activities includes 30 new golf carts. Monthly payments of \$1,980 are required under the lease beginning June, 2014 with a balloon payment of \$30,000 due in May, 2018. Lease matures May , 2018.

\$ 71,514

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.

7,227

\$ 78,741

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2016

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%.	\$ 167,688
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.	15,313
Note payable to Robinsons for housing development land to be paid as lots sell, no interest, balance due by January 1, 2017 if lots not all sold.	100,000
Note Payable for fire station construction and equipment issued by the Clinton Industrial Authority, payable in semi annual payments to the Oklahoma Bank & Trust with an annual interest rate of 2.95%, to begin August 12, 2012.	2,244,774
	\$ 2,527,775

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.	2,340,000
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
<u>Conduit Debt Obligations:</u>	
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.	10,255,000
	42,045,000
Total revenue bonds payable	42,045,000
Add: unamortized premiums	272,891
Less: unamortized discounts	(24,323)
Less: unamortized deferred amount on refunding	(73,335)
Net revenue bonds payable	\$ 42,220,233

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, 2016

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

Type of Debt	Balance at July 1, 2015	Amount Issued	Amount Retired	Balance at June 30, 2016	Due Within One Year
Governmental Fund Debt:					
Capital leases payable	\$ 172,750	\$ 23,280	\$ 29,570	\$ 166,460	\$ 33,660
Total governmental fund debt	<u>\$ 172,750</u>	<u>\$ 23,280</u>	<u>\$ 29,570</u>	<u>\$ 166,460</u>	<u>\$ 33,660</u>
Enterprise Fund Debt:					
Capital lease payable	\$ 92,008	\$ 8,209	\$ 21,476	\$ 78,741	\$ 23,056
Notes payable	3,177,662	-	649,887	2,527,775	669,153
Revenue bonds payable	33,045,000	-	1,255,000	31,790,000	1,270,000
Conduit debit	10,255,000	-	-	10,255,000	2,390,000
Total enterprise fund debt	<u>\$ 46,569,670</u>	<u>\$ 8,209</u>	<u>\$ 1,926,363</u>	<u>\$ 44,651,516</u>	<u>\$ 4,352,209</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2016 are as follows:

Year Ending June 30	<u>Governmental Activities</u>				<u>Business-Type Activities</u>			
	Leases Payable		Notes and Leases Payable		Revenue Bonds		Conduit Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 33,660	\$ 4,271	\$ 692,209	\$ 65,079	\$ 1,270,000	\$ 1,097,361	\$ 2,390,000	\$ 516,884
2018	34,532	3,536	839,839	45,498	530,000	1,081,486	-	415,930
2019	33,666	2,502	708,901	24,641	820,000	1,070,131	2,825,000	415,930
2020	33,849	1,582	365,567	3,879	710,000	1,047,181	-	274,680
2021	30,753	389	-	-	730,000	1,025,581	5,040,000	274,680
2022-2026	-	-	-	-	4,045,000	4,720,956	-	-
2027-2031	-	-	-	-	3,730,000	4,041,313	-	-
2032-2036	-	-	-	-	5,415,000	3,096,444	-	-
2037-2041	-	-	-	-	6,585,000	1,855,019	-	-
2042-2046	-	-	-	-	7,955,000	479,679	-	-
Totals	<u>\$ 166,460</u>	<u>\$ 12,280</u>	<u>\$ 2,606,516</u>	<u>\$ 139,097</u>	<u>\$ 31,790,000</u>	<u>\$ 19,515,151</u>	<u>\$ 10,255,000</u>	<u>\$ 1,898,104</u>

(F) Interfund Transactions and Balances:

Interfund receivables and payables at June 30, 2016 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	-	\$ 15,313
Industrial Authority:		
Public Works Authority	15,313	-
GRAND TOTAL	<u>\$ 15,313</u>	<u>\$ 15,313</u>

CITY OF CLINTON, OKLAHOMA
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Operating transfers for the year ended June 30, 2016 were as follows:

<u>OPERATING TRANSFERS:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND:		
Public Works Authority (an enterprise fund)	\$ 2,694,964	\$ 2,694,964
Recreation Authority (an enterprise fund)	-	170,000
Industrial Authority (an enterprise fund)	-	258,311
Total General Fund	<u>2,694,964</u>	<u>3,123,275</u>
SPECIAL REVENUE FUNDS:		
<i>4th Cent Sales Tax :</i>		
Public Works Authority (an enterprise fund)	1,280,417	1,767,101
Industrial Authority (an enterprise fund)	-	752,567
<i>Industrial Authority TIF :</i>		
Industrial Authority (an enterprise fund)	-	57,034
Total Special Revenue Fund	<u>1,280,417</u>	<u>2,576,702</u>
CAPITAL PROJECTS FUND:		
Public Works Authority	935,370	1,314,617
Clinton Recreation Authority (an enterprise fund)	-	64,909
Total Capital Project Funds	<u>935,370</u>	<u>1,379,526</u>
ENTERPRISE FUNDS:		
<i>Clinton Public Works Authority:</i>		
General Fund	2,694,964	2,694,964
Capital Projects Fund	1,314,617	935,370
4 th Cent Sales Tax Fund (a special revenue fund)	1,767,101	1,280,417
Clinton Hospital Authority	101,570	-
<i>Clinton Recreation Authority:</i>		
General Fund	170,000	-
Capital Projects Fund	64,909	-
<i>Clinton Industrial Authority:</i>		
General Fund	258,311	-
Industrial Authority TIF (a special revenue fund)	57,034	-
Capital Projects Fund	-	-
4 th Cent Sales Tax Fund (a special revenue fund)	752,567	-
Clinton Hospital Authority (an enterprise fund)	10,000	-
<i>Clinton Hospital Authority:</i>		
Public Works Authority (an enterprise fund)		101,570
Industrial Authority (an enterprise fund)		10,000
Total Enterprise Funds	<u>7,191,073</u>	<u>5,022,321</u>
 GRAND TOTAL	 <u>\$ 12,101,824</u>	 <u>\$ 12,101,824</u>

(G) Fund Equity:

Retained Earnings Reserves

The retained earnings of the enterprise funds and internal service funds are reserved for debt retirements and loan disbursements related to the various revenue bond issues. Reserves at June 30, 2016 are as follows:

	<u>Reserved For Debt Service</u>	<u>Reserved Hospital Lease Funds</u>	<u>Total</u>
Enterprise Funds:			
Public Works Authority	\$ 727,478	\$ -	\$ 727,478
Hospital Authority	-	8,331,250	8,331,250
Total Enterprise Fund	<u>\$ 727,478</u>	<u>\$ 8,331,250</u>	<u>\$ 9,058,728</u>

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, 2016, the following amounts related to the defined contribution plan:

City total payroll	\$3,864,818
Payroll for covered employees	\$2,255,941
Employer (City) contributions made	\$83,471

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, 2016 were \$2,617 on a covered payroll of \$88,352.

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.

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, 2016, the City's contribution was 10.10%. Contributions to the pension plan from the City were \$260,465 for the year ended June 30, 2016.

Membership

Membership in the plan is as follows:

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	As of January 1, 2015
Inactive employees & beneficiaries receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	11
Active participants	63
Total	108

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

At June 30, 2016, the City reported an asset of \$530,180 for its proportionate share of the net pension asset. The net pension asset was measured as of July 1, 2015, 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, 2016, the City recognized pension expense of \$121,227. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	14242
Difference between expected and actual experience	\$ -	\$ 14,242
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	404,943	551,194
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	238,073	-
Total	\$ 643,016	\$ 565,436

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

Year ended June 30:	
	2017 \$ (85,953)
	2018 (85,953)
	2019 (85,951)
	2020 97,778
	2021 (414)
After	-
	\$ (160,493)

Actuarial assumptions: The total pension liability in the June 30, 2015 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	7.55 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, 2015 valuation were based on the results of an actuarial experience study for the period ended July 1, 2007 through June 30, 2011.

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

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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, 2015 are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large cap stocks - S&P 500	25%	5.40%	1.35%
Small/mid cap stocks - Russell 2500	10%	7.50%	0.75%
Long/short equity - MSCI ACWI	10%	6.10%	0.61%
International stocks - MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate - NCREIF	5%	4.80%	0.24%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	100%		
		Average Real Return	4.75%
		Inflation	3.00%
		Long term expected return	7.75%

Discount rate: The discount rate used to measure the total pension liability was 7.75 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 3.29% was used in the analysis.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at July 1, 2014	10,363,145	11,328,520	(965,375)
Changes for the year:			
Service cost	345,244	-	345,244
Interest	785,489	-	785,489
Differences between expected and actual experience	(17,699)	-	(17,699)
Contributions - employer	-	260,465	(260,465)
Contributions - employee	-	125,312	(125,312)
Net investment income	-	315,533	(315,533)
Benefit payments, including refunds of employee contributions	(464,280)	(464,280)	-
Administrative expense	-	(23,471)	23,471
Other changes	-	-	-
Net changes	648,754	213,559	435,195
Balances at July 1, 2015	\$ 11,011,899	\$ 11,542,079	\$ (530,180)

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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability/(asset)	1,076,493	(530,180)	(1,844,921)

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

Oklahoma Police Pension and Retirement System

Plan Description

The City of Clinton, as the employer, participates in the Oklahoma Police Pension and Retirement System, a statewide, cost-sharing, multiple-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publically available financial report that can be obtained at www.ok.gov/OPPRS.

Benefits Provided

OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered. Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions

The State of Oklahoma has the authority to establish contribution obligations and benefits per state statute 11 O.S. Section 550-101 et seq. Employees are required to contribute 8% of paid base salary; the City contributes 13% of the employee's paid base salary. Contributions to the pension plan from the City were \$86,737 for the year ended June 30, 2016.

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

At June 30, 2016, the City reported an asset of \$81,545 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 liability 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. At June 30, 2015, the City's proportion was 0.2189 percent.

For the year ended June 30, 2015, the City recognized pension expense of \$29,380. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 49,348
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	159,921	194,262
Changes in proportion and differences between City contributions and proportionate share of contributions	-	19,244
City contributions subsequent to the measurement date	86,737	-
Total	\$ 246,658	\$ 262,854

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

Year ended June 30:

2017	\$	(44,098)
2018		(44,098)
2019		(44,098)
2020		27,558
2021		(3,553)
After		1,114
	\$	(107,175)

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	4.5% to 17% average, including inflation
Investment rate of return	7.5% net of pension plan investment expense, per annum, compound annually
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 yrs with full generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward with fully generational improvement using scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period ended July 1, 2007 through June 30, 2012. There have been no changes to actuarial assumptions since the prior valuation.

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 as of June 30, 2015, are summarized in the following table:

<u>Long-Term Expected Asset Class</u>	<u>Real Rate of Return</u>
Fixed income	2.83%
Domestic equity	6.47%
International equity	6.98%

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Real Estate	5.50%
Private Equity	5.96%
Other assets	3.08%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount Rate – 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	536,242	8,924	(435,641)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued OPPRS financial report which can be located at www.ok.gov/OPPRS.

Oklahoma Firefighters Pension and Retirement System

Plan Description

The City of Clinton, as the employer, participates in the Firefighters Pension & Retirement- a statewide, cost-sharing, multiple-employer defined benefit plan administered by the Oklahoma Firefighters Pension and Retirement System (FPRS). FPRS issues a publically available financial report that can be obtained at www.ok.gov/FPRS.

Benefits Provided

FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions

The State of Oklahoma has the authority to establish contribution obligations per state statute 11 O.S. Section 49.100 thru 49.143 et seq and are not based on actuarial calculations. Volunteer members have no contribution requirements; the City contributes \$60 per year for each volunteer.

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Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$74,375.

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

At June 30, 2016, the City reported a liability of \$2,123,782 for its proportionate share of the net pension liability. The net pension net pension liability was measured as of July 1, 2015, 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 liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. The City's proportion was 0.200091%.

For the year ended June 30, 2015, the City recognized pension expense of \$157,408. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	
Difference between expected and actual experience	\$ 41,959	\$ -	
Changes of assumptions	-	-	
Net difference between projected and actual earnings on pension plan investments	75,289	233,602	
Changes in proportion and differences between City contributions and proportionate share of contributions	-	122,106	
City contributions subsequent to the measurement date	74,375	-	
Total	\$ 191,623	\$ 355,708	

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

Year ended June 30:	
2017	\$ (53,826)
2018	(53,826)
2019	(53,826)
2020	28,911
2021	3,978
Thereafter	120
	\$ (128,469)

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

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 as of June 30, 2015, are summarized in the following table:

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Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

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 as of June 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

Discount Rate – 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 36% 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.

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:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	2,757,509	2,123,782	1,592,273

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

Other Post-Employment Benefits

For the year ended June 30, 2016, 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 4th year of the initial term of the lease to purchase the hospital premises for a price equal to the fair market value as determined by an appraiser.

Clinton Public School District Lease

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

(C) **Subsequent Events:**

None

**City of Clinton, Oklahoma
General Fund
For the Year Ended June 30, 2016
Budget and Actual (Non-GAAP Budgetary Basis)**

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales taxes	\$ 2,868,000	\$ -	\$ 2,868,000	\$ 2,625,534	\$ (242,466)
Use taxes	315,000	-	315,000	203,523	(111,477)
Hotel/motel taxes	350,000	-	350,000	355,686	5,686
E911 taxes	100,000	-	100,000	100,086	86
Franchise taxes	350,000	-	350,000	332,989	(17,011)
Cigarette taxes	62,000	-	62,000	68,981	6,981
Licenses and permits	31,500	-	31,500	43,973	12,473
Oil & gas royalties	42,000	-	42,000	22,325	(19,675)
Fines and forfeitures	125,000	-	125,000	136,874	11,874
Investment income	18,000	-	18,000	29,211	11,211
Charges for services	282,250	-	282,250	258,426	(23,824)
Rental income	25,500	-	25,500	23,235	(2,265)
Intergovernmental	139,000	-	139,000	162,745	23,745
Intracity fees	568,926	-	568,926	568,923	(3)
Miscellaneous	8,000	-	8,000	42,377	34,377
Total revenues before carryover	5,285,176	-	5,285,176	4,974,888	(310,288)
Budgeted carryover (1)	3,700,116	-	3,700,116	3,700,116	-
Total revenues and budgeted carryover	8,985,292	-	8,985,292	8,675,004	(310,288)
EXPENDITURES					
Current:					
General government:					
Governing board and administration					
Personal services	463,445	(6,000)	457,445	437,681	19,764
Materials & supplies	13,350	12,000	25,350	12,339	13,011
Other services & charges	293,835	2,000	295,835	242,707	53,128
Finance					
Personal services	318,367	-	318,367	312,356	6,011
Materials & supplies	7,200	-	7,200	5,421	1,779
Other services & charges	85,250	-	85,250	85,098	152
Total general government	1,181,447	8,000	1,189,447	1,095,602	93,845
Public safety and judiciary:					
Legal and courts					
Personal services	127,873	-	127,873	126,574	1,299
Materials & supplies	2,000	-	2,000	1,439	561
Other services & charges	6,916	-	6,916	3,735	3,181
Police					
Personal services	1,559,070	-	1,559,070	1,424,222	134,848
Materials & supplies	90,350	-	90,350	58,600	31,750
Other services & charges	36,275	-	36,275	32,855	3,420
Fire					
Personal services	852,396	(2,554)	849,842	802,139	47,703
Materials & supplies	46,815	-	46,815	36,805	10,010
Other services & charges	41,924	2,554	44,478	43,451	1,027
Inspection/code enforcement					
Personal services	64,239	-	64,239	62,710	1,529
Materials & supplies	4,200	-	4,200	2,386	1,814
Other services & charges	24,175	-	24,175	7,817	16,358
Total public safety and judiciary	2,856,233	-	2,856,233	2,602,733	253,500
Transportation:					
Street					
Personal services	348,816	-	348,816	333,682	15,134
Materials & supplies	100,250	-	100,250	93,301	6,949
Other services & charges	173,000	-	173,000	131,686	41,314
Total transportation	622,066	-	622,066	558,669	63,397
Cultural, parks and recreation:					
Parks and recreation					
Personal services	626,356	(10,000)	616,356	555,987	60,369
Materials & supplies	229,650	2,000	231,650	249,503	(17,853)
Other services & charges	223,950	-	223,950	226,833	(2,883)
Cemetery					
Personal services	98,820	-	98,820	96,063	2,757
Materials & supplies	28,600	-	28,600	15,762	12,838
Other services & charges	3,925	-	3,925	1,977	1,948
Total cultural, parks and recreation	1,211,301	(8,000)	1,203,301	1,146,125	57,176

**City of Clinton, Oklahoma
General Fund
For the Year Ended June 30, 2016
Budget and Actual (Non-GAAP Budgetary Basis)**

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Public Services:					
Facilities maintenance					
Personal services	74,717		74,717	72,449	2,268
Materials & supplies	35,600		35,600	38,003	(2,403)
Other services & charges	182,200		182,200	168,387	13,813
Total public services	<u>292,517</u>	<u>-</u>	<u>292,517</u>	<u>278,839</u>	<u>13,678</u>
 Total expenditures	<u>6,163,564</u>	<u>-</u>	<u>6,163,564</u>	<u>5,681,968</u>	<u>481,596</u>
 Revenue over (under) expenditures	2,821,728	-	2,821,728	2,993,036	171,308
 <u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers in	2,800,000	-	2,800,000	2,694,964	(105,036)
Operating transfers out	<u>(3,488,000)</u>	<u>-</u>	<u>(3,488,000)</u>	<u>(3,123,275)</u>	<u>364,725</u>
Net other financing sources (uses)	<u>(688,000)</u>	<u>-</u>	<u>(688,000)</u>	<u>(428,311)</u>	<u>259,689</u>
 Revenues and other financing sources over (under) expenditures and other uses	2,133,728	-	2,133,728	2,564,725	430,997
 Fund balance at beginning of year (Non-GAAP budgetary basis)	3,119,697	-	3,119,697	2,980,674	(139,023)
Less budgeted carryover (1)	<u>(3,700,116)</u>	<u>-</u>	<u>(3,700,116)</u>	<u>(3,700,116)</u>	<u>-</u>
 Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 1,553,309</u>	<u>\$ -</u>	<u>\$ 1,553,309</u>	<u>\$ 1,845,283</u>	<u>\$ 291,974</u>
 ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(47,113)	
Expenditure and transfer accruals				(27,731)	
 Fund balance at end of year (GAAP basis)				<u>\$ 1,770,439</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>2015*</u>	<u>2016*</u>
City's portion of the net pension liability (asset)	0.2422%	0.2189%
City's proportionate share of the net pension liability (asset)	\$ (81,545)	\$ 8,924
City's covered-employee payroll	\$ 617,171	\$ 618,669
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-13.21%	1.44%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%

* 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>2015*</u>	<u>2015*</u>
Contractually required contribution	\$ 80,232	\$ 80,427
Contributions in relation to the contractually required contribution	<u>(80,232)</u>	<u>(80,427)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 617,171	\$ 618,669
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

	<u>2015*</u>	<u>2016*</u>
City's portion of the net pension liability (asset)	0.212605%	0.200091%
City's proportionate share of the net pension liability (asset)	\$ 2,186,372	\$ 2,123,782
City's covered-employee payroll	\$ 538,246	\$ 546,693
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	406%	388%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%

* 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

	<u>2015*</u>	<u>2015*</u>
Contractually required contribution	\$ 76,314	\$ 76,537
Contributions in relation to the contractually required contribution	<u>(76,314)</u>	<u>(76,537)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 538,246	\$ 546,693
Contributions as a percentage of covered-employee payroll	14.18%	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**

	2015*	2016*
Total pension liability		
Service cost	\$ 318,193	\$ 345,244
Interest	766,152	785,489
Changes in benefit terms	-	-
Differences between expected and actual experience	-	(17,699)
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(567,102)	(464,280)
	\$ 517,243	\$ 648,754
Net change in total pension liability		
Total pension liability - beginning	9,845,902	10,363,145
Total pension liability - ending (a)	\$ 10,363,145	\$ 11,011,899
 Plan fiduciary net position		
Contributions - employer	299,965	260,465
Contributions - employee	127,630	125,312
Net investment income	1,614,704	315,533
Benefit payments, including refunds of employee contributions	(567,102)	(464,280)
Administrative expense	(23,876)	(23,471)
Other	-	-
	1,451,321	213,559
Net change in plan fiduciary net position		
Plan fiduciary net position - beginning	9,877,199	11,328,520
Plan fiduciary net position - ending (b)	\$ 11,328,520	\$ 11,542,079
 City's net pension liability - ending (a) - (b)	\$ (965,375)	\$ (530,180)
 Plan fiduciary net position as a percentage of the total pension liability	109.32%	104.81%
Covered-employee payroll	\$ 2,191,279	\$ 2,246,744
City's net pension liability as a percentage of covered-employee payroll	-44.06%	-23.60%



BRITTON, KUYKENDALL, & MILLER
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Council
City of Clinton, Oklahoma

We have audited, in accordance with 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, 2016, 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 9, 2016.

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 9, 2016