

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

**FINANCIAL STATEMENTS AND  
AUDITOR'S REPORTS**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

**THE CITY OF CLINTON, OKLAHOMA  
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YEAR ENDED JUNE 30, 2014**

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**CITY OF CLINTON, OKLAHOMA  
YEAR ENDED JUNE 30, 2014  
LIST OF PRINCIPAL OFFICIALS**

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**MAYOR**  
Seth Adams

**COUNCIL MEMBERS**  
Jason Hulin  
Don Rodolph  
Wheeler Lowry  
Mustafa Sami

**CITY MANAGER**  
Steve Hewitt

**CITY CLERK**  
Lisa Anders

**CITY TREASURER**  
Debra Blanchard



**BRITTON, KUYKENDALL, & MILLER**  
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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and City Council  
City of Clinton, Oklahoma

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Clinton, Oklahoma's basic financial statements as listed in the Table of Contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

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

### **Other Information**

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2014, on our consideration of City of Clinton, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Clinton, Oklahoma's internal control over financial reporting and compliance.

*Britton, Kuykendall & Miller*

BRITTON, KUYKENDALL & MILLER  
Certified Public Accountants

Weatherford, Oklahoma  
December 15, 2014

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, 2014. 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 \$55,718,627 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$56,667,704.
- Total liabilities of the City decreased by \$3,223,470 to \$22,080,028.
- Total net assets are comprised of the following:
  - (1) Invested in capital assets, net of related debt, of \$34,126,748 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$8,850,007 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
  - (3) Unrestricted net assets of \$12,741,872 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$7,177,978 this year. This compares to the prior year ending fund balance of \$9,582,278 showing a decrease of \$2,404,300 which includes a restatement of \$675,000 from prior years.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,589,261, or 38.97% of total General Fund expenditures including transfers and 41.11% of General Fund revenues including transfers.

## Overview of the Financial Statements

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

## Government-wide Financial Statements

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

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

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

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

Business-type activities include water and wastewater utilities, solid waste management, airports, recreational activities, health care, and economic development. Fiduciary activities such as employee pension plans are not included in the government-wide statements since these assets are not available to fund City programs.

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

### **Fund Financial Statements**

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

The City has three kinds of funds:

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

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

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

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

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

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

*Notes to the financial statements*

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

*Other Information*

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

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

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

The City's net position at fiscal year end was \$55,718,627. This is a net decrease of \$949,277 (including a restatement of \$675,000) over last year's net position of \$56,667,904. The following table provides a summary of the City's net assets at June 30:

**Summary of Net Position**

	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2014	2013	2014	2013	2014	2013		
Current and other assets	\$ 8,280,594	\$ 11,180,034	\$ 14,872,748	\$ 15,445,217	\$ 22,933,342	\$ 26,825,251	\$ (3,691,909)	-13
Other noncurrent assets	-	-	12,477,820	12,879,889	12,477,820	12,879,889	\$ (402,069)	-3
Capital assets	19,056,362	14,644,831	22,964,456	27,307,687	42,020,818	41,952,718	\$ 68,100	0
<b>Total assets</b>	<b>27,336,956</b>	<b>25,824,865</b>	<b>50,115,024</b>	<b>55,692,993</b>	<b>77,431,980</b>	<b>81,457,858</b>	<b>\$ (4,025,878)</b>	<b>-5</b>
<b>Deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>366,875</b>	<b>513,344</b>	<b>366,875</b>	<b>513,344</b>	<b>(146,669)</b>	<b>-40</b>
Long-term liabilities	8,283	197,814	17,072,647	20,120,428	17,080,930	20,318,242	\$ (3,237,312)	-16
Other liabilities	1,068,778	1,875,004	8,930,322	3,310,252	4,999,098	4,985,256	\$ 13,842	0
<b>Total liabilities</b>	<b>1,077,061</b>	<b>1,872,818</b>	<b>21,002,969</b>	<b>23,430,680</b>	<b>22,080,028</b>	<b>25,303,498</b>	<b>\$ (3,223,470)</b>	<b>-14</b>
<b>Net position:</b>								
Invested in capital assets, net of related debt	19,056,362	14,963,084	15,070,386	17,917,882	34,126,748	32,280,766	\$ 1,845,982	5
Restricted	104,149	112,654	8,745,858	8,674,519	8,850,007	8,787,173	\$ 62,834	0
Unrestricted	7,078,386	9,476,909	5,682,486	6,123,656	12,741,872	15,599,865	\$ (2,858,093)	-22
<b>Total net position</b>	<b>\$ 26,238,897</b>	<b>\$ 23,952,047</b>	<b>\$ 29,478,730</b>	<b>\$ 32,715,857</b>	<b>\$ 55,718,627</b>	<b>\$ 56,667,904</b>	<b>\$ (949,277)</b>	<b>-1</b>

The City reported positive balances in net assets for governmental activities, noting an increase of \$2,962,850 (less a restatement of \$675,000). Business-type activities net assets decreased \$3,237,127.

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, 2014

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

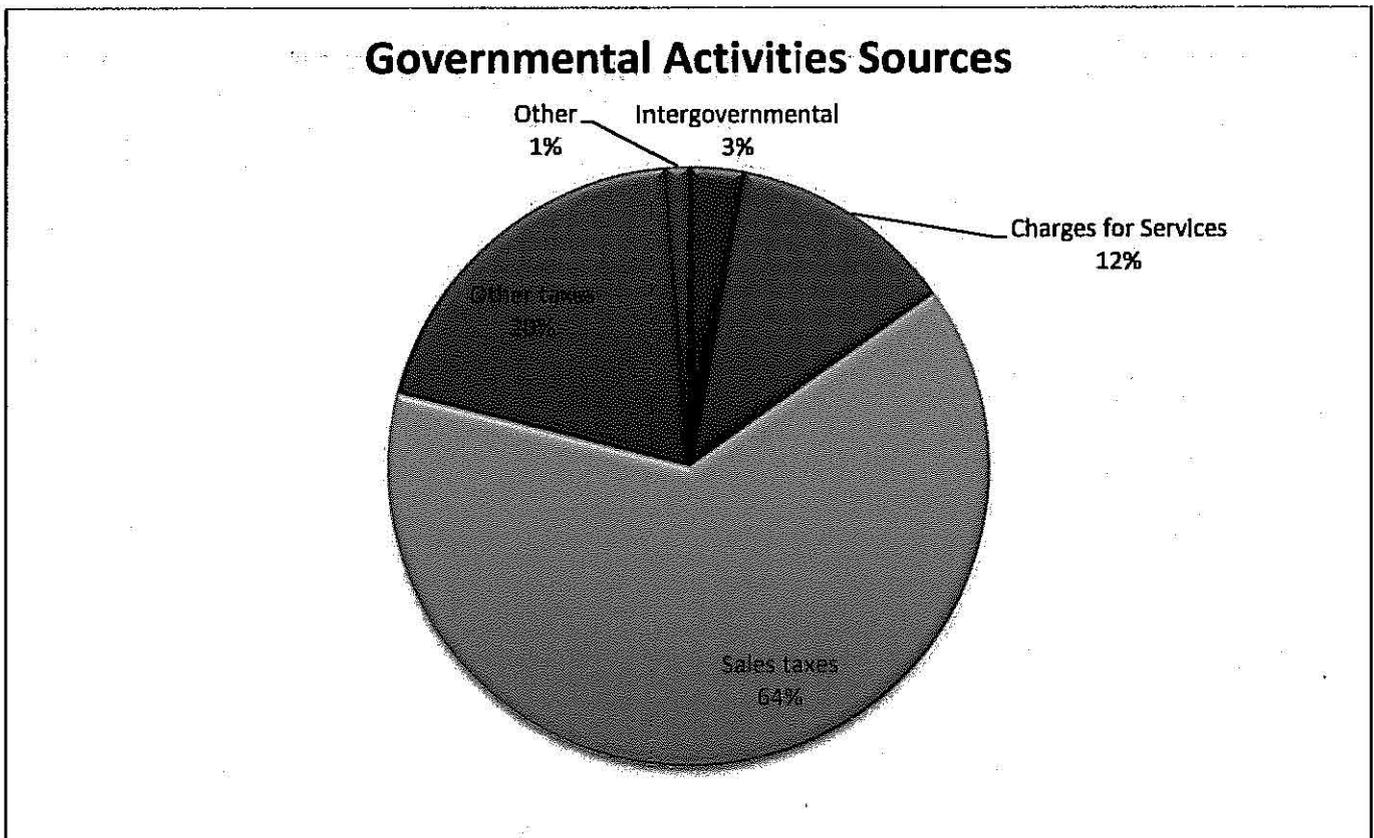
**Summary of Changes in Net Position**

	Governmental Activities		Business-type Activities		Totals		\$ Change	% Chang
	2014	2013	2014	2013	2014	2013		
<b>Revenues</b>								
<b>Program Revenues</b>								
Charges for services	\$ 1,106,841	\$ 1,049,820	\$ 6,842,901	\$ 6,115,144	\$ 7,749,542	\$ 7,164,964	\$ 584,578	8
Operating grants and contributions	155,932	186,832	200,987	974,752	356,919	1,161,584	(804,665)	-69
Capital grants and contributions	119,094	251,970	517,000	915,442	630,094	1,167,412	(537,318)	-46
<b>General Revenues</b>								
Sales taxes	5,762,730	5,910,150	-	-	5,762,730	5,910,150	(147,420)	-2
Use taxes	702,495	913,155	-	-	702,495	913,155	(210,660)	-23
Hotel/motel taxes	409,545	463,951	-	-	409,545	463,951	(54,406)	-12
Property tax (TIF)	117,388	55,242	-	-	117,388	55,242	62,146	0
E-911 taxes	96,836	95,244	-	-	96,836	95,244	1,592	2
Franchise taxes (fees)	338,546	348,719	-	-	338,546	348,719	(10,173)	-3
Cigarette taxes	68,666	76,086	-	-	68,666	76,086	(7,420)	-10
Other taxes	54,768	53,068	-	-	54,768	53,068	1,700	3
Oil & gas royalties	58,294	68,902	202,607	203,808	260,901	272,110	(11,209)	-4
Investment income	87,203	120,096	141,773	68,646	228,976	188,742	40,234	21
Other	15,998	25,686	927	8,370	16,925	34,066	(17,141)	-50
Penalties	-	-	62,912	58,154	62,912	58,154	4,758	8
Gain on disposal of assets	(47,129)	(37,889)	(49,546)	(30,845)	(96,675)	(68,734)	(27,941)	41
Transfers - internal activity	1,596,038	(2,106,318)	(1,596,038)	2,106,318	-	-	-	0
<b>Total Revenues</b>	<b>\$10,637,045</b>	<b>\$ 7,474,124</b>	<b>\$ 6,123,523</b>	<b>\$ 10,419,789</b>	<b>\$ 16,760,568</b>	<b>\$ 17,893,913</b>	<b>\$ (1,133,345)</b>	<b>-7</b>
<b>Expenses</b>								
General government	\$ 1,195,833	\$ 1,169,091	\$ -	\$ -	\$ 1,195,833	\$ 1,169,091	\$ 26,742	2
Public safety/judiciary	2,921,260	2,654,549	-	-	2,921,260	2,654,549	266,711	10
Transportation	967,077	833,410	-	-	967,077	833,410	133,667	16
Cultural, parks, recreation	1,698,681	1,607,046	-	-	1,698,681	1,607,046	91,635	6
Public services	431,867	358,350	-	-	431,867	358,350	73,517	21
Water	-	-	3,788,487	3,426,650	3,788,487	3,426,650	361,837	11
Sewer	-	-	1,243,012	1,254,265	1,243,012	1,254,265	(11,253)	-1
Sanitation	-	-	1,336,008	1,298,932	1,336,008	1,298,932	37,076	3
Airport	-	-	420,815	399,887	420,815	399,887	20,928	5
Golf	-	-	600,239	534,429	600,239	534,429	65,810	12
Parks & recreation	-	-	52,875	55,478	52,875	55,478	(2,503)	-5
Healthcare	-	-	646,891	672,578	646,891	672,578	(25,687)	-4
Education	-	-	582,398	403,207	582,398	403,207	179,191	44
Economic development	459,477	313,759	689,825	578,362	1,149,302	892,121	257,181	29
<b>Total Expenses</b>	<b>\$ 7,674,195</b>	<b>\$ 6,936,205</b>	<b>\$ 9,360,650</b>	<b>\$ 8,623,788</b>	<b>\$ 17,034,845</b>	<b>\$ 15,559,993</b>	<b>\$ 1,474,852</b>	<b>9</b>
	<b>\$ 2,962,850</b>	<b>\$ 537,919</b>	<b>\$ (3,237,127)</b>	<b>\$ 1,796,001</b>	<b>\$ (274,277)</b>	<b>\$ 2,333,920</b>	<b>(2,608,197)</b>	<b>-112</b>

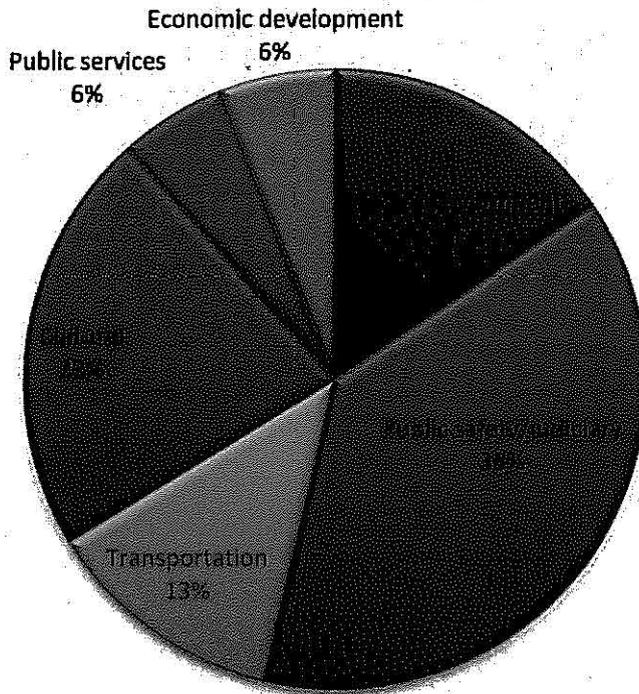
**Governmental Activities**

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

For the year ended June 30, 2014, the City's governmental activities were funded as follows:



### Governmental Activities Uses



#### Financial Analysis of the City's Funds

##### Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resource focus. This is useful in assessing resources available at the end of the year in comparison with up coming financing requirements. Governmental funds reported ending fund balances of \$7,177,978. Of this year end total \$3,589,261 is unreserved indicating availability for continuing City service requirements. Restricted fund balances include: \$104,149 committed to cemetery capital improvements, \$2,835 for economic development and \$868,328 for capital projects.

The total ending fund balances of governmental funds showed a decrease of \$2,404,300 (which includes a prior period restatement of \$675,000) over the prior year. This increase is primarily attributable to the 4<sup>th</sup> cent sales tax fund offset by the capital improvement fund.

##### Major Governmental Funds

The General Fund is the City's primary operating fund. The fund balance of the primary operating fund of the City decreased by \$1,154,881 (which includes a prior period restatement of \$675,000) from \$4,744,142 to \$3,589,261. Key factors contributing to this decrease included a decrease in sales and use tax and an increase in operating expenses.

The Capital Improvement Fund has an ending fund balance of \$868,328. The fiscal year end included a net decrease of \$715,749 in the Capital Improvement Fund. The change in Capital Improvement Fund is largely due to dedicated sales tax and ongoing capital improvements which included \$698,725 to ODOT for construction of Chapman Road.

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

### ***Proprietary funds***

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

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

The Public Works Authority (PWA) accounts for activities in providing water and wastewater services to the public. The increase in net assets for the PWA Fund was \$569,277. This increase is attributable to a net loss before transfers of \$522,136 offset by net transfers in of \$1,091,413 and an insurance recovery of \$499,000 on the wastewater treatment plant chlorine damage.

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 \$148,042.

The Clinton Airport Authority accounts for providing airport facilities to the public. The decrease in net assets for the Airport Authority was \$29,530. The net operating loss of \$232,837 for the fiscal year was offset by oil and gas royalties received.

The Recreation Trust Authority accounts for the financing, development, and operation of recreational facilities which currently includes only the golf course. The decrease in net assets of the Recreation Trust Authority was \$25,739.

The Clinton Hospital Authority accounts for the operation and development of the hospital and other medical activities of the City. The decrease in net assets of the Clinton Hospital Authority was \$400,833 which is mainly due to depreciation in the amount of \$633,222. 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 decrease in net assets for the Industrial Authority was \$3,459,180. The decrease is mainly due to the transfer of the completed fire department building and assets being transferred to governmental funds in the amount of \$4,223,532 offset by transfers in from the General fund and 4<sup>th</sup> Cent Sales Tax fund of the City.

### **General Fund Budgetary Highlights**

The General Fund Budget for fiscal year 2014 was \$5,966,642. 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, 2014, was \$19,056,362 and \$22,964,456, respectively.

CITY OF CLINTON, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2014

**Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2014	2013	2014	2013	2014	2013		
<b>Non-Depreciable Assets:</b>								
Land	\$ 1,001,766	\$ 772,431	\$ 1,975,122	\$ 2,285,111	\$ 2,978,888	\$ 3,057,542	\$ (80,654)	-3%
Construction in Progress	848,644	115,735	592,691	3,420,473	1,441,335	3,536,208	\$ (2,094,873)	-145%
<b>Depreciable Assets:</b>								
Buildings	10,564,187	8,842,731	7,957,517	7,934,517	18,521,704	14,777,248	\$ 3,744,456	20%
Other Improvements	5,578,731	5,211,237	11,747,886	11,758,286	17,326,417	16,969,523	\$ 356,894	2%
Machinery, furniture & equipment	5,708,219	5,500,872	13,163,700	13,148,023	18,871,919	18,648,895	\$ 223,024	1%
Infrastructure	7,123,851	7,123,850	30,998,422	30,836,036	38,122,273	37,959,886	\$ 162,387	0%
Less accumulated depreciation	11,769,038	10,922,025	43,470,682	42,074,559	55,239,718	52,996,584	\$ 2,243,134	4%
<b>Total</b>	<b>\$ 19,056,382</b>	<b>\$ 14,644,831</b>	<b>\$ 22,984,458</b>	<b>\$ 27,907,887</b>	<b>\$ 42,020,818</b>	<b>\$ 41,952,718</b>	<b>\$ 68,100</b>	<b>0%</b>

**Long-term debt**

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

**Primary Government Long-Term Debt**

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenue bonds	\$ -	\$ -	\$ 16,545,000	\$ 17,725,000	\$ 16,545,000	\$ 17,725,000
Notes payable/capital lease	-	281,747	3,919,695	3,972,015	3,919,695	4,253,762
subtotal	-	281,747	20,464,695	21,697,015	20,464,695	21,978,762
less current portion	-	(90,544)	(3,348,264)	(1,523,073)	(3,348,264)	(1,613,617)
<b>Totals</b>	<b>\$ -</b>	<b>\$ 191,203</b>	<b>\$ 17,116,431</b>	<b>\$ 20,173,942</b>	<b>\$ 17,116,431</b>	<b>\$ 20,365,145</b>

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

**THE CITY'S FUNDS**

The following schedule presents a summary of general fund revenues and expenditures for the fiscal year end June 30, 2014, and the amount and percentage of increases and decreases in relation to the prior year.

	FYE 2014 Actual Budget Basis	FYE 2013 Actual Budget Basis	Increase/ (Decrease) from FYE 2013	Percent Increase/ (Decrease)
<b>Revenues</b>				
Sales taxes	\$ 2,872,741	\$ 3,036,233	\$ (163,492)	-6%
Use taxes	751,554	888,188	(136,634)	-18%
Hotel/motel taxes	331,360	378,081	(46,721)	-14%
EB11 taxes	96,838	95,244	1,592	2%
Franchise taxes	342,533	349,046	(6,513)	-2%
Cigarette taxes	68,876	78,701	(8,825)	-13%
Licenses and permits	50,539	53,429	(2,890)	-6%
Oil and gas royalties	58,294	68,303	(10,009)	-17%
Fines and forfeitures	138,779	119,670	19,109	14%
Investment income	23,543	21,533	2,010	9%
Charges for services	334,567	289,849	44,718	13%
Rental income	20,682	32,048	(11,366)	-55%
Intergovernmental	187,283	139,721	47,562	25%
Intracity fees	532,640	532,632	8	0%
Miscellaneous	34,139	31,258	2,880	8%
<b>Total Revenues</b>	<b>\$ 5,845,366</b>	<b>\$ 6,113,937</b>	<b>\$ (268,571)</b>	<b>-5%</b>
<b>Expenditures</b>				
Governing board & admin	\$ 768,081	\$ 696,349	\$ (71,732)	-9%
Finance	381,936	374,784	(7,142)	-2%
Legal & courts	134,706	126,575	(8,131)	-6%
Police	1,492,991	1,440,144	(52,847)	-4%
Fire	934,401	818,315	(116,086)	-12%
Inspection/code enforcement	70,177	81,848	11,471	16%
Street	489,969	459,592	(30,377)	-6%
Parks & recreation	1,041,822	1,011,855	(29,967)	-3%
Cemetery	112,995	114,519	1,524	1%
Facilities maintenance	274,767	204,790	(69,977)	-25%
<b>Total Expenditures</b>	<b>\$ 5,701,845</b>	<b>\$ 5,328,581</b>	<b>\$ (373,264)</b>	<b>-7%</b>

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

Clinton has seen its financial condition improve and is seeing some growth in the local economy. The City's goal is to build reserves and invest in the future. The City has some obligations that it must maintain with past projects and purchases. The City must continue to make prudent financial management decisions and continue to progress, reinvest in infrastructure, and continue to plan for the long-term quality of future generations in Clinton. Serving the public trust requires the best possible balance of allocation to meet the varied needs of all citizens. The budget is the principal management tool for City Administration, and in allocating the City's resources, it both reflects and defines the annual program. The budget provides a framework for us to accomplish our mission, which is "to create, enhance, and preserve a human natural and economic environment which fosters our community's unique quality of life in Clinton." The budget also reflects our core City organization values of integrity, teamwork, service excellence, personal growth, and innovation.

The following are highlights from the 2014-2015 budget:

Sales tax has become more consistent with normal historical levels within this economic environment. Clinton continues to battle aging infrastructure with a large looming water project agreement in the near future. Due to these factors, no COLA has been implemented. Health insurance is estimated to increase only 2%. Areas such as Golf and Acme continue to see a large subsidy. Minimal changes were made to departments day-to-day activities. Reserves and contingency for emergencies were considered planned. Retail economic development is

emphasized. Service demands increase, and retail is pushed to offset community needs and keep local tax dollars in the community.

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

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

Debra Blanchard  
City Treasurer

**City of Clinton, Oklahoma**  
**Statement of Net Position**  
**June 30, 2014**

ASSETS	Governmental Activities	Business-type Activities	Total
<b>Current Assets:</b>			
Cash, including time deposits	\$ 1,708,900	\$ 3,054,202	\$ 4,761,102
Investments	5,059,000	10,898,500	15,957,500
Interest receivable	6,031	192,453	198,484
Accounts receivable (net)	31,311	607,887	639,198
Internal balances	812,316	(812,315)	-
Receivable from other governments	598,757	-	598,757
Prepaid expenses	48,280	62,630	110,910
<b>Total current assets</b>	<b>8,260,594</b>	<b>14,003,357</b>	<b>22,263,951</b>
<b>Restricted assets:</b>			
Cash	-	669,391	669,391
Investments	-	-	-
<b>Total restricted assets</b>	<b>-</b>	<b>669,391</b>	<b>669,391</b>
<b>Noncurrent Assets:</b>			
Notes receivable	-	12,477,820	12,477,820
Land and construction in progress	1,850,410	2,567,813	4,418,223
Other capital assets (net of accumulated depreciation)	17,205,952	20,398,843	37,602,595
<b>Total noncurrent assets</b>	<b>19,056,362</b>	<b>35,442,276</b>	<b>54,498,638</b>
<b>Total assets</b>	<b>27,316,956</b>	<b>50,115,024</b>	<b>77,431,980</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	366,675	366,675
	-	366,675	366,675
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	33,516	223,211	256,727
Wages and benefits payable	152,106	35,728	187,834
Accrued interest payable	-	22,728	22,728
Compensated absences, current	208,154	63,092	271,246
Due to other governments	675,000	-	675,000
Notes payable, current	-	653,264	653,264
<b>Total current liabilities</b>	<b>1,068,776</b>	<b>998,021</b>	<b>2,066,797</b>
<b>Liabilities payable from restricted assets:</b>			
Accrued interest payable	-	237,301	237,301
Bonds payable, current	-	2,695,000	2,695,000
<b>Total liabilities payable from restricted assets</b>	<b>-</b>	<b>2,932,301</b>	<b>2,932,301</b>
<b>Noncurrent liabilities:</b>			
Other accrued liabilities	8,283	-	8,283
Notes payable, non-current	-	3,266,431	3,266,431
Bonds payable, non-current	-	13,850,000	13,850,000
Unamortized bond discount/premium	-	(43,784)	(43,784)
Bonds payable, net of unamortized discount/premium	-	13,806,216	13,806,216
<b>Total noncurrent liabilities</b>	<b>8,283</b>	<b>17,072,647</b>	<b>17,080,930</b>
<b>Total liabilities</b>	<b>1,077,059</b>	<b>21,002,969</b>	<b>22,080,028</b>
<b>NET POSITION</b>			
Net investment in capital assets	19,056,362	15,070,388	34,126,748
Restricted for:			
Cemetery care	104,149	-	104,149
Hospital investment	-	8,081,250	8,081,250
Debt obligations	-	684,608	684,608
Unrestricted	7,079,386	5,662,486	12,741,872
<b>Total net position</b>	<b>\$ 26,239,897</b>	<b>\$ 29,478,730</b>	<b>\$ 55,718,627</b>

**City of Clinton, Oklahoma**  
**Statement of Activities**  
**June 30, 2014**

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants & Contributions
<b>Governmental activities:</b>					
<b>General government:</b>					
Governing board and administration	\$ 812,062	\$ 409,813	\$ 1,052	\$ -	\$ (401,197)
Finance	383,771	213,056	-	-	(170,715)
Total general government	1,195,833	622,869	1,052	-	(571,912)
<b>Public safety and judiciary:</b>					
Legal & courts	140,664	-	-	-	(140,664)
Police	1,592,297	142,214	2,807	12,744	(1,434,532)
Fire	1,111,831	7,074	44,285	-	(1,060,472)
Inspection/code enforcement	76,488	1,050	-	-	(75,418)
Total public safety and judiciary	2,921,260	150,338	47,092	12,744	(2,711,086)
<b>Transportation:</b>					
Streets	967,077	168	88,588	50,000	(828,321)
Total transportation	967,077	168	88,588	50,000	(828,321)
<b>Cultural, parks and recreation:</b>					
Parks & recreation	1,572,628	227,370	-	18,854	(1,326,404)
Cemetery	126,053	88,621	-	-	(39,432)
Total cultural, parks and recreation	1,698,681	313,991	-	18,854	(1,365,836)
<b>Public services:</b>					
Facilities maintenance	431,887	19,275	19,200	31,496	(361,896)
Total public services	431,887	19,275	19,200	31,496	(361,896)
Economic development	459,477	-	-	-	(459,477)
Total governmental activities	7,674,195	1,106,641	155,932	113,094	(6,298,528)
<b>Business-type activities:</b>					
Water	3,788,487	3,051,283	-	-	(737,224)
Sewer	1,243,012	1,399,370	-	517,000	673,358
Sanitation	1,336,008	1,479,892	-	-	143,884
Airport	420,815	187,965	-	-	(232,850)
Golf	600,239	283,422	-	-	(316,817)
Parks and recreation	52,975	-	-	-	(52,975)
Healthcare	646,891	125,000	-	-	(521,891)
Education	682,398	4,690	200,987	-	(376,721)
Economic development	889,825	111,299	-	-	(578,526)
Total business-type activities	9,360,650	6,642,901	200,987	517,000	(1,999,762)
<b>Total</b>	<b>\$ 17,034,845</b>	<b>\$ 7,749,542</b>	<b>\$ 356,919</b>	<b>\$ 630,094</b>	<b>\$ (8,298,290)</b>

(Continued)

**City of Clinton, Oklahoma**  
**Statement of Activities**  
**June 30, 2014**

**Changes in Net Position:**

(Continued)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net (expense)/revenue	\$ (6,298,528)	\$ (1,999,762)	\$ (8,298,290)
General revenues:			
Taxes:			
Sales tax	5,762,730	-	5,762,730
Use tax	702,495	-	702,495
Hotel/Motel tax	409,545	-	409,545
Property tax (TIF)	117,388	-	117,388
E-911 tax	96,836	-	96,836
Franchise taxes	338,546	-	338,546
Cigarette tax	68,666	-	68,666
Alcoholic beverage tax	54,768	-	54,768
Oil and gas royalties	58,294	202,607	260,901
Investment income	67,203	141,773	228,976
Penalties	-	62,912	62,912
Gain (loss) on disposal of assets	(47,129)	(49,546)	(96,675)
Miscellaneous	15,998	927	16,925
Transfers-Internal activity	1,596,038	(1,596,038)	-
Total general revenues and transfers	<u>9,261,378</u>	<u>(1,237,365)</u>	<u>8,024,013</u>
Change in net position	2,962,850	(3,237,127)	(274,277)
Net position-beginning	23,952,047	32,715,857	56,667,904
Restatement	(675,000)	-	(675,000)
Net position-ending	<u>\$ 26,239,897</u>	<u>\$ 29,478,730</u>	<u>\$ 55,718,627</u>

**City of Clinton, Oklahoma  
Balance Sheet  
June 30, 2014**

	General Fund	Capital Improvement Fund	4th Cent Sales Tax Fund	Industrial Authority TRF Fund	Cemetery Fund	Grant Fund	Total Governmental Funds
<b>ASSETS</b>							
Cash, including time deposits	\$ 982,728	\$ 506,223	\$ 707,254	\$ 12,639	\$ 63,068	\$ 30,552	\$ 1,702,462
Investments	3,883,000	220,000	935,000	-	41,000	-	5,059,000
Interest receivable	4,715	210	1,023	-	89	-	6,031
Accounts receivable	17,970	13,341	-	-	-	-	31,311
Due from other funds	-	-	819,859	809,855	-	-	1,629,514
Receivable from other governments	348,077	128,554	122,128	-	-	-	598,757
Prepaid expenses	47,278	-	-	-	-	1,002	48,280
<b>Total assets</b>	<b>\$ 4,661,768</b>	<b>\$ 868,328</b>	<b>\$ 2,585,062</b>	<b>\$ 822,494</b>	<b>\$ 104,149</b>	<b>\$ 31,554</b>	<b>\$ 8,937,652</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 30,035	\$ -	\$ -	\$ -	\$ -	\$ 3,211	\$ 33,246
Wages and benefits payable	151,035	-	-	-	-	-	151,035
Compensated absences, current	208,154	-	-	-	-	-	208,154
Due to other funds	-	-	-	819,859	-	-	819,859
Due to other governments	675,000	-	-	-	-	-	675,000
Other accrued liabilities	8,283	-	-	-	-	-	8,283
<b>Total liabilities</b>	<b>1,072,507</b>	<b>-</b>	<b>-</b>	<b>819,859</b>	<b>-</b>	<b>3,211</b>	<b>1,895,377</b>
<b>FUND BALANCES</b>							
Restricted for:							
Cemetery care	-	-	-	-	104,149	-	104,149
Capital projects	-	868,328	-	-	-	-	868,328
Economic development	-	-	-	2,835	-	-	2,835
Special revenue funds	-	-	2,685,062	-	-	28,343	2,613,405
Unassigned	3,589,261	-	-	-	-	-	3,589,261
<b>Total fund balances</b>	<b>3,589,261</b>	<b>868,328</b>	<b>2,585,062</b>	<b>2,835</b>	<b>104,149</b>	<b>28,343</b>	<b>7,177,978</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,661,768</b>	<b>\$ 868,328</b>	<b>\$ 2,585,062</b>	<b>\$ 822,494</b>	<b>\$ 104,149</b>	<b>\$ 31,554</b>	<b>\$ 8,937,652</b>

Total fund balance - total governmental funds

7,177,978

Amounts reported for governmental activities in the statement of net assets are different because:

Land and capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.

Land and construction in process  
Capital assets  
Less: Accumulated depreciation

1,850,410  
28,974,888  
(11,769,036)

18,056,262

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

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.

Internal service funds net position  
Business-type activities internal liabilities to government fund activities

6,681  
(1,134)

Net assets of governmental activities

**\$ 20,239,897**

**City of Clinton, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**June 30, 2014**

	General Fund	Capital Improvement Fund	4th Cent Sales Tax Fund	Industrial Authority TIF Fund	Cemetery Fund	Grant Fund	Total Governmental Funds
<b>REVENUES</b>							
Sales tax	\$ 2,840,493	\$ 1,385,808	\$ 1,318,328	\$ 220,805	\$ -	\$ -	\$ 5,762,730
Use tax	702,495	-	-	-	-	-	702,495
Hotel/motel tax	317,365	-	-	92,180	-	-	409,545
Property taxes (TIF)	-	-	-	117,388	-	-	117,388
E911 tax	88,838	-	-	-	-	-	88,838
Franchise taxes	338,548	-	-	-	-	-	338,548
Cigarette tax	68,868	-	-	-	-	-	68,868
Licenses and permits	60,539	-	-	-	-	-	60,539
Oil and gas royalties	58,294	-	-	-	-	-	58,294
Fines and forfeitures	138,779	-	-	-	-	-	138,779
Investment income	23,483	2,188	33,288	27,803	445	-	87,203
Charges for services	834,567	-	-	-	7,438	-	342,005
Rental income	20,682	-	-	-	-	19,275	39,957
Intergovernmental	188,028	20,622	-	-	-	-	208,648
Intracity fees	532,640	-	-	-	-	-	532,640
Miscellaneous	84,141	89,724	-	-	200	-	134,065
Total revenues	<u>5,745,552</u>	<u>1,508,138</u>	<u>1,349,612</u>	<u>457,878</u>	<u>8,083</u>	<u>19,275</u>	<u>9,088,338</u>
<b>EXPENDITURES</b>							
Current:							
General government:							
Governing board and administration	740,221	-	24	-	-	-	740,245
Finance	382,624	-	-	-	-	-	382,624
Total general government	<u>1,122,845</u>	<u>-</u>	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,122,869</u>
Public safety and judiciary:							
Legal and courts	198,990	-	-	-	-	-	198,990
Police	1,505,288	11,017	-	-	-	-	1,516,305
Fire	942,801	72,339	-	-	-	-	1,015,140
Inspection/code enforcement	78,287	-	-	-	-	-	78,287
Total public safety and judiciary	<u>2,663,348</u>	<u>83,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,746,702</u>
Transportation:							
Street	497,571	312,332	-	-	-	-	809,903
Total transportation	<u>497,571</u>	<u>312,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>809,903</u>
Cultural, parks and recreation:							
Parks & recreation	1,033,775	67,413	-	-	-	-	1,101,188
Cemetery	114,685	-	-	-	8,419	-	123,104
Total cultural, parks and recreation	<u>1,148,460</u>	<u>67,413</u>	<u>-</u>	<u>-</u>	<u>8,419</u>	<u>-</u>	<u>1,224,282</u>
Public Services:							
Facilities maintenance	278,824	28,247	-	-	-	8,621	311,692
Total public services	<u>278,824</u>	<u>28,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,621</u>	<u>311,692</u>
Economic development:							
Capital outlay	-	-	-	429,873	-	-	429,873
Debt service:							
Principal	-	281,747	-	-	-	-	281,747
Interest	-	2,488	-	29,604	-	-	32,092
Total debt service	<u>-</u>	<u>284,235</u>	<u>-</u>	<u>29,604</u>	<u>-</u>	<u>-</u>	<u>313,849</u>
Total expenditures	<u>5,719,071</u>	<u>6,211,893</u>	<u>24</u>	<u>459,477</u>	<u>16,588</u>	<u>8,621</u>	<u>12,413,674</u>
Excess (deficiency) of revenues over expenditures	<u>26,481</u>	<u>(4,703,755)</u>	<u>1,349,588</u>	<u>(1,801)</u>	<u>(8,505)</u>	<u>12,654</u>	<u>(9,225,338)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	2,985,647	5,582,291	830,155	-	-	-	9,378,093
Transfers out	(3,492,009)	(1,574,285)	(2,715,781)	-	-	-	(7,782,055)
Total other financing sources and uses	<u>(506,362)</u>	<u>3,988,006</u>	<u>(1,885,606)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,596,038</u>
Net change in fund balances	(478,881)	(715,749)	(536,018)	(1,801)	(8,505)	12,654	(1,729,300)
Fund balances - beginning	4,744,142	1,584,077	3,121,080	4,638	112,654	15,689	9,582,278
Restatement	(675,000)	-	-	-	-	-	(675,000)
Fund balances - ending	<u>\$ 3,589,261</u>	<u>\$ 868,328</u>	<u>\$ 2,585,062</u>	<u>\$ 2,835</u>	<u>\$ 104,149</u>	<u>\$ 28,343</u>	<u>\$ 7,177,978</u>

(Continued)

**City of Clinton, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes In Fund Balances**  
**June 30, 2014**

(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 \$ (1,729,300)

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	5,454,494	
Depreciation expense	<u>(995,834)</u>	4,458,660

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

Loss on disposal of assets- government wide		(47,129)
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The proceeds of debt issuances provide current financial resources to governmental funds,  
but issuing debt increases long-term liabilities in the statement of net assets. Repayment  
of debt principle is an expenditure in the governmental funds, but the repayment reduces  
long-term liabilities in the statement of net assets. See Note 3(E) for additional detail.

Debt activity reported in the fund statements

Long-term capital lease obligation		
Debt and capital lease principle	281,747	
Interest on debt	32,102	

Debt activity recognized in the statement of activities

Interest on long-term debt	(32,102)	281,747
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Internal service funds are used by management to charge the costs of internal activities

Internal service fund changes in net position	(3,094)	
Business-type activities net activities due to governmental type activities	<u>1,988</u>	<u>(1,128)</u>

Change in Net Assets of Governmental Activities		<u>\$ 2,962,850</u>
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City of Clinton, Oklahoma  
General Fund  
June 30, 2014  
Budget and Actual (Non-GAAP Budgetary Basis)

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>					
Sales taxes	\$ 2,950,000	\$ -	\$ 2,950,000	\$ 2,872,741	\$ (77,259)
Use taxes	810,000	-	810,000	751,554	(58,446)
Hotel/motel taxes	450,000	-	450,000	331,960	(118,040)
E911 taxes	94,000	-	94,000	96,836	2,836
Franchise taxes	348,000	-	348,000	342,533	(3,467)
Cigaretta taxes	70,000	-	70,000	69,876	(124)
Licenses and permits	41,900	-	41,900	50,539	8,639
Oil & gas royalties	55,000	-	55,000	58,294	3,294
Fines and forfeitures	110,000	-	110,000	138,779	28,779
Investment income	15,000	-	15,000	23,543	8,543
Charges for services	295,400	-	295,400	334,567	39,167
Rental income	28,000	-	28,000	20,662	(7,318)
Intergovernmental	122,500	-	122,500	187,283	64,783
Intracity fees	532,528	-	532,528	532,640	112
Miscellaneous	35,200	-	35,200	34,199	(1,061)
Total revenues before carryover	5,955,528	-	5,955,528	5,845,968	(110,162)
Budgeted carryover (1)	4,830,451	-	4,830,451	4,830,451	-
Total revenues and budgeted carryover	10,585,979	-	10,585,979	10,475,817	(110,162)
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>General government:</b>					
<b>Governing board and administration</b>					
Personal services	457,780	-	457,780	486,296	(28,516)
Materials & supplies	9,950	-	9,950	4,780	4,270
Other services & charges	328,840	-	328,840	277,005	51,835
<b>Finance</b>					
Personal services	308,479	-	308,479	301,178	7,303
Materials & supplies	4,900	-	4,900	3,998	1,502
Other services & charges	81,141	-	81,141	77,862	3,779
Total general government	1,190,190	-	1,190,190	1,150,017	40,173
<b>Public safety and judiciary:</b>					
<b>Legal and courts</b>					
Personal services	128,199	9,000	131,199	130,915	284
Materials & supplies	400	-	400	343	57
Other services & charges	4,520	-	4,520	3,448	1,072
<b>Police</b>					
Personal services	1,524,619	(85,000)	1,439,619	1,380,992	58,827
Materials & supplies	88,300	-	88,300	78,983	7,317
Other services & charges	43,100	-	43,100	33,016	10,084
<b>Fire</b>					
Personal services	837,688	-	837,688	834,874	2,814
Materials & supplies	39,427	24,000	63,427	63,632	(205)
Other services & charges	31,951	7,000	38,951	35,895	3,056
<b>Inspection/code enforcement</b>					
Personal services	60,508	-	60,508	59,487	1,021
Materials & supplies	3,550	-	3,550	2,344	1,206
Other services & charges	23,020	(10,000)	13,020	8,346	4,674
Total public safety and judiciary	2,783,282	(61,000)	2,722,282	2,632,275	90,007
<b>Transportation:</b>					
<b>Street</b>					
Personal services	289,187	-	289,187	284,868	4,201
Materials & supplies	101,865	-	101,865	87,220	14,645
Other services & charges	142,000	(9,000)	133,000	117,783	15,217
Total transportation	533,032	(9,000)	524,032	489,969	34,063
<b>Cultural, parks and recreation:</b>					
<b>Parks and recreation</b>					
Personal services	732,219	(40,000)	692,219	649,443	42,776
Materials & supplies	198,600	(9,000)	190,600	199,512	(7,912)
Other services & charges	212,340	20,000	232,340	193,867	38,473
<b>Cemetery</b>					
Personal services	96,317	-	96,317	94,398	1,919
Materials & supplies	27,550	-	27,550	15,088	12,462
Other services & charges	4,500	-	4,500	3,509	891
Total cultural, parks and recreation	1,272,526	(29,000)	1,243,526	1,154,817	88,709

City of Clinton, Oklahoma  
 General Fund  
 June 30, 2014  
 Budget and Actual (Non-GAAP Budgetary Basis)

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
<b>Public Services:</b>					
Facilities maintenance					
Personal services	81,437	12,000	73,437	71,239	2,198
Materials & supplies	30,775	-	30,775	28,853	922
Other services & charges	152,400	30,000	182,400	173,875	8,725
Total public services	<u>244,612</u>	<u>42,000</u>	<u>286,612</u>	<u>274,767</u>	<u>11,845</u>
Total expenditures	<u>6,023,642</u>	<u>(57,000)</u>	<u>5,966,642</u>	<u>5,701,845</u>	<u>264,797</u>
Revenue over (under) expenditures	4,582,337	57,000	4,819,337	4,773,972	154,835
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	2,950,000	-	2,950,000	2,985,647	35,647
Operating transfers out	<u>(3,645,000)</u>	<u>(57,000)</u>	<u>(3,702,000)</u>	<u>(3,489,484)</u>	<u>212,516</u>
Net other financing sources (uses)	<u>(695,000)</u>	<u>(57,000)</u>	<u>(752,000)</u>	<u>(503,837)</u>	<u>248,163</u>
Revenues and other financing sources over (under) expenditures and other uses	3,887,337	-	3,887,337	4,270,135	402,798
Fund balance at beginning of year (Non-GAAP budgetary basis)	4,735,824	-	4,735,824	4,735,824	-
Less budgeted carryover (1)	<u>(4,630,451)</u>	<u>-</u>	<u>(4,630,451)</u>	<u>(4,630,451)</u>	<u>-</u>
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 3,972,710</u>	<u>\$ -</u>	<u>\$ 3,972,710</u>	<u>\$ 4,375,508</u>	<u>\$ 402,798</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and transfer accruals				(90,914)	
Expenditure and transfer accruals				(20,333)	
Fund balance at end of year (GAAP basis)				<u>\$ 4,264,261</u>	

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

City of Clinton, Oklahoma  
Statement of Net Position  
June 30, 2014

	Public Works Authority	Solid Waste Authority	Clinton Airport Authority	Recreation Trust Authority	Clinton Hospital Authority	Industrial Authority	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>								
<b>Current assets:</b>								
Cash, including time deposits	\$ 481,919	\$ 428,791	\$ 216,294	\$ 47,203	\$ 1,130,075	\$ 749,920	\$ 3,054,202	\$ 4,438
Investment	1,236,000	451,000	35,000	-	8,479,500	697,000	10,899,500	-
Interest receivable	189,911	579	264	-	8	1,891	182,453	-
Accounts receivable (net)	473,103	129,279	3,410	-	-	2,095	607,887	-
Due from other funds	-	-	-	-	-	24,063	24,063	-
Prepaid expense	33,973	8,274	7,262	5,132	-	9,289	62,630	-
Total current assets	2,414,906	1,015,923	262,230	62,335	9,609,583	1,484,758	14,839,735	4,438
<b>Restricted assets:</b>								
Cash, including time deposits	669,391	-	-	-	-	-	669,391	-
Investments	-	-	-	-	-	-	-	-
Total restricted assets	669,391	-	-	-	-	-	669,391	-
<b>Noncurrent assets:</b>								
Capital lease receivable	11,725,000	-	-	-	-	752,820	12,477,820	-
Unamortized bond issue costs	-	-	-	-	-	-	-	-
Capital assets (net)	11,198,240	300,904	2,607,683	1,705,281	3,340,015	3,814,373	22,964,458	8,584
Total noncurrent assets	22,923,240	300,904	2,607,683	1,705,281	3,340,015	4,567,193	35,442,278	3,694
<b>Total assets</b>	<b>26,005,637</b>	<b>1,316,827</b>	<b>2,869,913</b>	<b>1,757,596</b>	<b>12,949,598</b>	<b>6,051,951</b>	<b>50,951,402</b>	<b>8,032</b>
<b>LIABILITIES</b>								
<b>Current liabilities:</b>								
Accounts payable	159,105	57,898	892	2,575	80	2,911	223,211	270
Wages and benefits payable	10,785	12,518	-	10,549	-	1,898	35,728	1,071
Due to other funds	24,063	-	-	-	-	809,855	833,918	-
Accrued interest payable	-	-	-	-	-	22,728	22,728	-
Compensated absences, current	19,157	24,241	-	18,544	-	3,150	63,092	-
Notes payable, current	44,258	-	-	19,788	-	589,249	653,284	-
Total current liabilities	257,348	94,456	892	40,434	30	1,429,783	1,831,939	1,341
<b>Liabilities payable from restricted assets:</b>								
Accrued interest payable	237,301	-	-	-	-	-	237,301	-
Bonds payable, current	2,896,000	-	-	-	-	-	2,896,000	-
Total liabilities payable from restricted assets	2,932,301	-	-	-	-	-	2,932,301	-
<b>Noncurrent liabilities:</b>								
Other accrued liabilities	-	-	-	-	-	-	-	-
Notes payable, non-current	212,127	-	-	90,332	-	2,963,972	3,268,431	-
Bonds payable, noncurrent	13,850,000	-	-	-	-	-	13,850,000	-
Unamortized bond discount/premium	(43,784)	-	-	-	-	-	(43,784)	-
Deferred amount on refunding	(368,675)	-	-	-	-	-	(368,675)	-
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	13,439,541	-	-	-	-	-	13,439,541	-
Total noncurrent liabilities	13,651,668	-	-	90,332	-	2,963,972	16,705,972	-
<b>Total liabilities</b>	<b>16,841,317</b>	<b>94,456</b>	<b>892</b>	<b>139,766</b>	<b>30</b>	<b>4,393,752</b>	<b>21,470,212</b>	<b>1,341</b>
<b>NET POSITION</b>								
Net investment in capital assets	6,375,240	300,904	2,607,683	1,505,163	3,340,015	650,401	15,079,386	3,584
Restricted for hospital investment	-	-	-	-	8,081,250	-	8,081,250	-
Restricted for debt obligations	664,608	-	-	-	-	-	664,608	-
Unrestricted	2,123,372	921,468	261,338	22,667	1,528,303	807,798	5,664,948	3,067
<b>Total net position</b>	<b>\$ 9,164,220</b>	<b>\$ 1,222,372</b>	<b>\$ 2,869,001</b>	<b>\$ 1,617,830</b>	<b>\$ 12,049,568</b>	<b>\$ 1,668,199</b>	<b>29,481,190</b>	<b>\$ 6,691</b>
Adjustment to reflect the consolidation of applicable internal service fund activities to enterprise funds							(2,480)	
<b>Net assets of business-type activities</b>							<b>\$ 29,478,730</b>	

**City of Clinton, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**June 30, 2014**

	Public Works Authority	Solid Waste Authority	Clinton Airport Authority	Recreation Trust Authority	Clinton Hospital Authority	Industrial Authority	Total Enterprise Funds	Internal Service Fund
<b>Operating revenues:</b>								
Charges for services:								
Water charges	\$ 2,999,284	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,999,284	\$ -
Bewer charges	1,395,020	-	-	-	-	-	1,395,020	-
Sanitation charges	-	1,477,857	-	-	-	-	1,477,857	-
Penalties	62,912	-	-	-	-	-	62,912	-
Golf fees	-	-	-	274,393	-	-	274,393	-
Parks and recreation	-	-	-	-	-	-	-	-
Swimming fees	-	-	-	-	-	-	-	-
Concessions/merchandise sales	-	-	91,675	-	-	3,489	95,164	-
Internal service charges	-	-	-	-	-	-	-	34,822
Total charges for services	4,457,216	1,477,857	81,676	274,393	-	8,489	6,304,630	34,822
Lease and rental income	95,978	-	61,507	-	125,000	89,882	312,465	-
Miscellaneous	743,957	2,035	34,783	9,026	-	17,628	807,632	98,958
Total operating revenues	5,237,149	1,479,892	187,966	283,422	125,000	111,299	7,424,727	74,778
<b>Operating expenses:</b>								
Cost of goods sold	1,825,355	-	-	-	-	-	1,825,355	-
Personal services	395,979	887,978	-	271,474	-	52,878	1,108,107	33,088
Materials and supplies	164,570	122,569	106,426	70,837	-	29,765	494,157	89,388
Other services and charges	1,874,834	780,932	144,328	112,830	19,889	318,791	3,245,384	4,814
Bad debt expense	18,475	-	-	-	-	-	18,475	-
Depreciation	620,074	43,565	170,048	142,388	633,222	81,394	1,890,892	492
Total operating expenses	4,899,287	1,335,034	420,802	597,730	648,991	482,828	8,382,370	77,872
Net operating income	337,862	144,858	(232,837)	(314,308)	(521,891)	(371,327)	(957,643)	(3,094)
<b>Nonoperating revenue (expense):</b>								
Investment income	10,548	3,184	800	-	121,058	6,183	141,773	-
Gain (loss) on disposal of fixed assets	(500)	-	(100)	19,444	-	(68,390)	(49,546)	-
Interest expense	(685,489)	-	-	(2,509)	-	(104,051)	(802,029)	-
Fiscal charges	(18,177)	-	-	-	-	-	(18,177)	-
Amortization	(156,400)	-	-	-	-	-	(156,400)	-
Oil and gas royalties	-	-	202,607	-	-	-	202,607	-
Total nonoperating revenue (expense)	(859,998)	3,184	203,307	16,935	121,058	(168,258)	(681,772)	-
Net income before contributions and transfers	(522,136)	148,042	(29,530)	(297,373)	(400,833)	(537,585)	(1,639,415)	(3,094)
Transfers from other funds	5,995,874	-	-	271,634	-	1,301,837	7,569,545	-
Transfers to other funds	(4,804,581)	-	-	-	(37,490)	(4,223,532)	(9,165,583)	-
Change in net assets	569,277	148,042	(29,530)	(25,739)	(438,323)	(3,459,180)	(3,235,453)	(3,094)
Net position-beginning of year	8,584,843	1,074,330	2,896,531	1,643,589	13,387,891	5,117,379	-	9,785
Net position-end of year	\$ 9,184,220	\$ 1,222,372	\$ 2,866,001	\$ 1,617,830	\$ 12,949,568	\$ 1,658,199	-	\$ 6,691
Adjustment to reflect the consolidation of applicable internal service fund activities to enterprise funds							(1,874)	
Change in net position of business-type activities							\$ (3,237,127)	

City of Clinton, Oklahoma  
Statement of Cash Flows  
June 30, 2014

	Public Works Authority	Solid Waste Authority	Clinton Airport Authority	Recreation Trust Authority	Clinton Hospital Authority	Industrial Authority	Total Enterprise Funds	Internal Service Fund
<b>Cash flows from operating activities:</b>								
Receipts from customers	\$ 4,462,174	\$ 1,478,231	\$ 154,847	\$ 274,393	\$ 125,000	\$ 97,378	\$ 8,591,821	\$ 84,822
Payments to suppliers	(3,836,878)	(897,743)	(253,602)	(182,248)	(13,745)	(348,075)	(5,532,391)	(44,038)
Payments to employees	(401,131)	(381,404)	-	(287,124)	-	(52,237)	(1,101,896)	(32,936)
Other operating revenues	743,957	2,035	34,783	9,029	-	17,828	807,632	39,958
Net cash provided (used) by operating activities	968,022	201,119	(64,172)	(165,950)	111,255	(285,108)	765,188	(2,196)
<b>Cash flows from non-capital financing activities:</b>								
Receipts under interfund loan agreements	-	-	-	-	-	408,444	408,444	-
Payments under interfund loan agreements	(4,375)	-	-	-	-	(402,069)	(406,444)	-
Transfers from other funds	5,995,874	-	-	271,834	-	1,301,937	7,569,545	-
Transfers to other funds	(4,804,561)	-	-	-	(37,490)	-	(4,842,051)	-
Payments received on capital lease	-	-	-	-	-	-	-	-
Acquisition payments- Clinton Public Schools	-	-	-	-	-	-	-	-
Net cash provided (used) by non-capital financing activities	1,067,036	-	-	271,834	(37,490)	1,306,312	2,627,494	-
<b>Cash flows from capital and related financing activities:</b>								
Purchases of capital assets	(510,552)	(21,448)	(25,572)	(159,219)	-	(903,750)	(1,620,540)	-
Principal paid on capital debt	(1,219,304)	-	-	(51,107)	-	(575,228)	(1,845,637)	-
Proceeds from debt issuance	-	-	-	113,317	-	500,000	613,317	-
Interest and fiscal charges paid on capital debt	(731,467)	-	-	(2,509)	-	(110,892)	(844,868)	-
Net cash provided (used) by capital and related financing activities	(2,481,323)	(21,448)	(25,572)	(99,517)	-	(1,069,868)	(3,697,728)	-
<b>Cash flows from investing activities:</b>								
Sale (purchase) of investments	-	135,000	35,000	-	54,998	15,000	239,998	-
Investment income	10,871	9,202	623	-	123,395	5,171	143,262	-
Receipts from oil & gas royalties	-	-	202,607	-	-	-	202,607	-
Net cash provided (used) by investing activities	10,871	138,202	238,230	-	178,393	20,171	585,867	-
Net increase (decrease) in cash and cash equivalents	(395,392)	317,873	148,486	6,167	252,158	(48,493)	280,798	(2,196)
Cash and cash equivalents, July 1, 2013	1,548,702	110,918	67,808	41,036	877,917	798,413	3,442,784	8,834
Cash & cash equivalents, June 30, 2014	\$ 1,151,310	\$ 428,791	\$ 218,294	\$ 47,203	\$ 1,130,075	\$ 749,920	\$ 3,723,583	\$ 4,438
Cash, including time deposits	\$ 481,918	\$ 428,791	\$ 218,294	\$ 47,203	\$ 1,130,075	\$ 749,920	\$ 3,054,202	\$ 4,438
Restricted cash, including time deposits	669,391	-	-	-	-	-	669,391	-
Total cash and cash equivalents, end of year	\$ 1,151,310	\$ 428,791	\$ 218,294	\$ 47,203	\$ 1,130,075	\$ 749,920	\$ 3,723,583	\$ 4,438
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>								
Operating income (loss)	\$ 337,862	\$ 144,858	\$ (232,837)	\$ (314,308)	\$ (521,891)	\$ (371,327)	\$ (957,643)	\$ (3,094)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	620,074	43,565	170,048	142,589	633,222	81,094	1,690,892	492
Change in assets and liabilities:								
(increase) decrease in accounts receivable	(31,018)	874	1,465	-	-	3,905	(25,274)	-
(increase) decrease in prepaids	(4,885)	(277)	1,874	491	-	(1,101)	(3,698)	-
Increase (decrease) in accounts payable	50,941	6,025	(4,722)	928	(78)	1,582	54,678	244
Increase (decrease) in wages & benefits payable	(1,392)	4,020	-	1,711	-	471	4,810	162
Increase (decrease) in compensated absences	(3,760)	2,554	-	2,839	-	(32)	1,401	-
Increase (decrease) in other accrued liabilities	-	-	-	-	-	-	-	-
Total adjustments	630,160	56,281	188,665	148,358	633,148	96,219	1,722,809	898
Net cash provided (used) by operating activities	\$ 968,022	\$ 201,119	\$ (64,172)	\$ (165,950)	\$ 111,255	\$ (285,108)	\$ 765,188	\$ (2,196)
<b>Non-cash investing, capital, and financing activities:</b>								
Net increase (decrease) in fair value of investments	\$ -	\$ -	\$ -	\$ -	\$ (6,236)	\$ -	\$ (6,236)	\$ -
Total non-cash investing, capital, and financing activities	\$ -	\$ -	\$ -	\$ -	\$ (6,236)	\$ -	\$ (6,236)	\$ -

**City of Clinton, Oklahoma**  
**Statement of Fiduciary Net Position**  
**June 30, 2014**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash, including time deposits	\$ 147,261
Investments	104,000
Total assets	<u>\$ 251,261</u>
<b>LIABILITIES</b>	
Due to depositors	251,261
Total liabilities	<u>\$ 251,261</u>

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

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

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

- A. DEFICIT FUND NET 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, 2014.

**(B) Financial Reporting Entity:**

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

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

**Blended Component Units Reported with Primary Government**

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

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

***Government-wide Financial Statements***

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

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

***Fund Financial Statements:***

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

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

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

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

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

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

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

***Restricted Assets***

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

***Use of Estimates***

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

***Interfund Balances***

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

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

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

**Major Governmental Funds**

**General Fund**

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

**Capital Project Fund**

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

**Cemetery Care**

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

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

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

**Tax Incremental Financing (TIF)**

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

**Major Proprietary Funds**

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

**Internal Service Fund**

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

**Agency Funds**

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

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

Cash and Investments

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

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

Receivables and Uncollectible Accounts

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

Prepays

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

Capital Assets, Depreciation, and Amortization

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

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Long-Term Debt

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

Net Position/Fund Balance

**Fund Balance**

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

**Net Position**

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

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

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

**Restricted net assets:**

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

**Governmental Fund Balances**

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

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

**Nonspendable**

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

**Restricted**

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

**Committed**

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

**Assigned**

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

**Unassigned**

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

**Restatement**

The Oklahoma Tax Commission notified the City on November 26, 2014 that a taxpayer had erroneously reported and remitted in excess of \$675,000 of use tax during the 2011-2012 fiscal year. The Oklahoma Tax Commission is going to withhold ½ of what is due to the City of Clinton for use tax beginning in January, 2015 until the amount is fully recovered. A restatement in the amount of \$675,000 and a corresponding due to the Oklahoma Tax Commission are reflected on the financials in the governmental activities in the government wide financial statements and in the general fund at the fund level.

**Use of Estimates**

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

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

**Date of Management's Review**

Subsequent events were evaluated through November 30, 2014, which is the date the financial statements were available to be issued.

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

**Sales Tax**

The City presently levies a four-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. Sales tax collected by the State in June (which represent sales for May)

**CITY OF CLINTON, OKLAHOMA**  
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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 Revenue Bond indentures, all 4 cents of the sales tax is appropriated and paid to the Public Works Authority, then .95 of the 1 cent is retained for Acme Debt and a set amount is retained for the water improvement debt and the remainder is transferred back to and used by the General Fund and Capital Improvement Fund.

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

**Property Tax**

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

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

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

For the year ended June 30, 2014, the City's net assessed valuation of taxable property was \$42,258,728. 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, 2014, 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.

**CITY OF CLINTON, OKLAHOMA**  
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**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, 2014, the City complied, in all material respects, with the applicable budget laws. The City did not over-expend appropriations at the legal level of control in any object category.

There was 1 General Fund supplemental appropriations approved by the City Council during fiscal year 2014.

**(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, 2014, the City complied, in all material respects, with these revenue restrictions.

**(D) Debt Restrictions and Covenants**

**Revenue Bond Debt**

The various bond indentures relating to the revenue bond issues of the Clinton Public Works Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, a revenue bond debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authorities' level of compliance thereon as of June 30, 2014.

<u>Requirement</u>	<u>Level of Compliance</u>
a. Flow of Funds – Bond Reserve Account, Construction Account, Gross Revenue Account, and Sinking Fund Reserve.	All required debt service payments were made.
b. Revenue Bond Coverage - Net operating revenue must equal 1.25 times average annual debt service on the bonds for the Public Works Authority.	For the year ended June 30, 2014, this requirement was met (see computation below).

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**Notes to Financial Statements**  
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**Revenue Bond Coverage**

<b>Gross revenue available for debt service</b>	
Operating revenues for Public Works Authority	4,457,216
Pledged sales tax	1,456,413
Gross revenue available for debt service	5,913,629
<b>Operating expenses for Public Works Authority</b>	
Excluding depreciation and amortization	(4,279,213)
Net revenues available for debt service	1,634,416
<b>Debt service requirements:</b>	
Average annual debt service- OWRB note	42,258
Average annual debt service- Series 2012 revenue bonds	1,000,000
Total average annual debt service	1,042,258
Computed coverage	1.57
Required coverage	1.25

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

**(A) Cash and Investments:**

**Deposits**

The City invests in various investment 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**  
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Investments

As of June 30, 2014, the City's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
<b>Primary government</b>				
<b>POOLED INVESTMENTS:</b>				
Certificates of deposit	\$ 8,628,000	\$ 8,628,000	NA	400
Total pooled investments	8,628,000	8,628,000		
<b>NON-POOLED INVESTMENTS:</b>				
Federal agency notes	2,227,976	2,231,764	Aaa	-
Mortgage backed securities (3)	892,524	863,956	AAA	
Certificates of deposit	4,209,000	4,209,000	NA	698
Total non-pooled investments	7,329,500	7,304,720		
Total primary government investments	\$ 15,957,500	\$ 15,932,720		

**Reconciliation to Statement of Net Assets**

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Unrestricted Investments	5,059,000	10,898,500	15,957,500
Total	5,059,000	10,898,500	15,957,500

**Fiduciary funds**

**POOLED INVESTMENTS:**

Certificates of deposit	\$ 104,000	\$ 104,000	NA	353
Total fiduciary investments	\$ 104,000	\$ 104,000		
Grand total investments	\$ 16,061,500	\$ 16,036,720		

(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 \$596,757 comprised of amount received after year-end for current year taxes on sales.

	<i>Business-type Activities</i>				<b>Total</b>
	<b>Public Works</b>	<b>Solid Waste</b>	<b>Airport</b>	<b>Industrial Authority</b>	
Accounts Receivable	\$ 473,103	\$ 129,279	\$ 3,410	\$ 2,095	\$ 607,887
Less: allowance for uncollectible accounts	-	-	-	-	-
<b>Net accounts receivable</b>	<b>\$ 473,103</b>	<b>\$ 129,279</b>	<b>\$ 3,410</b>	<b>\$ 2,095</b>	<b>\$ 607,887</b>

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

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

The restricted assets as of June 30, 2014 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
<u>Enterprise Funds:</u>			
Public Works Authority			
Revenue Bond Trustee Accounts:			
2010 Bonds	\$ 4,783	\$ -	\$ 4,783
2012 bonds	664,608	-	664,608
Grand total enterprise fund	<u>\$ 669,391</u>	<u>\$ -</u>	<u>\$ 669,391</u>

**(D) Capital Assets:**

Governmental Activities

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

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2014</u>
Land	\$ 772,430	\$ 237,598	\$ 8,262	\$ 1,001,766
Buildings	6,842,731	3,595,295	8,450	10,431,576
Other improvements	5,211,237	448,521	81,027	5,578,731
Machinery, furniture & equip.	5,500,872	307,559	100,212	5,708,219
Infrastructure	7,123,851	-	-	7,123,851
Construction in process	115,735	732,909	-	848,644
	<u>25,568,858</u>	<u>5,321,882</u>	<u>195,951</u>	<u>30,692,787</u>
Less accumulated depreciation	10,922,025	995,171	148,823	11,768,373
Net property, plant, & equipment	<u>\$ 14,644,831</u>			<u>\$ 18,924,414</u>

Business-Type Activities

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

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2014</u>
Land	\$ 2,285,111	\$ -	\$ 309,989	\$ 1,975,122
Buildings	7,934,517	23,000	-	7,957,517
Other improvements	11,758,286	-	10,600	11,747,686
Machinery, furniture & equip.	13,148,023	297,320	281,643	13,163,700
Infrastructure	30,836,036	181,936	19,550	30,998,422
Construction in progress	3,420,473	1,396,602	4,224,384	592,691
	<u>69,382,446</u>	<u>1,898,858</u>	<u>4,846,166</u>	<u>66,435,138</u>
Less accumulated depreciation	42,074,559	1,690,892	294,769	43,470,682
Net property, plant, & equipment	<u>\$ 27,307,887</u>			<u>\$ 22,964,456</u>

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2014**

Fixed assets of the Enterprise Funds were comprised of the following at June 30, 2014:

	Public Works Authority	Solid Waste Authority	Airport Authority	Recreation Authority	Industrial Authority	Hospital Authority
Land	\$ 164,305	\$ 78,351	\$ 127,608	\$ 302,000	\$ 1,260,051	\$ 44,807
Buildings	503,011	72,307	514,933	253,752	2,781,932	3,851,582
Other Improvements	570,078	-	767,397	1,507,764	80,485	8,821,982
Machinery, furniture, & equip.	1,734,976	1,181,757	196,323	540,003	292,200	9,218,441
Infrastructure	28,312,030	-	2,467,319	105,163	113,910	-
Construction in progress	305,185	-	11,500	-	276,006	-
Less accumulated depreciation	20,393,345	1,029,511	1,477,417	1,003,421	970,191	18,596,797
Net property, plant, & equipment	<u>\$ 11,196,240</u>	<u>\$ 300,904</u>	<u>\$ 2,607,683</u>	<u>\$ 1,705,261</u>	<u>\$ 3,814,373</u>	<u>\$ 3,340,015</u>

Depreciation

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

Governmental Activities		Business-type Activities	
General government:		Water	\$313,411
Governing board & administration	\$71,724	Sewer	306,663
Finance	1,147	Sanitation	43,565
Public safety & judiciary:		Airport	170,048
Legal and courts	1,674	Golf	142,589
Police	75,720	Healthcare	633,222
Fire	96,574	Economic development	81,394
Inspection/code enforcement	199		<u>\$1,690,892</u>
Transportation:			
Street	156,873		
Cultural, parks and recreation:			
Parks & recreation	471,311		
Cemetery	2,935		
Public services:			
Facilities maintenance	117,677		
	<u>\$995,834</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, 2014, the long-term debt payable from governmental fund resources consisted of the following:

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2014**

Business-Type Activities

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

110,098

\$ 110,098

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%.

\$ 256,385

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.

24,083

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

100,000

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

3,429,149

\$ 3,809,597

REVENUE BONDS PAYABLE:

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

4,820,000

Conduit Debt Obligations:

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

11,725,000

Total revenue bonds payable  
 Less: unamortized discounts  
 Less: unamortized deferred amount on refunding  
 Net revenue bonds payable

16,545,000

(43,784)

(366,675)

\$ 16,134,541

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2014**

**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, 2014:

Type of Debt	Balance at July 1, 2013	Amount Issued	Amount Retired	Balance at June 30, 2014	Due Within One Year
<b>Governmental Fund Debt:</b>					
Capital lease payable	\$ 281,747	\$ -	\$ 281,747	\$ -	\$ -
Total governmental fund debt	\$ 281,747	\$ -	\$ 281,747	\$ -	\$ -
<b>Enterprise Fund Debt:</b>					
Capital lease payable	\$ 47,888	\$ 113,317	\$ 51,107	\$ 110,088	\$ 19,766
Notes payable	3,924,127	500,000	614,530	3,809,597	633,498
Revenue bonds payable	6,000,000	-	1,180,000	4,820,000	1,225,000
Conduit debt	11,725,000	-	-	11,725,000	1,470,000
Total enterprise fund debt	\$ 21,697,015	\$ 613,317	\$ 1,845,637	\$ 20,464,695	\$ 3,348,264

**Annual Debt Service Requirements**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2014 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
2015	\$ -	\$ -	\$ 653,264	\$ 102,099	\$ 1,225,000	\$ 96,118	\$ 1,470,000	\$ 565,673
2016	-	-	671,623	83,701	1,255,000	59,367	-	516,884
2017	-	-	690,542	64,754	1,270,000	31,130	2,390,000	516,884
2018	-	-	736,162	45,149	530,000	15,255	-	415,930
2019	-	-	706,965	24,529	540,000	8,100	2,825,000	415,930
2020-2024	-	-	481,139	4,915	-	-	5,040,000	549,360
2025	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$3,919,695</b>	<b>\$ 325,147</b>	<b>\$ 4,820,000</b>	<b>\$ 209,970</b>	<b>\$ 11,725,000</b>	<b>\$ 2,980,661</b>

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2014**

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

Interfund receivables and payables at June 30, 2014 were as follows:

**DUE TO AND DUE FROM:**

	Due From	Due To
<b>GOVERNMENTAL FUNDS:</b>		
4 <sup>th</sup> Cent Sales Tax Fund:		
TIF Fund	\$ 818,659	-
TIF Fund:		
4 <sup>th</sup> Cent Sales Tax Fund	-	819,659
Industrial Authority	809,855	-
<b>ENTERPRISE FUNDS:</b>		
Public Works Authority:		
Industrial Authority	-	24,063
Industrial Authority:		
TIF Fund	-	809,855
Public Works Authority	24,063	-
<b>GRAND TOTAL</b>	<b>\$ 1,653,577</b>	<b>\$ 1,653,577</b>

Operating transfers for the year ended June 30, 2014 were as follows:

**OPERATING TRANSFERS:**

**GENERAL FUND:**

	Transfers In	Transfers Out
Public Works Authority (an enterprise fund)	\$ 2,985,647	\$ 2,988,172
Recreation Authority (an enterprise fund)	-	160,000
Industrial Authority (an enterprise fund)	-	343,837
Total General Fund	2,985,647	3,492,009

**SPECIAL REVENUE FUNDS:**

4 <sup>th</sup> Cent Sales Tax:		
Capital Projects Fund	-	250,000
Public Works Authority (an enterprise fund)	830,155	1,513,899
Industrial Authority (an enterprise fund)	-	951,862
Total Special Revenue Fund	830,155	2,715,761

**CAPITAL PROJECTS FUND:**

4 <sup>th</sup> Cent Sales Tax Fund (a special revenue fund)	250,000	-
Public Works Authority	1,088,759	1,456,413
Clinton Recreation Authority (an enterprise fund)	-	111,834
Industrial Authority (an enterprise fund)	4,223,532	6,238
Total Capital Project Funds	5,562,291	1,574,285

**ENTERPRISE FUNDS:**

Clinton Public Works Authority:		
General Fund	2,988,172	2,985,647
Capital Projects Fund	1,456,413	1,088,759
4 <sup>th</sup> Cent Sales Tax Fund (a special revenue fund)	1,513,899	830,155
Clinton Hospital Authority	37,490	-
Clinton Airport Authority:		
Capital Projects Fund	-	-
Clinton Recreation Authority:		
General Fund	160,000	-
Capital Projects Fund	111,634	-
Clinton Industrial Authority:		
General Fund	343,837	-
Capital Projects Fund	6,238	4,223,532
4 <sup>th</sup> Cent Sales Tax Fund (a special revenue fund)	951,862	-
Clinton Hospital Authority:		
Public Works Authority (an enterprise fund)	-	37,490
Total Enterprise Funds	7,569,545	9,165,583

**GRAND TOTAL**

	<b>\$ 16,947,638</b>	<b>\$ 16,947,638</b>
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**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2014**

**(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, 2014 are as follows:

	Reserved For Debt Service	Reserved Hospital Lease Funds	Total
Enterprise Funds:			
Public Works Authority	\$ 664,608	\$ -	\$ 664,608
Hospital Authority		8,081,250	8,081,250
<b>Total Enterprise Fund</b>	<b>\$ 664,608</b>	<b>\$ 8,081,250</b>	<b>\$ 8,745,858</b>

**NOTE 4: OTHER NOTES**

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

The City participates in four employee pension systems as follows:

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

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

*Plan Description*

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

	OMRF Plan
Year established and governing authority	1970, City Council Ordinance
Determination of contribution requirements	Actuarially determined
Employer	10.87% of participant payroll
Plan members	5.25% of participant payroll
Funding of administrative costs	Investment earnings
Period required to vest	7 years
Post-retirement benefit increases	Cost of living adjustment each July 1 <sup>st</sup> based upon the percentage change in the CPI, maximum increase or decrease of 3% in any year
Eligibility for distribution	<ul style="list-style-type: none"> <li>- Normal retirement- age 65 with 7 or more years of vesting service or age 62 with 30 years of service.</li> <li>- Early retirement at age 55 with 7 years of service</li> <li>- Disability retirement upon total and permanent disability with 7 years of service</li> </ul>

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2014**

Membership of the plan is as follows:

	As of January 1, 2014
Non-vested active members	49
Fully vested active members	18
Retirees and beneficiaries receiving benefits	32
Terminated plan members entitled to but not yet receiving benefits	11
	110

**Annual Required Contributions**

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

	OMRF Plan
Provisions for:	
Disability benefits	Yes
Death benefits	Yes
Valuation date	March 2014
Actuarial cost method	Entry age normal cost method
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increase	4.0% - 7.42%
Post retirement benefit increase (max)	3%
Other	Mortality table UP 1994 with project mortality improvement; 100% married; 3 year spouse age difference

**Funding Status and Progress**

Actuarial Valuation Date/Type	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
1/1/2010	8,330,057	9,327,216	997,159	89.3%	2,463,148	40.5%
1/1/2011	8,716,471	9,175,868	459,397	95.0%	2,142,372	21.4%
1/1/2012	9,081,752	9,682,705	600,953	93.8%	2,173,927	27.6%
1/1/2013	9,653,920	10,139,940	486,021	95.2%	2,150,598	22.6%
1/1/2014	10,307,661	10,553,216	245,555	97.7%	2,356,347	10.4%

**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 obligations and benefits	State Statute	State Statute
Plan member's contribution rate	8% of covered payroll	9% of covered payroll (eff 11/13)
City's contribution rate	13% of covered payroll	14% of covered payroll, \$60 per yr for volunteer firefighters (11/13)
Period required to vest	10 years	10 years

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2014**

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

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

**Annual Required Contributions**

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

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	7/1/14	7/1/14
Actuarial cost method	Individual entry age	Individual entry age normal
Amortization method/period	Level dollar 30 years, open	Level dollar 30 years, open
Actuarial asset valuation method	5 year moving average	5 year moving average
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increase	5.0% - 19.0%	4.0% - 10.0%
Post retirement benefit increase (max)	2.0%	2.0%
Inflation	3.0%	3.0%
Other	1994 group annuity table set forward 1 year for men and 2 years for women	1994 group annuity table set forward 1 year for men and 2 years for women

**Trend Information**

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

**CITY OF CLINTON, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2014**

*Funding Status and Funding Progress*

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
Actuarial value of plan assets (AVA)	\$2,086,297,000	\$2,001,779,620
Actuarial accrued liability (AAL)	\$ 2,204,797,174	\$3,225,452,386
Unfunded actuarial accrued liability (UAAL)	\$ 118,500,154	\$1,223,872,766
Funded ratio (AVA/AAL)	94.6%	62.06%
Covered payroll (active plan members)	\$ 289,502,327	\$ 265,551,993
UAAL as a percentage of covered payroll	40.93%	460.8%

**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, 2014, the following amounts related to the defined contribution plan:

City total payroll	\$ 3,706,560
Payroll for covered employees	\$ 2,413,472
Employees contributions made	\$ 18,622
Employer (City) contributions made	\$ 33,098
City contributions as a % of covered payroll	1.37%

**Other Post-Employment Benefits**

For the year ended June 30, 2014, 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 \$8 million by Integris and annual payments of \$125,000 beginning January 1, 1999 and \$150,000 beginning January 1, 2010. This lease was terminated on March 31, 2012.

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

*Clinton Public School District Lease*

The Clinton Public Works Authority issued \$12,875,000 of revenue bonds during the 2011 fiscal year to finance school improvements approved by voters on March 2, 2010. The Authority entered into a ground lease with the Clinton Public School District to lease the land upon which the improvements were to be constructed. Lease purchase acquisition payments and rental payments derived from the sublease agreement with the District will be assigned to make the debt service payments on the bonds. Upon payment in full of the amounts due under the sublease agreement (September 1, 2020 according to Schedule of Lease Purchase Acquisition Payments for Improvements), possession and ownership of the improvements will then belong to the District.

*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:**

The search for water including ground water continues and is ongoing. This ground water will necessitate a need for a new water treatment facility that may be funded by a \$30 million revenue bond issue. This will also require an increase in water rates which will be implemented in two phases.



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

The Honorable Mayor and City Council  
City of Clinton, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Clinton, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Clinton, Oklahoma's basic financial statements, and have issued our report thereon dated December 15, 2014.

***Internal Control over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Britton, Kuykendall & Miller*

BRITTON, KUYKENDALL AND MILLER  
Certified Public Accountants

Weatherford, Oklahoma  
December 15, 2014