

**CLINTON CITY
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7

Basic Financial Statements:

Government Wide Financial Statements:

Statement of Net Position	8
Statement of Activities	9

Governmental Funds Statements:

Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13

Proprietary Fund Statements:

Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16-17

Notes to the Financial Statements	18-38
---	-------

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes to Fund Balances Budget and Actual – General Fund	39-40
--	-------

Schedule of Revenues, Expenditures, and Changes to Fund Balances Budget and Actual – Special Revenue Fund (HUD Grant)	41
--	----

Supplementary Information:

Combining Balance Sheet – Nonmajor funds	42
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor funds	43

Auditors' Reports and Schedule of Findings:

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	44-45
---	-------

Independent Auditors' Report in Accordance with the State Compliance Audit Guide	46-47
--	-------

Schedule of Findings	48-49
----------------------------	-------

INDEPENDENT AUDITOR'S REPORT

To the Mayor, City Council, and Management of
Clinton City, Utah

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 Clinton City as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 39-41 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 Clinton City's basic financial statements. The 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.

Wood Richards & Associates, PC

Ogden, Utah

December 3, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CLINTON CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

INTRODUCTION

The following is a discussion and analysis of Clinton City's financial performance and activities for the fiscal year ending June 30, 2014.

HIGHLIGHTS

Net position of the city decreased by \$353,119. Of this amount, business-type activities increased by \$9,684 and governmental activities decreased by \$362,803.

The assets of Clinton City exceeded its liabilities and deferred inflows of resources at the end of the current fiscal year by \$75,829,406 (net position). Of this amount, \$4,899,825 (unrestricted net position) is available to meet ongoing obligations to citizens and creditors.

The City's governmental funds reported a combined ending fund balance of \$3,175,316, an increase of \$162,843 compared to the prior years' ending amount. Of the combined total fund balance, \$1,208,361 is available for spending at the discretion of the City (unrestricted and unassigned fund balance).

The unrestricted and unassigned fund balance of the General Fund at June 30, 2014, totaling \$1,208,361, is 14.47% of the General Fund total revenues for the year. The General Fund has \$293,172 of fund balance restricted for specific purposes that will be carried over into the following fiscal year and \$100,160 of nonspendable fund balance which represents resources that have already been allocated to expenses for future periods.

During the year, long-term debt for Clinton City decreased by \$525,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements includes three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Position shows the overall net position of the City. Increases and decreases in net position are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Clinton City's business type activities are sewer, water, solid waste and storm water.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types. The two types are Governmental Funds and Proprietary Funds.

**CLINTON CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Clinton City maintains seven individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Special Revenue Fund which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Clinton City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund and the Special Revenue major fund to demonstrate compliance with this budget.

Clinton City has five Proprietary Funds: the water fund, the sewer fund, the solid waste fund, the storm water fund, and the sewer special service fund. The Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services. The Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. An Internal Service Fund is presented in a separate column in the Proprietary Fund financial statements.

There are several differences between Government-Wide and Fund Statements. Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.

(The remainder of this page intentionally left blank)

**CLINTON CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Governmental Activities		Business-type Activities		Total	
	June 30	June 30	June 30	June 30	June 30	June 30
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 5,161,408	\$ 4,831,201	\$ 3,801,898	\$ 3,753,112	\$ 8,963,306	\$ 8,584,313
Capital assets	48,809,147	49,922,740	22,404,979	22,302,670	71,214,126	72,225,410
Total assets	<u>53,970,555</u>	<u>54,753,941</u>	<u>26,206,877</u>	<u>26,055,782</u>	<u>80,177,432</u>	<u>80,809,723</u>
Noncurrent liabilities	1,945,233	2,225,857	-	-	1,945,233	2,225,857
Other liabilities	307,579	720,309	477,705	336,294	785,284	1,056,603
Total liabilities	<u>2,252,812</u>	<u>2,946,166</u>	<u>477,705</u>	<u>336,294</u>	<u>2,730,517</u>	<u>3,282,460</u>
Unavailable revenue - property taxes	1,617,509	1,344,738	-	-	1,617,509	1,344,738
Total deferred inflows of resources	<u>1,617,509</u>	<u>1,344,738</u>	<u>-</u>	<u>-</u>	<u>1,617,509</u>	<u>1,344,738</u>
Net position:						
Net investment in capital assets	47,109,025	47,696,883	22,404,979	22,302,670	69,514,004	69,999,553
Restricted	1,143,923	880,982	271,654	539,854	1,415,577	1,420,836
Unrestricted	1,847,286	1,885,172	3,052,539	2,876,964	4,899,825	4,762,136
Total net position	<u>\$50,100,234</u>	<u>\$50,463,037</u>	<u>\$25,729,172</u>	<u>\$25,719,488</u>	<u>\$75,829,406</u>	<u>\$76,182,525</u>

The largest component of the City's net position, 91.67%, reflects investments in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net position comprises 1.87% of the total net position and is subject to external restrictions on how they may be used. The remaining 6.46% of net position is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

**CLINTON CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	June 30	June 30	June 30	June 30	June 30	June 30
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,897,062	\$ 1,963,889	\$ 3,966,453	\$ 3,719,980	\$ 5,863,515	\$ 5,683,869
Operating grants and contributions	726,883	684,226	-	-	726,883	684,226
Capital grants and contributions	172,697	-	-	-	172,697	-
General revenues:						
Property taxes	1,373,468	1,415,860	-	-	1,373,468	1,415,860
Sales taxes	2,849,574	2,735,680	-	-	2,849,574	2,735,680
Other taxes	1,256,859	1,244,643	-	-	1,256,859	1,244,643
Impact fees	-	-	166,502	262,478	166,502	262,478
Special revenues	152,667	193,858	-	-	152,667	193,858
Interest	11,684	15,194	12,238	15,235	23,922	30,429
Bond premium	6,464	6,464	-	-	6,464	6,464
Loss on investments	-	-	-	-	-	-
Other	105,714	89,996	-	-	105,714	89,996
Gain (loss) on sale of asset	-	(43,773)	-	-	-	(43,773)
Total revenues	<u>8,553,072</u>	<u>8,306,037</u>	<u>4,145,193</u>	<u>3,997,693</u>	<u>12,698,265</u>	<u>12,303,730</u>
Expenses:						
General government	2,467,794	2,359,508	-	-	2,467,794	2,359,508
Public safety	3,145,954	3,001,282	-	-	3,145,954	3,001,282
Highways and public improvements	1,785,280	1,431,811	-	-	1,785,280	1,431,811
Parks and recreation	1,396,536	1,480,585	-	-	1,396,536	1,480,585
Cemeteries	52,873	53,743	-	-	52,873	53,743
Interest on debt	67,438	82,738	-	-	67,438	82,738
Sewer special service	-	-	58,241	59,021	58,241	59,021
Solid waste	-	-	1,226,462	1,203,032	1,226,462	1,203,032
Storm water	-	-	550,023	517,001	550,023	517,001
Water	-	-	1,233,442	1,162,427	1,233,442	1,162,427
Sewer	-	-	1,067,341	947,531	1,067,341	947,531
Total expenses	<u>8,915,875</u>	<u>8,409,667</u>	<u>4,135,509</u>	<u>3,889,012</u>	<u>13,051,384</u>	<u>12,298,679</u>
Change in net position	<u>(362,803)</u>	<u>(103,630)</u>	<u>9,684</u>	<u>108,681</u>	<u>(353,119)</u>	<u>5,051</u>
Net position-beginning	50,463,037	50,634,366	25,719,488	25,610,807	76,182,525	76,245,173
Prior year adjustment	-	(67,699)	-	-	-	(67,699)
Net position-beginning restated	<u>50,463,037</u>	<u>50,566,667</u>	<u>25,719,488</u>	<u>25,610,807</u>	<u>76,182,525</u>	<u>76,177,474</u>
Net position-ending	<u>\$50,100,234</u>	<u>\$50,463,037</u>	<u>\$25,729,172</u>	<u>\$25,719,488</u>	<u>\$75,829,406</u>	<u>\$76,182,525</u>

**CLINTON CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

Governmental Activities

The activities in the governmental funds resulted in a decrease in net position of \$362,803 for the year.

Business-Type Activities

The business-type activities increased net assets by \$9,684. The Enterprise Funds are generating sufficient operating revenue to cover operating costs with a small surplus.

Capital Assets

Clinton City added \$337,369 in new capital assets in governmental activities during the fiscal year. The following assets were acquired or constructed: General infrastructure \$26,168; machinery and equipment \$112,919; \$9,513 work in progress in the Cemetery; and internal service equipment and vehicles in the amount of \$188,768. The internal service equipment and vehicles were acquired in the motor pool fund.

Fund Balances

The fund balance in the General Fund increased by \$138,293. The fund balances in the other Governmental Funds increased by \$24,550. The Net Position in the Enterprise Funds decreased by \$7,399.

Long-Term Debt

The City currently owes \$1,675,000 on the Sales Tax Revenue Refunding Bond Series 2009. \$540,000 of the debt will be paid in the current year with \$1,135,000 remaining in long-term debt.

General Fund Budgets

Clinton City prepares its budget according to state statutes. The General Fund Budget was adjusted during the year.

Actual General Fund revenues were \$207,155 above the original budget and \$115,439 above the final adjusted budget. Actual General Fund expenditures before transfers were \$24,566 below the original budget and \$476,061 below the final adjusted budget.

ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Clinton City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the City's finances should be addressed to Clinton City, 2267 North 1500 West, Clinton City, Utah 84015.

BASIC FINANCIAL STATEMENTS

CLINTON CITY
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 1,503,751	\$ 2,730,333	\$ 4,234,084
Restricted cash	1,143,923	271,654	1,415,577
Accounts receivable	183,860	536,285	720,145
Due from other governmental units	2,341,380	-	2,341,380
Prepaid expenses	110,558	141,562	252,120
Internal balances	(122,064)	122,064	-
Capital assets (net of accumulated depreciation):			
Land	9,777,847	290,548	10,068,395
Construction in progress	9,513	-	9,513
Infrastructure	20,435,683	20,351,331	40,787,014
Buildings	15,456,700	-	15,456,700
Improvements	2,094,912	-	2,094,912
Machinery and equipment	1,034,492	-	1,034,492
Water rights	-	1,763,100	1,763,100
TOTAL ASSETS	53,970,555	26,206,877	80,177,432
LIABILITIES			
Accounts payable	258,079	288,386	546,465
Deposits	49,500	157,673	207,173
Non-current liabilities:			
Due within one year	790,840	31,646	822,486
Due in more than one year	1,154,393	-	1,154,393
TOTAL LIABILITIES	2,252,812	477,705	2,730,517
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	1,617,509	-	1,617,509
TOTAL DEFERRED INFLOWS OF RESOURCES	1,617,509	-	1,617,509
NET POSITION			
Net investment in capital assets	47,109,025	22,404,979	69,514,004
Restricted for:			
Debt service - revenue bond	73,961	-	73,961
Redevelopment Agency	267,908	-	267,908
Perpetual care	419,103	-	419,103
Transportation impact fees	219,211	-	219,211
Park impact fees	163,740	-	163,740
Utility impact fees	-	271,654	271,654
Unrestricted	1,847,286	3,052,539	4,899,825
TOTAL NET POSITION	\$ 50,100,234	\$ 25,729,172	\$ 75,829,406

The accompanying notes are an integral part of these statements.

**CLINTON CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 2,467,794	\$ 1,239,723	\$ 22,311	\$ -	\$ (1,205,760)	\$ -	\$ (1,205,760)
Public safety	3,145,954	376,535	104,498	-	(2,664,921)	-	(2,664,921)
Highways and improvements	1,785,280	10,526	600,074	169,252	(1,005,428)	-	(1,005,428)
Parks and recreation	1,396,536	216,893	-	3,445	(1,176,198)	-	(1,176,198)
Cemeteries	52,873	53,385	-	-	512	-	512
Interest on long term debt	67,438	-	-	-	(67,438)	-	(67,438)
Total governmental activities	<u>8,915,875</u>	<u>1,897,062</u>	<u>726,883</u>	<u>172,697</u>	<u>(6,119,233)</u>	<u>-</u>	<u>(6,119,233)</u>
Business-type activities:							
Water	1,233,442	1,268,932	-	-	-	35,490	35,490
Sewer	1,067,341	1,060,719	-	-	-	(6,622)	(6,622)
Solid waste	1,226,462	1,170,285	-	-	-	(56,177)	(56,177)
Storm water	550,023	436,034	-	-	-	(113,989)	(113,989)
Sewer special service	58,241	30,483	-	-	-	(27,758)	(27,758)
Total business-type activities	<u>4,135,509</u>	<u>3,966,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(169,056)</u>	<u>(169,056)</u>
Total primary government	<u>\$ 13,051,384</u>	<u>\$ 5,863,515</u>	<u>\$ 726,883</u>	<u>\$ 172,697</u>	<u>(6,119,233)</u>	<u>(169,056)</u>	<u>(6,288,289)</u>
General revenues:							
Property taxes					1,373,468	-	1,373,468
Sales taxes					2,849,574	-	2,849,574
Franchise taxes					1,142,513	-	1,142,513
Fees-in-lieu of taxes					114,346	-	114,346
Special revenues					152,667	-	152,667
Miscellaneous					105,714	-	105,714
Interest earnings					11,684	12,238	23,922
Impact fees					-	166,502	166,502
Bond premium					6,464	-	6,464
Total general revenues and transfers					<u>5,756,430</u>	<u>178,740</u>	<u>5,935,170</u>
Change in net position					<u>(362,803)</u>	<u>9,684</u>	<u>(353,119)</u>
Net position - beginning					<u>50,463,037</u>	<u>25,719,488</u>	<u>76,182,525</u>
Net position - ending					<u>\$ 50,100,234</u>	<u>\$ 25,729,172</u>	<u>\$ 75,829,406</u>

The accompanying notes are an integral part of these statements.

CLINTON CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Special Revenue Fund HUD Grant	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 597,206	\$ 606,804	\$ 124,188	\$ 1,328,198
Restricted cash	293,172	-	850,751	1,143,923
Accounts receivable	183,860	-	-	183,860
Due from other governmental units	2,341,380	-	-	2,341,380
Prepaid expenses	100,160	-	-	100,160
Total assets	<u>\$ 3,515,778</u>	<u>\$ 606,804</u>	<u>\$ 974,939</u>	<u>\$ 5,097,521</u>
LIABILITIES				
Interfund payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	247,076	-	8,120	255,196
Customer deposits	49,500	-	-	49,500
Total liabilities	<u>296,576</u>	<u>-</u>	<u>8,120</u>	<u>304,696</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Property Taxes	1,617,509	-	-	1,617,509
Total deferred inflows of resources	<u>1,617,509</u>	<u>-</u>	<u>-</u>	<u>1,617,509</u>
FUND BALANCES				
Nonspendable:				
Prepays	100,160	-	-	100,160
Restricted for:				
Special revenue - RDA	-	-	267,908	267,908
Perpetual care	-	-	419,103	419,103
Park impact fees	-	-	163,740	163,740
Transportation impact fees	219,211	-	-	219,211
Sales tax bond	73,961	-	-	73,961
Assigned to:				
Capital projects	-	-	100,340	100,340
Special revenue - HUD grant	-	606,804	-	606,804
Special revenue - other	-	-	15,728	15,728
Unassigned	1,208,361	-	-	1,208,361
Total fund balances	<u>1,601,693</u>	<u>606,804</u>	<u>966,819</u>	<u>3,175,316</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,515,778</u>	<u>\$ 606,804</u>	<u>\$ 974,939</u>	<u>\$ 5,097,521</u>

The accompanying notes are an integral part of these statements.

CLINTON CITY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances - governmental funds:	\$	3,175,316
Amounts reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	9,777,847
Construction in progress		9,513
Infrastructure		31,326,895
Buildings		18,269,267
Improvements		3,268,029
Machinery and equipment		1,156,111
Accumulated depreciation		<u>(15,804,536)</u>
		48,003,126
Internal Service Funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.		
		807,077
Less: Internal payable representing charges in excess of cost to business type activities.		
Prior years		71,302
Current year		<u>(17,083)</u>
		861,296
Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds, but they are reported in the Statement of Net Position.		
Bonds payable		(1,675,000)
Unamortized bond premium		(19,393)
Compensated absences		<u>(245,111)</u>
		<u>(1,939,504)</u>
Net position of governmental activities	\$	<u><u>50,100,234</u></u>

The accompanying notes are an integral part of these statements.

CLINTON CITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

REVENUES	General Fund	Special Revenue Fund HUD Grant	Other Governmental Funds	Total Governmental Funds
Taxes				
Property taxes	\$ 1,301,824	\$ -	\$ 71,644	\$ 1,373,468
Sales taxes	2,849,574	-	-	2,849,574
Franchise taxes	1,142,513	-	-	1,142,513
Fees-in-lieu of taxes	114,346	-	-	114,346
Licenses and permits	216,201	-	-	216,201
Intergovernmental	837,533	-	-	837,533
Charges for services	1,275,327	-	21,260	1,296,587
Fines and forfeitures	261,823	-	-	261,823
Miscellaneous revenue	200,232	450	69,230	269,912
Special revenues	152,667	-	-	152,667
Total revenues	<u>8,352,040</u>	<u>450</u>	<u>162,134</u>	<u>8,514,624</u>
EXPENDITURES				
Current				
General government	1,969,589	-	-	1,969,589
Public safety	3,187,225	-	-	3,187,225
Highways and public improvements	828,026	-	-	828,026
Parks and recreation	1,330,467	-	-	1,330,467
Cemeteries	62,386	-	-	62,386
Debt service				
Principal	525,000	-	-	525,000
Interest and fees	67,438	-	-	67,438
Capital outlay				
Miscellaneous	-	-	33,231	33,231
Capital projects	-	-	348,419	348,419
Total expenditures	<u>7,970,131</u>	<u>-</u>	<u>381,650</u>	<u>8,351,781</u>
Excess (deficiency) of revenues over expenditures	<u>381,909</u>	<u>450</u>	<u>(219,516)</u>	<u>162,843</u>
Other financing sources (uses)				
Transfers in	11,760	-	405,376	417,136
Transfers out	(255,376)	(150,000)	(11,760)	(417,136)
Total other financing sources and uses	<u>(243,616)</u>	<u>(150,000)</u>	<u>393,616</u>	<u>-</u>
Net change in fund balances	138,293	(149,550)	174,100	162,843
Fund balances - beginning of year	<u>1,463,400</u>	<u>756,354</u>	<u>792,719</u>	<u>3,012,473</u>
Fund balances - end of year	<u>\$ 1,601,693</u>	<u>\$ 606,804</u>	<u>\$ 966,819</u>	<u>\$ 3,175,316</u>

The accompanying notes are an integral part of these statements.

CLINTON CITY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Amounts reported for governmental activities in the Statement of
Activities are different because:

Net changes in fund balances - total governmental funds	\$	162,843
---	----	---------

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. This is the amount by
which depreciation exceeded capital outlays in the current period.

Capital outlays	\$	148,601	
Depreciation expense		(1,258,502)	(1,109,901)

Donations of capital assets increase net position in the Statement of
Activities, but do not appear in the governmental funds because
they are not financial resources.

Infrastructure		-	
----------------	--	---	--

The governmental funds report the proceeds from the sale of assets
as revenues, while the government-wide financial statements report the
difference between the sale proceeds and the net book value of the assets sold
as a gain or loss.

Net book value of assets sold		-	
-------------------------------	--	---	--

Internal Service Funds are used by management to charge the costs
of fleet management to individual funds. The net income of
certain activities of the Internal Service Fund is reported with
governmental activities.

		31,984	
--	--	--------	--

The issuance of long-term debt (e.g., bonds, leases) provides
current financial resources to governmental funds, while the repayment of the
principal of long-term debt consumes the current financial resources of
governmental funds. Neither transaction however, has any effect on net
position. This amount is the net effect of these differences in the treatment of
long-term debt and related items is as follows:

Issuance of debt	-		
Amortization of premium	6,464		
Repayment of bond principal	525,000		531,464

Some expenses reported in the Statement of Activities do not
require use of current financial resources and therefore, are not
reported as expenditures in governmental funds.

		20,807	
--	--	--------	--

Change in net position of governmental activities	\$	(362,803)	
---	----	-----------	--

The accompanying notes are an integral part of these statements.

CLINTON CITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Solid Waste
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 926,909	\$ 423,085	\$ 489,074
Accounts receivable	268,876	105,335	118,209
Interfund receivable	-	176,283	-
Prepaid expenses	141,562	-	-
Total current assets	<u>1,337,347</u>	<u>704,703</u>	<u>607,283</u>
Noncurrent assets:			
Restricted cash and cash equivalents	215,874	-	-
Fixed assets	12,737,555	5,517,178	307,143
Less: accumulated depreciation	<u>(3,509,819)</u>	<u>(1,324,865)</u>	<u>(307,143)</u>
Total noncurrent assets	<u>9,443,610</u>	<u>4,192,313</u>	<u>-</u>
Total assets	<u>10,780,957</u>	<u>4,897,016</u>	<u>607,283</u>
LIABILITIES			
Current liabilities:			
Accounts payable	126,615	85,027	72,970
Compensated absences	17,300	4,461	3,301
Interfund payable	-	-	-
Deposits	<u>157,673</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>301,588</u>	<u>89,488</u>	<u>76,271</u>
NET POSITION			
Net investment in capital assets	9,227,736	4,192,313	-
Restricted - impact fees	215,874	-	-
Unrestricted	<u>1,035,759</u>	<u>615,215</u>	<u>531,012</u>
Total net position	<u>\$ 10,479,369</u>	<u>\$ 4,807,528</u>	<u>\$ 531,012</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			
Net position of business-type activities			

The accompanying notes are an integral part of these statements.

Business-Type Activities - Enterprise Funds			Governmental
Storm	Sewer		Activities
Water	Special	Total	Internal
	Service		Service Fund
\$ 679,268	\$ 211,997	\$ 2,730,333	\$ 175,553
41,947	1,918	536,285	-
-	-	176,283	-
-	-	141,562	10,398
<u>721,215</u>	<u>213,915</u>	<u>3,584,463</u>	<u>185,951</u>
55,780	-	271,654	-
8,996,138	1,556,605	29,114,619	3,597,663
<u>(1,508,058)</u>	<u>(59,755)</u>	<u>(6,709,640)</u>	<u>(2,791,643)</u>
<u>7,543,860</u>	<u>1,496,850</u>	<u>22,676,633</u>	<u>806,020</u>
<u>8,265,075</u>	<u>1,710,765</u>	<u>26,261,096</u>	<u>991,971</u>
3,176	598	288,386	2,882
6,213	371	31,646	5,729
-	-	-	176,283
-	-	157,673	-
<u>9,389</u>	<u>969</u>	<u>477,705</u>	<u>184,894</u>
7,488,080	1,496,850	22,404,979	629,737
55,780	-	271,654	-
<u>711,826</u>	<u>212,946</u>	<u>3,106,758</u>	<u>177,340</u>
<u>\$ 8,255,686</u>	<u>\$ 1,709,796</u>	<u>25,783,391</u>	<u>\$ 807,077</u>
		<u>(54,219)</u>	
		<u>\$ 25,729,172</u>	

CLINTON CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Solid Waste
OPERATING REVENUE			
Charges for service	\$ 1,186,253	\$ 1,060,684	\$ 1,170,285
Other	82,679	35	-
Total operating revenue	<u>1,268,932</u>	<u>1,060,719</u>	<u>1,170,285</u>
OPERATING EXPENSES			
Operation and maintenance	105,435	20,989	36,357
Sewage treatment	-	733,570	-
Source of supply	278,349	-	-
Depreciation	182,323	82,581	-
General expenses	244,398	85,255	159,248
Salaries	221,039	71,605	58,217
Employee benefits	110,971	32,060	34,464
Waste collection	-	-	357,633
Waste disposal	-	-	527,242
Vehicle operation	97,455	44,245	57,128
Total operating expenses	<u>1,239,970</u>	<u>1,070,305</u>	<u>1,230,289</u>
Operating income (loss)	<u>28,962</u>	<u>(9,586)</u>	<u>(60,004)</u>
NONOPERATING REVENUE (EXPENSES)			
Impact fees	72,294	-	-
Interest revenue	3,679	2,039	2,412
Total nonoperating revenue	<u>75,973</u>	<u>2,039</u>	<u>2,412</u>
Income (loss) before contributions	104,935	(7,547)	(57,592)
Capital contributions	-	-	-
Change in net position	104,935	(7,547)	(57,592)
Net position - beginning	<u>10,374,434</u>	<u>4,815,075</u>	<u>588,604</u>
Net position - ending	<u>\$ 10,479,369</u>	<u>\$ 4,807,528</u>	<u>\$ 531,012</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Changes in net position of business-type activities

The accompanying notes are an integral part of these statements.

Business-Type Activities - Enterprise Funds			Governmental
Storm	Sewer		Activities
Water	Special	Total	Internal
	Service		Service Fund
\$ 434,384	\$ 21,683	\$ 3,873,289	\$ 732,522
1,650	8,800	93,164	15,833
436,034	30,483	3,966,453	748,355
178,599	6,100	347,480	-
-	4,863	738,433	-
-	-	278,349	-
124,194	22,237	411,335	192,462
85,255	4,800	578,956	-
77,325	8,822	437,008	91,579
39,385	4,246	221,126	47,928
-	-	357,633	-
-	-	527,242	-
48,515	7,687	255,030	367,731
553,273	58,755	4,152,592	699,700
(117,239)	(28,272)	(186,139)	48,655
94,208	-	166,502	-
3,095	1,013	12,238	412
97,303	1,013	178,740	412
(19,936)	(27,259)	(7,399)	49,067
-	-	-	-
(19,936)	(27,259)	(7,399)	49,067
8,275,622	1,737,055		758,010
\$ 8,255,686	\$ 1,709,796		\$ 807,077

17,083
\$ 9,684

**CLINTON CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Solid Waste
Cash Flows From Operating Activities			
Receipts from customers	\$ 1,264,381	\$ 1,048,506	\$ 1,170,689
Interfund services provided	-	-	-
Payments to employees	(218,190)	(72,988)	(60,293)
Payments to suppliers	(498,746)	(712,673)	(882,726)
Payments for interfund services used	(341,853)	(129,500)	(216,376)
Net cash from operating activities	<u>205,592</u>	<u>133,345</u>	<u>11,294</u>
Cash Flows From Noncapital Financing Activities			
Interfund loan	-	47,167	-
Net cash from noncapital financing activities	<u>-</u>	<u>47,167</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities			
Receipts for impact fees	72,294	-	-
Purchases of capital assets	(34,595)	(159,838)	-
Net cash from capital and related financing	<u>37,699</u>	<u>(159,838)</u>	<u>-</u>
Cash Flows From Investing Activities			
Interest and dividends received	3,679	2,039	2,412
Net cash from investing activities	<u>3,679</u>	<u>2,039</u>	<u>2,412</u>
Net increase (decrease in cash and cash equivalents)	246,970	22,713	13,706
Cash and cash equivalents, July 1	895,813	400,372	475,368
Cash and cash equivalents, June 30	<u><u>\$ 1,142,783</u></u>	<u><u>\$ 423,085</u></u>	<u><u>\$ 489,074</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 28,962	\$ (9,586)	\$ (60,004)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expenses	182,323	82,581	-
(Increase) decrease in prepaid expenses	(4,774)	-	-
(Increase) decrease in accounts receivable	(1,726)	(12,213)	404
Increase (decrease) in accounts payable	783	73,946	72,970
Increase (decrease) in compensated absences	2,849	(1,383)	(2,076)
Increase (decrease) in deposits	(2,825)	-	-
Total adjustments	<u>176,630</u>	<u>142,931</u>	<u>71,298</u>
Net cash provided (used) by operating activities	<u><u>\$ 205,592</u></u>	<u><u>\$ 133,345</u></u>	<u><u>\$ 11,294</u></u>
Noncash Investing, Capital and Financing Activities:			
Contributed capital assets from developers	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

Business-Type Activities - Enterprise Funds			Governmental
Storm	Sewer Special		Activities
Water	Service	Total	Internal
			Service Fund
\$ 436,304	\$ 29,356	\$ 3,949,236	\$ -
-	-	-	748,355
(79,142)	(9,112)	(439,725)	(94,550)
(219,329)	(14,611)	(2,328,085)	(414,018)
(133,770)	(12,487)	(833,986)	-
<u>4,063</u>	<u>(6,854)</u>	<u>347,440</u>	<u>239,787</u>
-	-	47,167	(47,167)
-	-	47,167	(47,167)
94,208	-	166,502	-
(319,211)	-	(513,644)	(188,768)
<u>(225,003)</u>	<u>-</u>	<u>(347,142)</u>	<u>(188,768)</u>
3,095	1,013	12,238	412
<u>3,095</u>	<u>1,013</u>	<u>12,238</u>	<u>412</u>
(217,845)	(5,841)	59,703	4,264
952,893	217,838	2,942,284	171,289
<u>\$ 735,048</u>	<u>\$ 211,997</u>	<u>\$ 3,001,987</u>	<u>\$ 175,553</u>
\$ (117,239)	\$ (28,272)	\$ (186,139)	\$ 48,655
124,194	22,237	411,335	192,462
-	-	(4,774)	(1,241)
270	(1,127)	(14,392)	-
(1,345)	598	146,952	2,882
(1,817)	(290)	(2,717)	(2,971)
-	-	(2,825)	-
<u>121,302</u>	<u>21,418</u>	<u>533,579</u>	<u>191,132</u>
<u>\$ 4,063</u>	<u>\$ (6,854)</u>	<u>\$ 347,440</u>	<u>\$ 239,787</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Clinton City, Utah conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The City has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

Clinton City was incorporated in the State of Utah. The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: Public safety, public utilities, highways and streets, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards board (GASB). Under GASB Statement No. 61, *The Financial Reporting Entity*, the financial reporting entity consists of the primary government and the following component units:

Blended component units: Blended component units, although legally separate entities, are in substance part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds. The City has the following component units.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On June 9, 1992, the City adopted an ordinance creating the Clinton City Redevelopment Agency and designating the City Council of Clinton as the governing body of the Agency. The Redevelopment Agency is accounted for as a special revenue fund.

The City established the Clinton City Sanitary Sewer Special Service District to take care of a sewer lift station. This special service district is presented as a blended component unit with the enterprise funds.

In 2011, the City established Clinton PARCS to enhance community leadership and to promote liberal and fine arts. The component unit is presented as a blended component unit in the General Fund.

B. Government-wide and Fund Financial Statements

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The City has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*. Accordingly, the City has elected to apply all applicable GASB pronouncements and codified accounting standards issued by GASB. The more significant accounting policies established in GAAP and used by the City are discussed below.

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Position* presents the City's non-fiduciary assets and liabilities, with the difference reported as net position. Net position are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Statements are provided for *governmental funds* and for *proprietary funds*. For governmental and proprietary funds, the emphasis is on *major funds*, with each displayed in a separate column.

The City reports the following major governmental funds:

General Fund - This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund - HUD Grant - Accounts for financial resources to be used for a specific purpose.

The City reports the following major proprietary funds:

Sewer Fund- The sewer fund is used to account for operations of the sewer system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Water Fund - The water fund is used to account for operations of the water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Solid Waste Fund - The solid waste fund is used to account for operations of the solid waste system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Storm Water Fund - The storm water fund is used to account for operations of the storm water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Sewer Special Service District Fund - The sewer special service district fund is used to account for operations of a sewer lift station (a) that is financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the City reports the following fund type:

Internal Service Fund - The internal service fund is used to account for the operating costs of vehicles and equipment charged to the other departments or funds. The internal service fund primarily benefits the governmental funds and is included as part of governmental-type activities in the government-wide financial statements. The net profit or loss on the internal service fund operations is allocated to the functions that benefited from the goods or services provided on the basis of their proportionate benefit. This technique is commonly known as the look-back approach to internal service fund consolidations on the government-wide financial statements.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

D. Assets, Liabilities, and Fund Balances/Net Position

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the City Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The City Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

No significant inventories are maintained by the City, therefore none are reflected in these statements.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Position (Continued)

Restricted Assets

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

Capital Assets

General capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures.

Capital assets are reported in the governmental column in the government-wide financial statements. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed are capitalized. The City currently has infrastructure assets recorded.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30-50 years
Improvements	10-70 years
Equipment	5-10 years
Infrastructure	25-70 years

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item reported under this category. *Unavailable revenue-property taxes* are reported as deferred inflows of resources since they are recognized as receivables before the period for which the taxes are levied. These amounts are reported in both the government-wide statements and the governmental fund statements.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Position (Continued)

Long-term Obligations

In the government-wide statements, long-term debt obligations are reported as liabilities.

The face amount of debt issued is reported as other financing sources in the governmental fund financial statements.

Equity

Fund financial statements

In February 2009, GASB issued Statement No. 54 on Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2010. The statement applies only to governmental fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The governmental fund balances may be classified as follows:

- a. Non-spendable - Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted fund balance - Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provision or enabling legislation, or restrictions set by creditors, grantors, or contributors.
- c. Committed fund balance - Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City Council likewise formally changes the use.
- d. Assigned fund balance - Fund balances are reported as assigned when the City Council or Management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance - Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless City Council has provided otherwise in its commitment or assignment actions.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Position (Continued)

Government-wide statements:

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of 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.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

It is City's policy to first apply restricted resources when the expense is incurred for purposes for which both restricted and unrestricted net position are available.

E. Revenues and Expenditures

The following are the City's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

Revenue Availability

Under the modified accrual basis of accounting, revenues are considered to be "available" when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

Statement of Governmental Accounting Standards (SGAS) No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, defines a non-exchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange." For property taxes, at January 1 of each year (the assessment date), the City has the legal right to collect the taxes, and in accordance with the provisions of the new statement, has now recorded a receivable and a corresponding deferred inflows or resources for the assessed amount of those property taxes as of January 1 of the current year.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues and Expenditures (Continued)

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

F. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental funds except for the HUD Grant Special Revenue Fund which had no projected activity for the current year. All annual appropriations lapse at the fiscal year end. Encumbrance accounting is not used by the City. Summary of City Budget Procedures and Calendar:

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. Budgets are required by the State of Utah for both the General and Special Revenue Funds.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.
4. The City's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the Council after the public hearing.
9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.
11. In connection with budget adoption:
 - a. An annual tax ordinance establishing the property tax rate is adopted before June 22.
 - b. The City Treasurer is to certify the property tax rate to the County Auditor before June 22.
12. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (Continued)

Summary of Action Required for Budget Changes:

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution.

Fund budgets may be increased by resolution after a public hearing.

G. Contributions

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

H. Compensated Absences

City policy provides for vested or accumulated vacation leave. All compensated absences are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Restricted Resources

The City's policy is to use restricted resources first to fund appropriations when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

K. Bond Premium

Bond premium related to the issuance of bonds is amortized over the life of the bond on a straight-line basis in the government-wide financial statements, but is recorded as revenue in the year of the bond issue in the governmental fund statements.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

The City's deposits are carried at cost.

At June 30, 2014, the carrying amount of the City's deposits was \$315,106 and the bank balance was \$392,638. Of the bank balance, \$392,638 was covered by federal depository insurance.

B. Investments

At year-end, investments consist of funds in the Utah Public Treasurer's Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

C. Summary

Investments not subject to categorizations:	Carrying Amount	Market Value
Utah Public Treasurer's Investment Fund	<u>\$ 5,334,302</u>	<u>\$ 5,363,674</u>
Petty cash	\$ 253	
Deposits	315,106	
Investment in Utah Public Treasurer's Investment fund	<u>5,334,302</u>	
Total deposits and investments	<u>\$ 5,649,661</u>	
Equity in pooled cash and investments	\$ 4,234,084	
Restricted cash - water	215,874	
Restricted cash - storm water	55,780	
Restricted cash - RDA fund	267,908	
Restricted cash - general fund	293,172	
Restricted cash - impact fees	163,740	
Restricted cash - cemetery	<u>419,103</u>	
Total deposits and investments	<u>\$ 5,649,661</u>	

Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

C. Summary

Custodial credit risk - deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Custodial credit risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's policy for limiting credit risk for investments is to comply with the Money Management Act. The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized basis. The income, gains and losses, net of administrative fees, of the PTIF are allocated based upon the participant's average daily balance. The PTIF pool has not been rated. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Credit risk. Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. Government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

Interest rate risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of credit risk. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – DISAGGREGATED RECEIVABLES AND PAYABLES

The table below disaggregates the balances due from other government units and amounts reported as accounts receivable on the statement of net position under governmental activities. The receivables in the business-type activities are all due from customers for utility services provided.

Governmental Activities:	Due from government units	Accounts Receivable	Total
Receivables:			
Businesses - Franchise Tax	\$ -	\$ 111,821	\$ 111,821
Ambulance Billing Service Provider	-	68,198	68,198
Customers	-	3,841	3,841
Utah State Tax Commission	544,521	-	544,521
Utah Department of Transportation	111,343	-	111,343
County - Current Property Taxes	18,160	-	18,160
Weber County - reimbursement	16,712	-	16,712
State of Utah - reimbursement	17,340	-	17,340
Taxpayers - Unavailable Taxes	1,617,509	-	1,617,509
State Grants	7,092	-	7,092
Federal Grants	8,703	-	8,703
Gross receivables	2,341,380	183,860	2,525,240
Less: Allowance for uncollectibles	-	-	-
Net total receivables	<u>\$2,341,380</u>	<u>\$ 183,860</u>	<u>\$2,525,240</u>

	Accounts Payable Due To:		
	Other Governments	Vendors	Total
General Fund	\$ -	\$ 247,076	\$ 247,076
HUD Grant Fund	-	8,120	8,120
Other Governmental Funds	-	-	-
Water Fund	124,954	1,661	126,615
Sewer Fund	84,261	766	85,027
Solid Waste Fund	45,030	27,940	72,970
Storm Water Fund	-	3,176	3,176
Sewer Special Service	-	598	598
Internal Service Fund	-	2,882	2,882
Total	<u>\$ 254,245</u>	<u>\$ 292,219</u>	<u>\$ 546,464</u>

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014, was as follows:

GOVERNMENTAL ACTIVITIES	Balance June 30, 2013	Additions	(Deletions)	Balance June 30, 2014
Nondepreciated Assets				
Land	\$ 9,777,847	\$ -	\$ -	\$ 9,777,847
Work in process	-	9,513	-	9,513
Total nondepreciated assets	<u>9,777,847</u>	<u>9,513</u>	<u>-</u>	<u>9,787,360</u>
Depreciated Assets				
Internal service	3,526,540	188,768	(117,646)	3,597,662
Infrastructure	31,300,727	26,168	-	31,326,895
Improvements	3,268,029	-	-	3,268,029
Buildings	18,269,267	-	-	18,269,267
Machinery and equipment	1,043,192	112,919	-	1,156,111
Total depreciated assets	<u>57,407,755</u>	<u>327,855</u>	<u>(117,646)</u>	<u>57,617,964</u>
Less accumulated depreciation				
Internal service	(2,716,827)	(192,462)	117,646	(2,791,643)
Infrastructure	(10,247,023)	(644,189)	-	(10,891,212)
Improvements	(1,101,650)	(71,467)	-	(1,173,117)
Buildings	(2,355,835)	(456,732)	-	(2,812,567)
Machinery and equipment	(841,527)	(86,111)	-	(927,638)
Total accumulated depreciation	<u>(17,262,862)</u>	<u>(1,450,961)</u>	<u>117,646</u>	<u>(18,596,177)</u>
Net assets depreciated	<u>40,144,893</u>	<u>(1,123,106)</u>	<u>-</u>	<u>39,021,787</u>
Governmental activities capital assets, net	<u>\$ 49,922,740</u>	<u>\$ (1,113,593)</u>	<u>\$ -</u>	<u>\$ 48,809,147</u>

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES	Balance			Balance
	June 30, 2013	Additions	(Deletions)	June 30, 2014
Nondepreciated Assets				
Land	\$ 4,586	285,963	\$ -	\$ 290,549
Water rights	1,763,100	-	-	1,763,100
	<u>1,767,686</u>	<u>285,963</u>	<u>-</u>	<u>2,053,649</u>
Depreciated Assets				
Solid waste	307,142	-	-	307,142
Water system	10,859,975	34,595	-	10,894,570
Water equipment	75,299	-	-	75,299
Sewer system	6,913,946	159,838	-	7,073,784
Sewer equipment	-	-	-	-
Storm water improvements	8,676,927	33,248	-	8,710,175
Total depreciated assets	<u>26,833,289</u>	<u>227,681</u>	<u>-</u>	<u>27,060,970</u>
Less accumulated depreciation				
Solid waste	(307,142)	-	-	(307,142)
Water system & equipment	(3,327,496)	(182,323)	-	(3,509,819)
Sewer system & equipment	(1,279,803)	(104,818)	-	(1,384,621)
Storm water improvements	(1,383,864)	(124,194)	-	(1,508,058)
Total	<u>(6,298,305)</u>	<u>(411,335)</u>	<u>-</u>	<u>(6,709,640)</u>
Net assets depreciated	<u>20,534,984</u>	<u>(183,654)</u>	<u>-</u>	<u>20,351,330</u>
Business-type activities capital assets, net	<u>\$ 22,302,670</u>	<u>\$ 102,309</u>	<u>\$ -</u>	<u>\$ 22,404,979</u>

DEPRECIATION EXPENSE

	Governmental	Business	Totals
	Types	Types	
General government	\$ 506,175	\$ -	\$ 506,175
Police	10,390	-	10,390
Fire	10,447	-	10,447
Public works	40,229	-	40,229
Class "C" roads	644,189	-	644,189
Parks and recreation	47,069	-	47,069
Internal service*	192,462	-	192,462
Water system	-	182,323	182,323
Sewer system	-	104,818	104,818
Storm water improvements	-	124,194	124,194
TOTAL	<u>\$ 1,450,961</u>	<u>\$ 411,335</u>	<u>\$ 1,862,296</u>

* Depreciation expense on capital assets held by the internal service fund is charged to the various functions based on their usage of the assets.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2014, was as follows:

Description	Interest Rate	Outstanding 6/30/2013	Additions	Payments	Outstanding 6/30/2014	Current Portion
GOVERNMENTAL ACTIVITIES						
Sales tax revenue refunding bonds:						
Series 2009	3.0 - 3.25%	\$ 2,200,000	\$ -	\$ 525,000	\$1,675,000	\$ 540,000
TOTAL		<u>\$ 2,200,000</u>	<u>\$ -</u>	<u>\$ 525,000</u>	<u>\$1,675,000</u>	<u>\$ 540,000</u>

Sales Tax Revenue Refunding Bonds Series 2009

On August 11, 2009, Clinton City issued \$4,180,000 of sales tax revenue bonds to provide resources that were applied immediately to redeem the \$4,105,000 of Sales Tax Revenue Bonds Series 2007. This current refunding was undertaken to reduce total debt service payments over 8 years by \$144,039 and resulted in an economic gain of \$130,815 based on the net present value benefit of the debt service savings.

The total Sales Tax Revenue Bond debt will be paid off by May 15, 2017. The balance outstanding at June 30, 2014 was \$1,675,000.

Annual requirement to amortize long-term debt as of June 30, 2014, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2015	\$ 540,000	\$ 51,688	\$ 591,688
2016	560,000	35,487	595,487
2017	575,000	18,688	593,688
	<u>\$ 1,675,000</u>	<u>\$ 105,863</u>	<u>\$ 1,780,863</u>

NOTE 6 - BOND RESOLUTION COMPLIANCE

The Sales Tax Revenue Bonds Series 2009 require the City to establish a bond fund for the payment of principal and interest as the same become due and payable to achieve a proper matching of revenues with principal and interest payments. Each month the City is required to reserve one-twelfth (1/12) of the annual principal and interest payments due on the bonds. The reserve balance at year end was \$73,961.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 - PENSION PLANS AND RETIREMENT BENEFITS

Plan Description. Clinton City contributes to the Local Governmental Contributory Retirement System, the Local Governmental Noncontributory Retirement System, the Public Safety Retirement System and the Firefighters Retirement System for employers with Social Security coverage, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The systems issue a publicly available financial report that includes general-purpose financial statements and required supplementary information for the Local Governmental Contributory Retirement System, the Local Governmental Noncontributory Retirement System, the Public Safety Retirement System and the Firefighters Retirement System which are for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy: Plan members are required to contribute a percentage of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong. The contribution rates are the actuarially determined rates.

Funding Policy

	Local Government Noncontributory System	Public Safety & Firefighters System (Tier 2)	Firefighters System	Public Safety Noncontributory System	Public Safety Contributory System	Local Government Contributory System (Tier 1 & 2)
2014 Rates as Percent of Covered Payroll:						
Employer (Tier 1)	17.29%	N/A	2.96%	32.14%	20.83%	13.28%
Member (Tier 1)	N/A	N/A	N/A	N/A	N/A	6.00%
Employer (Tier 2)	N/A	N/A	N/A	N/A	N/A	0.00%
Member	N/A	N/A	15.05%	N/A	12.29%	13.99%
Employer (Firefighter)	N/A	11.02%	N/A	N/A	N/A	N/A

Clinton City's contributions to the various systems for the years ending June 30, 2014, 2013, and 2012 respectively were:

Actual City Contributions Made, by year (ended 6/30):

	Local Government Noncontributory System	Public Safety & Firefighters System (Tier 2)	Firefighters System	Public Safety Noncontributory System	Public Safety Contributory System	Local Government Contributory System (Tier 1 & 2)
2014	\$251,450	\$17,779	\$9,599	\$139,752	\$41,319	\$32,864
2013	\$242,129	\$8,969	\$10,148	\$127,507	\$41,007	\$24,669
2012	\$207,482	\$3,138	\$2,235	\$111,855	\$36,431	\$18,630

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

Clinton City also participates in a defined contribution 401K plan for employees. The contributions were as follows:

Total City Contributions by Year:	
2014	\$56,882
2014 Employer Paid 401K	165,226
	\$222,108
2013	\$55,380
2013 Employer Paid 401K	170,021
	\$225,401
2012	\$51,937
2012 Employer Paid 401K	171,822
	\$223,759

NOTE 8 - POST-EMPLOYMENT BENEFITS

The only post-employment benefit offered by the City is health insurance for eighteen (18) months following termination. Employees covered and eligible are all employees who were covered by the insurance during employment. The participant is required to pay 100% of the premiums. The City is not required to contribute and therefore incurs no expense.

NOTE 9 - RISK MANAGEMENT

Clinton City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman’s compensation. As of June 30, 2014, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

NOTE 10 - AMOUNT TO BE PROVIDED FOR COMPENSATED ABSENCES

The accumulated unpaid vacation and compensatory time which would be paid if employees terminated employment June 30, 2014, and 2013, were \$282,487, and \$308,983 respectively.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 - INTER-FUND TRANSFERS AND BALANCES

Occasionally money is reallocated from one fund to another fund in order for the money to be used as it was originally intended. The transfers below took place for that very purpose and will not be repaid. Such amounts for the fiscal year ended June 30, 2014 were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General</u>	<u>Roadway</u>	<u>Park</u>	<u>CDBG</u>	
General	\$ -	\$ 64,418	\$ 60,958	\$ 130,000	\$ 255,376
Redevelopment	4,750	-	-	-	4,750
Community Arts	7,010	-	-	-	7,010
HUD Grant	-	150,000	-	-	150,000
Totals	<u>\$ 11,760</u>	<u>\$ 214,418</u>	<u>\$ 60,958</u>	<u>\$ 130,000</u>	<u>\$ 417,136</u>

At year end the Sewer Fund had an outstanding receivable from the Internal Service Fund in the amount of \$176,283. This loan is expected to be paid back within one year.

NOTE 12 - REDEVELOPMENT AGENCY

The Redevelopment Agency (RDA) collected tax increments of \$71,644 for the downtown area. There were no tax increments paid to any other taxing agency. The outstanding principal amount of debt issued for this project at June 30, 2014 was \$-0-. The RDA expended funds in the following area:

Downtown beautification costs	<u>\$ 41,116</u>
-------------------------------	------------------

NOTE 13 - CONTINGENT LIABILITIES

Amount received or receivables from grantor agencies are subject to audit and adjustment by those grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 14 - PROPERTY TAX CALENDAR

Lien date	Jan. 1
Taxing entity notifies the county of date, time, and place of public hearing	Mar. 1
Budget officer of the entity prepares and files with the City Council a tentative budget for the next fiscal year	1 st scheduled council meeting in May
County auditor sends valuation certified tax rate and levy worksheets to each taxing entity	Jun. 8
Taxing entity must adopt a proposed tax rate, certify the rate and levy, and submit to the county auditor	Before Jun. 22
Taxing entity adopts a final tax rate if there is no increase in certified tax rate	Jun.22
Taxing entity adopts final budget if there is no increase in certified tax rate	Jun. 22
Copy of the budget is submitted to state auditor within 30 days of adoption Payment and delinquency date	Nov. 30

NOTE 15 - COMPONENT UNIT

During the 2011 fiscal year, the City established a separate entity called Clinton PARCS which is a component unit of the City. Clinton PARCS was established to improve the quality of life for the residents of the City by enhancing community leadership, promoting liberal and fine arts, and assisting parks and recreation employee.

NOTE 16 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The City is required to keep actual expenditures below budget appropriations by fund. For the year ended June 30, 2014 all funds maintained expenditures below their appropriations.

The City is also required to maintain positive fund balances in each fund and has complied with this requirement.

CLINTON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 17 – COMMITMENTS

The City has entered into the following commitments as of June 30, 2014 for the forthcoming year(s):

<u>Project:</u>	<u>Purpose</u>	<u>Commitment</u>
3000 West, 300 N to 1300 N	Roadway development	\$ 71,025
4300 West, 2300 N to 6000 S	Roadway development	143,950
3000 West, 1400 N to 2300N	Roadway development	<u>262,933</u>
		<u>\$ 477,908</u>

NOTE 18 – SUBSEQUENT EVENTS

Subsequent to year-end the City purchased land in the Water Fund for a new well in the future. The purchase price of the land was \$235,125.

The City also went through truth in taxation to increase property taxes with an estimated amount of \$327,649 in order to fund the repair, maintenance, and improvement of the roads within the City.

NOTE 19 - NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) issued Statement Number 68 and will be effective for the City in the June 30, 2015 fiscal year. The Statement requires a new methodology to be used in reporting the unfunded liabilities of defined benefit pension plans. Formerly, local governments only needed to report their contributions to Utah Retirement Systems as an expense.

With Statement 68 governments will also have to report their respective share of the unfunded pension liability on the Statement of Net Position – Government Wide and on the Statement of Net Position – Proprietary Funds. Additionally, the net change in this volatile liability will need to be reported as an expense/income each year. This change will not affect the fund financial statements for governmental funds.

As of December 31, 2013 the Utah Retirement Systems estimated the City's share of the unfunded liability to be \$1,683,078. This liability will also result in a prior year adjustment to the net position in the year of implementation. Additional reporting requirements are included with this liability in the notes to the financial statements and as required supplementary schedules.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CLINTON CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

REVENUES	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Taxes:				
Property taxes	\$ 1,293,506	\$ 1,293,506	\$ 1,301,824	\$ 8,318
Sales taxes	2,618,549	2,618,549	2,849,574	231,025
Utility franchise taxes	1,066,867	1,066,867	1,142,513	75,646
Fees-in-lieu of taxes	133,700	133,700	114,346	(19,354)
Licenses and permits	216,720	216,720	216,201	(519)
Intergovernmental revenue	761,770	832,045	837,533	5,488
Charges for services	1,259,275	1,280,716	1,275,327	(5,389)
Fines and forfeitures	325,670	325,670	261,823	(63,847)
Miscellaneous revenue	207,130	207,130	200,232	(6,898)
Special revenues	261,698	261,698	152,667	(109,031)
TOTAL REVENUES	8,144,885	8,236,601	8,352,040	115,439
EXPENDITURES				
General government:				
Legislative	77,160	77,160	72,965	4,195
City manager	232,340	234,320	234,011	309
Judicial	232,980	232,980	216,455	16,525
Professional and technical	361,861	377,861	382,603	(4,742)
City treasurer	427,754	442,904	427,768	15,136
Buildings	178,560	247,560	244,766	2,794
Elections	13,000	13,000	12,603	397
Community development	384,480	384,480	378,418	6,062
Total general government	1,908,135	2,010,265	1,969,589	40,676
Public safety:				
Law enforcement	1,748,832	1,748,832	1,738,438	10,394
Crossing guards	36,860	46,455	46,447	8
Fire protection	956,590	967,590	959,028	8,562
Ambulance services	289,180	367,263	410,728	(43,465)
DUI - enforcement	19,210	32,583	32,584	(1)
Total public safety	3,050,672	3,162,723	3,187,225	(24,502)
Highways and streets:				
Public works	218,332	219,757	218,503	1,254
Class "C" roads	689,530	925,419	609,523	315,896
Capital outlay	-	-	-	-
Total highways and streets	907,862	1,145,176	828,026	317,150

CLINTON CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Parks and recreation:				
Parks	\$ 470,855	\$ 470,855	\$ 459,863	\$ 10,992
Recreation	417,990	417,990	359,167	58,823
Recreation programs	490,715	490,715	422,803	67,912
Clinton Fun Days	89,900	89,900	88,634	1,266
Total parks and recreation	<u>1,469,460</u>	<u>1,469,460</u>	<u>1,330,467</u>	<u>138,993</u>
Cemeteries	<u>66,130</u>	<u>66,130</u>	<u>62,386</u>	<u>3,744</u>
Debt service:				
Principal	525,000	525,000	525,000	-
Interest	67,438	67,438	67,438	-
Total debt service	<u>592,438</u>	<u>592,438</u>	<u>592,438</u>	<u>-</u>
TOTAL EXPENDITURES	<u>7,994,697</u>	<u>8,446,192</u>	<u>7,970,131</u>	<u>476,061</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>150,188</u>	<u>(209,591)</u>	<u>381,909</u>	<u>591,500</u>
OTHER FINANCING SOURCES (USES)				
Appropriations from fund balance	-	-	-	-
Operating transfers in	48,730	472,927	11,760	(461,167)
Operating transfers out	<u>(198,918)</u>	<u>(263,336)</u>	<u>(255,376)</u>	<u>7,960</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(150,188)</u>	<u>209,591</u>	<u>(243,616)</u>	<u>(453,207)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	138,293	138,293
Fund balance - July 1	<u>1,463,400</u>	<u>1,463,400</u>	<u>1,463,400</u>	<u>-</u>
Fund balance - June 30	<u>\$ 1,463,400</u>	<u>\$ 1,463,400</u>	<u>\$ 1,601,693</u>	<u>\$ 138,293</u>

CLINTON CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
BUDGET AND ACTUAL
SPECIAL REVENUE FUND (HUD GRANT)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest Income	\$ 2,240	\$ 2,240	\$ 450	\$ (1,790)
TOTAL REVENUES	<u>2,240</u>	<u>2,240</u>	<u>450</u>	<u>(1,790)</u>
EXPENDITURES				
Improvements	617,300	617,300	-	617,300
TOTAL EXPENDITURES	<u>617,300</u>	<u>617,300</u>	<u>-</u>	<u>617,300</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(615,060)</u>	<u>(615,060)</u>	<u>450</u>	<u>615,510</u>
OTHER FINANCING SOURCES (USES)				
Appropriations from fund balance	765,060	765,060	-	(765,060)
Operating transfers out	(150,000)	(150,000)	(150,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>615,060</u>	<u>615,060</u>	<u>(150,000)</u>	<u>(765,060)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>-</u>	<u>-</u>	<u>(149,550)</u>	<u>(149,550)</u>
Fund balance - July 1	<u>756,354</u>	<u>756,354</u>	<u>756,354</u>	<u>-</u>
Fund balance - June 30	<u>\$ 756,354</u>	<u>\$ 756,354</u>	<u>\$ 606,804</u>	<u>\$ (149,550)</u>

SUPPLEMENTARY INFORMATION

CLINTON CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Capital Projects		
	Park Acquisition	Roadway Project	Total
ASSETS			
Cash and cash equivalents	\$ 9,387	\$ 99,073	\$ 108,460
Restricted cash	163,740	-	163,740
Due from other governmental units	-	-	-
Total assets	<u>\$ 173,127</u>	<u>\$ 99,073</u>	<u>\$ 272,200</u>
LIABILITIES			
Accounts payable	\$ 2,305	\$ 5,815	\$ 8,120
Total liabilities	<u>2,305</u>	<u>5,815</u>	<u>8,120</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property Taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
Park impact fees	163,740	-	163,740
Special revenue - RDA	-	-	-
Perpetual care	-	-	-
Assigned for:			
Park acquisition	7,082	-	7,082
Roadway projects	-	93,258	93,258
CDBG grant	-	-	-
Community arts	-	-	-
Clinton citizen corp	-	-	-
Unassigned	-	-	-
Total fund balances	<u>170,822</u>	<u>93,258</u>	<u>264,080</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 173,127</u>	<u>\$ 99,073</u>	<u>\$ 272,200</u>

Redevelopment Agency	Special Revenue				Permanent Fund Perpetual Care	Total Nonmajor Governmental Funds
	CDBG Grant	Community Arts	Clinton Citizen Corp.	Total		
\$ -	\$ 352	\$ 14,018	\$ 1,358	\$ 15,728	\$ -	\$ 124,188
267,908	-	-	-	267,908	419,103	850,751
-	-	-	-	-	-	-
<u>\$ 267,908</u>	<u>\$ 352</u>	<u>\$ 14,018</u>	<u>\$ 1,358</u>	<u>\$ 283,636</u>	<u>\$ 419,103</u>	<u>\$ 974,939</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,120
-	-	-	-	-	-	8,120
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	163,740
267,908	-	-	-	267,908	-	267,908
-	-	-	-	-	419,103	419,103
-	-	-	-	-	-	7,082
-	-	-	-	-	-	93,258
-	352	-	-	352	-	352
-	-	14,018	-	14,018	-	14,018
-	-	-	1,358	1,358	-	1,358
-	-	-	-	-	-	-
<u>267,908</u>	<u>352</u>	<u>14,018</u>	<u>1,358</u>	<u>283,636</u>	<u>419,103</u>	<u>966,819</u>
<u>\$ 267,908</u>	<u>\$ 352</u>	<u>\$ 14,018</u>	<u>\$ 1,358</u>	<u>\$ 283,636</u>	<u>\$ 419,103</u>	<u>\$ 974,939</u>

CLINTON CITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Park Acquisition	Roadway Project	Total
REVENUES			
Perpetual care fees	\$ -	\$ -	\$ -
Interest income	235	435	670
Donations	3,445	-	3,445
Fees	-	-	-
Property taxes	-	-	-
Miscellaneous	-	39,252	39,252
Total revenues	<u>3,680</u>	<u>39,687</u>	<u>43,367</u>
EXPENDITURES			
Capital outlay:			
Miscellaneous	-	-	-
Capital projects	<u>19,000</u>	<u>169,003</u>	<u>188,003</u>
Total expenditures	<u>19,000</u>	<u>169,003</u>	<u>188,003</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,320)</u>	<u>(129,316)</u>	<u>(144,636)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	60,958	214,418	275,376
Transfers out	-	-	-
Loss on investments	-	-	-
Total other financing sources (uses)	<u>60,958</u>	<u>214,418</u>	<u>275,376</u>
Net change in fund balances	45,638	85,102	130,740
Fund balance - beginning of year	<u>125,184</u>	<u>8,156</u>	<u>133,340</u>
Fund balance - end of year	<u>\$ 170,822</u>	<u>\$ 93,258</u>	<u>\$ 264,080</u>

Redevelopment Agency	Special Revenue				Permanent Fund Perpetual Care	Total Nonmajor Governmental Funds
	CDBG Grant	Community Arts	Clinton Citizen Corp.	Total		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,260	\$ 21,260
1,120	352	-	-	1,472	1,940	4,082
-	-	22,311	-	22,311	-	25,756
-	-	-	140	140	-	140
71,644	-	-	-	71,644	-	71,644
-	-	-	-	-	-	39,252
<u>72,764</u>	<u>352</u>	<u>22,311</u>	<u>140</u>	<u>95,567</u>	<u>23,200</u>	<u>162,134</u>
10,700	-	22,531	-	33,231	-	33,231
<u>30,416</u>	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>160,416</u>	<u>-</u>	<u>348,419</u>
<u>41,116</u>	<u>130,000</u>	<u>22,531</u>	<u>-</u>	<u>193,647</u>	<u>-</u>	<u>381,650</u>
<u>31,648</u>	<u>(129,648)</u>	<u>(220)</u>	<u>140</u>	<u>(98,080)</u>	<u>23,200</u>	<u>(219,516)</u>
-	130,000	-	-	130,000	-	405,376
(4,750)	-	(7,010)	-	(11,760)	-	(11,760)
-	-	-	-	-	-	-
<u>(4,750)</u>	<u>130,000</u>	<u>(7,010)</u>	<u>-</u>	<u>118,240</u>	<u>-</u>	<u>393,616</u>
26,898	352	(7,230)	140	20,160	23,200	174,100
<u>241,010</u>	<u>-</u>	<u>21,248</u>	<u>1,218</u>	<u>263,476</u>	<u>395,903</u>	<u>792,719</u>
<u>\$ 267,908</u>	<u>\$ 352</u>	<u>\$ 14,018</u>	<u>\$ 1,358</u>	<u>\$ 283,636</u>	<u>\$ 419,103</u>	<u>\$ 966,819</u>

AUDITORS' REPORTS & FINDINGS

**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**

To the Mayor, City Council and Management of
Clinton City, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton City as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Clinton City's basic financial statements, and have issued our report thereon dated December 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clinton City'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clinton City's internal control. Accordingly, we do not express an opinion on the effectiveness of Clinton City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weakness and significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings to be a material weakness (2014-01).

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. We consider the deficiency described in the accompany schedule of findings to be a significant deficiency (2014-02).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clinton City'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*.

Clinton City's Response to Findings

Clinton City's response to the findings identified in our audit is described in the accompanying schedule of findings. Clinton City's responses was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Wood Richards & Associates, PC

Ogden, Utah

December 3, 2014

INDEPENDENT AUDITOR’S REPORT IN ACCORDANCE WITH THE STATE COMPLIANCE AUDIT GUIDE ON:

- **COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS**
- **INTERNAL CONTROL OVER COMPLIANCE**

To the Mayor, City Council, and Management of
Clinton City

Report On Compliance with General State Compliance Requirements and for Each Major State Program

We have audited Clinton City’s compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on Clinton City or each of its major state programs for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Enterprise Fund Transfers, Reimbursements, Loans, and Services
- Cash Management
- Open and Public Meetings Act

Clinton City did not have any state funding classified as a major program during the year ended June 30, 2014.

Management’s Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on Clinton City’s compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on Clinton City or its major state programs occurred. An audit includes examining, on a test basis, evidence about Clinton City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of Clinton City’s compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, Clinton City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Clinton City or on each of its major state programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the accompanying schedule of findings as item (2014-03). Our opinion on compliance is not modified with respect to these matters.

Clinton City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings. Clinton City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Internal Control Over Compliance

Management of Clinton City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clinton City's internal control over compliance with the compliance requirements that could have a direct and material effect on Clinton City or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clinton City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Wood Richards & Associates, PC

Ogden, Utah

December 3, 2014

**CLINTON CITY
SCHEDULE OF FINDINGS
JUNE 30, 2014**

Internal Control over Financial Reporting

Finding 2014-01

Criteria: A government's control procedures should be adequately designed to enable the financial statements to be sufficiently accurate and free of material misstatements on the accrual basis of accounting.

Condition: The financial statements of the City were materially misstated in receivables, payables, and restricted fund balances before audit adjustments were made.

Cause: Control procedures over reconciling and monitoring the balances and transactions were based partially on a cash basis of accounting and the records were not adjusted for accruals.

Effect: The City's financial statements, upon which decisions were being made, were misstated.

Recommendation: We recommend the City provide training and implement additional procedures to enable the financial statements to be free of such material misstatements.

Management's Response: We agree with the recommendation and will take appropriate steps to prevent such misstatements.

Finding 2014-02

Criteria: The City has established a formal purchasing policy that requires the City to utilize open market procedures for purchases of supplies, materials, or equipment. A written record of the informal quotations shall be made and kept by each department for three years after the order of supplies, materials, or capital assets.

Condition: During an examination of certain purchasing records, we were unable to find evidence of these "informal quotations."

Cause: The collection and record keeping of these informal quotations has not been sufficient in all cases.

Effect: The City is not following this element of their purchasing policy.

Recommendation: We recommend the City communicate this necessity and ensure such informal quotations are present with the bills of these supplies, materials, and equipment.

Management's Response: We agree with this recommendation and we will provide training for our employees to refresh their knowledge of the City's purchasing policy.

**CLINTON CITY
SCHEDULE OF FINDINGS
JUNE 30, 2014**

State Legal Compliance – Enterprise Fund Interfund Services Provided

Finding 2014-03

Criteria: Departments of the general fund should pay the same rate for utility services of the enterprise funds as other customers of the utility.

Condition: The City uses its culinary water utility service in departments within the general fund and these departments are not being charged for this service.

Cause: The City does not have water meters on City owned facilities. Without usage information associated with the water utility service the City has not charge other departments and funds for their culinary water service.

Effect: The City is not compliant with this requirement.

Recommendation: We recommend the City install meters or perform a formal study to determine the correct amount to charge the other funds and departments for their water utility service and then record the transaction within the City's financial records.

Management's Response: We agree with this recommendation and will obtain the information necessary to begin to charge the departments and funds for the enterprise utility services they utilize.