

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, 2023. 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 \$76,325,969 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$72,511,120.
- Total liabilities of the City increased by \$484,172 to \$29,985,809.
- Total net assets are comprised of the following:
 - (1) Invested in capital assets, net of related debt, of \$40,510,507 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 \$6,334,104 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
 - (3) Unrestricted net assets of \$29,481,358 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 \$14,807,212 this year. This compares to the prior year ending fund balance of \$13,348,520 showing an increase of \$1,458,692.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7,790,173, or 85.54% of total General Fund expenditures including transfers and 74.85% 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 annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status and are presented to demonstrate the extent to which the City has met its operating objectives efficiently and effectively using all the resources available and whether the City can continue to meet its objectives in the foreseeable future. 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, deferred outflows, liabilities, and deferred inflows with the difference reported as *net position*. Increases or decreases in net position over time may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating, identify financial strengths and weaknesses, and provide an assessment of liquidity. 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 and can be used to assess the City's operating results in its entirety and analyze how the City's programs are financed. 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 distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and 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, public services, transportation, cultural, parks and recreation, education and economic development. 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 and blended organizations of the City (primary government) and organizations for which the City is accountable (component units). Most of the legally separate organizations operate like city departments and 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, Industrial Authority and Economic Development 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 and to demonstrate fiscal accountability. 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, aggregated presentation. Individual fund data for non-major fund is provided in the form of combining statements in a later section of this report.

Governmental 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 different with fund statements reporting 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. These financial statements are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the 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 a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the General Fund. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds

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: enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to external city customers 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 and individual component units.

Fiduciary 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 gain 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

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's pension benefits provided to its employees.

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 \$76,325,969. This is a net increase of \$3,814,849 over last year's net position of \$72,511,120. The City's overall financial position improved during fiscal year 2023. 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
	2023	2022	2023	2022	2023	2022		
Current and other assets	\$ 15,162,271	\$ 13,825,310	\$ 23,884,905	\$ 26,135,707	\$ 39,047,176	\$ 39,961,017	\$ (913,841)	-2.3%
Other noncurrent assets	816,557	4,171,348	-	-	816,557	4,171,348	\$ (3,354,791)	-410.8%
Capital assets	16,794,661	17,506,288	47,787,464	43,239,537	64,582,125	60,745,825	\$ 3,836,300	5.9%
Total assets	32,773,489	35,502,946	71,672,369	69,375,244	104,445,858	104,878,190	\$ (432,332)	-0.4%
Deferred outflows of resources	5,591,753	1,630,221	-	-	5,591,753	1,630,221	3,961,532	70.8%
Long-term liabilities	2,443,765	1,200,738	25,805,851	26,453,315	28,249,616	27,654,053	\$ 595,563	2.1%
Other liabilities	353,435	592,240	1,382,758	1,255,344	1,736,193	1,847,584	\$ (111,391)	-6.4%
Total liabilities	2,797,200	1,792,978	27,188,609	27,708,659	29,985,809	29,501,637	\$ 484,172	16%
Deferred inflows of resources	3,725,833	4,495,654	-	-	3,725,833	4,495,654	(769,821)	-20.7%
Net position:								
Invested in capital assets, net of related debt	16,794,661	17,389,583	23,715,846	18,520,227	40,510,507	35,909,810	\$ 4,600,697	11.4%
Restricted	162,539	153,664	6,171,565	10,004,521	6,334,104	10,158,185	\$ (3,824,081)	-60.4%
Unrestricted	14,885,009	13,301,288	14,596,349	13,141,837	29,481,358	26,443,125	\$ 3,038,233	10.3%
Total net position	\$ 31,842,209	\$ 30,844,535	\$ 44,483,760	\$ 41,666,585	\$ 76,325,969	\$ 72,511,120	\$ 3,814,849	5.0%

The City reported positive balances in net assets for governmental activities, noting an increase of \$997,674. Business-type activities net assets increased \$2,817,175.

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. In 2019, the allocation of the fourth cent changed to: .05 of 1 cent to Acme Brick Park operations, 85% of .95 of one cent to pay for the Utility System and Sales Tax Revenue Bonds Services 2014 debt service. The ½ cent that was allocated to Public Works Authority debt service expired and voters approved for it to be available for general purpose. The tax became effective October 1, 2011, and continued through August 31, 2019. In 2015, voters approved extending the termination date to December 31, 2044.

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

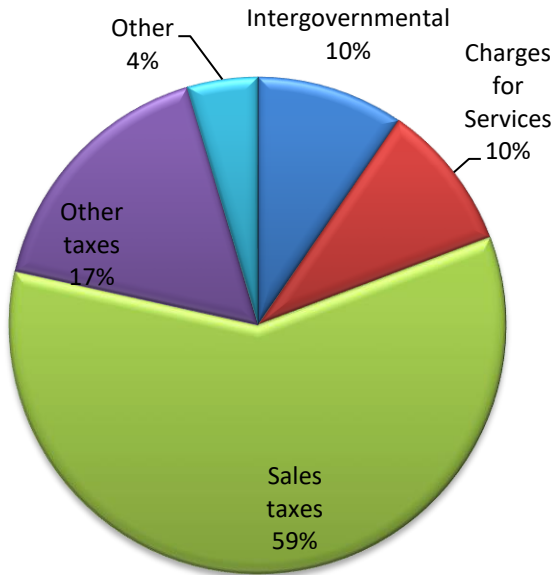
	Governmental Activities		Business-type Activites		Totals		\$ Change	% Change
	2023	2022	2023	2022	2023	2022		
Revenues								
Program Revenues								
Charges for services	\$ 1,049,064	\$ 1,092,857	\$ 9,244,381	\$ 9,799,543	\$ 10,293,445	\$ 10,892,400	\$ (598,955)	-5%
Operating grants and contributions	970,597	951,276	447,220	24,251	1,417,817	975,527	442,290	45%
Capital grants and contributions	223,319	232,491	2,683,432	32,000	2,906,751	264,491	2,642,260	999%
General Revenues								
Sales taxes	6,423,148	5,973,624	-	-	6,423,148	5,973,624	449,524	8%
Use taxes	847,049	898,315	-	-	847,049	898,315	(51,266)	-6%
Hotel/motel taxes	305,311	314,164	-	-	305,311	314,164	(8,853)	-3%
E-911 taxes	86,617	100,020	-	-	86,617	100,020	(13,403)	-13%
Franchise taxes (fees)	461,341	400,771	-	-	461,341	400,771	60,570	15%
Cigarette taxes	43,124	48,212	-	-	43,124	48,212	(5,088)	-11%
Other taxes	94,421	96,632	-	-	94,421	96,632	(2,211)	-2%
Oil & gas royalties	35,934	33,173	47,984	45,002	83,918	78,175	5,743	7%
Investment income	234,626	59,581	451,791	(10,178)	686,417	49,403	637,014	1289%
Other	76,554	112,330	326,056	296,387	402,610	408,717	(6,107)	-1%
Pension change	133,904	1,053,774	-	-	133,904	1,053,774	(919,870)	-87%
Penalties	-	-	75,432	80,116	75,432	80,116	(4,684)	-6%
Gain on disposal of assets	(2,804)	-	311,075	12,564	308,271	12,564	295,707	2354%
Transfers - internal activity	(2,833,206)	(1,729,701)	2,833,206	1,729,701	-	-	-	0%
Total Revenues	\$ 8,148,999	\$ 9,637,519	\$ 16,420,577	\$ 12,009,386	\$ 24,569,576	\$ 21,646,905	\$ 2,922,671	12%
Expenses								
General government	\$ 1,108,591	\$ 1,117,854	\$ -	\$ -	\$ 1,108,591	\$ 1,117,854	\$ (9,263)	-1%
Public safety/judiciary	3,539,812	3,366,312	-	-	3,539,812	3,366,312	173,500	5%
Transportation	709,997	588,612	-	-	709,997	588,612	121,385	21%
Cultural,parks, recreation	1,237,923	1,128,177	-	-	1,237,923	1,128,177	109,746	10%
Economic development	45,731	-	-	-	45,731	-	45,731	0%
Public services	509,271	382,644	-	-	509,271	382,644	126,627	33%
Water	-	-	5,482,225	5,036,690	5,482,225	5,036,690	445,535	9%
Sew er	-	-	1,370,771	1,342,240	1,370,771	1,342,240	28,531	2%
Sanitation	-	-	1,676,327	1,573,182	1,676,327	1,573,182	103,145	7%
Airport	-	-	455,867	380,234	455,867	380,234	75,633	20%
Golf	-	-	555,053	487,829	555,053	487,829	67,224	14%
Healthcare	-	-	3,224,037	247,984	3,224,037	247,984	2,976,053	1200%
Education	-	-	-	60,485	-	60,485	(60,485)	-100%
Economic development	-	-	839,122	700,824	839,122	700,824	138,298	20%
Total Expenses	\$ 7,151,325	\$ 6,583,599	\$ 13,603,402	\$ 9,829,468	\$ 20,754,727	\$ 16,413,067	\$ 4,341,660	26%
Change in net position	\$ 997,674	\$ 3,053,920	\$ 2,817,175	\$ 2,179,918	\$ 3,814,849	\$ 5,233,838	(1,418,989)	-27%
Beginning net position	30,844,535	27,137,445	41,666,585	38,530,288	72,511,120	65,667,733	6,843,387	10.42%
Ending net position	\$ 31,842,209	\$ 30,191,365	\$ 44,483,760	\$ 40,710,206	\$ 76,325,969	\$ 70,901,571	5,424,398	7.65%

Governmental Activities

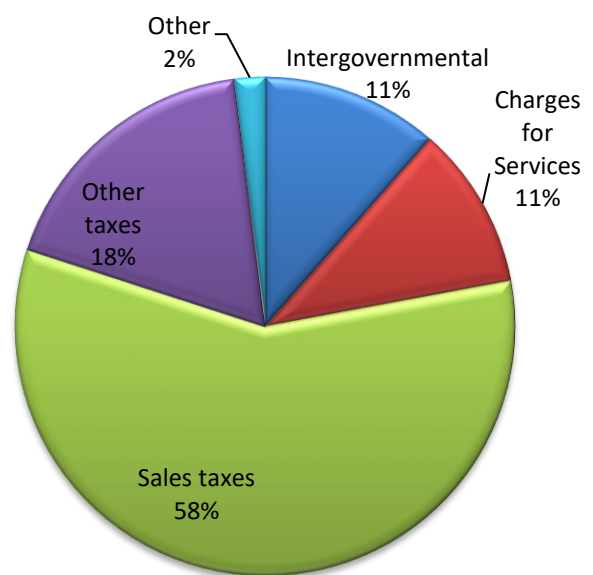
To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column 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.

Graphic presentations of the Summary of Changes in Net Position follows to assist in the analysis of the City's activities for fiscal years 2023 and 2022:

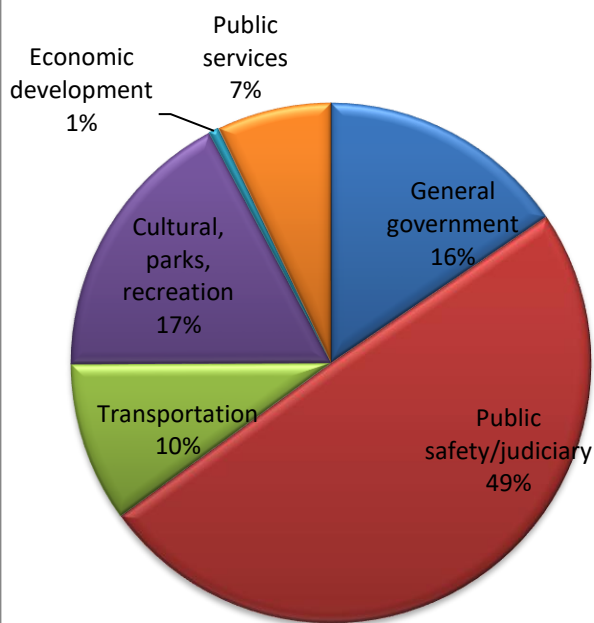
2023 Governmental Activities Sources



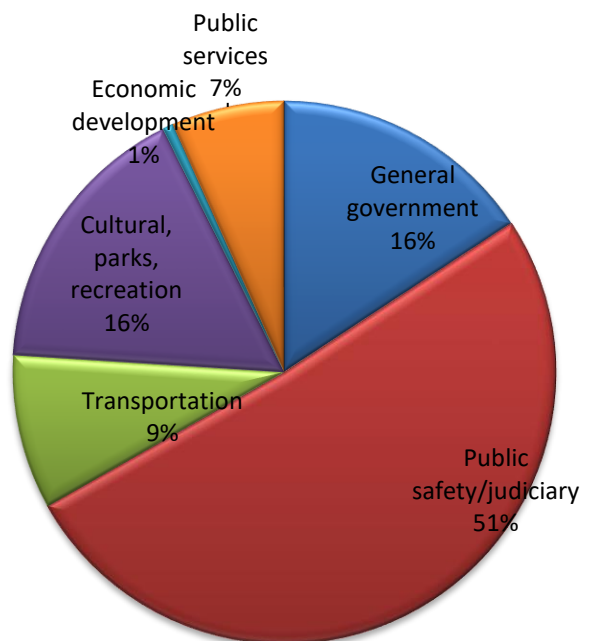
2022 Governmental Activities Sources



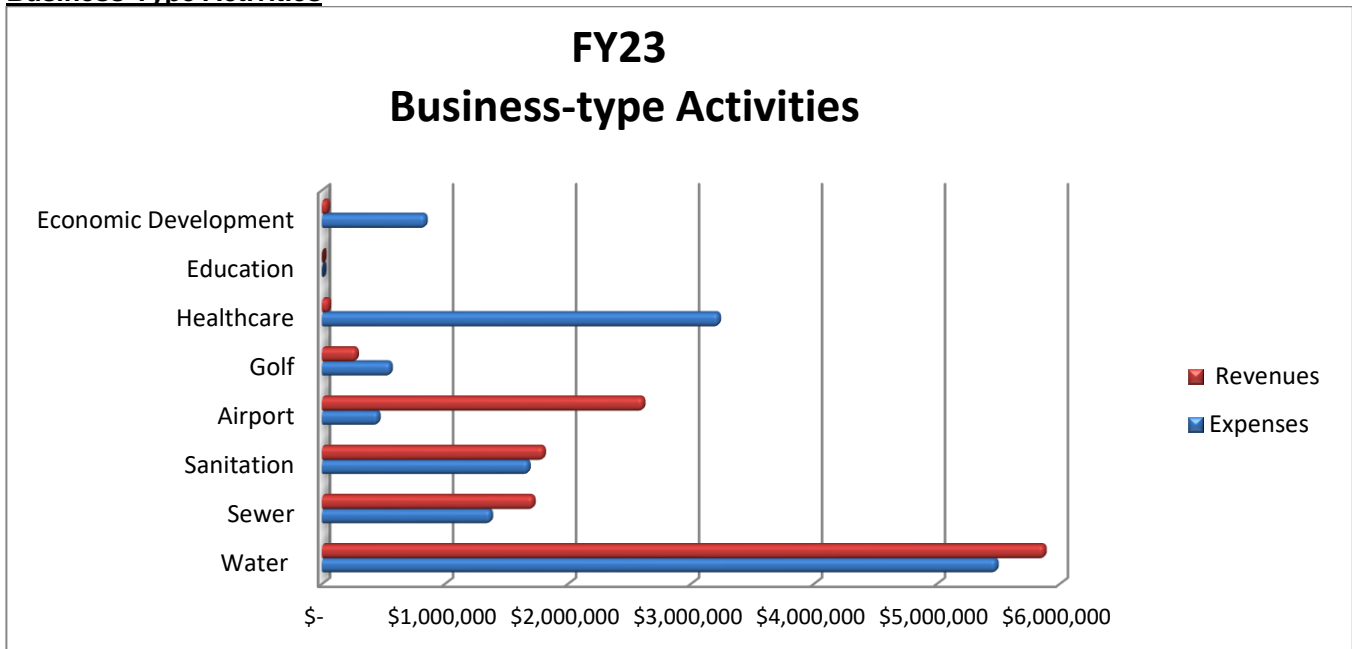
2023 Governmental Activities Uses



2022 Governmental Activities Uses



Business-Type Activities



Business-type activities are shown comparing cost to revenues generated by related services. Sanitation, sewer, and water are intended to be self-supporting with user charges and other revenues designed to recover costs.

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 upcoming financing requirements. Governmental funds reported ending fund balances of \$14,807,212. Of this year end total \$7,790,173 is unreserved indicating availability for continuing City service requirements. Restricted fund balances include: \$162,539 committed to cemetery capital improvements and \$4,241,785 for capital projects.

The total ending fund balances of governmental funds showed an increase of \$1,458,692 from the prior year. This increase is primarily attributable to increased sales tax in general fund and receipt of ARPA funds in the capital improvement fund.

Major Governmental Funds

The General Fund is the City’s primary operating fund. The fund balance of the primary operating fund of the City increased by \$1,300,967 from \$6,489,206 to \$7,790,173. Key factors contributing to this increase included increases in sales tax, investment income, and miscellaneous revenues.

The Capital Improvement Fund has an ending fund balance of \$4,241,785. The fiscal year end included a net increase of \$1,173,715 in the Capital Improvement Fund. The change in Capital Improvement Fund is largely due to a receipt of ARPA funds in the amount of \$801,070.

The 4th Cent Sales Tax Fund is the fund that accounts for one cent of the City’s 4 ½ cent sales tax (general fund is 2 ½ cents, capital improvement is 1 cent) that is to be used by the City for Water debt service (85% of .95), Acme Brick Park operation (.05), and economic development (15% 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 \$2,260,330.

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 \$140,750.

The Clinton Airport Authority accounts for providing airport facilities to the public. The increase in net position for the Airport Authority was \$2,393,789. This was primarily the result FAA grant revenue.

The Recreation Trust Authority accounts for the financing, development, and operation of recreational facilities which currently includes only the golf course. The increase in net position of the Recreation Trust Authority was \$3,781.

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 \$3,020,827 after depreciation in the amount of \$175,704. The decrease in net position is due to Alliance Health Clinton not renewing their lease and cancelling the original hospital license resulting in the closure of the hospital while a new license was secured. Funds were used to retain hospital staff for a period of time and updating the facility and equipment.

The Industrial Authority accounts for the activities in promoting industrial development within the City of Clinton. The decrease in net position for the Industrial Authority was \$55,341.

The Economic Development Authority accounts for economic growth and development. There was an increase in net position of \$1,094,693 due to transfers.

General Fund Budgetary Highlights

The General Fund Budget for fiscal year 2023 was \$6,613,261. Total expenditures for the City were \$5,873,877, which is \$739,384 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, 2023, was \$16,794,661 and \$47,787,464 respectively.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2023	2022	2023	2022	2023	2022		
Non-Depreciable Assets:								
Land	\$ 992,391	\$ 992,391	\$ 3,214,116	\$ 2,161,311	\$ 4,206,507	\$ 3,153,702	\$ 1,052,805	25%
Construction in Progress	179,250	237,250	3,022,964	631,801	3,202,214	869,051	\$ 2,333,163	73%
Total non-depreciable assets	1,171,641	1,229,641	6,237,080	2,793,112	7,408,721	4,022,753	3,385,968	
Depreciable Assets:								
Buildings	5,972,918	6,200,422	15,216,356	15,218,283	21,189,274	21,418,705	\$ (229,431)	-1%
Other improvements	2,930,890	3,176,773	2,189,396	2,606,239	5,120,286	5,783,012	\$ (662,726)	-13%
Machinery, furniture & equipment	2,424,955	2,568,217	3,140,421	2,012,597	5,565,376	4,580,814	\$ 984,562	18%
Infrastructure	4,294,257	4,331,235	21,004,211	20,609,306	25,298,468	24,940,541	\$ 357,927	1%
Total depreciable assets	15,623,020	16,276,647	41,550,384	40,446,425	57,173,404	56,723,072	450,332	
Total	\$ 16,794,661	\$ 17,506,288	\$ 47,787,464	\$ 43,239,537	\$ 64,582,125	\$ 60,745,825	\$ 7,222,268	11%

Long-term debt

At year-end, the City had \$26,455,635 in debt outstanding. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Revenue bonds	\$ -	\$ -	\$ 26,200,000	\$ 26,975,000	\$ 26,200,000	\$ 26,975,000
Notes payable/capital lease	-	116,705	255,635	128,327	255,635	245,032
subtotal	-	116,705	26,455,635	27,103,327	26,455,635	27,220,032
less current portion	-	(116,705)	(855,452)	(865,284)	(855,452)	(981,989)
Totals	\$ -	\$ -	\$ 25,600,183	\$ 26,238,043	\$ 25,600,183	\$ 26,238,043

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, 2023, and the amount and percentage of increases and decreases in relation to the prior year.

	FYE 2023 Actual Budget Basis	FYE 2022 Actual Budget Basis	Increase/ (Decrease) from FYE 2022	Percent Increase/ (Decrease)
Revenues				
Sales taxes	\$ 3,595,491	\$ 3,411,574	\$ 183,917	5%
Use taxes	838,914	896,013	(57,099)	-7%
Hotel/motel taxes	290,861	313,298	(22,437)	-8%
E911 taxes	86,617	100,020	(13,403)	-15%
Franchise taxes	454,885	398,708	56,177	12%
Cigarette taxes	43,316	48,404	(5,088)	-12%
Licenses and permits	83,537	64,165	19,372	23%
Oil and gas royalties	35,934	33,173	2,761	8%
Fines and forfeitures	61,485	61,231	254	0%
Investment income	123,187	29,093	94,094	76%
Charges for services	239,301	267,194	(27,893)	-12%
Rental income	15,318	21,362	(6,044)	-39%
Intergovernmental	174,456	235,341	(60,885)	-35%
Intracity fees	643,336	670,895	(27,559)	-4%
Miscellaneous	127,657	76,340	51,317	40%
Total Revenues	\$ 6,814,295	\$ 6,626,811	\$ 187,484	3%
Expenditures				
Governing board & admin	\$ 645,976	\$ 879,492	\$ (233,516)	-36%
Finance	434,445	388,074	46,371	11%
Legal & courts	101,726	134,375	(32,649)	-32%
Police	1,804,489	1,774,512	29,977	2%
Fire	1,211,710	1,066,617	145,093	12%
Inspection/code enforcement	118,759	97,679	21,080	18%
Street	446,602	396,103	50,499	11%
Parks & recreation	636,698	528,846	107,852	17%
Cemetery	110,112	105,209	4,903	4%
Facilities maintenance	363,360	332,297	31,063	9%
Total Expenditures	\$ 5,873,877	\$ 5,703,204	\$ 170,673	3%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The national economy has shown surprising resilience to the Federal Reserve hikes in interest rates. The national forecast no longer forecasts a recession in the near term. Real gross domestic product (GDP) is forecasted from slow to 1.2% in 2024.

The Oklahoma economy continues to recover from the COVID-19 recession, with seasonally-adjusted employment now about 1.5% above the pre-pandemic peak that was reached in 2019. The current unemployment rate lies below the pre-pandemic level while the labor force pre-participation rate exceeds the pre-pandemic level. The slowing of the national economy and a forecast of relatively stable energy prices should cause growth to slow in Oklahoma.

The following are highlights from the 2023-2024 budget:

The 2022-2023 budget was prepared to provide a financial plan that identifies as closely as possible most revenues and expenses while providing flexibility to address circumstances that could change.

This budget finalizes the City's multi-year goal to accumulate the \$6.6 million in local cash match which will be paid in 2024 to the Oklahoma Department of Transportation for the Gary Boulevard Extension to Chapman Road in conjunction with the reconfigured Exits 65/65A off of Interstate 40. To achieve the required cash match, available cash, cost-cutting measures and the appropriation of fund balances were utilized. The City continues to pursue grant funding to assist in this effort. This was done keeping in mind the ongoing need to provide funding for needed and desired City services and capital improvements.

Other than the annual Consumer Price Index (CPI) based adjustments (5.0%) to utility fees, no other revenue increases were included in this budget. The City will continue to work to increase sales tax generation, streamline operations, modify processes and redefine how we do what we do. This will prove to be critical to continue the current level of City services and to achieve the long term goals and economic vitality of the Clinton community.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Debra Blanchard, City Treasurer

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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, 2022.

(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 hangar 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 Clinton HMA LLC on January 1, 1998. This lease is for a 20-year period. Clinton HMA LLC exercised its first option for a renewal term which will commence on January 1, 2018 and expire on December 31, 2022.	Enterprise Fund
Clinton Economic Development Authority (CED)	Created May 15, 2018 to stimulate economic growth and development. One council member serves as one of the six Trustees. Any issuances of debt would require a two-thirds approval of the City Council.	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 December 19, 2023, 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, and economic development.

Major Proprietary Funds

<u>Fund</u>	<u>Brief Description</u>
Clinton Public Works Authority	Accounts for the activities of the public trust in providing water and wastewater services to the public.
Clinton Solid Waste Authority	Accounts for the activities of the public trust in providing solid waste services to the public.
Clinton Airport Authority	Accounts for the activities of the public trust in providing airport facilities to the public.
Clinton Recreational Authority	Accounts for the activities of the public trust in providing recreational, cultural, and educational activities and facilities to the public. The Authority presently operates the municipal golf course facility.
Clinton Industrial Authority	Accounts for the activities of the public trust in promoting industrial development within the limits of the City of Clinton.
Clinton Hospital Authority	Accounts for the activities of the public trust in leasing the hospital facility for a 5-year period beginning January 1, 2018.

Internal Service Fund

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

Agency Funds

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

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

Cash and Investments

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

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

Receivables and Uncollectible Accounts

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

Prepays

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

Capital Assets, Depreciation, and Amortization

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has two items that qualify for reporting in this category. They are a deferred charge on refunding and a deferred charge on net pension obligations for the retirement plans of the City reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and a deferred charge on pension obligations results from the net difference between projected and actual earning on pension plan investments. These deferred charges on refunding are 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 December 31, 2044)
- ½ cent general purpose (effective October 1, 2019 through December, 2044)

In accordance with Revenue Bond indentures, all 3 cents plus 85% of .95 for water debt service of the sales tax is appropriated and paid to the Public Works Authority, then 85% of .95 cent 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 a continuation of the .95 cent sales tax to begin October 1, 2019 which is committed to water debt service and economic development through December 31, 2044.

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, 2023, the City's net assessed valuation of taxable property was \$53,905,680. The City levied no property taxes this year.

Charges for Services

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

Grants and Contributions

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

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

Compensated Absences

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(A) Deficit Fund Net Position/Fund Balance:

Deficits resulting from accrual reporting do not constitute violations of the Oklahoma State Statutes. For the year ended June 30, 2023, the City reported no individual fund deficits.

(B) Budgetary Information:

Budget Policy and Practice

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

Budget Basis of Accounting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: Personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the City Council. The legal level of control is by department within a fund. Expenditures may not

exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

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

For the year ended June 30, 2023, 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 2023.

(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, revised 3/7/2023 to allow for hospital operations
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, 2023, 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, 2023.

<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, 2023, this requirement was met (see computation below).

Revenue Bond Coverage

Gross revenue available for debt service	
Operating revenues for Public Works Authority	6,866,164
Pledged sales tax	5,372,086
Gross revenue available for debt service	12,238,250
Operating expenses for Public Works Authority	
Excluding depreciation and amortization	(4,475,825)
Net revenues available for debt service	7,762,425
Debt service requirements:	
Average annual debt service- Series 2014 revenue bonds	1,681,495
Total average annual debt service	1,681,495
Computed coverage	4.62
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, 2023

Investments

As of June 30, 2023, 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	\$ 11,359,000	\$ 11,359,000	N/A	89
U.S. Treasury notes	14,824,082	14,824,082	N/A	78
Total pooled investments	26,183,082	26,183,082		
<u>NON-POOLED INVESTMENTS:</u>				
U.S. Treasury notes	2,477,426	2,582,344	Aaa	-
U.S. Treasury bills	1,373,961	1,373,961	AAA	
Agency notes	950,592	999,600	AAA	
Mortgage backed securities (3)	11,900	12,582	AAA	
Certificates of deposit	996,000	996,000	N/A	145
Total non-pooled investments	5,809,879	5,964,487		
Total primary government investments	\$ 31,992,961	\$ 32,147,569		

Reconciliation to Statement of Net Assets

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Unrestricted Investments	13,553,761	17,164,200	30,717,961
Restricted Investments	-	1,275,000	1,275,000
Total	13,553,761	18,439,200	31,992,961

Fiduciary funds

POOLED INVESTMENTS:

Certificates of deposit	\$ 214,000	\$ 214,000	N/A	32
U.S. Treasury notes	\$ 150,000	\$ 150,000	N/A	13
Total fiduciary investments	\$ 364,000	\$ 364,000		

Grand total investments \$ 364,000 \$ 364,000

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

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

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

Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in accordance with investment policy adopted by the City Council on September 2, 2014 and by complying with State Statutes and the City Charter.

(B) Accounts Receivable

Governmental activities report sales, use, lodging, alcoholic beverage, cigarette, gas excise, commercial vehicle and franchise taxes receivable of \$695,620 comprised of amounts received after year-end for current year taxes.

	<i>Business-type Activities</i>				Total
	Public Works	Solid Waste	Airport	Industrial Authority	
Accounts Receivable	\$ 718,962	\$ 176,099	\$ 2,199	\$ -	\$ 897,260
Less: allowance for uncollectible accounts	-	-	-	-	-
Net accounts receivable	\$ 718,962	\$ 176,099	\$ 2,199	\$ -	\$ 897,260

(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, 2023 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
Enterprise Funds:			
Public Works Authority			
Revenue Bond Accounts:			
2014 bonds (trustee account)	\$ 1,539,525	\$ -	\$ 1,539,525
2014 bonds	-	1,275,000	1,275,000
Grand total enterprise fund	<u>\$ 1,539,525</u>	<u>\$ 1,275,000</u>	<u>\$ 2,814,525</u>

(D) Capital Assets:

Governmental Activities

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

Capital Assets not being depreciated:				
Land	\$ 992,391	\$ -	\$ -	\$ 992,391
Construction in process	237,250	-	(58,000)	179,250
Total capital assets not being depreciated	<u>1,229,641</u>	<u>-</u>	<u>(58,000)</u>	<u>1,171,641</u>
Capital Assets being depreciated:				
Buildings	10,733,705	-	(612,024)	10,121,681
Other improvements	6,831,165	30,994	-	6,862,159
Machinery, furniture & equip.	7,612,220	264,983	(13,948)	7,863,255
Infrastructure	10,715,981	274,734	-	10,990,715
Total capital assets being depreciated	<u>35,893,071</u>	<u>570,711</u>	<u>(625,972)</u>	<u>35,837,810</u>
Less accumulated depreciation	(19,616,424)	(1,221,534)	623,168	(20,214,790)
Total capital assets being depreciated, net	<u>16,276,647</u>	<u>(650,823)</u>	<u>(2,804)</u>	<u>15,623,020</u>
Governmental activities capital assets, net	<u>17,506,288</u>	<u>(650,823)</u>	<u>(60,804)</u>	<u>16,794,661</u>

Business-Type Activities

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

Capital Assets not being depreciated:				
Land	\$ 2,161,311	\$ 1,111,045	\$ (58,240)	\$ 3,214,116
Construction in progress	631,801	2,906,039	(514,876)	3,022,964
Total capital assets not being depreciated	<u>2,793,112</u>	<u>4,017,084</u>	<u>(573,116)</u>	<u>6,237,080</u>
Capital Assets being depreciated:				
Buildings	21,744,969	369,926	(336,760)	21,778,135
Other improvements	13,845,048	14,400	(155,189)	13,704,259
Machinery, furniture & equip.	15,259,320	1,471,353	(7,453,581)	9,277,092
Infrastructure	46,163,376	1,365,257	-	47,528,633
Total capital assets being depreciated	<u>97,012,713</u>	<u>3,220,936</u>	<u>(7,945,530)</u>	<u>92,288,119</u>
Less accumulated depreciation	(56,566,287)	(2,120,895)	7,949,447	(50,737,735)
Total capital assets being depreciated, net	<u>40,446,426</u>	<u>1,100,041</u>	<u>3,917</u>	<u>41,550,384</u>
Business-type activities capital assets, net	<u>\$ 43,239,538</u>	<u>\$ 5,117,125</u>	<u>\$ (569,199)</u>	<u>\$ 47,787,464</u>

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Fixed assets of the Enterprise Funds were comprised of the following at June 30, 2023:

	Public Works Authority	Solid Waste Authority	Airport Authority	Recreation Authority	Industrial Authority	Economic Development Authority	Hospital Authority
Land	\$ 164,305	\$ 84,601	\$ 128,733	\$ 302,000	\$ 1,336,355	\$ 1,153,316	\$ 44,806
Buildings	14,337,518	179,823	548,099	253,752	2,760,081	-	3,698,862
Other Improvements	1,716,200	5,799	1,435,822	1,510,190	358,377	-	8,677,871
Machinery, furniture, & equip.	2,827,851	2,246,042	226,728	781,978	282,868	-	2,911,625
Infrastructure	44,167,692	-	3,120,032	105,163	135,746	-	-
Construction in progress	354,538	-	2,668,426	-	-	-	-
Less accumulated depreciation	28,839,098	1,542,826	2,952,211	1,644,255	1,665,861	-	14,093,484
Net property, plant, & equipment	<u>\$ 34,729,006</u>	<u>\$ 973,439</u>	<u>\$ 5,175,629</u>	<u>\$ 1,308,828</u>	<u>\$ 3,207,566</u>	<u>\$ 1,153,316</u>	<u>\$ 1,239,680</u>

Depreciation

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

Governmental Activities	Business-type Activities
General government:	Water
Governing board & administration	\$1,117,917
Finance	290,206
Public safety & judiciary:	Sanitation
Legal and courts	115,762
Police	234,022
Fire	96,770
Inspection/code enforcement	175,704
Transportation:	Economic development
Street	90,514
Cultural, parks and recreation:	<u>\$2,120,895</u>
Parks & recreation	
Cemetery	
Public services:	
Facilities maintenance	114,292
	<u>\$1,221,534</u>

(E) Long-Term Debt:

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

Governmental Activities

As of June 30, 2023, the long-term debt payable from governmental fund resources consisted of the following:

No governmental long-term debt.

Business-Type Activities

Capital Leases

The City has entered into several lease agreements as lessee for financing the acquisition of buildings, land, and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The business-type activities capital lease obligations are as follows:

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CAPITAL LEASES PAYABLE:

Capital lease purchase of golf carts through the PNC Equipment Finance dated January 23, 2023 for the lease of property totalling \$217,591. Leased equipment attributable to business-type activities includes 36 new golf carts. Monthly payments of \$3,436 are required under the lease beginning July, 2023 with a balloon payment of \$54,000 due in July, 2028. Lease matures July, 2028. \$ 217,591

Capital lease purchase of 2 John Deere mowers through John Deere Credit Equipment Finance dated April 3, 20 for the lease of property totalling \$103,546. 60 monthly payments of \$1,865 are required under the lease beginning April, 2020 and a final payment of \$1,865 in March, 2025. Lease matures March, 2025. 38,044

\$ 255,635

REVENUE BONDS PAYABLE:

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. 26,200,000

Total revenue bonds payable 26,200,000
Add: unamortized premiums 205,668
Net revenue bonds payable \$ 26,405,668

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

<u>Type of Debt</u>	<u>Balance at July 1, 2022</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2023</u>	<u>Due Within One Year</u>
Governmental Fund Debt:					
Capital leases payable	\$ 116,705	\$ -	\$ 116,705	\$ -	\$ 116,705
Total governmental fund debt	<u>\$ 116,705</u>	<u>\$ -</u>	<u>\$ 116,705</u>	<u>\$ -</u>	<u>\$ 116,705</u>
Enterprise Fund Debt:					
Capital lease payable	\$ 128,327	\$ 217,591	\$ 90,283	\$ 255,635	\$ 50,452
Revenue bonds payable	26,975,000	-	775,000	26,200,000	805,000
Total enterprise fund debt	<u>\$ 27,103,327</u>	<u>\$ 217,591</u>	<u>\$ 865,283</u>	<u>\$ 26,455,635</u>	<u>\$ 855,452</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2023 are as follows:

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Year Ending June 30	Governmental Activities		Business-Type Activities			
	Leases Payable		Notes and Leases Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ -	\$ -	\$ 50,452	\$ 13,160	\$ 805,000	\$ 944,881
2025	-	-	47,326	10,692	840,000	911,981
2026	-	-	32,655	8,575	870,000	884,306
2027	-	-	34,667	6,563	895,000	861,684
2028	-	-	36,803	4,427	920,000	837,288
2029-2033	-	-	53,732	268	5,035,000	3,715,078
2034-2038	-	-	-	-	6,090,000	2,627,844
2039-2043	-	-	-	-	7,395,000	1,308,034
2044-2048	-	-	-	-	3,350,000	122,525
Totals	\$ -	\$ -	\$ 255,635	\$ 43,685	\$ 26,200,000	\$ 12,213,621

Conduit Debt Obligations

On July 1, 2022, the Clinton Public Works Authority has issued educational facilities bonds in the amount of \$30,885,000 that finance the costs of constructing, furnishing, equipping and/or acquiring improvements at a new Junior High School, Nance Elementary School, and Southwest Elementary School, along with related costs. On April 5th, 2022, the voters of Independent School District No. 99 approved the issuance of General Obligation Bonds in an amount not to exceed \$39,000,000. These bonds will be used to fund the lease agreement with the Clinton Public Works Authority. The Authority approved and authorized the execution of a Lease Purchase Agreement between the Authority, as lessor, and Independent School District No. 99 of Custer County, State of Oklahoma, whereby the Authority will lease said Project to the School District for its use and benefit, with the Payments derived therefrom to be utilized to pay the debt service on the note. In addition, no commitments beyond the collateral, the payments from the School District, and maintenance of the tax-exempt status of the conduit debt obligation were extended by the Authority for any of those bonds. At June 30, 2023, the bonds have an aggregate outstanding principal amount payable of \$30,885,000.

(F) Interfund Transactions and Balances:

Operating transfers for the year ended June 30, 2023 were as follows:

<u>OPERATING TRANSFERS:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND:		
Public Works Authority (an enterprise fund)	\$ 3,520,663	\$ 2,819,993
Recreation Authority (an enterprise fund)	-	175,000
Industrial Authority (an enterprise fund)	-	290,861
Economic Development Authority (an enterprise fund)	-	47,563
Total General Fund	3,520,663	3,333,417
SPECIAL REVENUE FUNDS:		
<i>4th Cent Sales Tax:</i>		
Public Works Authority (an enterprise fund)	-	1,142,097
Economic Development Authority (an enterprise fund)	-	1,231,000
Total Special Revenue Fund	-	2,373,097
CAPITAL PROJECTS FUND:		
Public Works Authority	1,000,000	1,409,996
Clinton Airport Authority (an enterprise fund)	-	195,055
Recreation Authority (an enterprise fund)	-	53,522
Industrial Authority (an enterprise fund)	35,000	-
Economic Development Authority (an enterprise fund)	-	23,782
Total Capital Project Funds	1,035,000	1,682,355
ENTERPRISE FUNDS:		
<i>Clinton Public Works Authority:</i>		
General Fund	2,819,993	3,520,663
Capital Projects Fund	1,409,996	1,000,000
4 th Cent Sales Tax Fund (a special revenue fund)	1,142,097	-
<i>Clinton Airport Authority:</i>		
Capital Projects Fund	195,055	-
<i>Clinton Recreation Authority:</i>		
General Fund	175,000	-
Capital Projects Fund	53,522	-
<i>Clinton Industrial Authority:</i>		
General Fund	290,861	-
Capital Projects Fund	-	35,000
<i>Clinton Economic Development Authority:</i>		
General Fund	47,563	-
Capital Projects Fund	23,782	-
4 th Cent Sales Tax Fund (a special revenue fund)	1,231,000	-
Total Enterprise Funds	7,388,869	4,555,663
GRAND TOTAL	\$ 11,944,532	\$ 11,944,532

(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, 2023 are as follows:

	Reserved For Debt Service	Reserved Hospital Lease Funds	Total
Enterprise Funds:			
Public Works Authority	\$ 1,840,842	\$ -	\$ 1,840,842
Hospital Authority	-	4,330,723	4,330,723
Total Enterprise Fund	<u>\$ 1,840,842</u>	<u>\$ 4,330,723</u>	<u>\$ 6,171,565</u>

NOTE 4: OTHER NOTES

A. Employee Pension and Other Benefit Plans:

The City participates in four employee pension systems as follows:

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

Oklahoma Municipal Retirement Fund - Defined 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 6% 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, 2023, the following amounts related to the defined contribution plan:

City total payroll	\$3,985,500
Payroll for covered employees	\$2,058,417
Employer (City) contributions made	\$111,146

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 0% to the plan and the employer makes a 6.0% contribution to the fund. Contributions to the plan for the year ended June 30, 2023 were \$7,406 on a covered payroll of \$127,905.

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

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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, 2023, the City's contribution was 8.31%. Contributions to the pension plan from the City were \$183,760 for the year ended June 30, 2023.

Membership

Membership in the plan is as follows:

	As of July 1, 2022
Inactive employees & beneficiaries receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	23
Active participants	49
Total	108

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

At June 30, 2023, the City reported an asset of \$666,265 for its proportionate share of the net pension asset. The net pension asset was measured as of July 1, 2022, 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, 2022, the City recognized pension expense of \$59,425). At June 30, 2023, 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	\$ 24,183	\$ 145,508
Changes of assumptions	-	429,596
Net difference between projected and actual earnings on pension plan investments	2,932,314	1,662,685
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	183,760	-
Total	\$ 3,140,257	\$ 2,237,789

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

Year ended June 30:	
	2024 \$ 24,070
	2025 3,006
	2026 8,722
	2027 682,910
	2028 -
After	-
	\$ 718,708

CITY OF CLINTON, OKLAHOMA
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Actuarial assumptions: The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.5% to 7.5%
Investment rate of return	7.5 percent, net of pension plan investment expense and inflation

Mortality rates were based on the PubG-2010 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, 2022 valuation were based on the results of an actuarial experience study for the period ended July 1, 2016 through June 30, 2020.

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 (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, 2022 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large cap stocks - S&P 500	25%	5.80%	1.45%
Small/mid cap stocks - Russell 2500	10%	6.40%	0.64%
Long/short equity - MSCI ACWI	10%	5.00%	0.50%
International stocks - MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds - Barclay's Capital Aggregate	30%	2.30%	0.69%
Real estate - NCREIF	5%	4.60%	0.23%
Cash equivalents - 3 month Treasury	0%	0.00%	0.00%
	100%		
		Average Real Return	4.75%
		Inflation	<u>2.75%</u>
		Long term expected return	<u><u>7.50%</u></u>

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent, as the plan's net fiduciary position is projected to be sufficient to make projected benefit payments. The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of the member's working career. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, in accordance with paragraph 29, the evaluations required by paragraph 27 to determine the sufficiency pension plan assets can be made without a separate projection of cashflows.

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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, 2021	14,126,995	17,290,442	(3,163,447)
Changes for the year:			
Service cost	342,043	-	342,043
Interest	1,037,287	-	1,037,287
Differences between expected and actual experience	(124,940)	-	(124,940)
Assumption changes	(594,825)	-	(594,825)
Contributions - employer	-	206,938	(206,938)
Contributions - employee	-	114,292	(114,292)
Net investment income	-	(2,129,267)	2,129,267
Benefit payments, including refunds of employee contributions	(603,933)	(603,933)	-
Administrative expense	-	(29,580)	29,580
Net changes	<u>55,632</u>	<u>(2,441,550)</u>	<u>2,497,182</u>
Balances at July 1, 2022	<u>\$ 14,182,627</u>	<u>\$ 14,848,892</u>	<u>\$ (666,265)</u>

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	1,141,988	(666,265)	(2,163,193)

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

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

Plan Description

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

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

The required supplementary information schedules of employer contributions and the schedule of net pension liability (asset) and related ratios immediately following the notes to the financial statements presents certain ten-year trend information for as many years for which information measured in conformity with the requirements of GASB 68 is available. Detailed information about the Oklahoma Police and Firefighter Plans' fiduciary net position is available in the separately issued Oklahoma Police Pension report and the Oklahoma Firefighters Pension report. Copies of these reports may be obtained from the respective state retirement systems; Oklahoma Police Pension and Retirement System, 1001 NW 63rd Street, Suite 305, Oklahoma City OK 73116-7335 (or www.ok.gov/OPPRS), and the Oklahoma Firefighters Pension and Retirement System at 6601 Broadway Extension, Suite 100, Oklahoma City, OK 73116 (or www.ok.gov/fprs).

Benefit Provisions

Police Pension

The police pension plan is administered by agencies of the State of Oklahoma. Benefit provisions for the authority are established by state statute. All full time officers employed by a participating municipality, working more than 25 hours per week or any person undergoing police training to become an officer with ages not less than 21 years of age or more than 45 years of age when accepting membership may be eligible for benefits. Eligibility for benefits is 20 years credited service to receive 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered. Termination benefits are provided if officers have more than 10 years of service, but are not eligible for normal retirement benefits. Benefits are payable when officers would have had 20 years of service at reduced rates. An officer with 20 year of credited service has an additional option to participate in a deferred option plan for a maximum of 5 years is available. There has been no change in benefit terms since the prior measurement date.

Fire Pension

The fire pension plan is administered by agencies of the State of Oklahoma. Benefit provisions for the authority are established by state statute. All full time or voluntary firefighters of a participating municipality are eligible to participate. Eligibility for full time benefits is 20 years of credited service for those hired prior to November 1, 2013, and 22 years of credited service for those hired after November 1, 2013 and age 50. Paid firefighters receive a monthly benefit equal to 50% of final average compensation. A firefighter with 20 years of credited service has an additional option to participate in a deferred option plan for maximum of 5 years. There has been no change in benefit terms since the prior measurement date.

Contributions

Police Pension

Contribution requirements are established by state statute. As of June 30, 2022, the Plan member's contribution rate was 8% of covered payroll. The employer contributes 13% of covered payroll.

Fire Pension

Contribution requirements are established by state statute. As of June 30, 2022, the Plan member's contribution rate was 9% of covered payroll. The employer contributes 14% of covered payroll.

Net Pension Asset (Liability), Pension Expense and Deferred Outflows and Inflows of Resources
Proportionate Share

Police Pension

The Police Pension's net pension liability was allocated proportionately to the City of Clinton based on the ratio of the City's actual contributions, relative to the total contributions for the fiscal year ended June 30, 2022. The City's portion for 2022 was 0.1874% compared to 0.2101% for 2021. At June 30, 2022, the City recorded a Police Pension Plan asset of \$150,292 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of July 1, 2022. This is reported in governmental activities.

Firefighters Pension

The Firefighters Pension's net pension liability was allocated proportionately to the City of Clinton based on the ratio of the City's actual contributions, relative to the total contributions for the fiscal year ended June 30, 2022. The City's portion for 2022 was 0.186746% compared to 0.182135% for 2021. At June 30, 2022, the City recorded a Firefighters Pension Plan liability of \$2,442,141 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of July 1, 2022. This is reported in governmental activities.

Pension Expense

	Primary Government	
	<i>Governmental Activities</i>	
Police Pension	Fire Pension	Total
\$35,918	\$339,455	\$375,373

Pension Deferred Outflows and Deferred Inflows

Deferred Outflow/(Inflows) of resources represents the following items that have not been recognized in the pension expense:

1. Differences between expected and actual experience of the pension plan
2. Changes in assumptions
3. Difference between projected and actual experience of the pension plan

The initial amortization period for the first two items noted above is based on the average future service to retirement while the difference between projected and actual earnings in pension plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the items above.

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	Primary Government					
	<i>Governmental Activities</i>					
	Police Pension		Fire Pension		Total	Total
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Current year contributions- Employer	\$ 90,293	\$ -	\$ 94,514	\$ -	\$ 184,807	\$ -
Difference between expected and actual pension plan experience	73,720	16,371	313,505	12,329	387,225	28,700
Investment projected vs actual	795,864	649,210	1,078,367	794,563	1,874,231	1,443,773
Changes in assumptions	5,233	-	-	15,571	5,233	15,571
Changes in proportion and differences between employer contributions and proportion share of contributions	-	-	-	-	-	-
Total	\$ 965,110	\$ 665,581	\$ 1,486,386	\$ 822,463	\$ 2,451,496	\$ 1,488,044

Actuarial Assumptions

	Police Pension	Firefighters Pension
Valuation date	7/1/22	7/1/22
Price inflation	2.75%	2.75%
Wage inflation	3.5% - 12%	2.75%
Salary increases	3.5% to 12% average, including inflation	2.75% to 10.5% average, including inflation
Post Retirement COLA	1/3 to 1/2 of the base salary increase of 3.5%	Firefighters with 20 yrs of service as of May 26, 1983, receive and increase of 1/2 of the dollar amount of a 2.75% assumed increase in pay
Investment rate of return	7.5%	7.5%

Police Pension

Mortality rates were based on the RP-2000 with Blue Collar Healthy Combined Annuitant Mortality Table for males or females, as appropriate, with adjustments for generational mortality improvements based on Scale AA with age set back four years.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for July 1, 2012 through June 30, 2017.

Fire Pension

Mortality rates were based on the Pub-2010 Public Safety Table with generational mortality improvement using MP-2018.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate

Police Pension

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

Firefighters Pension

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that the 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 Oklahoma statutes. Projected cash flows also assume the State of Oklahoma will continue contributing an allocation of the insurance premium, as established by Oklahoma statute. Prior to July 2, 2020, the Plan was allocated 36% of the Statewide insurance premium tax. The State of Oklahoma has passed legislation that changes the allocation percentage as follows:

- 25.2% effective September 1, 2020
- 36.0% effective July 1, 2021

- 37.8% effective July 1, 2022
- 36.0% effective July 1, 2027

The Plan will also receive \$40,625 each year from July 1, 2020, through June 30, 2027. 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.

Long-term Expected Rate of Return and Target Allocations

Police Pension

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan fully exited its commodities allocation in fiscal year 2021 and has accordingly set that long-term return expectation at 0.00%. The inflation factor added back was 2.31% for 2022 and 2% for 2021. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Firefighters Pension

The long-term expected rate of return on the Plan's 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. The inflation factor added back was 2.31% and 2.26% for 2022 and 2021, respectively. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation are summarized in the following table:

	<u>Police Pension</u>		<u>Firefighters Pension</u>
	Long-term Expected <u>Rate of Return</u>		Long-term Expected <u>Rate of Return</u>
Fixed income	3.34%	Fixed income	3.62%
Domestic equity	4.69%	Domestic equity	5.66%
International equity	8.34%	International equity	8.34%
Real estate	7.64%	Real estate	7.64%
Private equity	9.66%	Other assets	5.08%

Sensitivity of Net Pension Liability to Changes in the Discount Rate

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

	<u>Rate</u>	<u>Police Pension</u> Net Pension <u>Asset(Liability)</u>	<u>Rate</u>	<u>Firefighters Pension</u> Net Pension <u>Asset(Liability)</u>
1% decrease	6.5%	(435,405)	6.5%	(3,146,888)
Current single discount rate	7.5%	150,292	7.5%	(2,442,141)
1% increase	8.5%	645,327	8.5%	(1,852,656)

Other Post-Employment Benefits

For the year ended June 30, 2023, 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. (Integrus) 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 Integrus 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 Integrus 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 HMA LLC exercised its first option for a renewal term which will commence on January 1, 2018 and expire on December 31, 2023 for an annual rent of \$118,375.04 payable in equal monthly installments of \$9,864.59. Provided that the Tenant provides outpatient chemotherapy services (the "Incentive Services") as a part of Tenant's permitted use, Landlord agrees to abate Tenant's obligation to pay \$60,000.00 of Base Rent per year during the Term, as Extended, (the "Free Rent"). If Tenant discontinues the Incentive Services for a period longer than one year and efforts are no longer being made by Tenant to reinstate the Incentive Services, the Free Rent shall cease and Tenant shall continue to pay Base Rent at the rate of \$118,375.04 per annum.

On October 6, 2022 Clinton HMA LLC notified the Authority that "due to market changes" they will not renew the lease agreement that expires on December 31, 2022. The City of Clinton and Clinton Hospital Authority worked diligently to secure a new operator or manager to maintain hospital operations and retain employees. The facility closed on January 1, 2023 due to lack of a license. On March 7th, 2023 voters approved to allow use of principal lease payments for the purpose of hospital operations since Alliance Health Clinton cancelled the original hospital license. The facility re-opened on October 31, 2023 with a reinstated license.