CITY OF CLAREMORE, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2012

WINGARD, RAGSDALE AND LANGLEY
CERTIFIED PUBLIC ACCOUNTANTS, PLLC
PRYOR, OKLAHOMA

CITY OF CLAREMORE
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JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the City Council,
City of Claremore
Rogers County, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremore, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Claremore, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Claremore Industrial and Economic Development Authority, which represent 7%, 14%, and 1%, respectively, of the assets, net assets, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Claremore Industrial and Economic Development Authority, is based on the report of the other auditors.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2013, on our consideration of the City of Claremore's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 21 and 66 through 69 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Claremore's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Wingard, Ragsdale Langley, CPAs, PLLC

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JANUARY 29, 2013

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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 City Council,
City of Claremore,
Rogers County, Oklahoma

We have audited the accompanying financial statements of governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Claremore for the year ended June 30, 2012, which collectively comprise the City of Claremore's basic financial statements and have issued our report thereon dated January 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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 items 2009-1 and 2012-1 listed in the Schedule of Findings and Responses to be significant deficiencies in internal control as defined above.

The City of Claremore's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City of Claremore's response and, accordingly, we express no opinion on it.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

This report is intended solely for the information and use of management, the Council, other within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wingard, Ragsdale Langley, CPAs, PLLC

WINGARD, RAGSDALE & LANGLEY
CERTIFIED PUBLIC ACCOUNTANTS, PLLC

JANUARY 29, 2013

CITY OF CLAREMORE, OKLAHOMA
Management's Discussion and Analysis
(Unaudited)
June 30, 2012

This section of the City of Claremore's annual financial report provides readers with a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2012. It should be read in conjunction with the accompanying basic financial statements.

City operations are comprised of a combination of several entities: the governmental entity and three enterprise entities, which include the Claremore Public Works Authority (CPWA), the Claremore Cultural Development Authority (CCDA), and Claremore Industrial and Economic Development Authority (CIEDA). While the City Council are trustees for CPWA and CCDA, CIEDA has a separate Board of Directors which are approved by City Council.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2012 were:

- The total net assets of the City for its governmental and business-type activities exceeded its liabilities as of June 30, 2012 by $102,767,487 as reflected in Statement 1. This is an increase of $3,737,886 from 2011. All categories of net assets are summarized below:

	2012	2011
Invested in capital assets, net of related debt	$ 62,016,818	$ 60,533,763
Restricted for various purposes	14,764,542	16,367,288
Unrestricted	25,986,127	22,128,550
	$102,767,487	$ 99,029,601

- The City's Governmental Fund Balance as reflected in the "Balance Sheet" (Statement 3) is $19,442,550, which is an increase of $4,029,458 from 2011.

	2012	2011
General Fund	$ 1,928,151	$ 618,356
Street Sales Tax Fund	11,336 199	9,318,416
EXPO/WWTP Sales Tax Fund	1,110,408	1,526,198
Other Governmental Funds	5,067,792	3,950,122
	$ 19,442,550	$15,413,092

- The governmental net assets are $52,219,995 (Statement 1), which is an increase of $1,265,960 from 2011 as reflected in Statement 2. Of this amount, $18,812,542 is unrestricted, which is an increase of $3,823,317 from 2011 as shown in Table 1.

- The City's governmental capital assets (net of depreciation) are $32,942,423. This is a decrease of $2,815,261 from 2011. This decrease is due mainly to two factors. First, costs related to the development of an elevated railroad track of $1,681,236 were written off when the project was abandoned. Secondly, depreciation of $2,572,819 exceeded additions by $1,120,076. Details are available in Note 3.D to the financial statements.

- During the year, the total revenues for the General Fund were $100,848 more than budgeted representing a 6% increase.

- The total expenditures of the General Fund were $231,857 less than planned under the final budget.

- The reasons for the $1,309,795 increase in the fund balance for the General Fund is summarized as follows:

Profit in final budget	$ 977,092
Positive variance in revenues	100,848
Positive variance in expenditures	231,857
Negative variance in operating transfers	(2)
	$ 1,309,795

- All of the City's long-term debt is related to the acquisition of Proprietary Fund assets and are reflected on the Statement of Net Assets for Proprietary Funds. At June 30, 2012, the City had $46,065,606 in outstanding debt, a decrease of $2,081,693. The debt issues included $38,025,000 for the Claremore Public Works Authority; $7,860,000 for the Claremore Cultural Development Authority; and $180,606 for the Claremore Industrial and Economic Development Authority. While this debt is related to the Proprietary Funds, some of it is funded by a governmental fund.

  During the year the Claremore Public Works Authority refinanced bonds with a balance of $23,744,140 (excluding prepayment penalty) with a new bond in the amount of $23,920,000. The retired bonds had a 4.554% interest rate and were to be retired in June, 2022. The new bonds have a 3.899% interest rate and are scheduled to be retired in June, 2025. Both issues are funded by the Expo/WWTP Sales Tax Fund. The main reason for the refunding was that the Sales Tax Fund would not have been able to fund the retirement by June, 2022.

This discussion and analysis is intended to serve as an introduction to the City's *Basic Financial Statements.* The Basic Financial Statements contain three components: government-wide financial statements, fund financial statements (including component unit

financial statements), and notes to the financial statements. In addition, this report contains *Required Supplementary Information*, comparing budgeted to actual figures for the three major funds, and a *Supplemental Information* section that presents *combining statements* for non-major governmental funds. The major features of these financial statements are summarized as follows:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual functions of the City government, reporting the City's operations in more detail than the government–wide statements.

    - *Government Fund* statements tell how *general government* services like public safety, streets, and parks, were financed in the short-term as well as what remains for future spending.

    - *Proprietary Fund* statements offer short-term and long-term financial information about the activities the City government operates similar to a private business, such as the CPWA, CCDA, and CIEDA.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required components, a section is included with the combining statements that provide further detail about our non-major governmental funds, each of which are added together and presented in single columns in each of the basic financial statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all methods of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health or current position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the City, consideration should also be given to non-financial factors such as changes in the tax base and condition of city infrastructure.

The government-wide statements of the City are divided into two categories:

- *Governmental activities:* Most of the City's basic services are included here, such as public safety, streets and alleys, parks, code enforcement, municipal court, and general administration. Sales taxes, federal and state grants, user fees, and fines are used to finance these activities.

- *Business-type activities:* The City charges fees to customers to help cover the costs of certain services it provides. The City's Enterprise Funds include the Claremore Public Works Authority, which provides utility services; Claremore Cultural Development Authority which provides cultural and recreational services; and Claremore Industrial and Economic Development Authority, which promotes the development of industry within and without the territorial limits of the City of Claremore and also operates Claremore Regional Airport.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond covenants.

- The City Finance Director establishes other funds to control and manage resources for particular purposes (i.e. Debt Service and Capital Projects Funds) or to show that certain taxes, and grants are used appropriately (i.e. Special Revenue Funds).

- *Governmental funds:* Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on the subsequent page of the governmental funds statement that explains the relationship (or differences) between the two types of statements.

- *Proprietary funds:* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

- The City's Enterprise funds are classified as business-type activities on the government-wide statements, but more detailed information is provided in the Proprietary Fund Statements, such as its cash flows.

The City maintains 25 individual governmental funds for reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of changes in expenditures, revenues and changes in fund balances for the General Fund, the Street and Alley Fund, and the EXPO/WWTP Sales Tax Fund, which are considered to be major funds. Data for the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the non-major supplementary section of this report.

The City adopts an annual appropriated budget for its General Fund and some of its special revenue funds, and capital projects funds. A budgetary comparison statement has been provided for the General Fund, the Street and Alley Fund, and the EXPO/WWTP Sales Tax Fund in the required supplementary information section.

The governmental funds financial statements can be found on Statements 3 and 4 of this report.

Net Assets: As discussed earlier, net assets may serve as a useful indicator of a government's financial position. As of June 30, 2012, the City's net assets were $102,767,487. Table 1 provides a comparison summary of the City's governmental and business-type assets between June 30, 2011 and June 30, 2012.

$50,547,492 of the net assets were attributed to business type activities, which represents a $2,471,926 increase from 2011.

At June 30, 2012 the City had $62,016,818 invested in a variety of capital assets net of related debt, including land, buildings, infrastructure, equipment, and construction in progress. This is an increase of $1,483,055 from June 30, 2011. This increase is due to a reduction of related debt of $2,081,693 as other factors including depreciation reduced such investment by $598,638.

Restricted net assets for capital projects are considered to be resources that are unspent for capital projects. The restrictions for debt services also include the accumulated resources used to meet scheduled principal and interest payments.

Of the $29,074,395 of capital assets, net of related debt, for business-type activities, $18,300,871 represents the value of assets for the CPWA; $4,568,890 represents the value of assets for the CCDA; and $6,204,634 for CIEDA.

Unrestricted and unassigned assets are 25% of the total net assets.

TABLE 1
NET ASSETS
(In Thousands)
JUNE 30, 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and noncurrent assets	$20,670	$ 16,949	$ 9,967	$ 9,587	$ 30,637	$ 26,537
Capital and restricted assets	32,942	35,758	91,286	91,751	124,228	127,508
Total assets	53,612	52,707	101,253	101,338	154,865	154,045
Current liabilities	1,392	1,753	5,110	4,709	6,502	6,462
Non-current liabilities	--	--	45,596	48,553	45,596	48,553
Total liabilities	1,392	1,753	50,706	53,262	52,098	55,015
Net assets:						
Invested in Capital Assets, net of debt	32,942	35,758	29,074	24,777	62,016	60,535
Restricted for:						
Capital projects	465	207	1,929	3,961	2,394	4,168
Debt service	--	--	2,452	2,281	2,452	2,281
Hospital trust	--	--	9,918	9,918	9,918	9,918
Unrestricted	18,813	14,989	7,174	7,139	25,987	22,128
Total net assets	$52,220	$50,954	$50,547	$48,076	$102,767	$99,030

Changes in Revenues and Expenditures:

Table 2 below presents a comparison of the City's 2011 and 2012 revenues and expenditures for Government and Business-type activities. Figures are form Statement 2, "Statement of Activities."

TABLE 2
Changes in Net Assets
(In Thousands)
June 30, 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Program Revenues						
Charges for services	$ 509	$ 607	$ --	$ --	$ 509	$ 607
Operating grants & contributions	39	33	--	--	39	33
Capital grants & contributions	1,459	487	613	--	2,072	487
General revenues:						
Sales tax	9,774	9,492	563	382	10,337	9,874
Other taxes	1,613	1,522	--	--	1,613	1,522
Other general revenues	764	229	336	618	1,100	847
Total governmental revenues	14,158	12,370	1,512	1,000	15,670	13,370
Business-type revenues	--	--	36,461	34,424	36,461	34,424
Total revenues	14,158	12,370	37,973	35,424	52,131	47,794
Program expenses						
General government	2,743	2,756	--	--	2,743	2,756
Public safety	8,641	8,876	--	--	8,641	8,876
Street	2,596	2,640	--	--	2,596	2,640
Culture, parks, recreation & promotion	2,137	1,865	--	--	2,137	1,865
Total governmental expense	16,117	16,137	--	--	16,117	16,137
Business-type expenses	--	--	30,638	28,605	30,638	28,605
Total expenditures	16,117	16,137	30,638	28,605	46,755	44,742
Other financing sources (uses						
Assets abandoned	(1,681)	--	--	--	(1,681)	--
Transfers in (out)	4,864	4,328	(4,864)	(4,328)	--	--
Total other financing sources and uses	3,183	4,328	(4,864)	(4,328)	(1,681)	--
Net change in assets	1,224	561	2,471	2,491	3,695	3,052
Capital contributions	42	35	--	--	42	35
Net assets - beginning	50,954	50,358	48,076	45,585	99,030	95,943
Net assets - ending	$ 52,220	$ 50,954	$ 50,547	$ 48,076	$102,767	$ 99,030

Governmental Activities: Governmental activities had a $1,265,960 increase in net assets, whereas business-type activities had a $2,471,926 increase in net assets, for a total increase of $3,737,886.

Business-type activities: Business-type activities include the Municipal Utilities (CPWA); Expo, Recreation Center, (CCDA); and Claremore Industrial and Economic Development Authority. Of the $2,471,926 of revenues over expenditures associated with business-type activities, CPWA experienced a $1,205,014 increase; CCDA experienced a $247,025 increase and CIEDA experienced a $1,019,887 increase. However, whereas CIEDA and CCDA had $1,473,291 and $753,587 operating transfer in, the CPWA had operating transfers out of $7,090,843.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

As noted earlier, the City uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund: The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved (designated and undesignated) fund balance of the General Fund is $1,928,151 constituting 100% of the fund balance, which is $1,309,795 more than fiscal year ended June 30, 2011. Management is aware of the increase in fund balance. The funding for the operations of the General Fund comes mostly from transfers from other funds, primarily the CPWA.

Sales Tax-Street Fund: The Sales Tax-Street Fund accounts for the monies received from the 1% sales tax that is restricted for the construction and maintenance of streets, alleys, and drainage system. At the end of the current fiscal year, the unreserved (designated and undesignated) fund balance of Sales Tax-Street Fund is $11,336,199, constituting 100% of the fund balance which is $2,017,783 greater than the fiscal year ending June 30, 2011. It increased due mainly to an increase in grants of $934,364, a decrease in capital outlay of $713,737 and a decrease in transfers out of $415,390. While this fund is considered healthy, future identified capital outlay needs could represent a problem that needs to be addressed.

Claremore Public Works Authority Fund: The Claremore Public Works Authority Fund accounts for the monies received and expended from providing utility services for the convenience of the City and its residents. At the end of the current fiscal year the CPWA net assets were $38,512,455, which is $1,205,014 more than the fiscal year ended June 30, 2011. As is the situation with the Street Fund, identified capital outlay needs could represent a problem in the future that will be addressed.

Claremore Cultural Development Authority Fund: The Claremore Cultural Development Authority Fund accounts for the monies received and expended from providing cultural and recreational services for the convenience of the City and its residents. It manages the Claremore Expo Center and the Claremore Recreation Center.

GENERAL FUND BUDGETARY

The following Table 3 presents a summary analysis of the General Fund budget and actual for the current fiscal year.

The basis of accounting for budgetary purposes for the general fund is the accrual basis.

The budget method authorized by Oklahoma Statute adopted by the City for its general fund allows for 100% of the previous year revenues and the unreserved fund balance at the beginning of the fiscal year to be budgeted.

The budgetary fund balance is reconciled to the balance sheet fund balance in the Required Supplementary Information.

Generally, the City attempts to prepare a budget that will result in small positive increases in the fund balance. During the fiscal year ended June 30, 2012, most funds attained an increase in fund balance. Management expected a decrease in the four funds that did experience a decrease.

TABLE 3
CITY OF CLAREMORE OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
(BUDGET METHOD)
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance Positive (Negative)
Revenue				
Taxes	$ 1,138,050	$ 1,138,050	$ 1,280,219	$ 142,169
All other revenues	502,118	502,118	460,797	(41,321)
Total revenues	$ 1,640,168	$ 1,640,168	$ 1,741,016	$ 100,848
Expenditures				
General government (1)	3,465,028	3,483,372	3,612,224	(128,852)
Public safety (2)	7,692,599	7,692,599	7,345,146	347,453
Cultural and recreation (3)	890,495	903,342	897,910	5,432
Cemetery	117,560	121,139	113,315	7,824
Total expenditures	12,165,682	12,200,452	11,968,595	231,857
Total excess (deficiency) of revenues over expenditures	(10,525,514)	(10,560,284)	(10,227,579)	332,705
Other financing sources (uses)				
Transfers in	11,537,376	11,537,376	11,537,374	(2)
Beginning fund balance	--	--	618,356	618,356
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ 1,011,862	$ 977,092	$ 1,928,151	$ 951,059

1. Includes Managerial, IT, City Clerk, Finance, HR, Development Services, Fleet Management, Facilities Maintenance, Senior Citizens, Municipal Court and Non-departmental

2. Includes Police and Fire

3. Include Parks, Library and Community Image

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of related debt, as of June 30, 2012 is $62,016,818. Of this amount, $32,942,423 relates to governmental activities and $29,074,395 relates to business-type activities. A summary of the cost and depreciation balances and activity for the year is reflected in Note 3.D to the financial statements.

Long-term Debt

The City of Claremore has no general obligation debt. Additional information on long-term debt is included in Note 3.H to the financial statements. Also, refinancing is discussed in the Financial Highlights of this Management's Discussion and Analysis.

Government Structure, Local Economic Condition, and Outlook

The City of Claremore is the county seat and principal city of Rogers County, which is located in Northeast Oklahoma. The city has a unique blend of urban and rural lifestyles with low tax rates; covers a land area of 12.03 square miles; and had a population of 15,873 according to the 2000 census. The 2010 census places the population of Claremore at 17,397, which is a 9.6 increase over the 2000 census. The population density of Claremore is 1219.5 per square mile. Claremore was home to Will Rogers, Patti Page, Stuart Roosa, Helen Walton, Lynn Riggs, Blue Starr and the Garth Brooks family. Points of interest include the Will Rogers Memorial, Rogers State University, J.M. Davis Gun Museum, the Oklahoma Military Academy, Claremore Lake, Belvidere Mansion, and the Lynn Riggs Memorial. Recently, the Historical Society has begun renovating the old library which is leased from the City to house a collection of Claremore history.

The first towns in Oklahoma were officially incorporated by the Cherokee Nation. Claremore was incorporated in the Cherokee Nation in 1883.

Oklahoma cities with a population of 2,000 or more may become a home-rule city by adopting a home-rule charter through a vote of the people. The home-rule charter allows a city to determine its own form of government. Claremore has adopted a home-rule charter with a council-manager form of government. Policy making and legislative authority for the City are vested with the city council which consists of two members elected from each of four wards and the mayor who is elected at large. The nine member council is elected for four year terms with staggered election years. The council is responsible for, among other things, passing ordinances, adopting the annual budget, and hiring the city manager, city attorney, and city treasurer. The council also serves as the Board of Trustees for the Claremore Public Works Authority and the Claremore Cultural Development Authority.

As of June 30, 2012 the mayor, council members, city manager, city clerk, city treasurer, and city attorney consisted of the following:

Mayor

Mickey Perry

Council Members

Tom Cypert
Brandon Smith
Don Purkey
Mark Lepak
Terry Willis
Buddy Robertson
Paula Watson
Bill Flanagan

City Manager

Daryl Golbek

City Clerk

Sarah Sharp

Treasurer

Kolker & Kolker, Inc., CPA's

City Attorney

Matt Ballard

Claremore continues to grow in population The population growth has been 9.6% since the 2000 census. Claremore's cost of living averages about 19% lower than the U. S. average. The varied economic base contributes to it having a lower unemployment rate than the national average. Current unemployment estimates are about 6% compared to the U. S. average of 8%. Claremore's leading industries are education, health, and social services at 19%; manufacturing at 17%; government at 16%; and retail at 11%. The largest employers for the City of Claremore include Centralift (Baker-Hughes), Rogers State University, Claremore Public Schools, Claremore Regional Hospital, WalMart SuperCenter, Claremore Indian Health Services, and AXH.

During the 2011/2012 fiscal year, Centralift (Baker-Hughes) notified the City that they are expanding their facility here which will increase the number of employees significantly and AXH has notified the city of their intentions to expand. Both these expansions require some additional infrastructure that the city, in conjunction with other entities, has agreed to provide. the Baker-Hughes expansion requires an additional electric substation and the AXH expansion requires some street construction/modifications. Other business expansions are in process and will be addressed below. During the 2011/2012 fiscal year, work began on John Carle Boulevard to accommodate the AXH plant expansion. In addition work began on a rail spur also located in the Industrial Park.

Claremore is a major transportation hub that includes heavily-traveled highways with Interstate 44 on the southeast of the city; State Highway 66, one of the city's main roads, crossing northeast and southwest through town; State Highway 88 crossing north and south and State Highway 20 crossing east and west through town. Two railways, Union Pacific and BNSF, intersect through town. Claremore Regional Airport is located 7 miles east of Claremore off State Highway 20. Another transportation mode close to Claremore is the Port of Catoosa, which is home to the McClellan-Kerr Arkansas River Navigational System. The port is one of the largest inland ports and links Oklahoma and the surrounding 5 state area with ports throughout the rest of the world.

Major Initiatives

As mentioned earlier the City is a major transportation hub and sometimes this can cause some traffic problems related to the intersection of the two major railroads, as well as the three major highways. In order to alleviate the problem, the city has begun the following projects:

- Although plans for separation of the Burlington Northern Sante Fe (BNSF) railroad throughout the entire city were continued throughout the 2010/2011 fiscal year, with the denial of the third Tiger Grant application, ODOT, the engineering firm and members of City Council held a Town Hall meeting to educate the general public about the project. Based partially on the response of the public, the separation project has been abandoned. At this point, city staff and ODOT are working on an option to build an overpass.

  The City began work on an Energy Master Plan that is multifaceted and includes some traffic improvements as well as recycling, HVAC and lighting retrofitting to City Hall and other City facilities, improved accuracy in electric and water meters and other energy and conservation improvements during the 2010/2011 fiscal year. It was completed and adopted by Council in the 2011/2012 fiscal year. The recycling center has been completed and available to the public and other areas of the Master Plan are being researched for an implementation plan best suited to City needs.

For several years there has been a plan by ODOT to widen Highway 20 between the City of Claremore and Owasso. In 2014, there is a possibility that a portion of this project will move forward.

The J.M. Davis widening project continued. Both the Industrial Bridge and the Blue Staff Bridge were repaired during the 2011/2012 fiscal year.

In order to improve City Streets in a timely manner, Council approved discontinuing outsourcing the asphalt overlay of city streets so the City began purchasing equipment to enable city staff to fulfill that agreement.

As with all cities providing utility services, there is constant need for maintenance, repairs, and upgrades to its infrastructure. Some of the projects for the Claremore Public Works Authority include:

Some projects identified by the Master Drainage Plan were implemented during fiscal year 2010. Some of these projects included in the expanded scope were paid for from the bond proceeds mentioned below and continued during the 2011/2012 fiscal year. The updated status of these projects is listed below.

- Construction of a new substation will begin in 2012 to accommodate the Centrilift (Baker-Hughes) expansion. In Oklahoma, cities do not receive ad valorem property taxes unless they have issued general obligation bonds, which requires a vote of the people. To help finance the substation project, the City partnered with Claremore Industrial and Economic Development Authority (CIEDA) and taxing entities such as the school districts, RSU, NETC, Health Department and others to establish an ad valorem TIF district and the substation was approved as the first project. Bids were advertised, contracts have been issued and some equipment purchases have started. Due to the lead time of obtaining transformers and other necessary equipment, the actual construction won't begin until spring of 2013.

- The City completed replacement of outdated or damaged electric distribution infrastructure in the Westwood addition and are continuing replacement projects with upgrades in Parkland Estates.

- During 2012, water levels at the Claremore Lake became dangerously low and the City replaced several pumps at the Oologah water distribution site. Several lift pumps and water mains were replace. Engineering for upgrading the water treatment plant began and water tower renovations continued.

- The City continued its participation in a 50-50 match from Community Development Block Grant (CDBG) for improvements to the City sewer system. Other sewer system improvements were made in the Parkland Estates utilizing the BOSC bond proceeds.

- As mentioned earlier, the City refinanced the 2004A Series bond and the proceeds of that bond are being used for construction and renovations to completely upgrade all existing equipment and controls at the Waste Water Treatment Plant. This project was completed during the 2011/2012 fiscal year. There were some bond proceeds left, so the City requested and received permission from the bondholder to expand the scope of the projects to include other water and waste water treatment projects. The projects completed include the Holiday Hills lift station, Blue Starr waterline, the South Side water line, Talbert towers booster station replacement and the Oakridge water line extension.

The Oklahoma Plaza Development (now the Claremore Plaza) Project, which began in 2007 met with major delays as the original developer underwent foreclosure proceedings. However, 50.9 acres of the property has been acquired by another developer and work is continuing on the project. The City has committed $5,000,000 to the project for utilities and street infrastructure. Due to participation from City staff, the $5,000,000 commitment has been reduced to approximately $4,000,000 and site preparation for infrastructure to be put in place has begun.

During the 2011/2012 fiscal year construction on a new Quik Trip located at the intersection of Highway 20 and the Highway 44 turnpike exit was completed.

In February, 2011, the city of Claremore had two snowfalls totaling 30 inches within a week of each other. This caused structural damage to the EXPO. Damage to the men's locker room has been repaired; some of the HVAC units have been replaced; roof leaks are repaired as they are identified. However, a portion of the building used for storing equipment needs to be demolished and rebuilt. A temporary unit has been built, but will not replace the damaged area. An architect has provided blueprints and the bid process has begun to complete the renovations. It was anticipated that these would be completed during the 2012/2013 fiscal year. These renovations have been further delayed, but are anticipated to be completed during the 2012/2013 fiscal year.

During 2012, the Series 2007 Lease Purchase bonds were refinanced at a lower interest rate that will bring the bond payments more in line with the sales tax revenues that make the bond payments.

During 2008/2009, the City entered into a contract between the Recreation Center and RSU for student memberships. This was facilitated by the closure of the City pool at Will Rogers Park and replacing it with better pedestrian access between the college and the Recreation Center. This agreement continued during the 2011/2012 fiscal year.

The reduced residential rates for sanitation that began in 2007/2008 continued during 2011/2012.

The Parks Department continued with improvements to the quality of the City Park systems including replacement of some unsafe playground equipment. The Powers Park Baseball Complex was completed during the 2008/2009 fiscal year. Other parks projects included construction of the skate park and the addition of a second story and renovation to the concession stand at Pecan Park. Planning of Phase II of the Claremore Trail System was completed. Construction for Phase II of the Bicycle Trail System began during the 2009/2010 fiscal year and was completed during the 2011/2012 fiscal year. Planning for a splash pad to be located at the Claremore Lake has begun. Additionally, the Parks Department received a grant for trees and planted them in several locations throughout the City.

The City began disposing some surplus property but also purchased a facility for renovation as a new Senior Citizen's Center, Fire Administration and Pelivan offices. The renovations are scheduled to begin in fiscal year 2012/2013.

Architect plans for renovations at the new Senior Citizen's Center began in fiscal year 2011/2012. The City was awarded a grant toward this project. Roof repairs are planned for January of 2013.

The engineering for the North Hangar extension was completed in the 2011/2012 fiscal year and the construction for this project is to begin in the 2012/2013 fiscal year. Throughout the 2011/2012 fiscal year, FAA grants were a 95/5 match. However, beginning with the 2012/2013 fiscal year, the funding levels changed to 90/10.

In addition to discontinuing outsourcing asphalt overlay, the Council also discontinued outsourcing the tree trimming contract and fleet maintenance. These plans began during the 2011/2012 fiscal year and implementation began with the approval of the 2012/2013 budget.

Many other projects began that could have a major economic impact on the City, including

- The City closed a portion of one of the city streets to enable the county to expand the courthouse.

- Plans for a countywide 911 dispatch center stalled and did not appear any closer to resolution, so the City moved forward with improvements to the City Dispatch Center.

- The Public Safety Communications Radio System upgrade began in 2010/2011 and was completed in 2011/2012.

- During the 2010/2011 fiscal year, the process to full integrate the financial system with human resources began and is anticipated to be completed in the spring of 2013. The financial system integration has also encompassed other areas such as fleet maintenance, inventory and fixed assets.

- The City's phone system upgrade began in 2011/2012 and is anticipated to be completed in 2012/2013.

- During the 2011/2012 fiscal year the City applied for and was approved for a grant for continuing the Hazard Mitigation Plan.

- Storm siren upgrades were completed and the Fire Department and Police Department safety gear replacement program continued.

- Construction on John Carle Boulevard and a rail spur both began during 2012 in the Industrial Park area to accommodate the expansion of two business already located in Claremore and to accommodate other businesses interested in locating here.

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2012

Statement 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 8,332,882	$ 3,665,409	$11,998,291
Investments	8,955,620	959,287	9,914,907
Taxes receivable	2,006,350	--	2,006,350
Accounts receivable (net)	--	4,419,586	4,419,586
Grants receivable	1,323,248	54,801	1,378,049
Accounts receivable from intra-government	40,115	--	40,115
Prepaid expense	--	31,120	31,120
Inventory	--	817,490	817,490
Other assets	11,396	19,105	30,501
Total current assets	20,669,611	9,966,798	30,636,409
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	--	4,886,118	4,886,118
Investments	--	10,598,625	10,598,625
Interest receivable	--	59,208	59,208
Capital assets (net)	32,942,423	73,516,629	106,459,052
Unamortized loan costs	--	2,225,621	2,225,621
Total noncurrent assets	32,942,423	91,286,201	124,228,624
Total assets	53,612,034	101,252,999	154,865,033
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	724,088	2,452,440	3,176,528
Accrued interest	--	875	875
Notes payable, current portion	--	2,433,124	2,433,124
Payable to intra-government	--	40,115	40,115
Accrued compensated absences	667,951	169,640	837,591
Other liabilities	--	13,518	13,518
Total current liabilities	1,392,039	5,109,712	6,501,751
Noncurrent liabilities:			
Accounts payable - from restricted assets	--	183,392	183,392
Customer deposits payable	--	862,148	862,148
Notes and bonds payable, long-term portion	--	43,632,482	43,632,482
Accrued interest - from restricted assets	--	317,715	317,715
Reoffering premium	--	600,058	600,058
Total noncurrent liabilities	--	45,595,795	45,595,795
Total liabilities	1,392,039	50,705,507	52,097,546
NET ASSETS			
Invested in capital assets, net of related debt	32,942,423	29,074,395	62,016,818
Restricted for:			
Capital projects	465,030	1,928,953	2,393,983
Debt service	--	2,452,081	2,452,081
Hospital Trust Fund	--	9,918,478	9,918,478
Assigned	16,884,391	--	16,884,391
Unassigned	1,928,151	--	1,928,151
Unrestricted	--	7,173,585	7,173,585
Total net assets	$52,219,995	$50,547,492	$102,767,487

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Statement 2

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities					
General government					
Information Technology	226,630	--	--	--	(226,630)
Human Resources	293,520	--	--	--	(293,520)
City Clerk	187,605	--	--	--	(187,605)
Managerial	381,925	--	--	--	(381,925)
Finance	315,288	--	--	--	(315,288)
Fleet Management	779,389	--	--	--	(779,389)
General Government	173,126	148,053	--	--	(25,073)
Development Services	250,333	--	--	--	(250,333)
Custodial	135,562	--	--	--	(135,562)
Total general government	2,743,378	148,053	--	--	(2,595,325)
Public safety and judiciary					
Police and Court	4,414,937	262,063	14,463	64,325	(3,974,086)
Fire	4,425,891	--	287	--	(4,325,604)
Total public safety and judiciary	8,640,828	262,063	14,750	64,325	(8,299,690)
Transportation					
Street	2,595,898	--	--	1,184,364	(1,411,534)
Cultural, parks and recreation					
Library	436,360	22,789	23,260	--	(390,311)
Cemetery	133,102	55,819	--	--	(77,283)
Recreation	1,160,454	19,924	1,025	209,890	(929,615)
Tourism	169,186	--	--	--	(169,186)
Senior Citizens	237,487	--	--	--	(237,487)
Total cultural, parks and recreation	2,136,589	98,532	24,285	209,890	(1,803,882)
Total governmental activities	16,116,693	508,648	39,035	1,458,579	(14,110,431)

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Business-type activities:					
Utilities	27,337,674	34,744,062	--	--	7,406,388
Recreation & Community	2,477,744	1,246,484	--	--	(1,231,260)
Economic & Airport	822,694	470,968	--	613,275	261,549
Total business-type activities	30,638,112	36,461,514	--	613,275	6,436,677
Total	$46,754,805	$36,970,162	$ 39,035	$ 2,071,854	$(7,673,754)

CHANGES IN NET ASSETS

	Governmental Activities	Business-type Activities	Total
Net (expense) /revenue	$(14,110,431)	$ 6,436,677	$ 7,673,754
General Revenues			
Taxes:			
Sales tax	9,774,029	562,761	10,336,790
Other taxes	1,256,379	--	1,256,379
Franchise taxes	356,710	--	356,710
Investment income	90,762	319,049	409,811
Miscellaneous	63,052	--	63,052
Transfers - internal activity	4,864,032	(4,864,032)	--
Sale of assets	8,682	17,471	26,153
Capital transfers	(13,950)	--	(13,950)
Grants for enterprise funds	615,467	--	615,467
Total general revenues and transfers	17,015,163	(3,964,751)	13,050,412
Change in net assets	2,904,732	2,471,926	5,376,658
Assets abandoned	(1,681,236)	--	(1,681,236)
Capital contributions	42,464	--	42,464
Net assets - beginning	50,954,035	48,075,566	99,029,601
Net assets - ending	$52,219,995	$50,547,492	$102,767,487

CITY OF CLAREMORE , OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 2,483,637	$ 1,561,084	$ 528,769	$ 3,759,392	$ 8,332,882
Cash in escrow	4,821	--	--	--	4,821
Investments	--	8,186,497	--	769,123	8,955,620
Taxes receivable	219,158	612,207	581,639	593,346	2,006,350
Receivable from other funds	14,908	--	--	--	14,908
Grants receivable	--	1,184,363	--	138,885	1,323,248
Accrued interest	--	6,104	--	471	6,575
Receivable from component unit	--	40,115	--	--	40,115
Total assets	$ 2,722,524	$11,590,370	$ 1,110,408	$ 5,261,217	$20,684,519
LIABILITIES					
Accounts payable	140,123	210,585	--	178,517	529,225
Accrued expenses	184,649	10,214	--	--	194,863
Accrued compensated absences	469,601	33,372	--	--	502,973
Payable to other funds	--	--	--	14,908	14,908
Total liabilities	794,373	254,171	--	193,425	1,241,969
FUND BALANCES					
Restricted for:					
Maintenance and acquisition of capital assets	--	--	--	465,030	465,030
Debt service	--	--	1,110,408	--	1,110,408
Assigned to:					
Special purposes	--	11,336,199	--	4,602,762	15,938,961
Unassigned	1,928,151	--	--	--	1,928,151
Total fund balance	$ 1,928,151	$11,336,199	$ 1,110,408	$ 5,067,792	$19,442,550
Total liabilities and fund balances	$ 2,722,524	$11,590,370	$ 1,110,408	$ 5,261,217	$20,684,519

CITY OF CLAREMORE , OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	Total Governmental Funds
Fund balance of governmental funds	$ 19,442,550
Amounts reported for governmental activities in the Statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $43,727,619	32,942,423
The sick pay portion of accrued compensated absences does not require current financial resources.	(164,978)
Net assets of governmental activities	$ 52,219,995

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General Fund	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Sales tax	$ --	$ 2,882,835	$ 3,445,596	$ 3,445,598	$ 9,774,029
Other taxes	923,509	163,169	--	169,701	1,256,379
Fines and forfeits	223,841	--	--	14,620	238,461
Licenses, permits and fees	114,987	--	--	--	114,987
Franchise taxes	356,710	--	--	--	356,710
Fees and services	54,321	--	--	62,369	116,690
Interest	28,756	56,934	--	5,072	90,762
Miscellaneous	38,892	24,684	--	38,025	101,601
Grants and contributions	--	1,184,364	--	928,717	2,113,081
Sale of assets	--	--	--	8,642	8,642
Total revenues	1,741,016	4,311,986	3,445,596	4,672,744	14,171,342
EXPENDITURES					
Current					
General government:					
Information Technology	136,616	--	--	--	136,616
Human Resources	293,520	--	--	--	293,520
City Clerk	186,732	--	--	--	186,732
Managerial	374,988	--	--	--	374,988
Finance	314,843	--	--	--	314,843
Fleet Management	763,473	--	--	--	763,473
General Government	149,337	--	--	--	149,337
Development Services	248,791	--	--	--	248,791
Custodial	109,455	--	--	--	109,455
Total general government	2,577,755	--	--	--	2,577,755
Public safety and judiciary:					
Police and Court	3,707,179	--	--	370,111	4,077,290
Fire	3,777,132	--	--	149,403	3,926,535
Total Public Safety and Judiciary	7,484,311	--	--	519,514	8,003,825
Transportation					
Street	--	1,031,090	--	--	1,031,090

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General Fund	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Cultural, Parks, Recreation and Promotion					
Library	297,459	--	--	19,302	316,761
Cemetery	113,315	--	--	7,765	121,080
Recreation	585,527	--	--	282,934	868,461
Tourism	107,857	--	--	--	107,857
Senior Citizens	225,109	--	--	--	225,109
Total Cultural, Parks, Recreation and Promotion	1,329,267	--	--	310,001	1,639,268
Capital outlay	14,924	896,504	--	842,550	1,753,978
Total expenditures	11,406,257	1,927,594	--	1,672,065	15,005,916
Excess (deficiency) of revenues over expenditures	(9,665,241)	2,384,392	3,445,596	3,000,679	(834,574)
Other financing sources (uses)					
Transfers in	11,537,374	--	--	156,518	11,693,892
Transfers out	(562,338)	(366,609)	(3,861,386)	(2,039,527)	(6,829,860)
Total other financing sources (uses)	10,975,036	(366,609)	(3,861,386)	(1,883,009)	4,864,032
Net change in fund balances	1,309,795	2,017,783	(415,790)	1,117,670	4,029,458
Fund balances - beginning	618,356	9,318,416	1,526,198	3,950,122	15,413,092
Fund balances - ending	$ 1,928,151	$ 11,336,199	$ 1,110,408	$ 5,067,792	$ 19,442,550

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

Reconciliation of the change in fund balances - total government funds to the change in net assets of governmental activities	
Net change in fund balances - total governmental funds	$ 4,029,458
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchase capitalized	1,410,279
Depreciation expense	(2,572,819)
Assets transferred	(13,950)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	51,764
Change in Net Assets of Governmental Activities	$ 2,904,732

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	Claremore Industrial and Economic Development Authority	Claremore Cultural Development Authority	Claremore Public Works Authority	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 144,838	$ 560,458	$ 2,960,113	$ 3,665,409
Cash investments	456,649	--	502,638	959,287
Accounts receivable	19,375	8,871	4,391,340	4,419,586
Other assets	--	--	19,105	19,105
Prepaid expenses	31,120	--	--	31,120
Inventory	55,354	--	762,136	817,490
Grant receivable	54,801	--	--	54,801
Total current assets	762,137	569,329	8,635,332	9,966,798
Noncurrent assets:				
Loan costs, net of amortization	2,191	--	--	2,191
Restricted assets				
Cash	--	118,816	4,767,302	4,886,118
Investments	--	--	10,598,625	10,598,625
Interest receivable	--	--	59,208	59,208
Capital assets (net)	6,385,240	12,236,962	54,894,427	73,516,629
Unamortized bond costs	--	191,928	2,031,502	2,223,430
Total noncurrent assets	6,387,431	12,547,706	72,351,064	91,286,201
Total assets	$7,149,568	$13,117,035	$80,986,396	$101,252,999
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	40,911	18,053	2,393,476	2,452,440
Accrued interest	875	--	--	875
Accrued compensated absences	--	41,787	127,853	169,640
Due other funds	40,115	--	--	40,115
Current portion of long term debt	38,124	625,000	1,770,000	2,433,124
Other liabilities	--	13,518	--	13,518
Total current liabilities	120,025	698,358	4,291,329	5,109,712
Non-current liabilities				
Notes and bonds payable, less current portion	142,482	7,235,000	36,255,000	43,632,482
Payable from restricted assets				
Accounts payable	--	--	183,392	183,392
Accrued interest	--	35,699	282,016	317,715
Utility deposits	--	--	862,148	862,148
Reoffering premium	--	--	600,058	600,058
Total non-current liabilities	142,482	7,270,699	38,182,614	45,595,795
Total liabilities	262,507	7,969,057	42,473,943	50,705,507
NET ASSETS				
Investment in capital assets, net of related debt	6,204,634	4,568,890	18,300,871	29,074,395
Restricted:				
Reserved for debt retirement	--	83,117	2,368,964	2,452,081
Property, plant and equipment	--	--	1,928,953	1,928,953
Hospital Trust Fund		--	9,918,478	9,918,478
Unrestricted:	682,427	495,971	5,995,187	7,173,585
Total net assets	$ 6,887,061	$ 5,147,978	$38,512,453	$50,547,492

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds			
	CIEDA	CCDA	CPWA	Total
Operating revenues				
Utility charges	$ --	$ --	$ 34,301,573	$ 34,301,573
Rentals	90,463	308,504	--	398,967
Penalties	--	--	405,999	405,999
Miscellaneous	1,481	--	36,490	37,971
Service income	31,576	937,980	--	969,556
Fuel sales	347,448	--	--	347,448
Total operating revenues	470,968	1,246,484	34,744,062	36,461,514
Operating expenses				
Cost of fuel sales	278,593	--	--	278,593
Purchased utilities	--	--	18,031,489	18,031,489
Personnel services and benefits	132,796	860,519	2,448,546	3,441,861
Operating expenses	272,756	625,788	3,755,729	4,654,273
Bad debts expense	--	--	80,327	80,327
Depreciation expense	124,580	514,118	1,840,834	2,479,532
Total operating expense	808,725	2,000,425	26,156,925	28,966,075
Net operating income (loss)	(337,757)	(753,941)	8,587,137	7,495,439
Nonoperating revenue (expense)				
Gain (loss) on assets	--	--	17,471	17,471
Investment income	4,818	4,994	309,237	319,049
Interest expense	(12,706)	(455,794)	(696,020)	(1,164,520)
Amortization	(1,263)	(21,525)	(484,729)	(507,517)
Total nonoperating revenue (expenses)	(9,151)	(472,325)	(854,041)	(1,335,517)
Net income (loss) before contributions, grants and transfers	(346,908)	(1,226,266)	7,733,096	6,159,922
Operating transfers in (out)	753,520	1,473,291	(7,090,843)	(4,864,032)
Sales tax	--	--	562,761	562,761
Grants	613,275	--	--	613,275
Change in net assets	1,019,887	247,025	1,205,014	2,471,926
Net assets - beginning of year	5,867,174	4,900,953	37,307,439	48,075,566
Net assets - end of year	$ 6,887,061	$ 5,147,978	$ 38,512,453	$ 50,547,492

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	CIEDA	CCDA	CPWA	Total
Cash flows from operating activities				
Receipts from customers	$ 471,207	$ 1,261,296	$ 34,607,489	$ 36,339,992
Payments to suppliers	(567,070)	(660,981)	(21,622,549)	(22,850,600)
Payments to employees and benefits	(132,796)	(827,865)	(2,418,891)	(3,379,552)
Net cash provided (used) by operating activities	(228,659)	(227,550)	10,566,049	10,109,840
Cash flows from noncapital financing activities				
Transfers received (to) governmental funds	786,541	1,473,291	(7,090,843)	(4,831,011)
Grants received	403,139	--	--	403,139
Net cash provided (used) by nonoperating activities	1,189,680	1,473,291	(7,090,843)	(4,427,872)
Cash flows from capital and related financing activities				
Purchase of capital assets	(1,178,102)	(213,707)	(4,304,065)	(5,695,874)
Principal paid on long-term debt	(68,993)	(575,000)	(25,357,700)	(26,001,693)
Interest paid on long-term debt	(12,706)	(458,284)	(726,522)	(1,197,512)
Proceeds from sale of capital assets	--	--	17,471	17,471
Bond refinancing	--	--	23,920,000	23,920,000
Insurance proceeds	--	212,553	--	212,553
Net cash provided (used) for capital and related financing activities	(1,259,801)	(1,034,438)	(6,450,816)	(8,745,055)
Cash flows from investing activities				
Interest received from investments	617	4,994	334,980	340,591
(Increase) decrease in investments	50,000	--	3,498,737	3,548,737
Net cash provided (used) from investing activities	50,617	4,994	3,833,717	3,889,328
Net increase (decrease) in cash and cash equivalents	(248,163)	216,297	858,107	826,241
Cash balance, beginning of year	393,001	462,977	6,869,308	7,725,286
Cash balance, end of year	$ 144,838	$ 679,274	7,727,415	$ 8,551,527
Cash consists of:				
Current assets	$ 144,838	$ 560,458	$ 2,960,113	$ 3,665,409
Restricted assets	--	118,816	4,767,302	4,886,118
	$ 144,838	$ 679,274	$ 7,727,415	$ 8,551,527

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	CIEDA	CCDA	CPWA	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	$(337,757)	$(753,941)	$ 8,587,137	$ 7,495,439
Depreciation	124,580	514,118	1,840,834	2,479,532
(Increase) decrease in:				
Other assets	--	1,242	3,532	4,774
Prepaid expenses	(13,123)	--	--	(13,123)
Inventory	7,558	--	(12,131)	(4,573)
Accounts receivable	(3,187)	14,812	(611)	11,014
Accounts payable and accrued expenses	(6,730)	(3,781)	147,288	136,777
Net cash provided (used) by operating activities	$(228,659)	$(227,550)	$10,566,049	$ 10,109,840

CITY OF CLAREMORE , OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. INTRODUCTION

The financial statements of the City of Claremore (the City) are prepared in accordance with generally accepted accounting principles (GAAP. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following represent the more significant accounting and reporting polices and practices of the City.

1.B. FINANCIAL REPORTING ENTITY

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

The component unit of the City, Claremore Industrial and Economic Development Authority, issues separately audited financial statements. Copies of component unit reports may be obtained from the City's Finance Department.

Due to restrictions of the State Constitution relating to the issuance of municipal debt, the City created public trusts to finance City services with revenue bonds or other non-general obligation financing, and provide for multi-year contracting. Financing services by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government although retaining separate legal identity.

Component units that are blended into the City's basic financial statements are shown in the following table:

Blended Component Units Reported with the Primary Government	Brief Description of Activities Relationship to City	Reporting Funds
Claremore Public Works Authority (CPWA)	Provide Utility services for the convenience of the City and its inhabitants. Trustees are the Mayor and the City Council. The City maintains all account records for the Authority	Enterprise Fund
Claremore Cultural Development Authority (CCDA)	Provide Cultural and recreational services for the convenience of the City and its inhabitants. Trustees are the Mayor and the City Council. The City maintains all accounting records for the Authority.	Enterprise Fund
Claremore Industrial and Economic Development Authority (CIEDA)	Promote the development of industry within and without the territorial limits of Claremore, Oklahoma. Primary activity is to issue industrial development bonds to private enterprises that do not constitute debt of the City and are collateralized solely by revenues received form the commercial organization, on whose behalf the bonds are issued. Also operates Claremore Regional Airport under lease with the City for the benefit of the City and public interest. Trustees are appointed by the City Council and may be removed by the Council.	Enterprise Fund

1.C. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. The statements distinguish 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.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the City are described below:

Governmental Fund Types:

General Fund

The General Fund is the primary fund of the City, which accounts for all financial transactions not accounted for in other funds and certain Public Trust activities that require separate accountability for services rendered.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are either legally or administratively restricted to expenditures for certain purposes.

Capital Project Funds

The Capital Project Funds are used to account for major capital improvements which are financed from certain federal grants and other specific receipts.

Proprietary Fund Types:

Enterprise Funds

The City's Enterprise funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Major and Non major Funds

The funds are further classified as major or non major as follows:

Fund	Brief Description
Major:	
General	The General Fund is the primary fund of the City, which accounts for all financial transactions not accounted for in other funds and certain Public Trust activities that require separate accountability for services rendered.
Special Revenue Fund	
Sales Tax Street Fund	Accounts for construction, operation and maintenance of permanent City streets. Financing is provided by a permanent one-cent City sales tax.
Expo/WWTP Sales Tax Fund	Sales tax allocated for the Expo Center and wastewater treatment plant. Currently being utilized completely for the retirement of debt incurred by the Expo Center and WWTP. Financing is provided by a temporary one-cent City sales tax.
Enterprise Funds:	
CPWA	Provide utility services for the convenience of the City and its inhabitants. Trustees are the Mayor and the City Council. The City maintains all accounting records for the Authority.

Fund	Brief Description
Major:	
CCDA	Provides cultural and recreational services for the convenience of the City and its inhabitants. Trustees are the Mayor and the City Council. The City maintains all accounting records for the Authority.
CIEDA	Promotes the development of industry within and without the territorial limits of Claremore, Oklahoma. Primary activity is to issue industrial development bonds to private enterprises that do not constitute debt of the City and are collateralized solely by revenues received from the commercial organization, on whose behalf the bonds are issued. Also operates Claremore Regional Airport under lease with the City for the benefit of the City and public interest. Trustees are appointed by the Mayor and confirmed by the City Council and may be removed by the Council
Non major:	
Special Revenue Funds:	
Police Drug Seizure	Accounts for capital improvements for the police department. Fund Financing is provided by money and property seized in drug arrests.
Sales Tax Park and Recreation Fund	Accounts for special park and recreation programs and projects. Financing is provided by a portion of the temporary one-cent City sales tax.
IRS Seizure Fund	Accounts for special expenditures as provided by the act that created the fund. Financing is provided by money and property seizure in gambling arrests.

Fund	Brief Description
Non major:	
Sales Tax Police Fund	Accounts for maintenance, operations and capital improvements for the police department. Financing is provided by a portion of the temporary one-cent City sales tax.
Sales Tax Fire Fund	Accounts for maintenance, operations and capital improvements for the fire department. Financing is provided by a portion of the temporary one-cent City sales tax.
Animal Control Board Fund	Accounts for adoption fees collected at time of sale to be used for sterilization of animals.
Cemetery Care Fund	Accounts for long-range maintenance and improvement to the City cemetery. Financing is provided by a portion of cemetery plot sales.
Special Fund	Accounts for restricted miscellaneous donations and library user fees.
Emergency Tax (E-911) Fund	Accounts for E-911 fees collected by phone companies and remitted to the City for use in providing E-911 services.
Capital Improvement Sales Tax	Accounts for capital improvements, additions and maintenance of capital assets financed by a portion of a temporary one-cent city sales tax.
Emergency Management	Accounts for particular grant funds.
Capital Project Funds:	
CDBG Sewer Fund	Accounts for sewer additions and improvements financed by federal funds.
Airport Capital	Accounts for airport additions and improvements financed by federal and local funds.
Bicycle Trails Grant Fund	Accounts for capital improvements for the bicycle trails. Financing is provided by grants.

1.D.MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and businesslike activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and businesslike activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Specifically taxes received in July and August after the year end are accrued when such taxes pertain to the year being reported.

In the fund financial statements governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. Sales and other taxes, franchise taxes, grants and investment earnings are recorded when earned. Grant receivables are recognized when expenditures are incurred that are to be reimbursed. Expenditures (including capital outlay) are

recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds and trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.E. ASSETS, LIABILITIES AND EQUITY

Cash and Investments

For the purpose of these financial statements, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at cost. Additional cash and investment disclosures are presented in Notes 2.B and 3.A.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities of business type activities are eliminated in the Statement of Net Assets. See Note 5 for details of interfund transactions, including receivables and payables at year end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, and police fines. Business-type activities report utilities and interest earnings as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable and interest earnings comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventory

Inventories for the Enterprise Funds are capitalized at cost and charged to expense on the first in, first out and average cost basis, respectively. Inventories for all other funds are insignificant and purchases of such items are expensed.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. Since that time, all governmental infrastructure assets have been recorded as acquired. The governmental infrastructure assets for the preceding 20 years were recorded at their actual historical cost, or estimated historical cost if actual was unavailable, as of June 1, 2006.

The capitalization policy of the City is as follows:

Land, buildings and improvements, infrastructure, leasehold improvements and library books	All Capitalized
Personal property, including works of art	$2,000 or more
Computer hardware/software	All expensed

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	Governmental
Buildings	15 -50 years
Other improvements	5 - 100 years
Machinery and equipment	10 - 40 years
Office machinery and equipment	2 - 15 years
Vehicles	5 - 15 years
Infrastructure	25 - 50 years
Works of art	No depreciation
Library books	7 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are construction and debt retirement funds and utility meter deposits.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consist primarily of notes payable, accrued compensated absences, and capital leases.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. However, the City has no long-term debt that was issued to benefit governmental funds or to acquire general fixed assets. Thus, all long-term debt is reflected in the Proprietary Funds.

Compensated Absences

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. The estimated current portion of the liability for vested vacation and compensatory time attributable to the City's governmental funds is recorded as an expenditure and liability in the respective funds. The amounts attributable to proprietary funds and similar component units are charged to expense and a corresponding liability in the applicable fund or component unit. The estimated liabilities include required salary-related payments. In accordance with requirements of the State Constitution compensated absence obligations of governmental funds are reported as a reserve of fund balance.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in the following components:

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

b. Restricted for capital projects - cash reserved for acquisition of fixed assets

c. Restricted for debt service - Cash reserved for the payment of long-term debt

d. Assigned - Fund balance for specific purposes

e. Unassigned - Fund balance that has not been assigned

f. Unrestricted - Fund balances of business type activities that are not invested in capital assets or restricted.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as restricted, assigned and unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

1.F. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The City levies a three-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is designated thirty-three and a third percent (33 1/3%) for street improvements, thirty-three and a third percent (33 1/3%) for the maintenance, construction and repayment of long-term debt of the Expo/Rec Center and Wastewater Plant, thirteen and a third (13 1/3%) for capital improvements and maintenance, six and two-thirds percent (6 2/3%) for the parks and recreation department, six and two-thirds percent (6 2/3%) for police operations, and six and two-thirds percent (6 2/3%) for fire operations. However, beginning with sales tax receipts in September 2011, the 1 cent sales tax for street improvements can be shared with the Claremore Public Works Authority in amounts or percentages set by the City Council, which may vary by year. Sales taxes collected by the state in June and July (which represent sales for May and June) and received by the City in July and August have been accrued and are included under the caption "Due from Other Governments". The sales tax for street improvements is permanent. The sales

tax for the Expo/Rec Center and Wastewater Plant is set to expire in 2034. The other 1 cent sales tax expires July 1, 2014.

Cigarette, Tobacco and Tobacco Products Tax

Beginning in January 2005, the City receives tax levied on wholesalers for cigarettes, tobacco and tobacco products. The tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the tax approximately one month after accumulation by wholesalers. The cigarette, tobacco and tobacco products tax is deposited into the General Fund. Cigarette, tobacco and tobacco products tax collected by the state in June and July (which represents collection for May and June) and received by the City in July and August have been accrued and are included under the caption "Due from Other Governments".

Use Tax

The City levies a three percent use tax on goods purchased by companies located in the City, from vendors who do not have an Oklahoma tax permit. These vendors do not collect sales tax from purchasers located in the State of Oklahoma. The purchaser remits the use tax to the State of Oklahoma. The State then remits the use tax to the City in the following month. Use taxes collected by the State in June and July (which represent sales for May and June) and received by the City in July and August have been accrued and are included under the caption "Due from Other Governments" in the General Fund.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities:

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City of Claremore 's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

Fund	Required By
Cemetery Care Fund	State Law
Grant Funds	Grant Agreements
Claremore Public Works Authority	Trust Indenture
Claremore Cultural Development Authority	Trust Indenture
Claremore Industrial and Economic Development Authority	Trust Indenture

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U. S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, surety bonds, or certain letters of credit. As required by 12 U. S. C. A., Section 1823 (e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note 3A., all deposits were fully insured or collateralized.

Investments of the City (excluding public trusts) are limited by state law to the following:

a. Direct obligations of the U. S. Government or its agencies or instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.

b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with instate financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

c. With certain limitation, negotiable certificates of deposits, prime bankers acceptances, prime commercial paper and repurchase agreements.

d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.

e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of national mortgage associations.

f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

Public trusts created under O. S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2012, the City and its public trusts complied, in all material respects, with these investment restrictions.

2.C. REVENUE RESTRICTIONS

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

Revenue Source	Legal Restrictions of Use
Sales Tax	See Notes 1.F
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
Police Drug Forfeiture Funds	Police Activities
E-911 Revenue	E-911 Emergency Services Purposes
Water, Sewer, Electrical, and Gas Revenue	Debt Service & Utility Operations
Cemetery Revenue (15%)	Cemetery Capital Improvements
Hotel/Motel Tax	Convention and Tourism
Tax Increment Revenue	Economic Development
Airport Operations Revenue	Airport Operations and Maintenance
CDBG	Grant Program Expenditures

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

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Article 10, Sections 26 and 27, for the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2012, the City had no general obligation debt.

Other Long-term Debt

Except as noted in the preceding paragraph, as required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. For the year ended June 30, 2012, the City incurred no such indebtedness.

Notes Payable

The loan agreement relating to the notes payable issuance of certain proprietary funds of the City contains some restrictions or covenants that are financial related. See note 3.G. related to long-term debt.

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Title 11, Section 17-211, of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund (excluding public trusts). The City of Claremore complied with this statute in all material respects for the year ended June 30, 2012.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

3.A. CASH AND INVESTMENTS

The detail of cash and investments at year end are summarized as follows:

	Cash and Cash Equivalents	Investments
Current assets		
Cash and Certificates of Deposit	$11,998,291	$ 9,914,907
Restricted assets		
Cash and Certificates of Deposit	$ 4,886,118	
Government Securities	--	10,598,625
	$ 4,886,118	$10,598,625

The cash and certificates of deposit are secured by FDIC insurance or by securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name.

Other investments are stated at cost, which approximates fair market value. See Note 2.B for the investment policy and restrictions.

3.B. RESTRICTED ASSETS

The restricted assets as of June 30, 2012 are as follows:

	Cash	Investments	Interest Receivable
Claremore Community Development Authority			
Debt Retirement			
2004 Revenue Fund	$ 15,470		
2004 Bond Fund	103,346		
Total CCDA	118,816		
Claremore Public Works Authority			
Utility Deposits	862,148		
Constructions Funds	2,112,302	$ --	$ 43
Debt Retirement	1,739,147		
Hospital Trust Fund	53,705	10,598,625	59,165
Total CPWA	4,767,302	10,598,625	59,208
Grand Totals	$4,886,118	$10,598,625	$ 59,208

Earnings on the Hospital Trust Fund are used to service the debt incurred to finance water and sewer improvements. The principal balance is restricted and may not fall below $9,918,478 unless approved by a vote of citizens. Such $9,918,478 if approved can be used for any purpose of the Claremore PWA.

3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of trade receivables. Accounts receivable of the governmental activities consist of grants receivable.

Accounts receivable of the Claremore Public Works Authority are reported at their net value with an allowance for doubtful accounts of $75,000. All accounts have utility deposits with the Authority which can be applied to any unpaid balances. Management feels that such deposits will cover most accounts that might become uncollectible.
Claremore Industrial and Economic Development Authority's material receivables consist of all revenues earned at year end but not yet received.

CIEDA entered into a contract on February 18, 2005 to sell 20 acres to Pryer Real Estate Claremore LLC (Pryer), for $600,000 with a $300,000 credit after one year if they have 50 full-time employees, and another credit after 5 years if there were 150 full-time employees. If Pryer reached its commitment of 150 full-time employees by April, 2011, the balance of the contract would have been waived and the deferred gain on sale of land of $65,000 would have been recognized.

Pryer issued a promissory note in an original amount of $600,000, guaranteed by Pryer Machine and Tool Company, Inc. and secured by the land. Since that time, Pryer Machine and Tool Company, Inc. has built a manufacturing facility on the land. Pryer met the first benchmark and, consequently, CIEDA forgave $300,000 of the debt outstanding in 2006, leaving a balance due of $300,000. Pryer did not make the second benchmark and, therefore, it was agreed upon by the parties to return 10 acres of land to CIEDA in 2012.

3.D. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2012, was as follows:

	Governmental				
Class	Beginning Balance July 1, 2011	Additions	Deletions	Transfers	Ending Balance June 30, 2012
Land and improvements	$ 2,008,355	$ 6,710	$ --	$ --	$ 2,0 15,065
Infrastructure	49,158,401	638,814	(765,528)	--	49,031,687
Buildings	11,738,574	55,276	--	--	11,793,850
Equipment and furniture	12,150,016	607,058	(202,999)	(95,919)	12,458,156
Construction in progress	2,165,031	144,885	(924,760)	(13,872)	1,371,284
Accumulated depreciation	(41,462,692)	(2,572,819)	212,051	95,841	(43,727,619)
	$ 35,757,685	$(1,120,076)	$(1,681,236)	$(13,950)	$ 32,942,423

The $1,681,236 of net deletions pertain solely to costs associated entirely to the planning and development of an elevated railroad track passing through the City. The project was abandoned as it was not considered financially feasible. Other items were deleted, but the book value of these assets was zero.

Capital asset activity for non-governmental activities for the year ended June 30, 2012, was as follows:

Class	Beginning Balance July 1, 2011	Additions	Deletions	Transfers	Ending Balance June 30, 2012
Land and improvements	$ 3,767,314	$ 259,225	$ --	$ --	$ 4,026,539
Infrastructure	37,988,917	2,551,470	--	30,676,919	71,217,306
Buildings	24,072,762	110,221	--	--	24,182,983
Equipment and furniture	8,310,267	338,541	(237,454)	82,802	8,494,156
Construction in progress	31,135,8 97	1,769,113	--	(30,676,919)	2,228,091
Accumulated depreciation	(34,307,566)	(2,479,532)	237,454	(82,802)	(36,632,446)
	$70,967,591	$ 2,549,038	$ --	$	$ 73,516,629

Included in the additions to construction in progress for non-governmental activities is $1,184,737 of capitalized interest, representing the excess of interest expenses on construction bonds over interest income on such funds.

Depreciation expense by functional category for the governmental funds was as follows:

Functional Category	Amount
General Government	$ 94,685
Public Safety	624,146
Public Works	1,420,956
Culture and Recreation	433,032
Total	$2,572,819

3.E. UNAMORTIZED LOAN COSTS, AMORTIZATION

Unamortized bond costs for the Claremore Public Works Authority consists of the cost of 4 separate bond issues that are amortized over the effective useful life (generally until such debt matures. The following is a summary of the costs and amortization:

	Balance 6/30/11	Bond Costs Incurred FYE 6/30/12	Current Amortization	Balance 6/30/12
Note maturing July, 2028	$ 380,738	$ --	$ 23,632	$ 357,106
Note maturing June, 2030	164,510	--	8,696	155,814
Note maturing June, 2015	15,508	--	3,959	11,549
Note maturing June, 2025	--	773,897	4,961	768,936
Total cost of note refinanced in October, 2007, including $1,874,570 of refinancing costs	1,395,031	--	465,006*	930,025
Totals	$ 1,955,787	$ 773,897	$ 506,254	$2,223,430

* Amortized until June 30, 2014 when original bondholders are to be paid in full.

3.F. INVENTORY

Inventory consists of utility materials and supplies that will be expensed when used for repairs and/or capitalized when used for improvements. The CPWA maintains such inventories for ordinary and emergency repairs and improvements.

Inventory is stated at cost on a first-in, first-out basis.

3.G. ACCOUNTS PAYABLE

Payables in all funds are composed of payables to vendors only. Accrued expenses consist mainly of accrued employee benefits.

3.H LONG-TERM DEBT

All of the reporting entity's long-term debt is debt related to the acquisition of Proprietary fund assets, and as such, the debts are reflected on the Statement of Net Assets for Proprietary Funds. However, certain debts are funded by a Governmental fund.

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

Debt outstanding, July 1, 2011	$ 48,147,299
Additions	23,920,000
Retirements	(26,001,693)
Debt outstanding, June 30, 2012	$ 46,065,606

The provisions of such debt at June 30, 2012 are as follows:

	Total Debt	Due Within One Year
Debt of the Claremore Public Works Authority:		
Capital improvement subordinated revenue bonds, series 2005, of $1,000,000, maturing June 1, 2015, with interest of $5.35% and varying amounts of principal annually. Debt service on bonds to be provided by utility revenue of the CPWA	$365,000	$115,000
Utility system revenue bonds, series 2005, for $8,745,000, maturing June, 2035, with interest from 3.75% to 5% and varying amounts of principal annually. Debt service on bonds to be provided by utility revenue or investment income of the Claremore Public Works Authority Trust Fund	8,340,000	75,000
Electric system revenue bonds, series 2005, of $6,000,000, dated June 1, 2005, maturing June 1, 2030, with interest from 2.75% to 5.0% and varying amounts of principal annually. Debt service on bonds to be provided by electric revenues.	5,400,000	130,000
Utility system refunding revenue bonds, series 2012 of $23,920,000, maturing June 1, 2025 with varying interest rates with a true interest rate of 3.3899% and varying amounts of principal. Secured by electric revenues and the electric system paid from these and refunded bonds, to be paid by the 1/2 cent sales tax transferred from the EXPO/WWTP sales tax fund	23,920,000	1,450,000
Total Claremore Public Works Authority Debt	38,025,000	1,770,000

	Total Debt	Due Within One Year
Debt of the Claremore Community Development Authority:		
Capital improvement revenue refunding bonds, series 2004B, of $11,030,000, dated April 1, 2004, maturing June 1, 2021, with interest from 4.15% to 5.5% plus varying amount of principal. Debt service on bonds to be provided by the Expo/WWTP Sales Tax Fund.	7,860,000	625,000
Debt of the Claremore Industrial and Economic Development Authority:		
Note payable to Oklahoma Industrial Finance Authority dated September 30, 1997 in the amount of $500,000, bearing interest at 6.4% per annum, payable in 180 monthly installments of $4,328.10 and maturing October 1, 2012. The note is secured by airport buildings and fuel facilities.	17,083	17,083
The Authority executed a note payable to Oklahoma Industrial Finance Authority on December 22, 2003 in the amount of $300,000, bearing interest at 5.75% per annum, payable in 180 monthly installments of $2,491.23 and maturing January 22, 2019. The note is secured by airport buildings and fuel facilities.	163,523	21,041
Total Claremore Industrial and Economic Development Authority	$ 180,606	$ 38,124
Totals - Long Term Debt	46,065,606	$2,433,124
Less: Current Portion	2,433,124	
Long-term Portion	$43,632,482	

The following is a summary of payments until maturity by source:

	Claremore Public Works Authority		Expo/WWTP Sales Tax Fund		Claremore Industrial and Economic Development Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
Year Ending June 30, 2013	320,000	658,352	2,075,000	1,229,003	38,124	9,082
Year Ending June 30, 2014	340,000	642,887	1,845,000	1,179,785	22,283	7,611
Year Ending June 30, 2015	365,000	626,468	1,910,000	1,132,775	23,599	6,296
Year Ending June 30, 2016	255,000	608,763	2,000,000	1,062,975	24,992	4,903
Year Ending June 30, 2017	370,000	597,075	2,095,000	989,125	26,468	3,427
5 Years Ending June 30, 2022	2,260,000	2,680,375	12,465,000	3,441,750	45,140	2,194
5 Years Ending June 30, 2027	3,125,000	2,053,250	9,390,000	680,575		
5 Years Ending June 30, 2032	4,095,000	1,177,200				
4 Years Ending June 30, 2036	2,975,000	389,250				

During the year the Claremore Public Works Authority refinanced bonds with a balance of $23,744,140 (excluding prepayment penalty) with a new bond in the amount of $23,920,000. The retired bonds had a 4.554% interest rate and were to be retired in June, 2022. The new bonds have a 3.899% interest rate and are scheduled to be retired in June, 2025. Both issues are funded by the Expo/WWTP Sales Tax Fund. The main reason for the refunding was that the Sales Tax Fund would not have been able to fund the retirement by June, 2022.

Non-Commitment Debt

Conduit debt obligations of the Claremore Industrial and Economic Development Authority are not indebtedness of the State of Oklahoma, nor of the City of Claremore , nor are they personal obligations of the Claremore Industrial and Economic Development Authority, but are obligations of the Authority payable solely from the Trust Estate consisting of the Authority notes and related Financing Agreements and other security outlined in the Mortgage or Bond indentures. The

aggregate outstanding principal balance on these notes was approximately $42,000,000 at June 30, 2012.

These debts are considered non-commitment debt to the City and Authority since the debt payments are made solely from the notes receivable or financing agreement proceeds from industrial occupants and public schools. Payments are made directly by the industrial occupants and the school to trustee banks who pay the bondholders. In the event of default, the City or Authority has no obligation, in substance, to make any payments on the debt since the notes receivable, financing agreements and mortgages on the property are the only security for the debt.

As a result of the non-commitment determination, the Authority's indebtedness and related receivables from the note payers are not recorded in the financial statements.

3.I ACCRUED COMPENSATED ABSENCES

City employees are entitled to certain compensated absences based on their length of employment. This liability is reflected in the balance sheet of the proprietary funds. Additionally, the full amount of the accrual is included in the Street and Drainage Special Revenue Fund, as that fund appears to have sufficient expendable available financial resources to liquidate the obligation.

The accrued compensated absences for the Governmental Funds total $706,587 and is reported on the Statement of Activities. $489,846 of this amount is included in the Fund Financial Statements. The difference of $216,741 represents sick pay that does not require current financial resources.

3.J. DUE TO/FROM OTHER FUNDS - OPERATING AND CAPITAL TRANSFERS

As of June 30, 2012, interfund receivables and payables which resulted from various interfund transactions were as follows:

	Due From Other Funds	Due to Other Funds
Sales Tax Street	$ 40,115	$ --
CIEDA	--	40,115
	$ 40,115	$ 40,115

All of the interfund loans were due to credit balances in a pooled bank account to pay all bills. All funds have receivables sufficient to cover the interfund loans.

Operating transfers during the year consisted of the following:

From		To	
Fund	Amount	Fund	Amount
General Fund	12,475	Emergency Management	12,475
General Fund	349,863	CCDA	349,863
General Fund	200,000	CIEDA	200,000
Sales Tax Street	366,609	General Fund	366,609
EXPO/WWTP Sales Tax	1,046,739	CCDA	1,046,739
EXPO/WWTP Sales Tax	2,814,648	CPWA	2,814,648
Sales Tax Park	154,314	General Fund	154,314
Sales Tax Police	375,726	General Fund	375,726
Sales Tax Fire	416,147	General Fund	416,147
Sales Tax Police	5,600	Animal Control Fund	5,600
CPWA	9,747	Emergency Management	9,747
Capital Improvement Sales Tax	122,222	CDBG Sewer	122,222
Capital Improvement Sales Tax	75,000	CIEDA	75,000
Capital Improvement Sales Tax	139,659	CPWA	139,6569
Airport Fund	478,520	CIEDA	478,520
CDBG Sewer	194,576	CPWA	194,576
Capital Improvement Sales Tax	76,689	CCDA	76,689
CPWA	10,229,979	General Fund	10,229,979

NOTE 4. OTHER NOTES

4.A EMPLOYEE PENSIONS

I. The Oklahoma Firefighters Pension and Retirement System:

A. *Plan Description*

All firemen, both full time employees and volunteers, of the City of Claremore , Oklahoma are covered by the Oklahoma Firefighters Pension and Retirement System, which is a cost-sharing multiple-employer PERS

All firemen, except those under 18 years of age and an employee who was hired after reaching age 45 unless he or she has prior service and will have completed twenty years of service by age 65 are eligible and must participate in the State PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after accumulating 20 years of service with the City or another entity covered by the State PERS. Benefits vest after 10 years of service. Employees who retire with 20 or more years of service are entitled to pension payments beginning at age 50. The benefit for full-time fireman is 2.5%

of the average of the final 30 months salary times the years of service, with a maximum of 30 years. The benefit for volunteer fireman is $5.33 per month times the years of service, with a maximum of 30 years.

Pension provisions include deferred allowances whereby a firefighter may terminate with the City after accumulating 10 years of service but not before reaching the age of 50. The firefighter is entitled to all pension benefits upon reaching the age of 50 or by the time he would have completed 20 years of service, whichever is later. Pension provisions include death and disability benefits, whereby the disabled firefighter or surviving spouse is entitled to receive the same as a normal retirement with 20 years of service.

The City's current-year covered payroll and its total current-year payroll for full-time employees is $2,732,917. Contributions and benefits for volunteer fireman are not based on payroll.

B. *Contributions Required and Made*

The City's contribution to the plan is 21% of the salaries for full-time fireman and an annual contribution of $60 for each volunteer fireman. The full-time fireman contribute 0% of their salaries. Volunteer firemen do not make contributions to the plan.

Total contributions made during fiscal year 2012 amounted to $569,692. Total contributions are allocated between the Municipality and the state. The contribution amounts for municipalities are set by State statutes. Therefore, the remainder of required contributions must be made by the State.

C. *Funding Status and Progress*

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the State PERS as of July 1, 2012, was as follows:

Total pension benefit obligations	$2,886,400,000
Net assets available for pension benefits, at market	1,759,100,000
Unfunded pension benefit obligation	$1,127,300,000

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 2012. Net assets available to pay pension benefits were valued as of the same date.

The City's 2012 required contribution to the State PERS represents less than one tenth of 1% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

D. *Related Party Investments*

During the fiscal year and as of June 30, 2012, the Oklahoma Firefighter Pension and Retirement System held no securities issued by the City of other related parties.

II Oklahoma Police Pension and Retirement System

A. *Plan Description*

All policemen of the City of Claremore , Oklahoma are covered by the Oklahoma Police Pension and Retirement System, which is a cost-sharing multiple-employer PERS.

All policemen are covered except those less than 21 years of age or over 35 years of age when accepted for initial membership. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Upon completion of 20 years of credited service, a member is eligible for a normal retirement benefit payable immediately for life. The amount of the benefit is equal to 2 1/2% of the final average salary multiplied by the years of credited service, with a maximum of 30 years of service considered. Final average salary means the average base salary of an officer over the highest 30 consecutive months of the last 60 months of credited service.

Prior to completion of 10 years of service, a member receives a refund of contributions without interest. A member with 10 or more years of credited service, but not eligible for the normal retirement benefit, is eligible for a deferred vested benefit payable at the later of the date the member would have had 20 years of service or attained age 50. The amount of the deferred vested benefit is equal to 2 1/2% of the final average salary multiplied by the years of credited service.

Disability and death benefits differ based upon whether the death or disability resulted in the line of duty or not. If in the line of duty, a benefit is payable immediately equal to the greater of 2 1/2% of the final average salary times the years of credited service (maximum 30 years), and 50% of the final average salary. If not in the line of duty, a benefit is payable for a member who has completed 10 or more years of service equal to 2 1/2% of the final average salary times the years of credited service (maximum of 30 years). Additionally, upon the death of an active or retired member, the beneficiary shall receive a lump-sum of $4,000.

B. *Contributions Required and Made*

The City's contribution to the plan is 17% of the covered payroll. Additionally, the policemen contribute 4% of their salaries. Four individual policemen have signed up under special 5 years until retirement plan. In such an instance, the policemen do not pay in, but the City still contributes 13%.

Total contributions made in the current year amounted to $313,961. Total contributions are allocated between the Municipalities and the State. The contribution amounts for the Municipalities are set by State statutes. Therefore, the remainder of required contributions must be made by the State.

C. *Funding Status and Progress*

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present values of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the State PERS as of June 30, 2012, was as follows:

Total pension benefit obligations	$2,034,500,000
Net assets available for pension benefits, at market	1,834,200,000
Unfunded pension benefit obligation	$ 200,300,000

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 2012. Net assets available to pay pension benefits were valued as of the same date.

The City's current year required contribution to the State PERS represents less than 1.0% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

D. *Related Party Investments*

During the fiscal year and as of June 30, 2012, the Oklahoma Police Pension and Retirement System held no securities issued by the City.

The City participates in the Oklahoma State Police Pension and Retirement System. Oklahoma State Firefighters Pension and Retirement System and Oklahoma Municipal Retirement Fund, which together provide coverage to substantially all full-time City employees.

III. Oklahoma Municipal Retirement Fund

A. Plan Description

All full-time non-uniformed employees of the City participate in the Oklahoma Municipal Retirement Fund (OMRF), which is an agent multiple-employer plan. The OMRF is a system by which City governments and municipally owned hospitals in Oklahoma are authorized by law to pool funds to provide for the retirement of their employees. The OMRF issues a separate stand-alone report for the City of Claremore. The overall operations of the fund are supervised by a nine member board of trustees elected by the participating municipalities. Bank One acts as administrator and securities custodian. All full-time employees who are hired before age 60 are mandated to participate in the Fund. The City's total payroll was $9,805,682 for the year ended June 30, 2012, and the City's payroll for employees covered by the plan was $4,519,000.

The number of Fund participants by category is as follows:

Terminated members entitled to, but not yet receiving benefits	12
Retirees and beneficiaries currently receiving benefits	43
Fully vested employees	53
Non-vested employees	73
Total	181

The defined benefit plan the City has elected provides pension benefits as well as death benefits and disability retirement benefits. A member becomes vested in the Fund after five, seven or ten years of continuous service, depending on certain elections. All employee contributions vest immediately. Normal retirement benefits are available at age 65, with benefits payable for life and a minimum of 60 monthly payments. However, early retirement benefits may be obtained beginning at age 55 on an actuarially reduced basis. A variety of joint and survivor retirement benefit options are also available to participants.

B. *Summary of Significant Accounting Policies and Plan Asset Matters - Basis of Accounting*

Disclosures of the Fund's financial condition are prepared using the accrual basis of accounting.

C. *Actuarially Determined Contributions Requirements and Contributions Made*

The employee contribution rate is set by the plan, and employees pay 100% of the required contribution.

The required contribution rate is actuarially measured each year as the amount necessary to fund the plan on a long-term basis using the actuarial cost methods and assumptions adopted for the plan:

Cost method	Entry age normal
Interest rate	7.5% per annum
Pay increases	Rates by age
Mortality	1994 Group Annuity (projected)
Retirement age	Rates by age
Turnover	Rates by age
Asset value	Actuarial method

Schedule of employer contributions:

Fiscal Year	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
2006	$737,329	$737,329	100%
2007	685,083	685,083	100%
2008	579,033	579,033	100%
2009	667,304	677,304	100%
2010	555,526	555,526	100%
2011	617,378	677,378	100%
2012	551,851	551,844	100%

D. *Schedule of Fund Progress*

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the Fund's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among other Public Employee Retirement Systems. The measure is independent of the actuarial funding method used to determine contributions to the defined benefit plans of each participant.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
1/1/04	$8,292,013	$10,263,213	$1,971,200	80.8%	5,704,380	34.6%
1/1/05	8,928,327	10,664,503	1,736,176	83.7%	5,244,108	33.1%
1/1/06	9,580,869	11,190,158	1,609,289	85.6%	4,886,960	32.9%
1/1/07	10,594,011	12,258,629	1,464,618	87.9%	5,491,507	26.7%
1/1/08	11,306,187	12,316,308	1,010,121	91.8%	5,503,112	20.0%
1/1/09	11,823,029	13,127,455	1,304,426	90.1%	5,082,599	25.7%
1/1/10	12,502,219	14,175,791	1,673,572	88.2%	4,838,539	34.6%
1/1/11	12,551,715	13,610,161	1,058,446	92.2%	4,378,220	24.2%
1/1/12	12,555,447	13,804,673	1,249,226	91.0%	4,288,972	29.11%

4.B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages these various risks through the purchase of commercial insurance with varying deductibles. These deductibles are well below materiality levels for the City. Additionally, the Municipal Utility Department has reserves for replacement of assets as described in Note 3.J. During the last three years no claim has been settled for amounts in excess of insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedules - General Fund and Street and Drainage Fund

CITY OF CLAREMORE , OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY METHOD)
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Beginning fund balance	$ --	$ --	$ 618,356	$ 618,356
Resources (inflows)				
Nontax revenues				
Licenses and permits	92,968	92,968	114,987	22,019
Charges for services	62,800	62,800	54,321	(8,479)
Interest income	20,100	20,100	28,756	8,656
Fines and costs	277,250	277,250	223,841	(53,409)
Miscellaneous	49,000	49,000	38,892	(10,108)
Total nontax	502,118	502,118	460,797	(41,321)
Taxes				
Hotel/Motel	85,500	85,500	118,271	32,771
Use tax	467,000	467,000	494,293	27,293
ONG franchise	170,000	170,000	148,139	(21,861)
Telephone and cable franchise	188,250	188,250	213,903	25,653
Inspection fees	5,000	5,000	39,999	34,999
Total taxes	915,750	915,750	1,014,605	98,855
Intergovernmental				
Alcohol beverage tax	90,000	90,000	101,046	11,046
Cigarette tax	106,000	106,000	132,082	26,082
Tobacco tax	26,300	26,300	17,138	(9,162)
Interest on delinquent County tax	--	--	15,348	15,348
Federal/State grant	--	--	--	--
Total Intergovernmental	222,300	222,300	265,614	43,314
Operating transfers				
Transfers In	11,537,376	11,537,376	11,537,374	(2)
Total operating transfers	11,537,376	11,537,376	11,537,374	(2)
Total revenues	13,177,544	13,177,544	13,278,390	100,846
Total available for appropriation	$13,177,544	$13,177,544	$13,896,746	$ 719,202

CITY OF CLAREMORE , OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY METHOD)
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Changes to Appropriation (outflows)				
Managerial	$ 367,393	$ 371,393	$ 374,988	$(3,595)
Information Tech.	142,329	142,586	136,616	5,970
City Clerk	181,965	181,976	186,732	(4,756)
Municipal Court	141,275	141,275	139,165	2,110
Finance	302,634	310,984	314,843	(3,859)
Human Resources	270,248	272,748	293,520	(20,772)
Police	3,700,862	3,700,862	3,568,014	132,848
Fire	3,991,737	3,991,737	3,777,132	214,605
Development Services	259,861	259,861	248,791	11,070
Park	557,530	570,377	585,527	(15,150)
Library	332,965	332,965	312,383	20,582
Cemetery	117,560	121,139	113,315	7,824
FLEET Management	755,492	755,017	763,473	(8,456)
General Government	174,823	174,823	149,337	25,486
Custodial	107,286	110,211	109,455	756
Senior Citizens	223,644	224,420	225,109	(689)
Non-departmental	538,078	538,078	670,195	(132,117)
Total charges to appropriations	12,165,682	12,200,452	11,968,595	231,857
Ending Budgetary Fund Balance	$ 1,011,862	$ 977,092	$ 1,928,151	$ 951,059

CITY OF CLAREMORE , OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY METHOD)
STREET AND ALLEY FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Beginning fund balance	$ 8,963,032	$ 8,963,032	$ 9,318,416	$ 355,384
Resources (Inflows)				
Interest income	77,000	77,000	56,934	(20,066)
Sales tax	3,299,670	3,299,670	2 882,835	(416,835)
Other taxes	115,000	115,000	163,169	48,169
Grants	--	--	1,198,236	1,198,236
Miscellaneous	500	500	24,684	24,184
Total revenues	3,492,170	3,492,170	4,325,858	833,688
Total available for appropriation	12,455,202	12,455,202	13,644,274	1,189,072
Charges to Appropriations (Outflows)				
Personal services	686,007	686,007	673,985	12,022
Materials and supplies	170,950	170,950	156,492	14,458
Other charges	231,383	231,383	201,484	29,899
Capital outlay	4,980,998	4,980,998	896,504	4,084,494
O/H transfers	366,309	366,309	366,309	--
Total Charges to Appropriations	6,435,647	6,435,647	2,294,774	4,140,873
Ending Budgetary Fund Balances	$ 6,019,555	$ 6,019,555	$11,349,500	$ 5,329,945

CITY OF CLAREMORE , OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY METHOD)
EXPO/WWTP SALES TAX FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Beginning fund balance	$ 1,286,819	$ 1,286,819	$ 1,526,198	$ 239,379
Resources (Inflows)				
Interest	--	--	--	--
Taxes				
Sales tax	3,299,670	3,299,670	3,445,596	145,926
Total revenues	3,299,670	3,299,670	3,445,596	145,926
Total available for appropriation	4,586,489	4,586,489	4,971,794	385,305
Charges to Appropriations (Outflows)				
Transfers to debt retirement	4,586,489	4,586,489	3,861,386	725,103
Total Charges to Appropriations	4,586,489	4,586,489	3,861,386	725,103
Ending Budgetary Fund Balances	$ --	$ --	$ 1,110,408	$ 1,110,408

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements - Nonmajor governmental funds

CITY OF CLAREMORE, OKLAHOMA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	SPECIAL REVENUE FUNDS									
	Police Juvenile Fund	Drug Seizure Fund	Sales Tax Park	IRS Seizures Fund	Sales Tax Police	Sales Tax Fire	Animal Control Fund	Emergency Taxes	Cemetery Care Fund	Emergency Management
ASSETS										
Cash	$51,963	$989	$496,690	$21,875	$161,333	$192,747	$46,197	$548,151	$156,365	$ --
Investments	--	--	330,140	--	46,822	51,209	17,429	101,967	221,556	--
Grants receivable	--	--	--	--	--	--	--	--	--	49,015
Taxes receivable	--	--	116,328	--	116,329	116,328	--	11,604	--	--
Accrued interest	--	--	144	--	35	38	13	76	165	--
Total assets	$51,963	$989	$943,302	$21,875	$324,519	$360,322	$63,639	$661,798	$378,086	$49,015
LIABILITIES										
Accounts payable	229	--	17,482	--	16,383	4,933	815	11,085	3,101	--
Payable to other funds	--	--	--	--	--	--	--	--	--	14,908
Total liabilities	229	--	17,482	--	16,383	4,933	815	11,085	3,101	14,908
FUND BALANCES										
Restricted for capital outlay	--	--	--	--	--	--	--	--	--	--
Assigned	51,734	989	925,820	21,875	308,136	355,389	62,824	650,713	374,985	34,107
Total fund balances	51,734	989	925,820	21,875	308,136	355,389	62,824	650,713	374,985	34,107
Total liabilities and fund balances	$51,963	$989	$943,302	$21,875	$324,519	$360,322	$63,639	$661,798	$378,086	$49,015

			CAPITAL PROJECTS				
Library Fund	Capital Improvement Sales Tax	Special Revenues Fund Total	Airport Fund	CDBG SEWER Fund	Bicycle Trails Grant	Capital Projects Funds Total	Total Non-major Governmental Funds
$66,531	$1,640,348	$3,383,189	32,032	47,562	$296,609	$376,203	$3,759,392
--	--	769,123	--	--	--	--	769,123
--	--	49,015	85,046	4,824	--	89,870	138,885
101	232,656	593,346	--	--	--	--	593,346
--	--	471	--	--	--	--	471
$66,632	$1,873,004	$4,795,144	$117,078	$52,386	$296,609	$466,073	$5,261,217
8,980	114,466	177,474	499	544	--	1,043	178,517
--	--	14,908	--	--	--	--	14,908
8,980	114,466	192,382	499	544	--	1,043	193,425
--	--	--	116,579	51,842	296,609	465,030	465,030
57,652	1,758,538	4,602,762	--	--	--	--	4,602,762
57,652	1,758,538	4,602,762	116,579	51,842	296,609	465,030	5,067,792
$66,632	$1,873,004	$4,795,144	$117,078	$52,386	$296,609	$466,073	$5,261,217

CITY OF CLAREMORE, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	SPECIAL REVENUE FUNDS									
	Police Juvenile Fund	Drug Seizure Fund	Sales Tax Park	IRS Seizures Fund	Sales Tax Police	Sales Tax Fire	Animal Control Fund	Emergency Taxes	Cemetery Care Fund	Emergency Management
REVENUES										
Sales tax	$ --	$ --	$689,119	$ --	$689,119	$689,119	$ --	$ --	$ --	$ --
Other taxes	--	--	--	--	--	--	--	169,701	--	--
Grants/contributions	--	--	9,190	--	100	287	14,363	--	--	64,325
Interest	--	--	2,332	--	230	248	104	749	1,409	--
Fees and services	--	--	--	--	--	--	23,602	--	15,978	--
Fines & forfeits	14,620	--	--	--	--	--	--	--	--	--
Sale of assets	--		--	--	7,792	--	--	--	--	
Miscellaneous	--	200	19,924	--	12,815	5,086	--	--	--	--
Total revenues	14,620	200	720,565	--	710,056	694,740	38,069	170,450	17,387	64,325
Expenditures										
Current										
Library	--	--	--	--	--	--	--	--	--	--
Recreation	--	--	282,934	--	--	--	--	--	--	--
Police & Court	5,899	247	--	1,659	224,272	--	41,325	84,457	--	12,252
Fire	--	--	--	--	--	146,849	--	--	--	2,554
Cemetery	--	--	--	--	--	--	--	--	7,765	--
Debt service										
Principal	--	--	--	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--	--	--	--
Capital outlay	--	--	120,309	--	25,918	--	--	165,181	2,757	37,634
Total expenditures	5,899	247	403,243	1,659	250,190	146,849	41,325	249,638	10,522	52,440
Excess (deficiency) of revenues over expenditures	8,721	(47)	317,322	(1,659)	459,866	547,891	(3,256)	(79,188)	6,865	11,885
Other Financing Sources/Uses										
Transfers in	--	--	--	--	--	--	5,600	--	--	22,222
Transfers out	--	--	(154,514)	--	(375,726)	(416,147)	--	--	--	--
Total other Financing sources and uses	--	--	(154,514)	--	(375,726)	(416,147)	5,600	--	--	22,222
Net change in fund balance	8,721	(47)	162,808	(1,659)	84,140	131,744	2,344	(79,188)	6,865	34,107
Fund balance, beginning	43,013	1,036	763,012	23,534	223,996	223,645	60,480	729,901	368,120	--
Fund balance, ending	$51,734	$989	$925,820	$21,875	$308,136	$355,389	$62,824	$650,713	$374,985	$34,107

Library Fund	Capital Improvement Sales Tax	Special Revenues Fund Total	CAPITAL PROJECTS Airport Fund	CDBG Sewer Fund	Bicycle Trails Grant	Capital Projects Funds Total	Total Non-major Governmental Funds
$ --	$1,378,241	$3,445,598	$ --	$ --	$ --	$ --	$3,445,598
--	--	169,701	--	--	--	--	169,701
23,260	--	111,525	518,361	97,106	201,725	817,192	928,717
--	--	5,072	--	--	--	--	5,072
22,789	--	62,369	--	--	--	--	62,369
--	--	14,620	--	--	--	--	14,620
--	850	8,642	--	--	--	--	8,642
--	--	38,025	--	--	--	--	38,025
46,049	1,379,091	3,855,552	518,361	97,106	201,725	817,192	4,672,744
19,302	--	19,302	--	--	--	--	19,302
--	--	282,934	--	--	--	--	282,934
--	--	370,111	--	--	--	--	370,111
--	--	149,403	--	--	--	--	149,403
--	--	7,765	--	--	--	--	7,765
--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--
23,803	458,534	834,136	--	--	8,414	8,414	842,550
43,105	458,534	1,663,651	--	--	8,414	8,414	1,672,065
2,944	920,557	2,191,901	518,361	97,106	193,311	808,778	3,000,679
--	--	27,822	6,474	122,222	--	128,696	156,518
--	(413,570)	(1,359,957)	(484,994)	(194,576)	--	(679,570)	(2,039,527)
--	(413,570)	(1,332,135)	(478,520)	(72,354)	--	(550,874)	(1,883,009)
2,944	506,987	859,766	39,841	24,752	193,311	257,904	1,117,670
54,708	1,251,551	3,742,996	76,738	27,090	103,298	207,126	3,950,122
$57,652	$1,758,538	$4,602,762	$116,579	$51,842	$296,609	$465,030	$5,067,792

City of Claremore, Oklahoma
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program or Clustor Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DIRECT PROGRAMS			
US Department of Commerce			
Economic Development Administration	11.307	n/a	$ 519,955
US Department of Transportation			
Federal Aviation Administration	20.106	n/a	484,020
US Department of Transportation			
Federal Aviation Administration	20.106	n/a	26,400
TOTAL DIRECT PROGRAMS			**1,030,375**
PASS THROUGH PROGRAMS			
US Department of Transportation			
Federal Highway Administration			
Oklahoma State Department of Transportation	20.205	STP-166E(204)EH	130,902
***ARRA** - Federal Highway Administration*			
Oklahoma State Department of Transportation-Elevated Rail	20.205	SEC330-0D01(008)SG	31,494
Federal Highway Administration			
Oklahoma State Department of Transportation	20.205	JM DAVIS BLVD	132,950
U.S. Department of Energy			
ARRA - Energy Efficiency and Conservation Block Grant Program			
Oklahoma State Department of Transportation	81.128	JP23715	356,680
U.S. Department of Homeland Security			
Hazard Mitigation Grant Program			
Oklahoma Emergency Management	97.036	FEMA 1883-DR-OK	48,887
US Department of Housing and Urban Development			
Stimulus Energy Efficient Community Block Grant			
Oklahoma Department of Commerce	14.228	13898 CDBG 09	147,440
Oklahoma Department of Commerce	14.228	14416 CDBG 10	173,138
Oklahoma Department of Commerce	14.228	14434 CDBG ED 10	27,192
Oklahoma Department of Commerce	14.228	14836 CDBG 11	4,823
TOTAL PASS THROUGH PROGRAMS			1,053,507
TOTAL EXPENDITURE OF FEDERAL AWARDS			**$ 2,083,882**

Note A-Basis of Presentation

The accompanying schedule of expenditures of federal awards includes grant activity of the City of Claremore, Oklahoma and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparartion of the basic financial statements.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes __X__ no
- Significant deficiencies identified? ___X__ yes _____ none reported

Noncompliance material to financial statements noted? _____ yes ___X__ no

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ yes ___X___ no
- Significant deficiency identified? _____ yes ___X___ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?_____ yes __X____ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
11.307	U.S. Department of Commerce
20.106	Federal Aviation Administration
14.228	U.S. Department of Housing and Urban Development
81.128	U.S. Department of Energy

Dollar threshold used to distinguish between type A and type B programs:$300,000 or 3% of total Federal expenditures

Auditee qualified as low-risk auditee? _____ yes ___X__ no

Section II—Financial Statement Findings

Reported Significant Deficiencies as presented in the Schedule of Findings and Responses related to internal control deficiencies over financial reporting:

1) 2009-1
2) 2012-1

There were no reported Material Weaknesses as presented in the Schedule of Findings and Responses related to internal control deficiencies over financial reporting.

Section III—Federal Award Findings and Questioned Costs

There were no reported significant deficiencies in the Schedule of Findings and Responses related to internal control deficiencies over compliance with federal awards.

There were no reported Material Weaknesses as presented in the Schedule of Findings and Responses related to internal control deficiencies over compliance with federal awards.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Council,
City of Claremore,
Rogers County, Oklahoma

COMPLIANCE

We have audited the City of Claremore, State of Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Claremore's major federal programs for the year ended June 30, 2012. The City of Claremore, State of Oklahoma's major federal programs is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The City of Claremore, State of Oklahoma's management. Our responsibility is to express an opinion on The City of Claremore, State of Oklahoma's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Claremore'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. Our audit does not provide a legal determination of the City of Claremore's compliance with those requirements.

In our opinion, the City of Claremore, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

INTERNAL CONTROL OVER COMPLIANCE

Management of the City of Claremore is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Claremore's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the City of Claremore'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 type of compliance requirement of a federal program 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wingard, Ragsdale Langley, CPAs, PLLC

WINGARD, RAGSDALE & LANGLEY
CERTIFIED PUBLIC ACCOUNTANTS, PLLC

JANUARY 29, 2013

WINGARD, RAGSDALE & LANGLEY

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SCHEDULE OF FINDINGS AND RESPONSES

2012-1 Use of Restricted Cash

Criteria or specific requirement: The City Council is responsible for adhering to the terms of significant contracts associated with the City.

Condition: Council meeting minutes reflected actions approved by the City Council that could have resulted in a violation of a significant contract, specifically funds restricted by a sales tax ordinance.

Context: The City maintains designated monies which are governed by ordinances for which those funds can be used. Audit procedures revealed that the City Council approved to borrow money from designated street funds to cover expenditures associated with a railroad spur project. The project is funded through grant reimbursement. The sales tax ordinance associated with Street Fund monies does not allow for borrowing monies by the City for any purpose. The accounting department circumvented this action by borrowing those funds from unrestricted monies, however the actions recorded in the Council minutes would have been a violation of the ordinance discussed previously.

Effect: Use of restricted monies for unauthorized purposes could result in the General Fund being liable for reimbursement of those funds, further reducing the Council's ability to maintain general City operations.

Cause: The Council needs educated as to the proper use of all funds and monies associated with those funds.

Recommendation: The Council should request information as needed and review contracts before taking actions outside the normal scope of City operations.

Views of responsible officials and planned corrective actions: We recognize this issue and understand restrictions governing specific cash balances.

It should be noted findings starting with 2011, 2010, and 2009 correspond to findings surfaced during audits of those fiscal periods. Below see updates regarding those findings for the current period engagement.

2011-1 Oversight of Material Insurance Claim

Criteria or specific requirement: Information is identified, captured, used at all levels of the entity, and distributed in a form and timeframe that supports the achievement of operational and financial reporting objectives.

Condition: In January of 2011, a large section of the Expo building was damaged due to excessive snow. As of January 2012, the damaged section remains inoperable, and communication between the insurance carrier and those responsible for managing the project has resulted in confusion and question as to the future reimbursement of costs to complete restoration of the damaged area. The circumstance was presented to the City Council in May of 2011 for approval of obtaining requests for proposal for the reconstruction of the damaged building; however, as of January 6, 2012, no proposals have been submitted. The continued delay has resulted in unnecessary costs and may result in even more costs that may not be covered by insurance due to the delayed time in processing the claim.

Context: Audit procedures revealed deficiencies in the information and communication surrounding this Expo building damage, as key individuals responsible for overseeing the event did not properly communicate circumstances surrounding the damage, such that those responsible for reporting financial information understood the extent of the damage, the timeframe of repair, or the additional and ancillary issues resulting from the event. The lack of communication did not allow for proper considerations as to how such information should be valued, reported, and managed to capture and report such events. Audit procedures further revealed the insurance carrier may challenge certain future costs to complete the restoration of the damaged area, due to the extended timeframe and lack of communication from City management as to the extent of damages.

Effect: Reported financial information could result in material misstatement. Although the reported amounts were not materially misstated, the information used to derive such calculations were inaccurate as to the qualitative aspects of the event, such that no evaluation or inspection of the damages were taken into consideration to properly identify the impairment of the building, additional costs to be incurred or reimbursed, or the status of the insurance claim. Further, material costs incurred due to ancillary issues created by the snow to areas other than the above mention damaged section were not fully reported and understood by the insurance carrier, and may result in City expending municipal funds to fully restore the building to its original state.

Cause: Information and communication used for monitoring key operations, especially those associated with unusual or infrequent events are not well established or properly utilized.

Recommendation: Management should evaluate the policies and procedures currently in place to oversee and monitor information and communication between departments to identify deficiencies in the flow of information and communication along the current, established hierarchical structure. Once deficiencies have been identified and corrected, the importance of adhering to such policies and procedures should be communicated to departmental leaders as to its importance for operational and financial reporting objectives of the City and what corrective actions may be taken for failure to comply with such established guidelines.

Corrective Action Update: Per tour of the facility during current year audit, audit procedures revealed repairs to damages associated with the Expo Center were near complete.

2010-2: Incomplete Employee Files

Criteria or specific requirement: Employee files should be maintained with respect to documentation requirements as required by Federal regulations

Condition: Employee file were missing forms such as form W4, *Employee's Withholding Allowance Certificate* and form I-9 *Employment Eligibility Verification.*

Context: Testing of controls surrounding payroll procedures revealed numerous instances where employee files were missing one of the documents described in the condition above. Discussion of these deficiencies with the newly hired Human Resource Director, revealed she well aware of the deficiencies and provided examples of new procedures and forms that had already been implemented to resolve these issues, however not all employee files had been reviewed and corrected at that time.

Effect: Failure to maintain proper employee records can result in non-compliance with Federal and other related regulations.

Cause: Failure to implement proper employee file requirements and controls surrounding the employment process to ensure compliance with those requirements.

Recommendation: Implementation of a periodic review of employee files to monitor the current efforts of the Human Resources department to ensure future adherence to the newly implemented policies and procedures.

Corrective Action Update: Current year audit testing confirms that finance has addressed and corrected this finding.

2010-3: Recognition of Grant Receivables

Criteria or specific requirement: Contracts for reimbursement of expenditures should be monitored and reconciled to the general ledger to ensure payments are received.

Condition: The City entered into a grant contract with the State which entailed reimbursements for allowable expenditures. The departments responsible for coordinating and administering the grant did not report amounts to the finance department.

Context: Reviewing the minutes of the City Council revealed discussion regarding a reimbursement grant where the City would be reimbursed an approximate $500,000 for expenses incurred related to a certain project funded through grant awards from the State. An interview with the City's Project Coordinator and review of the grant documents, confirmed the City would be reimbursed for these amounts, however the amounts were not recorded in the City's accounting records.

Effect: Failure to properly record and monitor amounts receivable can result in materially misstated financial statements and loss of municipal funds.

Cause: Information and communication between departments applying for, accepting, and administering grant awards had little to no communication with the finance department.

Recommendation: We recommend management establish a method of communication between these departments to capture all financial reporting activities.

Corrective Action Update: Current year audit testing confirms that finance has addressed and corrected this finding.

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

2010-5: Control Activities over Federal Grant Expenditures

Criteria or specific requirement: The City is subject to the Single Audit Act of 1996 and the compliance requirements as defined by the Office and Management and Budget.

Condition: The City of Claremore was subject to Federal reporting regulations defined in the Single Audit Act of 1996, however this requirement was unknown by all areas of management. Certain employees responsible for grant expenditures and oversight had no knowledge of Federal reporting regulations or compliance requirements, and when inquired, had never received formal training regarding grant administration. The Schedule of Federal Expenditures, a required document of a "Single Audit" when presented for audit was materially misstated, where as certain amounts did not represent federal expenditures, were not included, or were incorrectly stated, however no expenditures when audited were found to non-compliant with Federal regulations.

Context: Audit procedures described in finding 2010-3 above resulted in the City requiring a "Single Audit".

Effect: The acceptance, then subsequent non-compliance with Federal regulations can result in the loss of future funding or other negative consequences which could limit the City's ability to benefit from these types of awards.

Cause: Information and communication between departments applying for, accepting, and administering grant awards had little to no communication with the finance department.

Recommendation: We recommend management review, in-depth, the hierarchical structure and communication flow of the entire grant process with-in the City's departmental structure and obtain training where needed, to insure compliance and control over the expenditure of Federal awards.

Corrective Action Update: Current year audit testing confirms that finance has addressed and corrected this finding.

2009-1 Fixed Asset Records

Criteria or specific requirement: Fixed assets should be inventoried periodically to ensure proper reporting.

Condition: Inventory of fixed assets has not been performed.

Context: Inquiries of management revealed no fixed asset inventory procedures are performed. Review of fixed asset records revealed fully depreciated assets which should be evaluated as to existence.

Effect: Fixed asset records could be misstated and fixed assets could be stolen when not monitored for existence.

Cause: Periodic fixed inventory procedures are not scheduled or enforced by management.

Recommendation: Implementation of a fixed asset inventory schedule and monitoring of compliance with this process.

Corrective Action Update: Per inquiry of management the capital assets policies and procedures have been drafted and are currently awaiting issuance. Physical inventory procedures were not completed during fiscal year 2012. This is a repeat finding in fiscal audits issued since January 19, 2011 which included fiscal years 2009, 2010, and 2011.