

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

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2011**

**THE CITY OF CLINTON, OKLAHOMA
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CITY OF CLINTON, OKLAHOMA
YEAR ENDED JUNE 30, 2011
LIST OF PRINCIPAL OFFICIALS

MAYOR
Allen Bryson

COUNCIL MEMBERS
Steve Jones
Bob Marcy
Don Rodolph
Phyllis Smith

CITY MANAGER
Steve Hewitt

CITY CLERK
Lisa Anders

CITY TREASURER
Debra Blanchard



BRITTON, KUYKENDALL, & MILLER

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Clinton, Oklahoma

We have audited the accompanying combined financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Clinton, Oklahoma's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of City of Clinton, Oklahoma's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2011, on our consideration of City of Clinton, Oklahoma's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clinton, Oklahoma's basic financial statements as a whole. The introductory section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements referred to above and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER

November 15, 2011

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, 2011. 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 \$47,382,881 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$45,101,325.
- Total liabilities of the City increased by \$13,532,962 to \$25,863,210.
- Total net assets are comprised of the following:
 - (1) Invested in capital assets, net of related debt, of \$24,436,352 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$9,598,306 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
 - (3) Unrestricted net assets of \$13,348,223 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 \$7,592,202 this year. This compares to the prior year ending fund balance of \$6,103,339 showing an increase of \$1,488,863.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,988,956, or 39.2% of total General Fund expenditures including transfers and 35.7% of General Fund revenues including transfers.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

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

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same function reported as business-type activities in the government-wide statements. Services are provided to a customer external to the City organization such as the water utilities and the City golf course. Internal service funds provide services and charge fees to customers within the City organization such as equipment services (repair and maintenance of City vehicles). Because the City's internal service fund primarily serves governmental functions, they are included within the governmental activities of the 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 assets at fiscal year end are \$47,382,881. This is a net increase of \$2,281,556 over last year's net assets of \$45,101,325. The following table provides a summary of the City's net assets at June 30:

Summary of Net Assets

	Governmental Activities		Business-type Activities		Totals		\$ Change	% Change
	2011	2010	2011	2010	2011	2010		
Current and other assets	\$ 9,510,558	\$ 6,447,568	\$ 21,779,561	\$ 15,544,311	\$ 31,290,119	\$ 21,991,879	\$ 9,298,240	29.7%
Other noncurrent assets	-	-	511,051	227,473	511,051	227,473	\$ 283,578	55.5%
Capital assets	5,655,567	4,725,342	35,789,354	30,486,879	41,444,921	35,212,221	\$ 6,232,700	15.0%
Total Assets	15,166,125	11,172,910	58,079,966	46,258,663	73,246,091	57,431,573	\$ 15,814,518	21.6%
Long-term liabilities	389,069	123,814	20,697,731	9,234,000	21,086,800	9,357,814	\$ 11,728,986	55.6%
Other liabilities	2,115,251	482,816	2,661,159	2,489,618	4,776,410	2,972,434	\$ 1,803,976	37.8%
Total Liabilities	2,504,320	606,630	23,358,890	11,723,618	25,863,210	12,330,248	\$ 13,532,962	52.3%
Net assets:								
Invested in capital assets, net of related debt	5,061,924	4,573,048	19,374,428	19,964,500	24,436,352	24,537,548	\$ (101,196)	-0.4%
Restricted	100,477	92,598	9,497,829	8,886,296	9,598,306	8,978,894	\$ 619,412	6.5%
Unrestricted	7,499,404	5,900,634	5,848,819	5,684,249	13,348,223	11,584,883	\$ 1,763,340	13.2%
Total Net Assets	\$ 12,661,805	\$ 10,566,280	\$ 34,721,076	\$ 34,535,045	\$ 47,382,881	\$ 45,101,325	\$ 2,281,556	4.8%

The City reported positive balances in net assets for governmental activities, noting an increase of \$2,028,509. Business-type activities net assets increased \$186,031.

On February 8, 2005, City voters approved a special purpose sales tax of one cent for the purposes of the Eastside Academy, Clinton Public Schools, Acme Brick Park construction, Acme Brick Park operation (5%- permanent), and economic development. The tax became effective April 1, 2005, and continued through March 31, 2011.