

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

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2012**

THE CITY OF CLINTON, OKLAHOMA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2012

	<u>Page</u>
LIST OF PRINCIPAL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	4-13
BASIC FINANCIAL STATEMENTS:	
<u>Statement</u>	
<i>Government-wide Financial Statements:</i>	
1 Statement of Net Assets	14
2 Statement of Activities	15-16
<i>Fund Financial Statements:</i>	
3 Balance Sheet – Governmental Funds	17
4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
5 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	19
6 Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	20-21
7 Statement of Net Assets – Proprietary Funds	22
8 Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	23
9 Statement of Cash Flows – Proprietary Funds	24
10 Statement of Net Assets – Fiduciary Funds	25
Notes to Financial Statements	26-44
SUPPLEMENTARY INFORMATION:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	45

CITY OF CLINTON, OKLAHOMA
YEAR ENDED JUNE 30, 2012
LIST OF PRINCIPAL OFFICIALS

MAYOR
Allen Bryson

COUNCIL MEMBERS
Jason Hulin
Don Rodolph
Bob Marcy
Phyllis Smith

CITY MANAGER
Steve Hewitt

CITY CLERK
Lisa Anders

CITY TREASURER
Debra Blanchard



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL
RICK D. MILLER

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

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Clinton, Oklahoma

We have audited the accompanying combined financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City of Clinton, Oklahoma's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of City of Clinton, Oklahoma's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Oklahoma, as of June 30, 2012, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2012, on our consideration of City of Clinton, Oklahoma's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clinton, Oklahoma's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements as listed in the accompanying table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements referred to above and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Britton Kuykendall + Miller
BRITTON, KUYKENDALL & MILLER
December 28, 2012

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, 2012. 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 \$54,486,206 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$47,382,881.
- Total liabilities of the City decreased by \$564,166 to \$25,299,044.
- Total net assets are comprised of the following:
 - (1) Invested in capital assets, net of related debt, of \$31,103,023 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$9,146,820 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
 - (3) Unrestricted net assets of \$14,236,363 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 \$8,848,793 this year. This compares to the prior year ending fund balance of \$7,592,202 showing an increase of \$1,256,591.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,555,807, or 51.19% of total General Fund expenditures including transfers and 43.29% of General Fund revenues including transfers.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

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

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

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

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

Notes to the financial statements

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

Other Information

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

Financial Analysis of the City as a Whole

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

The City's net assets at fiscal year end are \$47,382,881. This is a net increase of \$2,281,556 over last year's net assets of \$45,101,325. The following table provides a summary of the City's net assets at June 30:

Summary of Net Assets

	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2012	2011	2012	2011	2012	2011		
Current and other assets	\$ 10,759,742	\$ 9,510,558	\$ 14,896,904	\$ 21,779,561	\$ 25,656,646	\$ 31,290,119	\$ (5,633,473)	-22.0%
Other noncurrent assets	-	-	14,396,714	511,051	14,396,714	511,051	\$ 13,885,663	96.5%
Capital assets	14,933,311	5,655,567	24,798,579	35,789,354	39,731,890	41,444,921	\$ (1,713,031)	-4.3%
Total Assets	25,693,053	15,166,125	54,092,197	58,079,966	79,785,250	73,246,091	\$ 6,539,159	8.2%
Long-term liabilities	288,568	389,069	18,817,762	20,697,731	19,106,330	21,086,800	\$ (1,980,470)	-10.4%
Other liabilities	1,990,357	2,115,251	4,202,357	2,661,159	6,192,714	4,776,410	\$ 1,416,304	22.9%
Total Liabilities	2,278,925	2,504,320	23,020,119	23,358,890	25,299,044	25,863,210	\$ (564,166)	-2.2%
Net assets:								
Invested in capital assets, net of related debt	14,561,631	5,061,924	16,541,392	19,374,428	31,103,023	24,436,352	\$ 6,666,671	21.4%
Restricted	106,832	100,477	9,039,988	9,497,829	9,146,820	9,598,306	\$ (451,486)	-4.9%
Unrestricted	8,745,665	7,499,404	5,490,698	5,848,819	14,236,363	13,348,223	\$ 888,140	6.2%
Total Net Assets	\$ 23,414,128	\$ 12,661,805	\$ 31,072,078	\$ 34,721,076	\$ 54,486,206	\$ 47,382,881	\$ 7,103,325	13.0%

The City reported positive balances in net assets for governmental activities, noting an increase of \$1,848,409. Business-type activities net assets increased \$5,254,916.

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

CITY OF CLINTON, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
JUNE 30, 2012

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

Summary of Changes in Net Assets

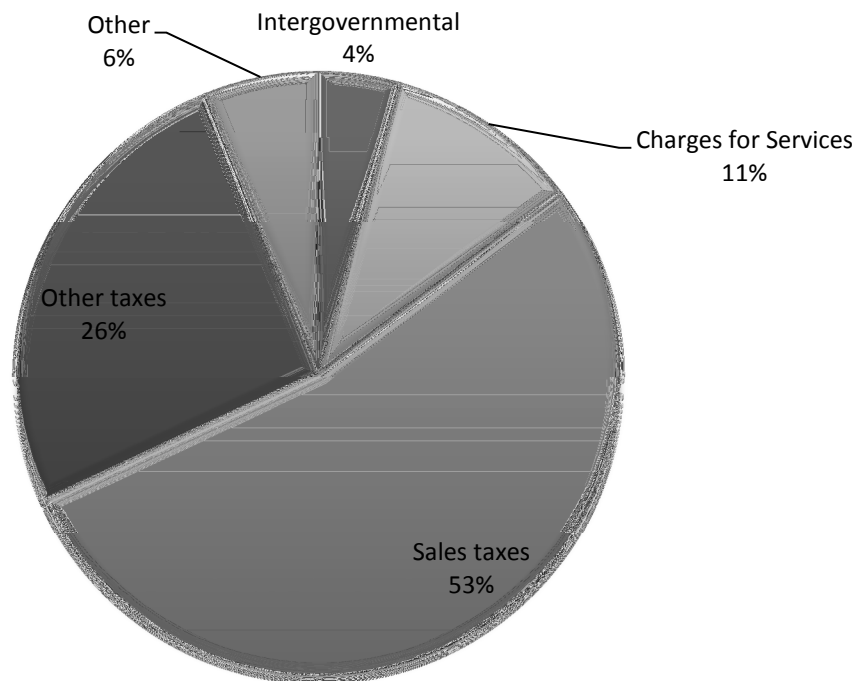
	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2012	2011	2012	2011	2012	2011		
Revenues								
Program Revenues								
Charges for services	\$ 1,101,491	\$ 882,206	\$ 6,535,702	\$ 5,666,053	\$ 7,637,193	\$ 6,548,259	\$ 1,088,934	17%
Operating grants and contributions	110,998	121,108	341,521	141,303	452,519	262,411	190,108	72%
Capital grants and contributions	348,951	752,286	41,325	403,237	390,276	1,155,523	(765,247)	-66%
General Revenues								
Sales taxes	5,651,581	4,954,731	-	-	5,651,581	4,954,731	696,850	14%
Use taxes	1,638,633	834,602	-	-	1,638,633	834,602	804,031	96%
Hotel/motel taxes	474,006	343,084	-	-	474,006	343,084	130,922	38%
E-911 taxes	93,392	93,271	-	-	93,392	93,271	121	0%
Franchise taxes (fees)	389,622	384,051	-	-	389,622	384,051	5,571	1%
Cigarette taxes	78,442	73,239	-	-	78,442	73,239	5,203	7%
Other taxes	49,024	49,035	-	-	49,024	49,035	(11)	0%
Oil & gas royalties	451,109	333,788	30,484	39,918	481,593	373,706	107,887	29%
Investment income	149,986	119,747	199,915	272,610	349,901	392,357	(42,456)	-11%
Other	51,088	25,626	532	2,318	51,620	27,944	23,676	85%
Penalties	-	-	67,002	53,110	67,002	53,110	13,892	26%
Gain on termination lease	-	-	4,065,988	-	4,065,988	-	4,065,988	0%
Gain of disposal of assets	-	-	2,597	138	2,597	138	2,459	1782%
Transfers - internal activity	(2,072,671)	(2,317,063)	2,072,671	2,317,063	-	-	-	0%
Total Revenues	\$ 8,515,652	\$ 6,649,711	\$ 13,357,737	\$ 8,895,750	\$ 21,873,389	\$ 15,545,461	\$ 6,327,928	29%
Expenses								
General government	\$ 1,074,109	\$ 992,966	\$ -	\$ -	\$ 1,074,109	\$ 992,966	\$ 81,143	8%
Public safety/judiciary	2,816,495	2,468,514	-	-	2,816,495	2,468,514	347,981	14%
Transportation	747,721	753,845	-	-	747,721	753,845	(6,124)	-1%
Cultural, parks, recreation	1,508,894	107,534	-	-	1,508,894	107,534	1,401,360	1303%
Public services	324,616	250,583	-	-	324,616	250,583	74,033	30%
Water	-	-	3,686,914	2,670,487	3,686,914	2,670,487	1,016,427	38%
Sewer	-	-	1,303,849	1,231,351	1,303,849	1,231,351	72,498	6%
Sanitation	-	-	1,374,420	1,304,434	1,374,420	1,304,434	69,986	5%
Airport	-	-	236,790	230,821	236,790	230,821	5,969	3%
Golf	-	-	583,224	539,747	583,224	539,747	43,477	8%
Parks & recreation	-	-	57,541	1,332,967	57,541	1,332,967	(1,275,426)	-96%
Healthcare	-	-	255,569	114,513	255,569	114,513	141,056	123%
Education	-	-	17,458	565,361	17,458	565,361	(547,903)	-97%
Economic development	195,408	47,760	587,056	587,404	782,464	635,164	147,300	23%
Total Expenses	\$ 6,667,243	\$ 4,621,202	\$ 8,102,821	\$ 8,577,085	\$ 14,770,064	\$ 13,198,287	\$ 1,571,777	12%
	\$ 1,848,409	\$ 2,028,509	\$ 5,254,916	\$ 318,665	\$ 7,103,325	\$ 2,347,174	4,756,151	203%

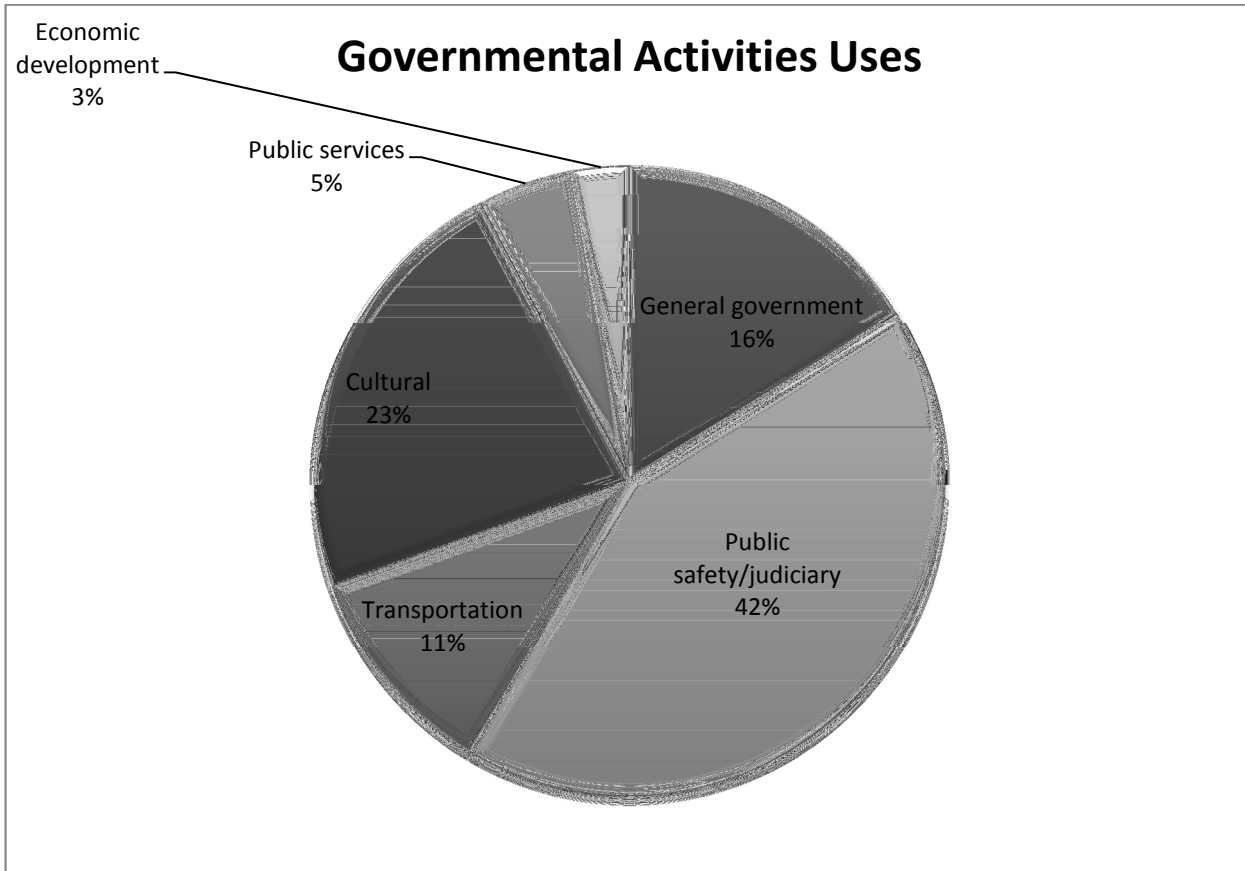
Governmental Activities

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

For the year ended June 30, 2012, the City's governmental activities were funded as follows:

Governmental Activities Sources





Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resource focus. This is useful in assessing resources available at the end of the year in comparison with up coming financing requirements. Governmental funds reported ending fund balances of \$8,848,793. Of this year end total \$4,555,807 is unreserved indicating availability for continuing City service requirements. Restricted fund balances include: \$106,832 committed to cemetery capital improvements, \$10,997 for economic development and \$1,149,692 for capital projects.

The total ending fund balances of governmental funds showed an increase of \$1,320,710 over the prior year. This increase is primarily attributable to the 4th cent sales tax fund offset by the capital improvement fund.

Major Governmental Funds

The General Fund is the City's primary operating fund. The fund balance of the primary operating fund of the City increased by \$1,624,581 from \$2,988,956 to \$4,555,807 which included a residual equity transfer out of \$57,730. Key factors contributing to this increase included an increase in use tax and an increase in investment balances.

The Capital Improvement Fund has an ending fund balance of \$1,149,692. The fiscal year end included a net decrease of \$220,784 in the Capital Improvement Fund. The change in Capital Improvement Fund is largely due to ongoing capital improvements.

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

Proprietary funds

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

Major Proprietary Funds

The Public Works Authority (PWA) accounts for activities in providing water and wastewater services to the public. The increase in net assets for the PWA Fund was \$964,22. This increase is attributable to a net loss before transfers of \$209,003 offset by net transfers in of \$964,272.

The Solid Waste Authority accounts for activities in providing solid waste services to the public. The increase in net assets for the Solid Waste Authority was \$71,881.

The Clinton Airport Authority accounts for providing airport facilities to the public. The decrease in net assets for the Airport Authority was \$76,714. Net operating loss of \$173,179 for the fiscal year is offset by grant income from the FAA and oil and gas royalties received.

The Recreation Trust Authority accounts for the financing, development, and operation of recreational, athletic, sports, amusement, entertainment, and cultural and educational service and facilities which currently includes the golf course. The increase in net assets of the Recreation Trust Authority before a residual equity transfer out of \$8,903,914 (which moved other park activities to the general fund) was \$569,711.

The Clinton Hospital Authority accounts for the operation and development of the hospital and other medical activities of the City. The increase in net assets of the Clinton Hospital Authority was \$3,374,080 which is mainly due to acquisition of the leasehold improvements at the termination of the lease with Integris. The hospital is currently leased to Clinton HMA, LLC so the fund activity will mainly consist of the \$125,000 annual lease payment from the hospital, interest income on investments, and the depreciation on the assets leased to Integris.

The Industrial Authority accounts for the activities in promoting industrial development within the City of Clinton. The increase in net assets for the Industrial Authority was \$344,338. The increase is a function of the net operating loss incurred offset by transfers in from the General fund of the City.

General Fund Budgetary Highlights

The General Fund Budget for fiscal year 2012 was \$5,290,387. The General Fund budget complied with the financial policies approved by the City Council and maintained core City services.

Capital Assets and Debt Administration

Capital assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2012, was \$14,933,311 and \$24,798,579, respectively.

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2012	2011	2012	2011	2012	2011		
Non-Depreciable Assets:								
Land	\$ 782,727	\$ 383,460	\$ 2,303,527	\$ 2,278,311	\$ 3,086,254	\$ 2,661,771	\$ 424,483	14%
Construction in Progress	540,726	414,778	327,133	6,063,694	867,859	6,478,472	\$ (5,610,613)	-646%
Depreciable Assets:								
Buildings	6,156,850	2,912,757	7,994,675	10,666,760	14,151,525	13,579,517	\$ 572,008	4%
buildings	5,175,491	969,610	11,758,286	7,243,224	16,933,777	8,212,834	\$ 8,720,943	52%
equipment	5,300,847	3,812,331	13,083,000	14,380,070	18,383,847	18,192,401	\$ 191,446	1%
Infrastructure	7,123,850	4,429,925	29,771,487	31,773,185	36,895,337	36,203,110	\$ 692,227	2%
Less accumulated depreciation	10,147,180	7,267,294	40,439,529	36,615,890	50,586,709	43,883,184	\$ 6,703,525	13%
Total	\$ 14,933,311	\$ 5,655,567	\$ 24,798,579	\$ 35,789,354	\$ 39,731,890	\$ 41,444,921	\$ (1,713,031)	-4%

Long-term debt

At year-end, the City had \$23,510,929 in debt outstanding. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue bonds	\$ -	\$ -	\$ 20,335,000	\$ 22,145,000	\$ 20,335,000	\$ 22,145,000
Notes payable/capital lease	371,680	593,643	1,130,872	772,286	1,502,552	1,365,929
subtotal	371,680	593,643	21,465,872	22,917,286	21,837,552	23,510,929
less current portion	(90,055)	(221,905)	(2,233,842)	(1,524,126)	(2,323,897)	(1,746,031)
Totals	\$ 281,625	\$ 371,738	\$ 19,232,030	\$ 21,393,160	\$ 19,513,655	\$ 21,764,898

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

THE CITY'S FUNDS

The following schedule presents a summary of general fund revenues and expenditures for the fiscal year end June 30, 2012, and the amount and percentage of increases and decreases in relation to the prior year.

	FYE 2012 Actual Budget Basis	FYE 2011 Actual Budget Basis	Increase/ (Decrease) from FYE 2011	Percent Increase/ (Decrease)
Revenues				
Sales taxes	\$ 3,069,587	\$ 2,600,332	\$ 469,255	15%
Use taxes	1,658,776	798,055	860,721	52%
Hotel/motel taxes	457,309	330,936	126,373	28%
E911 taxes	93,392	93,271	121	0%
Franchise taxes	388,857	383,645	5,212	1%
Cigarette taxes	76,625	73,175	3,450	5%
Licenses and permits	44,747	57,526	(12,779)	-29%
Oil and gas royalties	451,109	333,788	117,321	26%
Fines and forfeitures	128,626	124,712	3,914	3%
Investment income	17,520	26,193	(8,673)	-50%
Charges for services	278,227	107,790	170,437	61%
Rental income	26,273	18,511	7,762	30%
Intergovernmental	148,509	149,431	(922)	-1%
Intracity fees	389,019	566,664	(177,645)	-46%
Miscellaneous	48,082	43,698	4,384	9%
Total Revenues	\$ 7,276,658	\$ 5,707,727	\$ 1,568,931	22%
Expenditures				
Governing board & admin	\$ 644,624	\$ 604,191	\$ (40,433)	-6%
Finance	363,479	345,115	(18,364)	-5%
Legal & courts	124,671	114,803	(9,868)	-8%
Police	1,369,944	1,305,253	(64,691)	-5%
Fire	847,348	777,751	(69,597)	-8%
Inspection/code enforcement	116,511	75,324	(41,187)	-35%
Street	445,672	392,641	(53,031)	-12%
Parks & recreation	899,957	-	(899,957)	-100%
Cemetery	115,141	102,505	(12,636)	-11%
Facilities maintenance	195,642	158,394	(37,248)	-19%
Total Expenditures	\$ 5,122,989	\$ 3,875,977	\$ (1,247,012)	-24%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Clinton has seen its financial condition improve and is seeing some growth in the local economy. The City's goal is to build reserves and invest in the future. The City has some obligations that it must maintain with past projects and purchases. The City must continue to make prudent financial management decisions and continue to progress, reinvest in infrastructure, and continue to plan for the long-term quality of future generations in Clinton. The budget continues to reflect a conservative and sustainable zero-based approach. The budget should also reflect the core City organizational values of integrity, teamwork, service excellence, personal growth and innovation.

The following are highlights from the 2012-2013 budget:

The City's revenue stream is largely influenced by overall economic conditions. A conservative approach was taken in predicting sales tax revenues, but normal economic growth should see revenues end higher than estimated. Public Works (water and sewer) took a hit due to the drought this past fiscal year. No rate increases are recommended at this point, but there were rate adjustments to cover Foss overages. Golf Course, Acme, Industrial and Solid Waste expect minimal revenue changes. Airport has seen revenues drop over the years, which continues to be the forecast. No recommended increases to recreation, water, sewer, however CPI increases of 2.9% have been implemented in Solid Waste.

Capital projects budgeted for the upcoming fiscal year include the Chapman Road project of which the City cost share is nearly \$500,000; library HVAC, SW Playhouse storage building roof replacement, FAA airport improvements to aprons, and annual street repairs.

There are minimal changes to most of the City department's day-to-day operations. 2% COLA has been included in the budget. Health insurance costs are estimated to increase by 15%, OMRP retirement has increased from 12.68% to 13%. Programming at Acme is increasing which is being offset by fee based revenues.

Indications are that the economy is gaining strength, however Oklahoma municipalities will continue to face challenges with aging infrastructure, housing, fuel costs, water, and the need to increase retail for the sales tax base.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Debra Blanchard
City Treasurer

City of Clinton, Oklahoma
Statement of Net Assets
June 30, 2012

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash, including time deposits	\$ 1,823,717	\$ 1,546,344	\$ 3,370,061
Investments	5,204,000	11,147,495	16,351,495
Interest receivable	10,904	79,465	90,369
Accounts receivable (net)	21,058	756,033	777,091
Due from other funds	2,935,274	82,813	3,018,087
Receivable from other governments	727,714	-	727,714
Prepaid expenses	37,075	39,845	76,920
Total current assets	<u>10,759,742</u>	<u>13,651,995</u>	<u>24,411,737</u>
Restricted assets:			
Cash	-	19,909	19,909
Investments	-	1,225,000	1,225,000
Total restricted assets	<u>-</u>	<u>1,244,909</u>	<u>1,244,909</u>
Noncurrent Assets:			
Notes receivable	-	14,244,291	14,244,291
Unamortized bond issue costs	-	152,423	152,423
Land and construction in progress	1,323,453	2,630,660	3,954,113
Other capital assets (net of accumulated depreciation)	13,609,858	22,167,919	35,777,777
Total noncurrent assets	<u>14,933,311</u>	<u>39,195,293</u>	<u>54,128,604</u>
Total assets	<u>25,693,053</u>	<u>54,092,197</u>	<u>79,785,250</u>
LIABILITIES			
Current liabilities:			
Accounts payable	18,909	216,412	235,321
Wages and benefits payable	135,173	39,507	174,680
Accrued interest payable	-	1,293	1,293
Compensated absences, current	184,924	55,336	240,260
Due to other funds	1,561,296	1,456,791	3,018,087
Notes payable, current	90,055	58,842	148,897
Total current liabilities	<u>1,990,357</u>	<u>1,828,181</u>	<u>3,818,538</u>
Liabilities payable from restricted assets:			
Accrued interest payable	-	199,176	199,176
Bonds payable, current	-	2,175,000	2,175,000
Total liabilities payable from restricted assets	<u>-</u>	<u>2,374,176</u>	<u>2,374,176</u>
Noncurrent liabilities:			
Other accrued liabilities	6,943	-	6,943
Notes payable, non-current	281,625	1,072,030	1,353,655
Bonds payable, non-current	-	18,160,000	18,160,000
Unamortized bond discount/premium	-	6,469	6,469
Deferred amount on refunding	-	(420,737)	(420,737)
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	<u>-</u>	<u>17,745,732</u>	<u>17,745,732</u>
Total noncurrent liabilities	<u>288,568</u>	<u>18,817,762</u>	<u>19,106,330</u>
Total liabilities	<u>2,278,925</u>	<u>23,020,119</u>	<u>25,299,044</u>
NET ASSETS			
Invested in capital assets, net of related debt	14,561,631	16,541,392	31,103,023
Restricted for:			
Cemetery care	106,832	-	106,832
Hospital investment	-	7,800,000	7,800,000
Debt obligations	-	1,239,988	1,239,988
Unrestricted	8,745,665	5,490,698	14,236,363
Total net assets	<u>\$ 23,414,128</u>	<u>\$ 31,072,078</u>	<u>\$ 54,486,206</u>

City of Clinton, Oklahoma
Statement of Activities
June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
Governing board and administration	\$ 719,357	\$ 304,431	\$ 10,996	\$ -	\$ (403,930)
Finance	354,752	155,608	-	-	(199,144)
Total general government	1,074,109	460,039	10,996	-	(603,074)
Public safety and judiciary:					
Legal & courts	121,487	-	-	-	(121,487)
Police	1,560,848	197,481	10,000	-	(1,353,367)
Fire	1,070,133	165,362	10,663	-	(894,108)
Inspection/code enforcement	64,027	600	-	-	(63,427)
Total public safety and judiciary	2,816,495	363,443	20,663	-	(2,432,389)
Transportation:					
Streets	747,721	-	78,539	34,805	(634,377)
Total transportation	747,721	-	78,539	34,805	(634,377)
Cultural, parks and recreation:					
Parks & recreation	1,387,261	195,141	800	-	(1,191,320)
Cemetery	121,633	68,621	-	-	(53,012)
Total cultural, parks and recreation	1,508,894	263,762	800	-	(1,244,332)
Public services:					
Facilities maintenance	324,616	14,247	-	-	(310,369)
Total public services	324,616	14,247	-	-	(310,369)
Economic development:					
Total governmental activities	6,667,243	1,101,491	110,998	348,951	(5,105,803)
Business-type activities:					
Water	3,686,914	3,036,445	136,153	-	(514,316)
Sewer	1,303,849	1,401,879	-	-	98,030
Sanitation	1,374,420	1,447,837	-	-	73,417
Airport	236,790	63,665	-	41,325	(131,800)
Golf	583,224	262,991	-	-	(320,233)
Parks and recreation	57,541	-	-	-	(57,541)
Healthcare	255,569	150,000	-	-	(105,569)
Education	17,458	77,474	205,368	-	265,384
Economic development	587,056	95,411	-	-	(491,645)
Total business-type activities	8,102,821	6,535,702	341,521	41,325	(1,184,273)
Total	\$ 14,770,064	\$ 7,637,193	\$ 452,519	\$ 390,276	\$ (6,290,076)

(Continued)

City of Clinton, Oklahoma
Statement of Activities
June 30, 2012

Changes in Net Assets:

(Continued)

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (5,105,803)	\$ (1,184,273)	\$ (6,290,076)
General revenues:			
Taxes:			
Sales tax	5,651,581	-	5,651,581
Use tax	1,638,633	-	1,638,633
Hotel/Motel tax	474,006	-	474,006
E-911 tax	93,392	-	93,392
Franchise taxes	389,622	-	389,622
Cigarette tax	78,442	-	78,442
Alcoholic beverage tax	49,024	-	49,024
Oil and gas royalties	451,109	30,484	481,593
Investment income	149,986	199,915	349,901
Penalties	-	67,002	67,002
Gain (loss) on disposal of assets	-	2,597	2,597
Gain on termination of Integris lease	-	4,065,988	4,065,988
Miscellaneous	51,088	532	51,620
Transfers-Internal activity	(2,072,671)	2,072,671	-
Total general revenues and transfers	<u>6,954,212</u>	<u>6,439,189</u>	<u>13,393,401</u>
Change in net assets	1,848,409	5,254,916	7,103,325
Net assets-beginning	12,661,805	34,721,076	47,382,881
Residual equity transfer	8,903,914	(8,903,914)	-
Net assets-ending	<u>\$ 23,414,128</u>	<u>\$ 31,072,078</u>	<u>\$ 54,486,206</u>

City of Clinton, Oklahoma
Balance Sheet
June 30, 2012

	General Fund	Capital Improvement Fund	4th Cent Sales Tax Fund	Industrial Authority TIF Fund	Cemetery Fund	Grant Fund	Total Governmental Funds
ASSETS							
Cash, including time deposits	\$ 1,131,807	\$ 428,943	\$ 214,241	\$ 1	\$ 32,509	\$ 8,918	\$ 1,816,419
Investments	3,305,000	565,000	1,260,000	-	74,000	-	5,204,000
Interest receivable	8,859	351	1,371	-	323	-	10,904
Accounts receivable	1,500	19,558	-	-	-	-	21,058
Due from other funds	-	-	1,463,313	1,474,309	-	-	2,937,622
Receivable from other governments	439,434	147,836	140,444	-	-	-	727,714
Prepaid expenses	37,075	-	-	-	-	-	37,075
Total assets	<u>\$ 4,923,675</u>	<u>\$ 1,161,688</u>	<u>\$ 3,079,369</u>	<u>\$ 1,474,310</u>	<u>\$ 106,832</u>	<u>\$ 8,918</u>	<u>\$ 10,639,042</u>
LIABILITIES							
Accounts payable	\$ 17,117	\$ -	\$ -	\$ -	\$ -	\$ 1,426	\$ 18,543
Wages and benefits payable	134,293	-	-	-	-	-	134,293
Compensated absences, current	184,924	-	-	-	-	-	184,924
Due to other funds	24,591	11,996	61,396	1,463,313	-	-	1,561,296
Other accrued liabilities	6,943	-	-	-	-	-	6,943
Total liabilities	<u>367,868</u>	<u>11,996</u>	<u>61,396</u>	<u>1,463,313</u>	<u>-</u>	<u>1,426</u>	<u>1,905,999</u>
FUND BALANCES							
Restricted for:							
Cemetery care	-	-	-	-	106,832	-	106,832
Capital projects	-	1,149,692	-	-	-	-	1,149,692
Economic development	-	-	-	10,997	-	-	10,997
Special revenue funds	-	-	3,017,973	-	-	7,492	3,025,465
Unassigned	4,555,807	-	-	-	-	-	4,555,807
Total fund balances	<u>4,555,807</u>	<u>1,149,692</u>	<u>3,017,973</u>	<u>10,997</u>	<u>106,832</u>	<u>7,492</u>	<u>8,848,793</u>
Total liabilities and fund balances	<u>\$ 4,923,675</u>	<u>\$ 1,161,688</u>	<u>\$ 3,079,369</u>	<u>\$ 1,474,310</u>	<u>\$ 106,832</u>	<u>\$ 8,918</u>	<u>\$ 10,639,042</u>
Total fund balance - total governmental funds							8,848,793
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:							
Land and capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.							
Land and construction in process						1,323,453	
Capital assets						23,711,227	
Less: Accumulated depreciation						(10,106,088)	14,928,592
Long-term liabilities are not due and payable in the current period and are not reported in the funds.							(371,680)
Internal service funds are used by management to charge the costs of certain activities such as the central garage to the individual funds. Assets and liabilities of the internal service funds are reclassified to the governmental activities in the statement of net assets. Internal activity is reclassified to governmental and business-type activities based on the function of the activities charged.							
							8,423
Net assets of governmental activities							<u>\$ 23,414,128</u>

City of Clinton, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2012

	General Fund	Capital Improvement Fund	4th Cent Sales Tax Fund	Industrial Authority TIF Fund	Cemetery Fund	Grant Fund	Total Governmental Funds
REVENUES							
Sales tax	\$ 3,086,105	\$ 1,491,327	\$ 955,341	\$ 118,808	\$ -	\$ -	\$ 5,651,581
Use tax	1,638,633	-	-	-	-	-	1,638,633
Hotel/motel tax	397,406	-	-	76,600	-	-	474,006
E911 tax	93,392	-	-	-	-	-	93,392
Franchise taxes	389,622	-	-	-	-	-	389,622
Cigarette tax	78,442	-	-	-	-	-	78,442
Licenses and permits	44,747	-	-	-	-	-	44,747
Oil and gas royalties	451,109	-	-	-	-	-	451,109
Fines and forfeitures	128,626	-	-	-	-	-	128,626
Investment income	23,542	3,892	61,209	60,555	788	-	149,986
Charges for services	278,228	-	-	-	5,567	-	283,795
Rental income	26,273	-	-	-	-	14,247	40,520
Intergovernmental	147,813	4,413	-	-	-	-	152,226
Intracity fees	389,019	-	-	-	-	-	389,019
On behalf payments	224,761	-	-	-	-	-	224,761
Miscellaneous	48,082	35,605	-	-	-	25	83,712
Total revenues	7,445,800	1,535,237	1,016,550	255,963	6,355	14,272	10,274,177
EXPENDITURES							
Current:							
General government:							
Governing board and administration	626,082	12,038	-	-	-	-	638,120
Finance	350,318	1,685	-	-	-	-	352,003
Total general government	976,400	13,723	-	-	-	-	990,123
Public safety and judiciary:							
Legal and courts	120,911	-	-	-	-	-	120,911
Police	1,478,685	20,711	-	-	-	-	1,499,396
Fire	981,668	10,405	-	-	-	-	992,073
Inspection/code enforcement	62,766	-	-	-	-	-	62,766
Total public safety and judiciary	2,644,030	31,116	-	-	-	-	2,675,146
Transportation:							
Street	441,174	157,479	-	-	-	-	598,653
Total transportation	441,174	157,479	-	-	-	-	598,653
Cultural, parks and recreation:							
Parks & recreation	893,274	41,732	-	-	-	-	935,006
Cemetery	115,224	-	-	-	-	-	115,224
Total cultural, parks and recreation	1,008,498	41,732	-	-	-	-	1,050,230
Public Services:							
Facilities maintenance	188,837	21,903	-	-	-	6,780	217,520
Total public services	188,837	21,903	-	-	-	6,780	217,520
Economic development:							
Capital outlay	12,354	363,916	481,226	195,408	-	-	852,899
Debt service:							
Principle	-	221,963	-	-	-	-	221,963
Interest	-	20,554	-	53,703	-	-	74,257
Total debt service	-	242,517	-	53,703	-	-	296,220
Total expenditures	5,271,293	872,386	481,226	249,111	-	6,780	6,880,796
Excess (deficiency) of revenues over expenditures	2,174,507	662,851	535,324	6,852	6,355	7,492	3,393,381
OTHER FINANCING SOURCES (USES)							
Transfers in	3,078,253	877,298	504,749	4,145	-	-	4,464,445
Transfers out	(3,628,179)	(1,760,933)	(1,148,004)	-	-	-	(6,537,116)
Total other financing sources and uses	(549,926)	(883,635)	(643,255)	4,145	-	-	(2,072,671)
Net change in fund balances	1,624,581	(220,784)	(107,931)	10,997	6,355	7,492	1,320,710
Fund balances - beginning	2,988,956	1,370,476	3,132,293	-	100,477	-	7,592,202
Residual equity transfer	(57,730)	-	(6,389)	-	-	-	(64,119)
Fund balances - ending	\$ 4,555,807	\$ 1,149,692	\$ 3,017,973	\$ 10,997	\$ 106,832	\$ 7,492	\$ 8,848,793

(Continued)

City of Clinton, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2012

		(Continued)
Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:		
Net change in fund balances - total governmental funds	\$ 1,320,710	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital asset purchases capitalized	856,651	
Depreciation expense	<u>(940,163)</u>	(83,512)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources		314,146
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. See Note 3(E) for additional detail.		
Debt activity reported in the fund statements		
Long-term capital lease obligation	-	
Debt and capital lease principle	221,963	
Interest on debt	<u>74,257</u>	296,220
Internal service funds are used by management to charge the costs of internal activities		
Internal service fund changes in net assets	2,348	
Business-type activities net activities due to governmental type activities	<u>(1,503)</u>	<u>845</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,848,409</u>	

City of Clinton, Oklahoma
General Fund
June 30, 2012
Budget and Actual (Non-GAAP Budgetary Basis)

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales taxes	\$ 2,534,000	\$ 72,000	\$ 2,606,000	\$ 3,069,587	\$ 463,587
Use taxes	450,000	-	450,000	1,658,776	1,208,776
Hotel/motel taxes	260,000	160,000	420,000	457,309	37,309
E911 taxes	92,000	-	92,000	93,392	1,392
Franchise taxes	350,000	-	350,000	388,857	38,857
Cigarette taxes	64,000	-	64,000	76,625	12,625
Licenses and permits	39,000	-	39,000	44,747	5,747
Oil & gas royalties	25,000	-	25,000	451,109	426,109
Fines and forfeitures	110,000	-	110,000	128,626	18,626
Investment income	20,000	-	20,000	17,520	(2,480)
Charges for services	195,650	25,000	220,650	278,227	57,577
Rental income	16,000	-	16,000	26,273	10,273
Intergovernmental	155,000	-	155,000	148,509	(6,491)
Intracity fees	500,000	-	500,000	389,019	(110,981)
Miscellaneous	9,900	-	9,900	48,082	38,182
Total revenues before carryover	4,820,550	257,000	5,077,550	7,276,658	2,199,108
Budgeted carryover (1)	2,549,547	-	2,549,547	2,907,582	358,035
Total revenues and budgeted carryover	7,370,097	257,000	7,627,097	10,184,240	2,557,143
EXPENDITURES					
Current:					
General government:					
Governing board and administration					
Personal services	405,944	-	405,944	409,425	(3,481)
Materials & supplies	8,650	-	8,650	7,400	1,250
Other services & charges	295,095	(40,000)	255,095	227,799	27,296
Finance					
Personal services	279,971	10,000	289,971	283,985	5,986
Materials & supplies	3,100	-	3,100	4,659	(1,559)
Other services & charges	72,241	-	72,241	74,835	(2,594)
Total general government	1,065,001	(30,000)	1,035,001	1,008,103	26,898
Public safety and judiciary:					
Legal and courts					
Personal services	123,662	-	123,662	121,228	2,434
Materials & supplies	750	-	750	734	16
Other services & charges	1,890	-	1,890	2,709	(819)
Police					
Personal services	1,368,245	(87,000)	1,281,245	1,254,261	26,984
Materials & supplies	68,250	-	68,250	72,748	(4,498)
Other services & charges	39,050	(2,000)	37,050	42,935	(5,885)
Fire					
Personal services	781,326	6,000	787,326	781,349	5,977
Materials & supplies	66,827	-	66,827	62,798	24,029
Other services & charges	18,545	-	18,545	23,201	(4,656)
Inspection/code enforcement					
Personal services	98,985	3,000	101,985	101,080	905
Materials & supplies	6,050	-	6,050	4,795	1,255
Other services & charges	21,500	-	21,500	10,636	10,864
Total public safety and judiciary	2,595,080	(80,000)	2,515,080	2,458,474	56,606
Transportation:					
Street					
Personal services	229,461	6,000	235,461	231,738	3,723
Materials & supplies	87,450	-	87,450	88,484	(1,034)
Other services & charges	125,600	-	125,600	125,450	150
Total transportation	442,511	6,000	448,511	445,672	2,839
Cultural, parks and recreation:					
Parks and recreation					
Personal services	559,496	36,000	595,496	614,522	(19,026)
Materials & supplies	163,650	8,000	171,650	154,636	17,014
Other services & charges	154,050	8,000	162,050	130,799	31,251
Cemetery					
Personal services	92,616	-	92,616	90,805	1,811
Materials & supplies	31,625	-	31,625	22,703	8,922
Other services & charges	4,625	-	4,625	1,633	2,992
Total cultural, parks and recreation	1,006,062	52,000	1,058,062	1,015,098	42,964

City of Clinton, Oklahoma
General Fund
June 30, 2012
Budget and Actual (Non-GAAP Budgetary Basis)

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Public Services:					
Facilities maintenance					
Personal services	36,648	13,000	49,648	49,080	568
Materials & supplies	14,750	8,000	22,750	21,824	926
Other services & charges	130,335	-	130,335	124,738	5,597
Total public services	181,733	21,000	202,733	195,642	7,091
Total expenditures	5,290,387	(31,000)	5,259,387	5,122,989	136,398
Revenue over (under) expenditures	2,079,710	288,000	2,367,710	5,061,251	2,693,541
<u>OTHER FINANCING SOURCES (USES)</u>					
Operating transfers in	2,510,000	-	2,510,000	3,078,252	568,252
Operating transfers out	(2,985,000)	-	(2,985,000)	(3,700,634)	(715,634)
Net other financing sources (uses)	(475,000)	-	(475,000)	(622,382)	(147,382)
Revenues and other financing sources over (under) expenditures and other uses	1,604,710	288,000	1,892,710	4,438,869	2,546,159
Fund balance at beginning of year (Non-GAAP budgetary basis)	2,549,547	-	2,549,547	3,060,083	510,536
Less budgeted carryover (1)	(2,549,547)	-	(2,549,547)	(2,907,582)	(358,035)
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 1,604,710</u>	<u>\$ 288,000</u>	<u>\$ 1,892,710</u>	<u>\$ 4,591,370</u>	<u>\$ 2,698,660</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(384,309)	
Expenditure and transfer accruals				291,016	
Residual equity transfers from Recreation Authority				57,730	
Fund balance at end of year (GAAP basis)				<u>\$ 4,555,807</u>	

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

City of Clinton, Oklahoma
Statement of Net Assets
June 30, 2012

	Public Works Authority	Solid Waste Authority	Clinton Airport Authority	Recreation Trust Authority	Clinton Hospital Authority	Industrial Authority	Total Enterprise Funds	Internal Service Fund
ASSETS								
Current assets:								
Cash, including time deposits	\$ 238,157	\$ 166,791	\$ 15,232	\$ 47,863	\$ 535,084	\$ 543,217	\$ 1,546,344	\$ 7,298
Investment	1,591,000	331,000	45,000	-	8,793,495	387,000	11,147,495	-
Interest receivable	74,460	672	205	-	2,390	1,748	79,465	-
Accounts receivable (net)	556,343	122,660	2,568	-	-	74,462	756,033	-
Due from other funds	-	-	-	-	-	82,813	82,813	-
Prepaid expenses	14,210	5,898	6,204	5,470	-	8,063	39,845	-
Total current assets	2,474,160	627,021	69,209	53,333	9,330,969	1,097,303	13,651,985	7,298
Restricted assets:								
Cash, including time deposits	19,909	-	-	-	-	-	19,909	-
Investments	1,225,000	-	-	-	-	-	1,225,000	-
Total restricted assets	1,244,909	-	-	-	-	-	1,244,909	-
Noncurrent assets:								
Capital lease receivable	12,876,000	-	-	-	-	1,369,291	14,244,291	-
Unamortized bond issue costs	152,423	-	-	-	-	-	152,423	-
Capital assets (net)	11,830,568	374,887	1,816,612	1,790,722	4,629,882	4,355,908	24,798,579	4,719
Total noncurrent assets	24,857,991	374,887	1,816,612	1,790,722	4,629,882	5,725,199	39,195,293	4,719
Total assets	28,577,060	1,001,908	1,885,821	1,844,055	13,960,851	6,822,502	54,092,197	12,017
LIABILITIES								
Current liabilities:								
Accounts payable	144,649	56,562	613	5,229	106	9,253	216,412	366
Wages and benefits payable	14,490	12,051	-	8,929	-	4,037	39,507	880
Due to other funds	32,813	-	-	-	-	1,426,326	1,459,139	-
Accrued interest payable	-	-	-	-	-	1,293	1,293	-
Compensated absences, current	17,549	21,859	-	12,643	-	3,285	55,336	-
Notes payable, current	33,607	-	-	20,860	-	4,375	58,842	-
Total current liabilities	243,108	90,472	613	47,661	106	1,448,569	1,830,529	1,246
Liabilities payable from restricted assets:								
Accrued interest payable	199,176	-	-	-	-	-	199,176	-
Bonds payable, current	2,175,000	-	-	-	-	-	2,175,000	-
Total liabilities payable from restricted assets	2,374,176	-	-	-	-	-	2,374,176	-
Noncurrent liabilities:								
Other accrued liabilities	-	-	-	-	-	-	-	-
Notes payable, non-current	295,703	-	-	47,889	-	728,438	1,072,030	-
Bonds payable, noncurrent	18,160,000	-	-	-	-	-	18,160,000	-
Unamortized bond discount/premium	6,469	-	-	-	-	-	6,469	-
Deferred amount on refunding	(420,737)	-	-	-	-	-	(420,737)	-
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	17,745,732	-	-	-	-	-	17,745,732	-
Total noncurrent liabilities	18,041,435	-	-	47,889	-	728,438	18,817,762	-
Total liabilities	20,659,719	90,472	613	95,550	106	2,177,007	23,022,467	1,246
NET ASSETS								
Invested in capital assets, net of related debt	4,370,568	374,887	1,816,612	1,721,973	4,629,882	3,627,470	16,541,392	4,719
Restricted for hospital investment	-	-	-	-	7,800,000	-	7,800,000	-
Restricted for debt obligations	1,239,988	-	-	-	-	-	1,239,988	-
Unrestricted	2,307,785	536,549	68,596	26,532	1,530,863	1,018,025	5,488,350	6,052
Total net assets	\$ 7,918,341	\$ 911,436	\$ 1,885,208	\$ 1,748,505	\$ 13,960,745	\$ 4,645,495	31,069,730	\$ 10,771
Adjustment to reflect the consolidation of applicable Internal service fund activities to enterprise funds							2,348	
Net assets of business-type activities							\$ 31,072,078	

City of Clinton, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Assets
June 30, 2012

	Public Works Authority	Solid Waste Authority	Clinton Airport Authority	Recreation Trust Authority	Clinton Hospital Authority	Industrial Authority	Total Enterprise Funds	Internal Service Fund
Operating revenues:								
Charges for services:								
Water charges	\$ 2,921,021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,921,021	\$ -
Sewer charges	1,401,879	-	-	-	-	-	1,401,879	-
Sanitation charges	-	1,447,837	-	-	-	-	1,447,837	-
Penalties	67,002	-	-	-	-	-	67,002	-
Golf fees	-	-	-	260,157	-	-	260,157	-
Parks and recreation	-	-	-	-	-	-	-	-
Swimming fees	-	-	-	-	-	-	-	-
Concessions/merchandise sales	-	-	858	-	-	5,185	6,043	-
Internal service charges	-	-	-	-	-	-	-	32,832
Total charges for services	4,389,902	1,447,837	858	260,157	-	5,185	6,103,939	32,832
Lease and rental income	90,960	-	62,807	-	150,000	90,226	393,993	-
Miscellaneous	443,891	-	-	2,834	-	-	446,825	39,904
Total operating revenues	4,924,653	1,447,837	63,665	262,991	150,000	95,411	6,944,757	72,736
Operating expenses:								
Cost of goods sold	1,789,279	-	-	-	-	-	1,789,279	-
Personal services	374,808	370,897	-	271,825	-	136,176	1,153,706	30,680
Materials and supplies	97,433	112,970	2,630	46,671	-	34,944	294,648	32,914
Other services and charges	1,754,900	827,620	117,103	92,670	11,523	203,128	3,006,944	5,769
Bad debt expense	15,094	2,834	-	-	-	-	17,928	-
Depreciation	624,809	63,716	117,111	146,224	244,046	98,868	1,294,874	1,025
Total operating expenses	4,656,423	1,378,037	236,844	557,390	255,569	473,116	7,557,379	70,388
Net operating income	268,430	69,800	(173,179)	(294,399)	(105,569)	(377,705)	(612,622)	2,348
Nonoperating revenue (expense):								
Grants income	-	-	41,325	-	-	-	41,325	-
Investment income	47,746	3,118	479	-	144,441	4,131	199,915	-
Gain (loss) on disposal of fixed assets	(553)	-	-	-	-	3,150	2,597	-
Gain on termination of Integris lease	-	-	-	-	4,065,988	-	4,065,988	-
Interest expense	(370,384)	(1,037)	-	(25,834)	-	(1,293)	(398,558)	-
Fiscal charges	(25,653)	-	-	-	-	-	(25,653)	-
Amortization	(128,579)	-	-	-	-	-	(128,579)	-
Oil and gas royalties	-	-	30,484	-	-	-	30,484	-
Total nonoperating revenue (expense)	(477,433)	2,081	72,288	(25,834)	4,210,429	5,988	3,787,519	-
Net Income before contributions and transfers	(209,003)	71,881	(100,891)	(320,233)	4,104,860	(371,717)	3,174,897	2,348
Transfers from other funds	6,026,739	-	24,177	889,944	-	716,055	7,656,915	-
Transfers to other funds	(4,853,464)	-	-	-	(730,780)	-	(5,584,244)	-
Change in net assets	964,272	71,881	(76,714)	569,711	3,374,080	344,338	5,247,568	2,348
Net assets-beginning of year	6,954,069	839,555	1,961,922	10,082,708	10,586,665	4,301,157	-	8,423
Residual equity transfer	-	-	-	(8,903,914)	-	-	-	-
Net assets-end of year	\$ 7,918,341	\$ 911,436	\$ 1,885,208	\$ 1,748,505	\$ 13,960,745	\$ 4,645,495	-	\$ 10,771
Adjustment to reflect the consolidation of applicable internal service fund activities to enterprise funds							7,348	
Change in net assets of business-type activities							\$ 5,254,916	

City of Clinton, Oklahoma
Statement of Cash Flows
June 30, 2012

	Public Works Authority	Solid Waste Authority	Clinton Airport Authority	Recreation Trust Authority	Clinton Hospital Authority	Industrial Authority	Total Enterprise Funds	Internal Service Fund
Cash flows from operating activities:								
Receipts from customers	\$ 4,293,354	\$ 1,448,223	\$ 65,699	\$ 260,157	\$ 150,000	\$ 22,449	\$ 6,239,882	\$ 32,832
Payments to suppliers	(3,563,718)	(943,496)	(123,549)	(138,851)	(11,523)	(241,273)	(5,022,410)	(38,347)
Payments to employees	(382,755)	(378,962)	-	(270,198)	-	(139,034)	(1,170,949)	(31,338)
Other operating revenues	443,991	-	-	2,834	-	-	446,825	39,904
Net cash provided (used) by operating activities	790,872	125,765	(57,850)	(146,058)	138,477	(357,858)	493,348	3,051
Cash flows from non-capital financing activities:								
Receipts under interfund loan agreements	511,081	-	-	-	-	-	511,081	-
Payments under interfund loan agreements	(4,375)	-	-	(511,081)	-	(45,625)	(561,081)	-
Transfers from other funds	6,026,739	-	24,177	889,944	-	716,055	7,656,915	-
Transfers to other funds	(4,853,464)	-	-	-	(730,780)	-	(5,584,244)	-
Payment on behalf of school-capital lease agreement	(543,340)	-	-	-	-	-	(543,340)	-
Net cash provided (used) by non-capital financing activities	1,136,641	-	24,177	378,863	(730,780)	670,430	1,479,331	-
Cash flows from capital and related financing activities:								
Proceeds (loss) from sale of capital assets	(553)	-	-	-	-	3,150	2,597	-
Purchases of capital assets	(485,779)	-	(43,883)	(33,032)	-	(707,697)	(1,270,391)	-
Principal paid on capital debt	(1,842,372)	(68,455)	(23,889)	(169,997)	-	(4,375)	(2,109,088)	-
Proceeds from debt issuance	-	-	-	-	-	700,000	700,000	-
Interest and fiscal charges paid on capital debt	(409,949)	(1,036)	-	(25,834)	-	-	(436,819)	-
Capital grants/donations received	-	-	41,325	-	-	-	41,325	-
Net cash provided (used) by capital and related financing activities	(2,738,653)	(69,491)	(26,447)	(228,863)	-	(8,922)	(3,072,376)	-
Cash flows from investing activities:								
Sale (purchase) of investments	241,350	45,000	20,000	-	441,391	133,000	880,741	-
Investment income	(25,085)	2,736	358	-	144,694	2,784	125,487	-
Receipts from oil & gas royalties	-	-	30,484	-	-	-	30,484	-
Net cash provided (used) by investing activities	216,265	47,736	50,842	-	586,085	135,784	1,036,712	-
Net increase (decrease) in cash and cash equivalents	(594,875)	104,010	(9,278)	3,942	(6,218)	439,434	(62,985)	3,051
Cash and cash equivalents, July 1, 2011	852,941	62,781	24,510	43,921	541,302	103,783	1,629,238	4,247
Cash & cash equivalents, June 30, 2012	\$ 258,066	\$ 166,791	\$ 15,232	\$ 47,863	\$ 535,084	\$ 543,217	\$ 1,566,253	\$ 7,298
Cash, including time deposits	\$ 238,157	\$ 166,791	\$ 15,232	\$ 47,863	\$ 535,084	\$ 543,217	\$ 1,546,344	\$ 7,298
Restricted cash, including time deposits	19,909	-	-	-	-	-	19,909	-
Total cash and cash equivalents, end of year	\$ 258,066	\$ 166,791	\$ 15,232	\$ 47,863	\$ 535,084	\$ 543,217	\$ 1,566,253	\$ 7,298
Reconciliation of operating income (loss) to net cash provided (used) by operating activities								
Operating income (loss)	\$ 268,430	\$ 69,800	\$ (173,179)	\$ (294,399)	\$ (105,569)	\$ (377,705)	\$ (612,622)	\$ 2,348
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	624,909	63,716	117,111	146,224	244,046	98,868	1,294,874	1,025
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable	(187,508)	386	2,034	-	-	(72,962)	(258,050)	-
(Increase) decrease in prepaids	(3,059)	(479)	647	(123)	-	(114)	(3,128)	-
Increase (decrease) in accounts payable	96,047	407	(4,463)	613	-	(3,087)	89,517	336
Increase (decrease) in wages & benefits payable	(6,927)	(6,134)	-	(2,376)	-	(3,097)	(18,534)	(658)
Increase (decrease) in compensated absences	(1,020)	(1,931)	-	4,003	-	239	1,291	-
Increase (decrease) in other accrued liabilities	-	-	-	-	-	-	-	-
Total adjustments	522,442	55,965	115,329	148,341	244,046	19,847	1,105,970	703
Net cash provided (used) by operating activities	\$ 790,872	\$ 125,765	\$ (57,850)	\$ (146,058)	\$ 138,477	\$ (357,858)	\$ 493,348	\$ 3,051
Non-cash investing, capital, and financing activities:								
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ -	\$ -	\$ 95,273	\$ -	\$ 95,273	\$ -
Total non-cash investing, capital, and financing activities	\$ -	\$ -	\$ -	\$ -	\$ 95,273	\$ -	\$ 95,273	\$ -

City of Clinton, Oklahoma
Statement of Net Assets
June 30, 2012

	Agency Fund
ASSETS	
Cash, including time deposits	\$ 72,290
Investments	171,000
Total assets	<u>\$ 243,290</u>
LIABILITIES	
Due to depositors	243,290
Total liabilities	<u>\$ 243,290</u>

INDEX

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. INTRODUCTION**
- B. FINANCIAL REPORTING ENTITY**
- C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**
- D. FUND TYPES AND MAJOR FUNDS**
- E. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**
- F. REVENUES, EXPENDITURES AND EXPENSES**

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. DEFICIT FUND NET ASSETS/FUND BALANCE**
- B. BUDGET REQUIREMENTS**
- C. REVENUE RESTRICTIONS**
- D. DEBT RESTRICTIONS AND COVENANTS**

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

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

NOTE 4: OTHER NOTES

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(A) Introduction:

The accounting and reporting framework and the more significant accounting principles and practices of the City of Clinton (City) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2012.

(B) Financial Reporting Entity:

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

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

Blended Component Units Reported with Primary Government

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

(C) Government-wide and Fund Financial Statements:

Government-wide Financial Statements

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

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

Fund Financial Statements:

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

Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

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

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

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

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

Restricted Assets

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

Use of Estimates

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

Interfund Balances

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

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

(D) Fund Types and Major Funds:

Major Governmental Funds

General Fund

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

Capital Project Fund

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

Cemetery Care

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

4th Cent Sales Tax

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

Tax Incremental Financing (TIF)

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

Major Proprietary Funds

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

Internal Service Fund

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

Agency Funds

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

(E) Assets, Liabilities and Net Assets or Equity

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

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.

Equity Classifications

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 Assets

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

Invested in capital assets, net of related debt

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

Restricted net assets

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

Governmental Fund Balances

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

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

(F) Revenues, Expenditures and Expenses:

Sales Tax

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

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

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

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

Property Tax

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

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

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

For the year ended June 30, 2012, the City's net assessed valuation of taxable property was \$40,184,699. 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 Assets/Fund Balance:

Deficits resulting from accrual reporting do not constitute violations of the Oklahoma State Statutes. For the year ended June 30, 2012, 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, 2012, the City complied, in all material respects, with the applicable budget laws. The City did not over-expend appropriations at the legal level of control in any object category.

There were 2 General Fund supplemental appropriations approved by the City Council during fiscal year 2012.

(C) Revenue Restrictions:

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 1(F)
Gasoline Excise and Commercial Vehicle Tax	Street and Alley Purposes
Airport Revenue	Airport Operations and Debt Service
E-911 Revenue	E-911 Emergency Services Purposes
Clinton Hospital Authority Lease Trust Funds	Only interest on hospital funds may be spent
Golf Course Revenue	Golf Course Operations and Debt Service
Cemetery Revenue (12.5%)	Cemetery Capital Improvements
Lodging Tax	Cost of operating and maintaining a community center

Ad-Valorem Tax	Debt Service on Bonds and Judgments
Incremental tax on sales, hotel/motel & advalorem	Capital improvements in defined area

For the year ended June 30, 2012, the City complied, in all material respects, with these revenue restrictions.

(D) Debt Restrictions and Covenants

Revenue Bond Debt

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

<u>Requirement</u>	<u>Level of Compliance</u>
a. 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, 2012, this requirement was met (see computation below).

Revenue Bond Coverage:

Gross revenue available for debt service:	
Operating revenues for Public Works and Solid Waste Authorities	\$ 5,837,739
Pledged sales tax	1,501,587
Gross revenue available for debt service	<u>7,339,326</u>
Operating expenses for Public Works and Solid Waste Authorities	
Excluding depreciation and amortization	(5,345,835)
Net revenues available for debt service	<u>1,993,491</u>
Debt service requirements:	
Average annual debt service- Series 2003 revenue bonds	529,325
Average annual debt service- OWRB note	42,258
Average annual debt service – Series 2006 revenue bonds	759,947
Total average annual debt service	<u>1,331,530</u>
Computed coverage	<u>1.50</u>
Coverage requirement	<u>1.25</u>

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

(A) Cash and Investments:

Deposits

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

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

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Investments

As of June 30, 2012, 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	\$ 6,066,000	\$ 6,066,000	N/A	230
Total pooled investments	<u>6,066,000</u>	<u>6,066,000</u>		
<u>NON-POOLED INVESTMENTS:</u>				
Federal agency notes	2,630,555	2,576,150	Aaa	-
Mortgage backed securities (3)	2,066,940	2,000,650	AAA	
Certificates of deposit	6,813,000	6,813,000	N/A	272
Total non-pooled investments	<u>11,510,495</u>	<u>11,389,800</u>		
Total primary government investments	<u>\$ 17,576,495</u>	<u>\$ 17,455,800</u>		
Reconciliation to Statement of Net Assets				
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	
Unrestricted Investments	5,204,000	11,147,495	16,351,495	
Restricted Investments	-	1,225,000	1,225,000	
Total	<u>5,204,000</u>	<u>12,372,495</u>	<u>17,576,495</u>	
Fiduciary funds				
<u>POOLED INVESTMENTS:</u>				
Certificates of deposit	\$ 171,000	\$ 171,000	N/A	325
Total fiduciary investments	<u>\$ 171,000</u>	<u>\$ 171,000</u>		
Grand total investments	<u>\$ 17,747,495</u>	<u>\$ 17,626,800</u>		

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

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

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

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

(B) Accounts Receivable

Governmental activities report sales and use taxes receivable of \$527,665 comprised of amount received after year-end for current year taxes on sales.

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2012

	<i>Business-type Activities</i>			
	Public Works	Solid Waste	Airport	Industrial Authority
Accounts Receivable	\$ 556,343	\$ 122,660	\$ 2,568	\$ 74,462
Less: allowance for uncollectible accounts	-	-	-	-
Net accounts receivable	\$ 556,343	\$ 122,660	\$ 2,568	\$ 74,462

(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, 2012 were as follows:

Enterprise Funds:			
Public Works Authority			
Revenue Bond Trustee Accounts:			
2003 Bonds	\$ 9,983	\$ 200,000	\$ 209,983
2006 bonds	5,005	1,025,000	1,030,005
2010 bonds	4,921	-	4,921
Grand total enterprise fund	<u>\$ 19,909</u>	<u>\$ 1,225,000</u>	<u>\$ 1,244,909</u>

(D) Capital Assets:

Governmental Activities

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

	Balance at July 1, 2011	Additions	Disposals	Balance at June 30, 2012
Land	\$ 383,460	\$ 399,267	\$ -	\$ 782,727
Buildings	2,912,757	3,244,093	-	6,156,850
Other improvements	969,610	4,205,881	-	5,175,491
Machinery, furniture & equip.	3,812,331	1,547,895	59,379	5,300,847
Infrastructure	4,429,925	2,693,925		7,123,850
Construction in process	414,778	540,726	414,778	540,726
	12,922,861	12,631,787	474,157	25,080,491
Less accumulated depreciation	7,267,294	941,188	(1,938,698)	10,147,180
Net property, plant, & equipment	<u>\$ 5,655,567</u>			<u>\$ 14,933,311</u>

Business-Type Activities

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

	Balance at July 1, 2011	Additions	Disposals	Balance at June 30, 2012
Land	\$ 2,278,311	\$ 512,598	\$ 487,382	\$ 2,303,527
Buildings	10,666,760	-	2,672,085	7,994,675
Other improvements	7,243,224	8,693,407	4,178,345	11,758,286
Machinery, furniture & equip.	14,380,070	187,169	1,484,239	13,083,000
Infrastructure	31,773,185	253,633	2,255,331	29,771,487
Construction in progress	6,063,694	327,133	6,063,694	327,133
	72,405,244	9,973,940	17,141,076	65,238,108
Less accumulated depreciation	36,615,890	1,294,874	(2,528,765)	40,439,529
Net property, plant, & equipment	<u>\$ 35,789,354</u>			<u>\$ 24,798,579</u>

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Fixed assets of the Enterprise Funds were comprised of the following at June 30, 2012:

	Works Authority	Waste Authority	Airport Authority	Recreation Authority	Industrial Authority	Hospital Authority
Land	\$ 164,305	\$ 76,351	\$ 127,608	\$ 302,000	\$ 1,588,456	\$ 44,807
Buildings	503,011	72,307	514,933	230,752	2,822,090	3,851,582
Other Improvements	570,078	-	767,397	1,518,364	80,465	8,821,982
Machinery, furniture, & equip.	1,709,079	1,167,809	105,989	610,809	270,873	9,218,440
Infrastructure	28,084,926	-	1,447,938	124,713	113,910	-
Construction in progress	-	-	43,883	-	283,250	-
Less accumulated depreciation	19,200,831	941,580	1,191,136	995,916	803,136	17,306,929
Net property, plant, & equipment	<u>\$ 11,830,568</u>	<u>\$ 374,887</u>	<u>\$ 1,816,612</u>	<u>\$ 1,790,722</u>	<u>\$ 4,355,908</u>	<u>\$ 4,629,882</u>

Depreciation

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

Governmental Activities		Business-type Activities	
General government:		Water	\$ 312,780
Governing board & administration	\$ 82,262	Sewer	312,129
Finance	2,749	Sanitation	63,716
Public safety & judiciary:		Airport	117,111
Legal and courts	576	Golf	146,224
Police	61,452	Healthcare	244,046
Fire	78,060	Economic development	98,868
Inspection/code enforcement	1,261		<u>\$ 1,294,874</u>
Transportation:			
Street	149,068		
Cultural, parks and recreation:			
Parks & recreation	452,255		
Cemetery	6,409		
Public services:			
Facilities maintenance	107,096		
	<u>\$ 941,188</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, 2012, the long-term debt payable from governmental fund resources consisted of the following:

CAPITAL LEASE PAYABLE:

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

4,505

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

367,175

\$ 371,680

Business-Type Activities

As of June 30, 2012, the long-term debt payable from enterprise fund resources consisted of the following:

CAPITAL LEASE PAYABLE:

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

68,749

\$ 68,749

NOTES PAYABLE

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

\$ 329,310

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

32,813

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

100,000

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

600,000

\$ 1,062,123

REVENUE BONDS PAYABLE:

2003 Series Clinton Public Works Authority Revenue Bonds original issue amount of \$7,215,000, dated May 1, 2003, issued by Clinton Public Works Authority, secured by utility revenues and pledged sales tax, interest rates from 2% to 4.40%, final maturity on January 1, 2021.

4,115,000

2006 Series Clinton Public Works Authority Revenue Bonds original issue amount of \$6,000,000, dated September 1, 2006, secured by pledged sales tax, interest rates ranging from 3.8% to 4.5%, final maturity September 1, 2017.

3,345,000

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Conduit Debt Obligations:

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

12,660,000

2010B Series Clinton Public Works Educational Facilities Lease Revenue Bonds original issue amount of \$215,000, dated August 1, 2010, secured by pledged lease purchase acquisition payments and rental payments on improved property, interest rate of 2.256%, final maturity September 1, 2020. Refer to conduit debt further described below.

215,000

Total revenue bonds payable	20,335,000
Less: unamortized discounts	6,469
Less: unamortized deferred amount on refunding	(420,737)
Net revenue bonds payable	<u>\$ 19,920,732</u>

Conduit Debt

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

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

Type of Debt	Balance at July 1, 2011	Amount Issued	Amount Retired	Balance at June 30, 2012	Due Within One Year
Governmental Fund Debt:					
Capital lease payable	\$ 593,643	\$ -	\$ 221,963	\$ 371,680	\$ 90,055
Total governmental fund debt	<u>\$ 593,643</u>	<u>\$ -</u>	<u>\$ 221,963</u>	<u>\$ 371,680</u>	<u>\$ 90,055</u>
Enterprise Fund Debt:					
Capital lease payable	\$ 331,090	\$ -	\$ 262,341	\$ 68,749	\$ 20,860
Notes payable	398,870	700,000	36,747	1,062,123	37,982
Revenue bonds payable	9,270,000	-	1,810,000	7,460,000	1,025,000
Conduit debt	12,875,000	-	-	12,875,000	1,150,000
Total enterprise fund debt	<u>\$ 22,874,960</u>	<u>\$ 700,000</u>	<u>\$ 2,109,088</u>	<u>\$ 21,465,872</u>	<u>\$ 2,233,842</u>

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2012 are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities					
	Leases Payable		Notes and Leases Payable		Revenue Bonds		Conduit Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 90,055	\$ 14,702	\$ 58,843	\$ 13,563	\$ 1,025,000	\$ 280,948	\$ 1,150,000	\$ 591,617
2014	90,534	10,743	61,327	11,248	1,065,000	239,333	-	565,673
2015	93,614	6,967	66,296	7,979	1,110,000	195,025	1,470,000	565,673
2016	97,478	3,044	41,846	6,789	1,155,000	147,893	-	516,884
2017	-	-	143,231	5,591	1,205,000	97,875	2,390,000	516,884
2018-2022	-	-	159,329	9,503	1,900,000	119,749	7,865,000	1,381,220
2023	-	-	600,000	-	-	-	-	-
Totals	\$ 371,681	\$ 35,456	\$ 1,130,872	\$ 54,673	\$ 7,460,000	\$ 1,080,823	\$ 12,875,000	\$ 4,137,951

(F) Interfund Transactions and Balances:

Interfund receivables and payables at June 30, 2012 were as follows:

DUE TO AND DUE FROM:

GOVERNMENTAL FUNDS:

General Fund:

TIF Fund

Capital Improvement Fund:

TIF Fund

4th Cent Sales Tax Fund:

TIF Fund

Industrial Authority

TIF Fund:

General Fund

Capital Improvement Fund

4th Cent Sales Tax Fund

Industrial Authority

ENTERPRISE FUNDS:

Public Works Authority:

Industrial Authority

Industrial Authority:

TIF Fund

4th Cent Sales Tax Fund

Public Works Authority

GRAND TOTAL

	Due From	Due To
	\$ -	\$ 24,591
	-	11,996
	1,463,313	11,396
		50,000
	24,591	-
	11,996	-
	11,396	-
	1,426,326	1,463,313
	-	32,813
	-	1,426,326
	50,000	-
	32,813	-
	<u>\$ 3,020,435</u>	<u>\$ 3,020,435</u>

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Operating transfers for the year ended June 30, 2012 were as follows:

OPERATING TRANSFERS:

GENERAL FUND:

	Transfers In	Transfers Out
Public Works Authority (an enterprise fund)	\$ 3,078,253	\$ 3,078,253
TIF Fund	-	4,145
Recreation Authority (an enterprise fund)	-	150,000
Industrial Authority (an enterprise fund)	-	395,781
Total General Fund	<u>3,078,253</u>	<u>3,628,179</u>

SPECIAL REVENUE FUNDS:

4th Cent Sales Tax :

Public Works Authority (an enterprise fund)	504,749	835,266
Industrial Authority (an enterprise fund)	-	312,738

TIF Fund :

General Fund	4,145	-
Total Special Revenue Fund	<u>508,894</u>	<u>1,148,004</u>

CAPITAL PROJECTS FUND:

Public Works Authority (an enterprise fund)	877,298	1,501,587
Clinton Airport Authority	-	24,177
Clinton Recreation Authority (an enterprise fund)	-	227,633
Industrial Authority (an enterprise fund)	-	7,536
Total Capital Project Funds	<u>877,298</u>	<u>1,760,933</u>

ENTERPRISE FUNDS:

Clinton Public Works Authority:

General Fund	3,078,253	3,078,253
Capital Projects Fund	1,501,587	877,298
4 th Cent Sales Tax Fund (a special revenue fund)	835,266	504,749
Recreation Authority	-	393,164
Clinton Hospital Authority	611,633	-

Clinton Airport Authority:

Capital Projects Fund	24,177	-
-----------------------	--------	---

Clinton Recreation Authority:

General Fund	150,000	-
Capital Projects Fund	227,633	-
Public Works Authority (an enterprise fund)	393,164	-
Clinton Hospital Authority	119,147	-

Clinton Industrial Authority:

General Fund	395,781	-
Capital Projects Fund	7,536	-
4 th Cent Sales Tax Fund (a special revenue fund)	312,738	-

Clinton Hospital Authority:

Public Works Authority (an enterprise fund)		611,633
Clinton Recreation Authority	-	119,147
Total Enterprise Funds	<u>7,656,915</u>	<u>5,584,244</u>

GRAND TOTAL

<u>\$ 12,121,360</u>	<u>\$ 12,121,360</u>
----------------------	----------------------

(G) Fund Equity:

Retained Earnings Reserves

The retained earnings of the enterprise funds and internal service funds are reserved for debt retirements and loan disbursements related to the various revenue bond issues. Reserves at June 30, 2012 are as follows:

	Reserved For Debt Service	Reserved Hospital Lease Funds	Total
Enterprise Funds:			
Public Works Authority	\$ 1,239,988	\$ -	\$ 1,239,988
Hospital Authority	-	7,800,000	7,800,000
Total Enterprise Fund	<u>\$ 1,239,988</u>	<u>\$ 7,800,000</u>	<u>\$ 9,039,988</u>

NOTE 4: OTHER NOTES

(A) Employee Pension and Other Benefit Plans:

The City participates in four employee pension systems as follows:

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

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

Plan Description

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

	<u>OMRF Plan</u>
Year established and governing authority	1970, City Council Ordinance
Determination of contribution requirements	Actuarially determined
Employer	13.78% of participant payroll
Plan members	5.25% of participant payroll
Funding of administrative costs	Investment earnings
Period required to vest	7 years
Post-retirement benefit increases	Cost of living adjustment each July 1 st based upon the percentage change in the CPI, maximum increase or decrease of 3% in any year
Eligibility for distribution	- Normal retirement- age 65 with 7 or more years of vesting service or age 62 with 30 years of service. - Early retirement at age 55 with 7 years of service - Disability retirement upon total and permanent disability with 7 years of service

Membership of the plan is as follows:

	<u>As of January 1, 2012</u>
Non-vested active members	48
Fully vested active members	18
Retirees and beneficiaries receiving benefits	31
Terminated plan members entitled to but not yet receiving benefits	12
	<u>109</u>

Annual Required Contributions

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

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2012

OMRF Plan	
Provisions for:	
Disability benefits	Yes
Death benefits	Yes
Valuation date	March 2012
Actuarial cost method	Entry age normal cost method
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increase	4.0% - 7.42%
Post retirement benefit increase (max)	3%
Other	Mortality table UP 1994 with project mortality improvement; 100% married; 3 year spouse age difference

Funding Status and Progress

Actuarial Valuation Date/Type	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
1/1/10	8,330,057	9,327,216	997,159	89.3%	2,463,146	40.5%
1/1/11	8,716,471	9,175,868	459,397	95.0%	2,142,372	21.4%
1/1/12	9,081,752	9,682,705	600,953	93.8%	2,173,927	27.6%

Oklahoma Police and Firefighter's Pension and Retirement Systems

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

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
Eligibility to participate	All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired.	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Plan member's contribution rate	8% of covered payroll	8% of covered payroll
City's contribution rate	13% of covered payroll	13% of covered payroll, \$60 per year for volunteer firefighters
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Benefits and eligibility for distribution (volunteer)	NA	20 years credited service equal to \$7.53 per month per year of service, with a maximum of 30 years considered.

CITY OF CLINTON, OKLAHOMA
Notes to Financial Statements
June 30, 2012

Deferred retirement option	Yes, 20 years credited service with additional option to participate in the Deferred Option plan for a maximum of 5 years.	Yes, 20 years credited service for a maximum of five years
----------------------------	--	--

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

Annual Required Contributions

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

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
Provision for:		
Cost of living adjustment	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes
Valuation Date	7/1/11	7/1/11
Actuarial cost method	Individual entry age	Individual entry age normal
Amortization method/period	Level dollar 30 years, open	Level dollar 30 years, open
Actuarial asset valuation method	5 year moving average	5 year moving average
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increase	5.0% - 19.0%	4.0% - 10.0%
Post retirement benefit increase (max)	2.0%	2.0%
Inflation	3.0%	3.0%
Other	1994 group annuity table set forward 1 year for men and 2 years for women	1994 group annuity table set forward 1 year for men and 2 years for women

Trend Information

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

Funding Status and Funding Progress

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
Actuarial value of plan assets (AVA)	\$1,822,702,000	\$1,757,838,480
Actuarial accrued liability (AAL)	\$1,959,976,006	\$2,760,356,036
Unfunded actuarial accrued liability (UAAL)	\$ 137,274,006	\$1,002,517,556
Funded ratio (AVA/AAL)	93.0%	63.7%
Covered payroll (active plan members)	\$ 257,504,567	\$ 243,684,122
UAAL as a percentage of covered payroll	53.3%	411.4%

State On Behalf Payments

For fiscal year 2012, the State of Oklahoma contributed estimated payments on behalf of City employees to the Oklahoma Police Pension and Retirement System of \$66,350.60 and the Oklahoma Firefighters Pension and Retirement System of \$158,410.25. State contributions are funded by allocations of the state's insurance premium tax. The City is not legally responsible for these contributions.

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

The City has also provided effective October 1, 1991, an enhancement to the existing pension benefit structure with the Oklahoma Municipal Retirement Fund. The enhancement is a defined contribution plan available on a voluntary basis to all full-time employees already participating in

the existing OMRF defined benefit plan. The plan is a money purchase plan qualified under section 401(a) of the Internal Revenue Code. The employee may contribute to the Plan an amount not less than 2% or more than 10% of their compensation.

For the year ended June 30, 2012, the following amounts related to the defined contribution plan:

City total payroll	\$ 3,824,847
Payroll for covered employees	\$ 443,510
Employees contributions made	\$ 13,544
Employer (City) contributions made	\$ 0
City contributions as a % of covered payroll	1%

Other Post-Employment Benefits

For the year ended June 30, 2012, the City provided no post-employment benefits (other than pension) to terminated employees.

(B) Commitments and Contingencies:

Grant Program Involvement

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

Clinton Regional Hospital Lease

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

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

Clinton Public School District Lease

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

Litigation

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

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

(C) Subsequent Events:

Sales Tax Extension

On June 14, 2011, City voters approved an additional .95 cent sales tax to begin October 1, 2011 for 8 years which is committed to various capital projects.



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

JAMES M. KUYKENDALL
RICK D. MILLER

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

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

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

The Honorable Mayor and City Council
City of Clinton, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the City of Clinton, Oklahoma's basic financial statements and have issued our report thereon dated December 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Britton Kuykendall & Miller

BRITTON, KUYKENDALL AND MILLER
Weatherford, Oklahoma
December 28, 2012