

CITY OF CLAREMORE, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2011



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

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JUNE 30, 2011**

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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, 2011, 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 6.2%, 13.2%, and 1.2%, 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, 2011, 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 26, 2012, 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 6 through 19 and 64 through 67 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
CERTIFIED PUBLIC ACCOUNTANTS, PLLC

JANUARY 26, 2012

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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, 2011, which collectively comprise the City of Claremore's basic financial statements and have issued our report thereon dated January 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City of 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Claremore's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Claremore's financial statements that is more than inconsequential will not be prevented or detected by the City of Claremore's internal control. We consider the following items listed in the Schedule of Findings and Responses: 2009-1, 2009-2, and 2010-2, to be significant deficiencies in internal control as defined above. These items, previously identified as significant deficiencies in internal control during audits conducted for fiscal 2009 and 2010, could not be addressed and corrected by management during the fiscal 2011 engagement, as the findings were discovered and reported during the calendar year 2011 and did not allow sufficient time to address these issues. We recommend any user of this statement to review the updated status of each of these items in the Schedule of Findings and Responses.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Claremore's internal control. We consider item 2011-1, reported on the Schedule of Findings and Responses to be a material weakness in internal control. Prior year findings, item 2010-5, also reported on the Schedule of Findings and Response to be material weaknesses in internal control, as explained above regarding prior year reported significant deficiencies, this item could not be addressed and corrected in

sufficient time for the fiscal 2011 engagement. We recommend any user of this statement to review the updated status of each of these items in the Schedule of Findings and Responses.

The City of Claremore's response to the 2011-1 finding 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
CERTIFIED PUBLIC ACCOUNTANTS, PLLC

JANUARY 26, 2012

CITY OF CLAREMORE, OKLAHOMA
Management's Discussion and Analysis
(Unaudited)
June 30, 2011

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, 2011. 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 2011 were:

- The total net assets of the City for its governmental and business-type activities exceeded its liabilities as of June 30, 2011 by \$99,029,601 as reflected in Statement 1. This is an increase of \$3,087,061 from 2010. All categories of net assets are summarized below:

	<u>2010</u>	<u>2011</u>
Invested in capital assets, net of related debt	\$63,108,895	\$60,533,763
Restricted for various purposes	12,975,215	16,367,288
Unrestricted	<u>19,858,430</u>	<u>22,128,550</u>
	<u>\$95,942,540</u>	<u>\$99,029,601</u>

- The City's Governmental Fund Balance as reflected in the "Balance Sheet" (Statement 3) is \$15,413,092, which is an increase of \$638,228 from 2010.

	<u>2010</u>	<u>2011</u>
General Fund	\$ 449,095	\$ 618,356
Street Sales Tax Fund	9,359,893	9,318,416
EXPO/WWTP Sales Tax Fund	1,726,182	1,526,198
Other Governmental Funds	<u>3,239,694</u>	<u>3,950,122</u>
	<u>\$14,774,864</u>	<u>\$15,413,092</u>

- The governmental net assets are \$50,954,035 (Statement 1), which is an increase of \$596,578 from 2010 as reflected in Statement 2. Of this amount, \$14,989,225 is unrestricted, which is an increase of \$214,361 from 2010 as shown in Table 1.
- The City's governmental capital assets (net of depreciation) are \$35,757,684. This is a decrease of \$47,512 from 2010. The \$47,512 decrease is related to disposition of property. Details of this are in Note 3.D to the financial statements.
- During the year, the total revenues for the General Fund were \$80,041 more than planned under the final budget due to an increase of fines and costs in the amount of \$116,761, an increase in charges for services in the amount of \$58,598, and an increase of \$21,154 in licenses and permits.
- The total expenditures of the General Fund were \$82,820 less than planned under the final budget. Since expenditures were reduced more than revenues, there is an ending fund balance of \$618,356, which is \$169,261 more than 2010.
- 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, 2011, the City had \$48,147,299 in outstanding debt. The debt issues included \$39,467,700 for the Claremore Public Works Authority; \$8,435,000 for the Claremore Cultural Development Authority; and \$245,599 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 fiscal year 2018, the City refinanced a capital improvement revenue bond (Series 2004A) in the amount of \$24,545,000 dated April 1, 2004. Under the terms of the Series 2004A bond, no principal payments would have been paid until June 2022, which would have resulted in \$32,027,992 of interest. Refinancing this debt resulted in \$3,161,327 to be amortized through June 30, 2014. Of this amount, \$1,286,757 is interest held in escrow to be paid to the original bondholder and \$1,874,570 is the cost of refinancing the debt. The remaining balance to be amortized at June 30, 2011 is \$1,395,031 as shown in Note 3.E to the financial statements. The refinancing of this bond saved the City \$19,506,070 in interest and results in a retirement date of June 1, 2022 instead of June 1, 2034. The bond is to be paid from the proceeds of the EXPO/WWTP Sales Tax.

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 19 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 and 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, 2011, the City's net assets were \$99,029,601. Table 1 provides a comparison summary of the City's governmental and business-type assets between June 30, 2010 and June 30, 2011.

Total net assets for the City at June 30, 2011 were \$99,029,601 with \$48,075,566 attributed to business-type activities. This is an increase of \$2,490,483 from 2010.

At June 30, 2011 the City had \$60,533,763 invested in a variety of capital assets, including land, buildings, infrastructure, equipment, and construction in progress. This is a decrease of \$2,565,919 from June 30, 2010.

Over 61% of the value of the City's net assets represents the investment in capital assets, net of related debt, which is restricted for the purposes of providing services to Claremore residents; therefore, are not available for future spending. Because they are not available for future spending, the resources needed to liquidate the related debt must be provided from other sources.

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 \$24,776,079 of capital assets, net of related debt, for business-type activities, \$15,533,547 represents the value of assets for the CPWA; \$4,315,827 represents the value of assets for the CCDA; and \$4,926,705 for CIEDA.

Unrestricted assets are 22% of the total net assets.

**TABLE 1
NET ASSETS
(In Thousands)
JUNE 30, 2011**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Current and noncurrent assets	\$16,329	\$ 16,949	\$ 7,954	\$ 9,587	\$ 24,283	\$ 26,537
Capital assets	<u>35,805</u>	<u>35,758</u>	<u>94,260</u>	<u>91,751</u>	<u>130,065</u>	<u>127,508</u>
Total assets	<u>52,135</u>	<u>52,707</u>	<u>102,214</u>	<u>101,338</u>	<u>154,349</u>	<u>154,045</u>
Current liabilities	1,777	1,753	4,375	4,709	6,152	6,462
Non-current liabilities	<u>---</u>	<u>---</u>	<u>52,254</u>	<u>48,553</u>	<u>52,254</u>	<u>48,553</u>
Total liabilities	<u>1,777</u>	<u>1,753</u>	<u>56,629</u>	<u>53,262</u>	<u>58,406</u>	<u>55,015</u>
Net assets:						
Invested in Capital Assets, net of debt	35,703	35,758	27,406	24,777	63,109	60,535
Restricted for:						
Capital projects	550	207	11,021	3,960	11,571	4,167
Debt service	--	--	1,404	2,281	1,404	2,281
Hospital trust	<u>---</u>	<u>---</u>	<u>---</u>	<u>9,919</u>	<u>---</u>	<u>9,919</u>
Unrestricted	<u>14,104</u>	<u>14,989</u>	<u>5,754</u>	<u>7,139</u>	<u>19,858</u>	<u>22,128</u>
Total net assets	<u>\$50,357</u>	<u>\$50,954</u>	<u>\$45,585</u>	<u>\$48,076</u>	<u>\$95,943</u>	<u>\$99,030</u>

Changes in Revenues and Expenditures:

Table 2 below presents a comparison of the City's 2010 and 2011 revenues and expenditures for Government and Business-type activities. Figures are from Statement 2, "Statement of Activities."

TABLE 2
Changes in Net Assets
(In Thousands)
June 30, 2011

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Program Revenues						
Charges for services	\$ 512	\$ 607	\$ --	\$ --	\$ 512	\$ 607
Operating grants & contributions	91	33	--	--	91	33
Capital grants & contributions	694	487	--	--	694	487
General revenues:						
Sales tax	9,838	9,492	--	382	9,838	9,874
Other taxes	1,695	1,522	--	--	1,695	1,522
Other general revenues	<u>1,145</u>	<u>229</u>	<u>1,001</u>	<u>618</u>	<u>2,146</u>	<u>847</u>
Total governmental revenues	<u>13,975</u>	<u>12,370</u>	<u>1,001</u>	<u>1,000</u>	<u>14,976</u>	<u>13,370</u>
Business-type revenues	<u>--</u>	<u>--</u>	<u>31,392</u>	<u>34,424</u>	<u>31,392</u>	<u>34,424</u>
Total revenues	<u>13,975</u>	<u>12,370</u>	<u>32,393</u>	<u>35,424</u>	<u>46,368</u>	<u>47,794</u>
Program expenses						
General government	3,326	2,756	--	--	3,326	2,756
Public safety	8,455	8,876	--	--	8,455	8,876
Street	2,681	2,640	--	--	2,681	2,640
Culture, parks, recreation & promotion	<u>1,804</u>	<u>1,865</u>	<u>--</u>	<u>--</u>	<u>1,804</u>	<u>1,865</u>
Total governmental expense	16,267	16,137	--	--	16,267	16,137
Business-type expenses	<u>--</u>	<u>--</u>	<u>26,214</u>	<u>28,605</u>	<u>26,214</u>	<u>28,605</u>
Total expenditures	<u>16,267</u>	<u>16,137</u>	<u>26,214</u>	<u>28,605</u>	<u>42,481</u>	<u>44,742</u>
Other financing sources (uses)						
Transfers in (out)	<u>3,737</u>	<u>4,328</u>	<u>(3,737)</u>	<u>(4,328)</u>	<u>--</u>	<u>--</u>
Total other financing sources and uses	<u>3,737</u>	<u>4,328</u>	<u>(3,737)</u>	<u>(4,328)</u>	<u>--</u>	<u>--</u>
Net change in assets	1,445	561	2,442	2,491	3,887	3,052
Capital contributions	--	35	--	--	--	35
Net assets - beginning	<u>48,913</u>	<u>50,358</u>	<u>43,143</u>	<u>45,585</u>	<u>92,056</u>	<u>95,943</u>
Net assets - ending	<u>\$ 50,358</u>	<u>\$ 50,954</u>	<u>\$ 45,585</u>	<u>\$ 48,076</u>	<u>\$ 95,943</u>	<u>\$ 99,030</u>

Governmental Activities: Governmental activities had a \$596,578 increase in fund balance, whereas business-type activities had a \$2,490,483 increase in net assets, for a total increase of \$3,087,061.

Business-type activities: Business-type activities include the Municipal Utilities (CPWA); Expo, Recreation Center, (CCDA); and Claremore Industrial and Economic Development Authority. Of the \$2,490,483 of revenues over expenditures associated with business-type activities, CPWA experienced a \$2.3 million increase; CCDA experienced a \$307 thousand deficit and CIEDA experienced a \$141 thousand decrease.

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 \$618,356 constituting 100% of the fund balance, which is \$169,261 more than fiscal year ended June 30, 2010. 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 \$9,318,416, constituting 100% of the fund balance which is 41,477 less than the fiscal year ending June 30, 2010. It is less because of the \$1,610,241 spent on capital outlay, which completed some projects and began others. Management is aware of the decrease. While this fund is considered healthy, \$22,132,969 of infrastructure improvements needs have been identified for street repairs and storm water, in addition to the projects identified by the Comprehensive Traffic Study (as discussed in the Major Initiatives section) as follows: \$896,000 needed for immediate improvements; \$17,790,000 needed for short range (2015) improvements; \$11,426,000 needed for medium range (2020) improvements; and \$18,027,000 needed for long range (2030) improvements. By the time the 2030 projects are underway, some of the earlier projects will need follow-up remedies. This project list does not include the \$2,000,000 committed for the separation railroad project, the \$5,000,000 committed to the Claremore Plaza project (formerly called the Oklahoma Plaza), the undetermined amount committed for the Highway 20 project, equipment purchases, or routine maintenance.

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 \$37,307,439, which is \$2,324,631 more than the fiscal year ended June 30, 2010. While there is an increase in the net assets of the Public Works Authority, improvements for water ,electric, and sewer infrastructure totaling \$33,165,845 have been identified. The CPWA is the major funding source for the governmental operations.

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. At the end of the current fiscal year, the CCDA net assets were \$4,900,953, which is \$606,655 more than the fiscal year ended June 30, 2010.

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 modified accrual, i.e., revenues are recognized when received and expenses are recognized when incurred..

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, 2011, all funds attained an increase in fund balance except for the Street and Alley Fund, whose decrease was explained in the section labeled "Sales Tax-Street Fund", and for other insignificant funds that are supposed to track specific revenues and expenses and will eventually be closed.

**TABLE 3
CITY OF CLAREMORE OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
(BUDGET METHOD)
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenue				
Taxes	\$ 1,280,000	\$ 1,280,000	\$ 1,154,887	\$(125,113)
All other revenues	<u>377,700</u>	<u>377,700</u>	<u>577,146</u>	<u>199,446</u>
Total revenues	<u>\$ 1,657,700</u>	<u>\$ 1,657,700</u>	<u>\$ 1,732,033</u>	<u>\$ 74,333</u>
Expenditures				
General government (1)	3,491,571	3,485,171	3,177,831	307,340
Public safety (2)	7,035,985	7,035,985	7,362,811	(326,826)
Cultural and recreation (3)	1,137,236	1,137,236	1,054,759	82,477
Civil defense	10,000	10,000	4,768	5,232
Cemetery	<u>140,120</u>	<u>140,120</u>	<u>125,523</u>	<u>14,597</u>
Total expenditures	<u>11,814,912</u>	<u>11,808,512</u>	<u>11,725,692</u>	<u>82,820</u>
Total excess (deficiency) of revenues over expenditures	(10,157,212)	(10,150,812)	(9,993,659)	157,153
Other financing sources (uses)				
Transfers in	10,157,212	10,157,212	10,162,920	5,708
Beginning fund balance	<u> --</u>	<u> 449,095</u>	<u> 449,095</u>	<u> --</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ --</u>	<u>\$ 455,495</u>	<u>\$ 618,356</u>	<u>\$ 162,861</u>

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, 2011 is \$60,533,763. Of this amount, \$35,757,684 relates to governmental activities and \$24,776,079 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.

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, 2011 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

Caryl 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 6.3% compared to the U. S. average of 8.6%. 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 2010/2011 fiscal year, Centralift (Baker-Hughes) has 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.

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:

- Plans for separation of the Burlington Northern Sante Fe (BNSF) railroad throughout the entire city were continued; the third Tiger Grant application was denied, but ODOT has continued to pursue the separation project.

Synchronization of the traffic lights on Highway 66, which would also serve two additional purposes (removing obstacles for economic growth and improved energy efficiency) was completed and has had a positive impact on traffic flow.

- 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 metes and other energy and conservation improvements.

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

- A new substation is proposed to begin in January 2012 to accommodate the Centrilift (Baker Hughes) expansion.
- The City has also continued with replacement of outdated or damaged electric distribution infrastructure in the Westwood addition..
- There have been minor capital upgrades to the water plant facility and water towers.
- The City participated in a 50-50 match from Community Development Block Grant (CDBG) for improvements to the City sewer system.
- 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 2010/2011 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. These projects are due to be completed prior to August 1, 2012. They include the Holiday Hills lift station, the Oakwood sewer rehab, and the Holiday Hills sewer rehab. The Oakwood and Holiday Hills sewer rehab was completed during the 2010/2011 fiscal year.
- Sludge removal from the water treatment plant continued during the 2010/2011 fiscal year.
- Supervisory Control and Data Acquisition (SCADA) system for the water treatment plant and storage towers was council approved for purchaser in the amount of \$118,000. Council approved Talbert Towers booster station replacement.
- Oakridge water line extension engineering began.

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 original project will also include a Hampton Inn. The City has committed \$5,000,000 to the project for utilities and street infrastructure.

During the 2010/2011 fiscal year negotiations with Quik Trip were completed and construction for this project has begun. The City committed \$500,000 to the project for utilities and infrastructure improvements.

During 2007 the City assumed management of the EXPO Center. This resulted in some major capital projects that expanded the scope of the events that could be held there. During 2008/2009, RSU basketball games were held in the EXPO, several high school graduations, and RSU graduations were also held at the EXPO. Several community service events were

held there, including blood drives and food distribution events, as well as other revenue producing events. This change reduced the amount of money that was needed to subsidize the EXPO from General Fund. During the 2010/2011 fiscal year one of the new events held there was a Dock Dogs event. It was considered very successful and Sock Dogs entered into a three year agreement with the city for future events.

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 build, but will not replace the damaged area. An architect has provided blueprints and the bid process Hs begun to complete the renovations. It is anticipated that these will be completed during the 2011/2012 fiscal year.

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 2010/2011 fiscal year.

The reduced residential rates for sanitation that began in 2007/2008 continued during 2010/2011. Also, the council voted to reduce itinerant merchant license fees.

During the 2010/2011 fiscal year, several properties were deemed to be detrimental to the health, benefit, safety, and welfare of the citizens and demolition proceedings were completed.

The Parks Department continued with improvements to the quality of the City Park systems. 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 continued. Construction for Phase II of the Bicycle Trail System began during the 2009/2010 fiscal year and was completed during the 2010/2011 fiscal year.

The City began disposing some surplus property but also purchased a facility for renovation as a new Senior Citizen's Center. The renovations are scheduled to begin in fiscal year 2011/2012.

The airport layout plan and the engineering for the obstruction removal project at the airport were completed during the 2009/2010 fiscal year. The grants from FAA and OAC for Obstruction Removal were approved at the end of the 2010/2011 fiscal year. The grant for engineering of the North Hangar extension was also approved and both projects are slated to begin in the 2011/2012 fiscal year.

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

- The City closed a portion of one of the city streets to enable the county to expand the Courthouse
- Discussion regarding the possible location of a countywide 911 dispatch center in the City began and continued throughout the fiscal year.
- 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.
- The City's phone system upgrade was approved to begin.
- New software was purchased that will allow for pictometry aerial images for the City Mapping and Data Management Department.
- As mentioned earlier, the City is working on an Energy Master Plan. Some of the projects in the Master Plan reduce lost revenue by improving the accuracy with which the electric and water meters are read.

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2011

Statement 1

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 6,790,775	\$ 3,586,553	\$10,377,328
Investments	7,892,973	502,951	8,395,924
Taxes receivable	1,931,439	--	1,931,439
Accounts receivable (net)	--	4,430,600	4,430,600
Grants receivable	308,151	--	308,151
Accounts receivable from intra-government	7,161	--	7,161
Prepaid expense	--	17,997	17,997
Inventory	--	812,917	812,917
Other assets	18,928	23,879	42,807
Insurance receivable	<u>--</u>	<u>212,553</u>	<u>212,553</u>
Total current assets	<u>16,949,427</u>	<u>9,587,450</u>	<u>26,536,877</u>
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	--	4,138,733	4,138,733
Investments	--	14,600,000	14,600,000
Interest receivable	--	84,951	84,951
Capital assets (net)	35,757,684	70,967,591	106,725,275
Unamortized loan costs	<u>--</u>	<u>1,959,241</u>	<u>1,959,241</u>
Total noncurrent assets	<u>35,757,684</u>	<u>91,750,516</u>	<u>127,508,200</u>
Total assets	<u>52,707,111</u>	<u>101,337,966</u>	<u>154,045,077</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	1,046,489	2,329,476	3,375,965
Accrued interest	--	1,232	1,232
Notes payable, current portion	--	2,257,552	2,257,552
Payable to intra-government	--	7,161	7,161
Accrued compensated absences	706,587	107,900	814,487
Other liabilities	<u>--</u>	<u>5,810</u>	<u>5,810</u>
Total current liabilities	<u>1,753,076</u>	<u>4,709,131</u>	<u>6,462,207</u>
Noncurrent liabilities:			
Accounts payable - from restricted assets	--	1,506,301	1,506,301
Customer deposits payable	--	806,513	806,513
Notes and bonds payable, long-term portion	--	45,889,747	45,889,747
Accrued interest - from restricted assets	<u>--</u>	<u>350,708</u>	<u>350,708</u>
Total noncurrent liabilities	<u>--</u>	<u>48,553,269</u>	<u>48,553,269</u>
Total liabilities	<u>1,753,076</u>	<u>53,262,400</u>	<u>55,015,476</u>
NET ASSETS			
Invested in capital assets, net of related debt	35,757,684	24,776,079	60,533,763
Restricted for:			
Capital projects	207,126	3,960,582	4,167,708
Debt service	--	2,281,102	2,281,102
Hospital Trust Fund	--	9,918,478	9,918,478
Assigned	14,668,972	--	14,668,972
Unassigned	320,253	--	320,253
Unrestricted	<u>--</u>	<u>7,139,325</u>	<u>7,139,325</u>
Total net assets	<u>\$50,954,035</u>	<u>\$48,075,566</u>	<u>\$99,029,601</u>

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Statement 2

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
General government					
Community Image	\$ 384,704	\$ --	\$ --	\$ --	\$ (384,704)
Information Technology	110,243	--	--	--	(110,243)
Human Resources	196,540	--	--	--	(196,540)
City Clerk	95,687	--	--	--	(95,687)
Managerial	326,826	--	--	--	(326,826)
Finance	286,895	--	--	--	(286,895)
Fleet Management	779,942	--	--	--	(779,942)
General Government	199,794	143,404	6,795	36,159	(13,436)
Development Services	219,295	--	--	--	(219,295)
Custodial	<u>155,627</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(155,627)</u>
Total general government	<u>2,755,553</u>	<u>143,404</u>	<u>6,795</u>	<u>36,159</u>	<u>(2,569,195)</u>
Public safety and judiciary					
Police and Court	4,434,979	316,594	25,670	28,164	(4,064,551)
Fire	4,435,281	3,221	--	580	(4,431,480)
Civil Defense	<u>5,673</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(5,673)</u>
Total public safety and judiciary	<u>8,875,933</u>	<u>319,815</u>	<u>25,670</u>	<u>28,744</u>	<u>(8,501,704)</u>
Transportation					
Street	<u>2,639,613</u>	<u>--</u>	<u>--</u>	<u>250,000</u>	<u>(2,389,613)</u>
Cultural, parks and recreation					
Library	433,256	28,407	647	29,872	(374,330)
Cemetery	139,297	77,834	--	--	(61,463)
Recreation	924,192	37,567	--	142,485	(744,140)
Tourism	105,784	--	--	--	(105,784)
Senior Citizens	222,974	--	--	--	(222,974)
Economic development	<u>39,996</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(39,996)</u>
Total cultural, parks and recreation	<u>1,865,499</u>	<u>143,808</u>	<u>647</u>	<u>172,357</u>	<u>(1,548,687)</u>
Total governmental activities	<u>16,136,598</u>	<u>607,027</u>	<u>33,112</u>	<u>487,260</u>	<u>(15,009,199)</u>

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	
Business-type activities:				
Utilities	25,317,119	32,694,324	--	7,377,205
Recreation & Community	2,477,364	1,283,595	--	(1,193,769)
Economic & Airport	810,390	446,160	--	(364,230)
Total business-type activities	<u>28,604,873</u>	<u>34,424,079</u>	<u>--</u>	<u>5,819,206</u>
Total	<u>\$44,741,471</u>	<u>\$35,031,106</u>	<u>\$ 33,112</u>	<u>\$ (9,189,993)</u>

CHANGES IN NET ASSETS

	Governmental Activities	Business-type Activities	Total
Net (expense) /revenue	<u>\$(15,009,199)</u>	<u>\$ 5,819,206</u>	<u>\$(9,189,993)</u>
General Revenues			
Taxes:			
Sales tax	9,491,988	381,629	9,873,617
Other taxes	1,169,142	--	1,169,142
Franchise taxes	352,939	--	352,939
Investment income	99,589	426,129	525,718
Miscellaneous	45,218	--	45,218
Transfers - internal activity	4,328,042	(4,328,042)	--
Sale of assets	84,074	191,561	275,635
Total general revenues and transfers	<u>15,570,992</u>	<u>(3,328,723)</u>	<u>12,242,269</u>
Change in net assets	561,793	2,490,483	3,052,276
Capital contributions	34,785	--	34,785
Net assets - beginning	<u>50,357,457</u>	<u>45,585,083</u>	<u>95,942,540</u>
Net assets - ending	<u>\$50,954,035</u>	<u>\$48,075,566</u>	<u>\$ 99,029,601</u>

**CITY OF CLAREMORE , OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General Fund</u>	<u>Sales Tax Street Fund</u>	<u>EXPO/WWTP Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 1,185,217	\$ 1,297,033	\$ 960,911	\$ 3,347,614	\$ 6,790,775
Cash in escrow	10,546	1,141	--	--	11,687
Investments	--	7,483,719	--	409,254	7,892,973
Taxes receivable	183,061	605,020	565,287	578,071	1,931,439
Receivable from other funds	--	--	--	7,161	7,161
Grants receivable	--	250,000	--	58,151	308,151
Accrued interest	--	6,948	--	293	7,241
Total assets	<u>\$ 1,378,824</u>	<u>\$ 9,643,861</u>	<u>\$ 1,526,198</u>	<u>\$ 4,400,544</u>	<u>\$16,949,427</u>
LIABILITIES					
Accounts payable	160,314	295,077	--	450,422	905,813
Accrued expenses	132,012	8,664	--	--	140,676
Accrued compensated absences	<u>468,142</u>	<u>21,704</u>	--	--	<u>489,846</u>
Total liabilities	<u>760,468</u>	<u>325,445</u>	<u>--</u>	<u>450,422</u>	<u>1,536,335</u>
FUND BALANCES					
Restricted for:					
Maintenance and acquisition of capital assets	--	--	--	207,126	207,126
Debt service	--	--	1,526,198	--	1,526,198
Assigned to:					
Special purposes	89,219	9,318,416	--	3,742,996	13,150,631
Unassigned	<u>529,137</u>	--	--	--	<u>529,137</u>
Total fund balance	<u>\$ 618,356</u>	<u>\$ 9,318,416</u>	<u>\$ 1,526,198</u>	<u>\$ 3,950,122</u>	<u>\$15,413,092</u>
Total liabilities and fund balances	<u>\$ 1,378,824</u>	<u>\$ 9,643,861</u>	<u>\$ 1,526,198</u>	<u>\$ 4,400,544</u>	<u>\$16,949,427</u>

CITY OF CLAREMORE , OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	Total Governmental Funds
Fund balance of governmental funds	\$ 15,413,092
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 \$41,462,692	35,757,684
The sick pay portion of accrued compensated absences does not require current financial resources.	<u>(216,741)</u>
Net assets of governmental activities	<u>\$ 50,954,035</u>

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Sales Tax Street Fund</u>	<u>EXPO/WWTP Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Sales tax	\$ --	\$ 2,909,578	\$ 3,291,207	\$ 3,291,203	\$ 9,491,988
Other taxes	850,512	146,991	--	171,639	1,169,142
Fines and forfeits	280,611	--	--	13,333	293,944
Licenses, permits and fees	177,240	--	--	--	177,240
Franchise taxes	352,939	--	--	--	352,939
Fees and services	--	--	--	70,502	70,502
Interest	21,479	74,344	--	3,766	99,589
Miscellaneous	42,458	2,191	--	65,910	110,559
Grants and contributions	6,795	250,000	--	263,577	520,372
Sale of assets	--	--	--	139,290	139,290
	<u>1,732,034</u>	<u>3,383,104</u>	<u>3,291,207</u>	<u>4,019,220</u>	<u>12,425,565</u>
EXPENDITURES					
Current					
General government:					
Community Image	384,938	--	--	--	384,938
Information Technology	95,971	--	--	--	95,971
Human Resources	195,586	--	--	--	195,586
City Clerk	95,520	--	--	--	95,520
Managerial	326,789	--	--	--	326,789
Finance	286,672	--	--	--	286,672
Fleet Management	755,878	--	--	--	755,878
General Government	154,875	--	--	--	154,875
Development Services	216,947	--	--	--	216,947
Custodial	<u>105,323</u>	--	--	--	<u>105,323</u>
Total general government	<u>2,618,499</u>	--	--	--	<u>2,618,499</u>
Public safety and judiciary:					
Police and Court	3,745,593	--	--	394,975	4,140,568
Fire	3,758,514	--	--	213,649	3,972,163
Civil Defense	<u>4,768</u>	--	--	--	<u>4,768</u>
Total Public Safety and Judiciary	<u>7,508,875</u>	--	--	<u>608,624</u>	<u>8,117,499</u>
Transportation					
Street	--	<u>1,032,341</u>	--	--	<u>1,032,341</u>

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Sales Tax Street Fund</u>	<u>EXPO/WWTP Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cultural, Parks, Recreation and Promotion					
Library	280,669	--	--	25,806	306,475
Cemetery	125,523	--	--	1,960	127,483
Recreation	349,783	--	--	242,326	592,109
Tourism	105,784	--	--	--	105,784
Senior Citizens	212,806	--	--	--	212,806
Economic Development	<u>39,996</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>39,996</u>
Total Cultural, Parks, Recreation and Promotion	<u>1,114,561</u>	<u>--</u>	<u>--</u>	<u>270,092</u>	<u>1,384,653</u>
Capital outlay	<u>47,413</u>	<u>1,610,241</u>	<u>--</u>	<u>1,304,732</u>	<u>2,962,386</u>
Total expenditures	<u>11,289,348</u>	<u>2,642,582</u>	<u>--</u>	<u>2,183,448</u>	<u>16,115,378</u>
Excess (deficiency) of revenues over expenditures	<u>(9,557,314)</u>	<u>740,522</u>	<u>3,291,207</u>	<u>1,835,772</u>	<u>(3,689,813)</u>
Other financing sources (uses)					
Transfers in	10,162,919	--	--	145,182	10,308,101
Transfers out	<u>(436,344)</u>	<u>(781,999)</u>	<u>(3,491,191)</u>	<u>(1,270,525)</u>	<u>(5,980,059)</u>
Total other financing sources (uses)	<u>9,726,575</u>	<u>(781,999)</u>	<u>(3,491,191)</u>	<u>(1,125,343)</u>	<u>4,328,042</u>
Net change in fund balances	169,261	(41,477)	(199,984)	710,429	638,229
Fund balances - beginning	<u>449,095</u>	<u>9,359,893</u>	<u>1,726,182</u>	<u>3,239,693</u>	<u>14,774,863</u>
Fund balances - ending	<u>\$ 618,356</u>	<u>\$ 9,318,416</u>	<u>\$ 1,526,198</u>	<u>\$ 3,950,122</u>	<u>\$15,413,092</u>

**CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011**

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 \$ 638,229

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	2,564,229
Depreciation expense	(2,591,311)
Assets deleted	(55,216)

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	5,862
------------------------------	-------

Change in Net Assets of Governmental Activities \$ 561,793

CITY OF CLAREMORE, OKLAHOMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total</u>
	<u>Claremore Industrial and Economic Development Authority</u>	<u>Claremore Cultural Development Authority</u>	<u>Claremore Public Works Authority</u>	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 393,001	\$ 360,115	\$ 2,833,437	\$ 3,586,553
Cash investments	502,951	--	--	502,951
Accounts receivable	16,188	23,683	4,390,729	4,430,600
Other assets	--	1,242	22,637	23,879
Prepaid expenses	17,997	--	--	17,997
Inventory	62,912	--	750,005	812,917
Insurance receivable	<u>--</u>	<u>212,553</u>	<u>--</u>	<u>212,553</u>
Total current assets	<u>993,049</u>	<u>597,593</u>	<u>7,996,808</u>	<u>9,587,450</u>
Noncurrent assets:				
Loan costs, net of amortization	3,454	--	--	3,454
Restricted assets				
Cash	--	102,862	4,035,871	4,138,733
Investments	--	--	14,600,000	14,600,000
Interest receivable	--	--	84,951	84,951
Capital assets (net)	5,176,304	12,537,374	53,253,913	70,967,591
Unamortized bond costs	<u>--</u>	<u>213,453</u>	<u>1,742,334</u>	<u>1,955,787</u>
Total noncurrent assets	<u>5,179,758</u>	<u>12,853,689</u>	<u>73,717,069</u>	<u>91,750,516</u>
Total assets	<u>\$6,172,807</u>	<u>\$13,451,282</u>	<u>\$81,713,877</u>	<u>\$101,337,966</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	47,641	62,196	2,219,639	2,329,476
Accrued interest	1,232	--	--	1,232
Accrued compensated absences	--	9,133	98,767	107,900
Due other funds	7,161	--	--	7,161
Current portion of long term debt	68,992	575,000	1,613,560	2,257,552
Other liabilities	<u>--</u>	<u>5,810</u>	<u>--</u>	<u>5,810</u>
Total current liabilities	<u>125,026</u>	<u>652,139</u>	<u>3,931,966</u>	<u>4,709,131</u>
Non-current liabilities				
Notes and bonds payable, less current portion	180,607	7,860,000	37,849,140	45,889,747
Payable from restricted assets				
Accounts payable	--	--	1,506,301	1,506,301
Accrued interest	--	38,190	312,518	350,708
Utility deposits	<u>--</u>	<u>--</u>	<u>806,513</u>	<u>806,513</u>
Total non-current liabilities	<u>180,607</u>	<u>7,898,190</u>	<u>40,474,472</u>	<u>48,553,269</u>
Total liabilities	<u>305,633</u>	<u>8,550,329</u>	<u>44,406,438</u>	<u>53,262,400</u>
NET ASSETS				
Investment in capital assets, net of related debt	4,926,705	4,315,827	15,533,547	24,776,079
Restricted:				
Reserved for debt retirement	--	64,672	2,216,430	2,281,102
Property, plant and equipment	--	--	3,960,582	3,960,582
Hospital Trust Fund	--	--	9,918,478	9,918,478
Unrestricted:	<u>940,469</u>	<u>520,454</u>	<u>5,678,402</u>	<u>7,139,325</u>
Total net assets	<u>\$ 5,867,174</u>	<u>\$ 4,900,953</u>	<u>\$37,307,439</u>	<u>\$48,075,566</u>

**CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>CIEDA</u>	<u>CCDA</u>	<u>CPWA</u>	<u>Total</u>
Operating revenues				
Utility charges	\$ --	\$ --	\$ 32,255,431	\$ 32,255,431
Rentals	92,955	364,641	--	457,596
Penalties	--	--	397,380	397,380
Miscellaneous	591	--	41,513	42,104
Service income	37,060	918,954	--	956,014
Fuel sales	<u>315,554</u>	<u>--</u>	<u>--</u>	<u>315,554</u>
Total operating revenues	<u>446,160</u>	<u>1,283,595</u>	<u>32,694,324</u>	<u>34,424,079</u>
Operating expenses				
Cost of fuel sales	239,963	--	--	239,963
Purchased utilities	--	--	16,204,986	16,204,986
Personnel services and benefits	231,421	836,167	2,434,896	3,502,484
Operating expenses	198,494	621,210	3,906,225	4,725,929
Bad debts expense	--	--	119,572	119,572
Depreciation expense	<u>122,821</u>	<u>514,914</u>	<u>1,469,466</u>	<u>2,107,201</u>
Total operating expense	<u>792,699</u>	<u>1,972,291</u>	<u>24,135,145</u>	<u>26,900,135</u>
Net operating income (loss)	<u>(346,539)</u>	<u>(688,696)</u>	<u>8,559,179</u>	<u>7,523,944</u>
Nonoperating revenue (expense)				
Gain (loss) on assets	--	201,000	(9,439)	191,561
Investment income	12,927	16,893	396,309	426,129
Interest expense	(16,428)	(483,548)	(702,206)	(1,202,182)
Amortization	<u>(1,263)</u>	<u>(21,525)</u>	<u>(479,768)</u>	<u>(502,556)</u>
Total nonoperating revenue (expenses)	<u>(4,764)</u>	<u>(287,180)</u>	<u>(795,104)</u>	<u>(1,087,048)</u>
Net income (loss) before contributions, grants and transfers	(351,303)	(975,876)	7,764,075	6,436,896
Operating transfers in (out)	200,000	1,282,531	(5,928,206)	(4,445,675)
Capital transfers	10,500	--	107,133	117,633
Sales tax	<u>--</u>	<u>--</u>	<u>381,629</u>	<u>381,629</u>
Change in net assets	(140,803)	306,655	2,324,631	2,490,483
Net assets - beginning of year	<u>6,007,977</u>	<u>4,594,298</u>	<u>34,982,808</u>	<u>45,585,083</u>
Net assets - end of year	<u>\$ 5,867,174</u>	<u>\$ 4,900,953</u>	<u>\$ 37,307,439</u>	<u>\$ 48,075,566</u>

**CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>CIEDA</u>	<u>CCDA</u>	<u>CPWA</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers	\$ 453,774	\$ 1,279,135	\$ 32,411,154	\$ 34,144,063
Payments to suppliers	(451,824)	(640,562)	(19,614,422)	(20,706,808)
Payments to employees and benefits	(231,421)	(830,809)	(2,454,367)	(3,516,597)
Net cash provided (used) by operating activities	<u>(229,471)</u>	<u>(192,236)</u>	<u>10,342,365</u>	<u>9,920,658</u>
Cash flows from noncapital financing activities				
Transfers received (to) governmental funds	<u>210,500</u>	<u>1,282,531</u>	<u>(5,820,074)</u>	<u>(4,327,043)</u>
Net cash provided (used) by nonoperating activities	<u>210,500</u>	<u>1,282,531</u>	<u>(5,820,074)</u>	<u>(4,327,043)</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(178,019)	(198,931)	(10,880,215)	(11,257,165)
Principal paid on long-term debt	(64,827)	(530,000)	(1,575,263)	(2,170,090)
Interest paid on long-term debt	(16,422)	(485,845)	(711,777)	(1,214,044)
Proceeds from sale of capital assets	<u> --</u>	<u>285,259</u>	<u>109,500</u>	<u>394,759</u>
Net cash provided (used) for capital and related financing activities	<u>(259,268)</u>	<u>(929,517)</u>	<u>(13,057,755)</u>	<u>(14,246,540)</u>
Cash flows from investing activities				
Interest received from investments	12,927	16,893	421,952	451,772
(Increase) decrease in investments	<u>278,146</u>	<u> --</u>	<u>11,563,047</u>	<u>11,841,193</u>
Net cash provided (used) from investing activities	<u>291,073</u>	<u>16,893</u>	<u>11,984,999</u>	<u>12,292,965</u>
Net increase (decrease) in cash and cash equivalents	12,834	177,671	3,449,535	3,640,040
Cash balance, beginning of year	<u>380,167</u>	<u>285,306</u>	<u>3,419,773</u>	<u>4,085,246</u>
Cash balance, end of year	<u>\$ 393,001</u>	<u>\$ 462,977</u>	<u>6,869,308</u>	<u>\$ 7,725,286</u>
Cash consists of:				
Current assets	\$ 393,001	\$ 360,115	\$ 2,833,437	\$ 3,586,553
Restricted assets	<u> --</u>	<u>102,862</u>	<u>4,035,871</u>	<u>4,138,733</u>
	<u>\$ 393,001</u>	<u>\$ 462,977</u>	<u>\$ 6,869,308</u>	<u>\$ 7,725,286</u>

**CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>CIEDA</u>	<u>CCDA</u>	<u>CPWA</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$(299,969)	\$(688,696)	\$ 8,559,179	\$ 7,570,514
Depreciation	76,251	514,914	1,469,466	2,060,631
(Increase) decrease in:				
Other assets	--	4,644	17,182	21,826
Prepaid expenses	1,306	--	--	1,306
Inventory	(31,227)	--	109,480	78,253
Accounts receivable	7,614	(5,020)	(187,777)	(185,183)
Accounts payable and accrued expenses	<u>16,554</u>	<u>(18,078)</u>	<u>374,835</u>	<u>373,311</u>
Net cash provided (used) by operating activities	<u>\$(229,471)</u>	<u>\$(192,236)</u>	<u>\$10,342,365</u>	<u>\$ 9,920,658</u>

**CITY OF CLAREMORE , OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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**CITY OF CLAREMORE , OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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 policies 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:

<u>Blended Component Units Reported with the Primary Government</u>	<u>Brief Description of Activities Relationship to City</u>	<u>Reporting Funds</u>
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 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 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 user fees.	Accounts for restricted miscellaneous donations and library
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.
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:

	<u>Governmental</u>
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 2010, 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, 2011, 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:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
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, 2011, 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, 2011, 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, 2011, 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, 2011.

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:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Current assets		
Cash and Certificates of Deposit	\$10,377,328	\$ 4,895,924
Federal Securities	<u> --</u>	<u>3,500,000</u>
	<u>\$10,377,328</u>	<u>\$ 8,395,924</u>
Restricted assets		
Cash and Certificates of Deposit	\$ 4,138,733	
Government Securities	<u> --</u>	<u>14,600,000</u>
	<u>\$ 4,138,733</u>	<u>\$14,600,000</u>

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 is \$11,600 less than the fair market value. See Note 2.B for the investment policy and restrictions.

3.B. RESTRICTED ASSETS

The restricted assets as of June 30, 2011 are as follows:

	<u>Cash</u>	<u>Investments</u>	<u>Interest Receivable</u>
Claremore Community Development Authority			
Debt Retirement			
2004 Revenue Fund	\$ 2,029		
2004 Bond Fund	<u>100,833</u>		
Total CCDA	<u>102,862</u>		
Claremore Public Works Authority			
Utility Deposits	806,513		
Constructions Funds	1,464,425	\$ 4,000,000	\$ 2,458
Debt Retirement	1,540,290		
Hospital Trust Fund	<u>224,643</u>	<u>10,600,000</u>	<u>82,493</u>
Total CPWA	<u>4,035,871</u>	<u>14,600,000</u>	<u>84,951</u>
Grand Totals	<u>\$4,138,733</u>	<u>\$14,600,000</u>	<u>\$ 84,951</u>

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 2011.

3.D. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2011, was as follows:

Class	Governmental				Ending Balance June 30, 2011
	Beginning Balance July 1, 2010	Additions	Deletions	Transfers	
Land and improvements	\$ 2,063,570	\$ --	\$(55,216)	\$ --	\$ 2,008,354
Infrastructure	48,933,942	260,325	--	(35,866)	49,158,401
Buildings	11,180,675	557,899	--	--	11,738,574
Equipment and furniture	11,765,218	364,003	--	20,795	12,150,016
Construction in progress	489,616	1,757,182	--	(81,767)	2,165,031
Accumulated depreciation	<u>(38,822,741)</u>	<u>(2,591,311)</u>	<u>--</u>	<u>(48,640)</u>	<u>(41,462,692)</u>
	<u>\$ 35,610,280</u>	<u>\$ 348,098</u>	<u>\$(55,216)</u>	<u>\$(145,478)</u>	<u>\$ 35,757,684</u>

Included in Construction In Process is approximately \$1,522,437 of cost associated with the planning and development of a future construction project related to the railroad system passing through the City. These costs have been funded by state grants to evaluate a future building project. As of July 2011, management represents the state has not abandoned this project. However, there is no estimate as to the total cost or completion of the project.

Capital asset activity for non-governmental activities for the year ended June 30, 2011, was as follows:

<u>Class</u>	<u>Beginning Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance June 30, 2011</u>
Land and improvements	\$ 3,711,528	\$ 146,092	\$(90,306)	\$ --	\$ 3,767,314
Infrastructure	37,739,788	249,129	--	--	37,988,917
Buildings	24,314,146	76,616	(318,000)	--	24,072,762
Equipment and furniture	7,992,737	386,564	(165,872)	96,838	8,310,267
Construction in progress	22,156,305	8,979,592	--	--	31,135,897
Accumulated depreciation	<u>(32,503,682)</u>	<u>(2,107,201)</u>	<u>255,156</u>	<u>48,161</u>	<u>(34,307,566)</u>
	<u>\$63,410,822</u>	<u>\$ 7,730,792</u>	<u>\$(319,022)</u>	<u>\$ 144,999</u>	<u>\$ 70,967,591</u>

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:

<u>Functional Category</u>	<u>Amount</u>
General Government	\$ 105,011
Public Safety	656,949
Public Works	1,416,402
Culture and Recreation	<u>412,949</u>
Total	<u>\$2,591,311</u>

During the year a segment of the Expo building was damaged due to excessive snow. As of June 30, 2011, the City recognized approximately \$500,000 of insurance revenues and an approximate \$200,000 loss related to the net book value of the damaged building. As of January 5, 2012, from the revenues received, the City has expended approximately \$191,000 on ancillary issues associated with damages caused by the storm to keep the facility in operation, leaving approximately \$309,000 to complete the restoration of the building. Management has received estimates of approximately \$565,000 to demolish and reconstruct the damaged section and anticipates the additional cash needed of approximately \$256,000 to be covered by insurance, as the claim is still open.

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:

	<u>Balance</u> <u>6/30/2010</u>	<u>Current</u> <u>Amortization</u>	<u>Balance</u> <u>6/30/2011</u>
Note maturing July, 2028	\$ 404,369	\$ 23,631	\$ 380,738
Note maturing June, 2030	173,206	8,696	164,510
Note maturing June, 2015	19,468	3,960	15,508
Total cost of note refinanced in October, 2009 including \$1,874,570 of refinancing costs	<u>1,860,037</u>	<u>465,006*</u>	<u>1,395,031</u>
Totals	<u>\$2,457,080</u>	<u>\$ 501,293</u>	<u>\$1,955,787</u>

* 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, 2011:

Debt outstanding, July 1, 2010	\$ 50,317,389
Additions	--
Retirements	<u>(2,170,090)</u>
Debt outstanding, June 30, 2011	<u>\$ 48,147,299</u>

The provisions of such debt at June 30, 2011 are as follows:

	<u>Total Debt</u>	<u>Due Within One Year</u>
<i>Debt of the Claremore Public Works Authority:</i>		
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	\$475,000	\$110,000
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	8,410,000	70,000
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.	5,520,000	120,000
Lease/purchase agreement (capital leases) in the amount of \$29,620,000 for and secured by wastewater treatment system, effluent pump station, force mains, outfall lines and facilities acquired pursuant to this agreement. Title in name of lessee with lessor having a security interest. Payable in semiannual payments of varying amounts of principal plus interest at 4.554% until June 1, 2022 from transfers from the Expo/WWTP Sales Tax Fund	<u>25,057,700</u>	<u>1,313,560</u>
Total Claremore Public Works Authority Debt	<u>39,462,700</u>	<u>1,613,560</u>

	<u>Total Debt</u>	<u>Due Within One Year</u>
<i>Debt of the Claremore Community Development Authority:</i>		
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.	<u>8,435,000</u>	<u>575,000</u>
<i>Debt of the Claremore Industrial and Economic Development Authority:</i>		
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.	66,207	49,124
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.	<u>183,392</u>	<u>19,868</u>
Total Claremore Industrial and Economic Development Authority	<u>\$ 249,599</u>	<u>\$ 68,992</u>
Totals - Long Term Debt	48,147,299	<u>\$2,257,552</u>
Less: Current Portion	<u>2,257,552</u>	
Long-term Portion	<u>\$45,889,747</u>	

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

	<u>Claremore Public Works Authority</u>		<u>Expo/WWTP Sales Tax Fund</u>		<u>Claremore Industrial and Economic Development Authority</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year Ending June 30, 2012	300,000	672,862	1,888,560	1,584,725	68,992	12,840
Year Ending June 30, 2013	320,000	658,352	2,029,294	1,494,091	38,124	9,082
Year Ending June 30, 2014	340,000	642,887	2,219,662	1,396,223	22,283	7,611
Year Ending June 30, 2015	365,000	626,468	2,416,494	1,289,031	23,599	6,296
Year Ending June 30, 2016	255,000	608,763	2,624,631	1,170,469	24,992	4,903
5 Years Ending June 30, 2021	2,120,000	2,786,378	16,927,391	3,677,433	71,609	5,621
5 Years Ending June 30, 2026	2,855,000	2,191,075	5,386,668	175,253		
5 Years Ending June 30, 2031	4,375,000	1,374,075				
5 Years Ending June 30, 2036	3,475,000	545,625				

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 \$45,000,000 at June 30, 2011.

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, 2011, interfund receivables and payables which resulted from various interfund transactions were as follows:

	Due From Other Funds	Due to Other Funds
Airport Fund	\$ 7,161	\$ --
CIEDA	<u> --</u>	<u> 7,161</u>
	<u>\$ 7,161</u>	<u>\$ 7,161</u>

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
Operating transfer	Sales Tax Park	180,732	General Fund	180,732
Operating transfer	Sales Tax Police	370,126	General Fund	370,126
Operating transfer	Sales Tax Fire	416,147	General Fund	416,147
Long-term debt	Expo/WWTP			
	Sales Tax	2,480,000	CPWA	2,480,000
Long-term debt	Expo-WWTP			
	Sales Tax	1,011,191	CCDA	1,011,191
Operating transfer	Capital Improvement			
	Sales Tax	34,939	CCDA	34,939
Operating transfer	CPWA	8,408,207	General Fund	8,408,207
Capital transfer	CDBG	107,133	CPWA	107,133
Operating transfer	General Fund	236,344	CCDA	236,344
Operating transfer	General Fund	200,000	CIEDA	200,000
Operating transfer	Sales Tax - Street	781,999	General Fund	781,999
Fund balance transfer	Special Revenue Fund	35,221	Sales Tax - Park	35,221
Fund balance transfer	Special Revenue Fund	10,162	Sales Tax - Police	10,162
Fund balance transfer	Special Revenue Fund	10,139	Sales Tax - Fire	10,139
Fund balance transfer	Special Revenue Fund	5,708	General Fund	5,708
Fund balance transfer	Special Revenue Fund	15,026	Animal Control	15,026
Operating transfer	Sales Tax - Police	35,650	Animal Control	35,650
Fund balance transfer	Special Revenue Fund	57	CCDA	57
Fund balance transfer	Special Revenue Fund	38,985	Library Fund	38,985
Capital transfer	Airport Fund	10,500	CIEDA	10,500

3.K. FUND EQUITY

Fund equity or net assets is summarized by the use of such equity.

Assigned net assets at June 30, 2011 consisted of the following:

General fund - Encumbrances	\$ 89,219
Street	9,310,559
Police	1,081,960
Park	763,012
Fire	223,645
Cemetery	368,120
Library	54,708
Purchase and maintenance of capital assets	1,251,551
Debt service - for Enterprise Funds	<u>1,526,198</u>
	<u>\$14,668,972</u>

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 2011 amounted to \$555,463. 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, 2011, was as follows:

Total pension benefit obligations	\$2,760,356,036
Net assets available for pension benefits, at market	<u>1,757,838,480</u>
Unfunded pension benefit obligation	<u>\$1,002,517,556</u>

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 2011. Net assets available to pay pension benefits were valued as of the same date.

The City's 2011 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, 2011, 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 \$314,142. 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, 2011, was as follows:

Total pension benefit obligations	\$1,959,976,006
Net assets available for pension benefits, at market	<u>1,822,702,000</u>
Unfunded pension benefit obligation	<u>\$ 137,274,006</u>

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 2011. 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, 2011, 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 \$9,360,658 for the year ended June 30, 2011, and the City's payroll for employees covered by the plan was \$4,695,373.

The number of Fund participants by category is as follows:

Terminated members entitled to, but not yet receiving benefits	13
Retirees and beneficiaries currently receiving benefits	43
Fully vested employees	53
Non-vested employees	<u>79</u>
 Total	 <u>188</u>

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:

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Annual Actual Contribution</u>	<u>Percentage Contributed</u>
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%

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.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
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%

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Beginning fund balance	\$ --	\$ 449,095	\$ 449,095	\$ --
Resources (inflows)				
Nontax revenues				
Licenses and permits	89,250	89,250	110,404	21,154
Charges for services	51,800	51,800	110,398	58,598
Interest income	14,800	14,800	21,479	6,679
Fines and costs	163,850	163,850	280,611	116,761
Miscellaneous	<u>58,000</u>	<u>58,000</u>	<u>54,254</u>	<u>(3,746)</u>
Total nontax	<u>377,700</u>	<u>377,700</u>	<u>577,146</u>	<u>199,446</u>
Taxes				
Hotel/Motel	80,000	80,000	90,822	10,822
Use tax	590,000	590,000	450,722	(139,278)
ONG franchise	200,000	200,000	168,473	(31,527)
Telephone and cable franchise	<u>181,000</u>	<u>181,000</u>	<u>188,926</u>	<u>7,926</u>
Total taxes	<u>1,051,000</u>	<u>1,051,000</u>	<u>898,943</u>	<u>(152,057)</u>
Intergovernmental				
Alcohol beverage tax	92,000	92,000	95,274	3,274
Cigarette tax	122,000	122,000	119,534	(2,466)
Tobacco tax	10,000	10,000	24,750	14,750
Interest on delinquent County tax	5,000	5,000	9,511	4,511
Federal/State grant	<u>--</u>	<u>--</u>	<u>6,875</u>	<u>6,875</u>
Total Intergovernmental	<u>229,000</u>	<u>229,000</u>	<u>255,944</u>	<u>26,944</u>
Operating transfers				
Transfers In	<u>10,157,212</u>	<u>10,157,212</u>	<u>10,162,920</u>	<u>5,708</u>
Total operating transfers	<u>10,157,212</u>	<u>10,157,212</u>	<u>10,162,920</u>	<u>5,708</u>
Total revenues	<u>11,814,912</u>	<u>11,814,912</u>	<u>11,894,953</u>	<u>80,041</u>
Total available for appropriation	<u>\$11,814,912</u>	<u>\$12,264,007</u>	<u>\$12,344,048</u>	<u>\$ 80,041</u>

**CITY OF CLAREMORE , OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY METHOD)
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Changes to Appropriation (outflows)				
Managerial	\$ 624,809	\$ 574,691	\$ 326,789	\$ 247,902
Information Tech.	128,804	128,804	95,971	32,833
City Clerk	106,023	106,023	95,520	10,503
Municipal Court	139,554	139,554	141,296	(1,742)
Finance	299,696	299,696	286,672	13,024
Human Resources	164,181	214,299	195,586	18,713
Police	3,581,193	3,581,193	3,604,297	(23,104)
Fire	3,454,792	3,454,792	3,758,514	(303,722)
Development Services	211,014	211,014	216,947	(5,933)
Park	336,914	336,914	349,783	(12,869)
Library	337,535	337,535	320,038	17,497
Cemetery	140,120	140,120	125,523	14,597
FLEET Management	744,122	744,122	755,878	(11,756)
General Government	176,437	176,437	134,919	41,518
Custodial	106,744	106,744	105,323	1,421
Civil Defense	10,000	10,000	4,768	5,232
Community Image	462,787	462,787	384,938	77,849
Senior Citizens	208,998	208,998	212,806	(3,808)
Non-departmental	<u>581,189</u>	<u>574,789</u>	<u>610,124</u>	<u>(35,335)</u>
 Total charges to appropriations	 <u>11,814,912</u>	 <u>11,808,512</u>	 <u>11,725,692</u>	 <u>82,820</u>
 Ending Budgetary Fund Balance	 <u>\$ --</u>	 <u>\$ 455,495</u>	 <u>\$ 618,356</u>	 <u>\$ 162,861</u>

**CITY OF CLAREMORE , OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY METHOD)
STREET AND ALLEY FUND
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning fund balance	<u>\$ 8,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 9,359,893</u>	<u>\$ 1,359,893</u>
Resources (Inflows)				
Interest income	53,000	53,000	74,344	21,344
Sales tax	2,772,000	2,772,000	2,909,578	137,578
Other taxes	142,000	142,000	146,991	4,991
Grants	--	--	250,000	250,000
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>2,191</u>	<u>1,191</u>
Total revenues	<u>2,968,000</u>	<u>2,968,000</u>	<u>3,383,104</u>	<u>415,104</u>
Total available for appropriation	<u>10,968,000</u>	<u>10,968,000</u>	<u>12,742,997</u>	<u>1,774,997</u>
Charges to Appropriations (Outflows)				
Personal services	803,436	803,436	716,806	86,630
Materials and supplies	218,900	231,115	175,996	55,119
Other charges	164,320	159,920	139,539	20,381
Capital outlay	2,799,450	2,864,450	1,610,241	1,254,209
O/H transfers	<u>781,999</u>	<u>781,999</u>	<u>781,999</u>	<u>--</u>
Total Charges to Appropriations	<u>4,768,105</u>	<u>4,840,920</u>	<u>3,424,581</u>	<u>1,416,339</u>
Ending Budgetary Fund Balances	<u>\$ 6,199,895</u>	<u>\$ 6,127,080</u>	<u>\$ 9,318,416</u>	<u>\$ 3,191,336</u>

**CITY OF CLAREMORE , OKLAHOMA
 BUDGETARY COMPARISON SCHEDULE
 (BUDGETARY METHOD)
 EXPO/WWTP SALES TAX FUND
 YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Beginning fund balance	<u>\$ 2,194,479</u>	<u>\$ 2,194,479</u>	<u>\$ 1,726,182</u>	<u>\$(468,297)</u>
Resources (Inflows)				
Interest	2,500	2,500	--	(2,500)
Taxes				
Sales tax	<u>3,267,000</u>	<u>3,267,000</u>	<u>3,291,207</u>	<u>24,207</u>
Total revenues	<u>3,269,500</u>	<u>3,269,500</u>	<u>3,291,207</u>	<u>21,707</u>
Total available for appropriation	<u>5,463,979</u>	<u>5,463,979</u>	<u>5,017,389</u>	<u>(446,590)</u>
Charges to Appropriations (Outflows)				
Transfers to debt retirement	<u>5,463,979</u>	<u>5,463,979</u>	<u>3,491,191</u>	<u>1,972,788</u>
Total Charges to Appropriations	<u>5,463,979</u>	<u>5,463,979</u>	<u>3,491,191</u>	<u>1,972,788</u>
Ending Budgetary Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,526,198</u>	<u>\$ 1,526,198</u>

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

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Library Fund	Capital Improvement Sales Tax	Special Revenues Fund Total	CAPITAL PROJECTS				Capital Projects Funds Total	Total Non-major Governmental Funds
			Airport Fund	CDBG SEWER Fund	Bicycle Trails Grant			
\$57,112	\$1,154,446	\$2,988,003	52,328	58,126	\$249,157	\$359,611	\$3,347,614	
--	--	409,254	--	--	--	--	409,254	
--	--	--	17,249	40,902	--	58,151	58,151	
--	226,115	578,071	--	--	--	--	578,071	
--	--	--	7,161	--	--	7,161	7,161	
22	--	293	--	--	--	--	293	
<u>\$57,134</u>	<u>\$1,380,561</u>	<u>\$3,975,621</u>	<u>\$76,738</u>	<u>\$99,028</u>	<u>\$249,157</u>	<u>\$424,923</u>	<u>\$4,400,544</u>	
2,426	129,010	232,625	--	71,938	145,859	217,797	450,422	
2,426	129,010	232,625	--	71,938	145,859	217,797	450,422	
--	--	--	76,738	27,090	103,298	207,126	207,126	
54,708	1,251,551	3,742,996	--	--	--	--	3,742,996	
54,708	1,251,551	3,742,996	76,738	27,090	103,298	207,126	3,950,122	
<u>\$57,134</u>	<u>\$1,380,561</u>	<u>\$3,975,621</u>	<u>\$76,738</u>	<u>\$99,028</u>	<u>\$249,157</u>	<u>\$424,923</u>	<u>\$4,400,544</u>	

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Library Fund	CAPITAL PROJECTS						Total Non-major Governmental Funds
	Capital Improvement Sales Tax	Special Revenues Fund Total	Airport Fund	CDBG Sewer Fund	Bicycle Trails Grant	Capital Projects Funds Total	
\$ --	\$1,316,483	\$3,291,203	\$ --	\$ --	\$ --	\$ --	\$3,291,203
--	--	171,639	--	--	--	--	171,639
36,917	--	92,599	159	36,000	134,819	170,978	263,577
67	--	3,766	--	--	--	--	3,766
28,407	--	70,502	--	--	--	--	70,502
--	--	13,333	--	--	--	--	13,333
--	--	139,290	--	--	--	--	139,290
--	--	65,910	--	--	--	--	65,910
<u>65,391</u>	<u>1,316,483</u>	<u>3,848,242</u>	<u>159</u>	<u>36,000</u>	<u>134,819</u>	<u>170,978</u>	<u>4,019,220</u>
25,806	--	25,806	--	--	--	--	25,806
--	--	242,326	--	--	--	--	242,326
--	--	394,975	--	--	--	--	394,975
--	--	213,649	--	--	--	--	213,649
--	--	1,960	--	--	--	--	1,960
--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--
<u>23,862</u>	<u>718,499</u>	<u>908,521</u>	<u>--</u>	<u>--</u>	<u>396,211</u>	<u>396,211</u>	<u>1,304,732</u>
<u>49,668</u>	<u>718,499</u>	<u>1,787,237</u>	<u>--</u>	<u>--</u>	<u>396,211</u>	<u>396,211</u>	<u>2,183,448</u>
<u>15,723</u>	<u>597,984</u>	<u>2,061,005</u>	<u>159</u>	<u>36,000</u>	<u>(261,392)</u>	<u>(225,233)</u>	<u>1,835,772</u>
38,985	--	145,182	--	--	--	--	145,182
--	(34,939)	(1,152,892)	(10,500)	(107,133)	--	(117,633)	(1,270,525)
<u>38,985</u>	<u>(34,939)</u>	<u>(1,007,710)</u>	<u>(10,500)</u>	<u>(107,133)</u>	<u>--</u>	<u>(117,633)</u>	<u>(1,125,343)</u>
54,708	563,045	1,053,295	(10,341)	(71,133)	(261,392)	(342,866)	710,429
--	688,506	2,689,701	87,079	98,223	364,690	549,992	3,239,693
<u>\$54,708</u>	<u>\$1,251,551</u>	<u>\$3,742,996</u>	<u>\$76,738</u>	<u>\$27,090</u>	<u>\$103,298</u>	<u>\$207,126</u>	<u>\$3,950,122</u>

City of Claremore, Ok
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
US Department of Transportation:			
Direct Programs			
Federal Aviation Administration	20.106		10,500.00
Total Direct Programs			<u>10,500.00</u>
Pass-through programs from:	20.205		
Federal Highway Administration:		STP-166E(204)EH JP 24573(04)	401,156.96
Oklahoma Department of Agriculture		SAFETEALU-09-10	4,290.00
Oklahoma State Department of Transportation			
Federal Highway Administration:			
Oklahoma State Department of Transportation-Elevated Rail		SEC330-0D01(008)SG JP23703(05)	752,203.62
Total pass-through programs			<u>1,157,650.58</u>
Total U.S. Department of Transportation			<u>1,168,150.58</u>
ARRA - US Department of Commerce- Energy Efficiency & Conservation Block Grant	81.128		250,000.00
US Department of Housing and Urban Development			
Office of Community Planning and Development:	14.228		
Sanitary Sewer		13431 CDBG 2009 13898 CDBG 2009	31,497.65 13,156.54
Department of Homeland Security	97.036		
FEMA 1985 DR OK		FEMA 1985 DR OK	28,602.85
Federally declared disaster area			1,784.01 1,630.00 42,832.13
Total expenditures of federal awards			<u>1,537,653.76</u>

See accompanying notes to schedule of expenditures of federal awards.

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 preparation 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 no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness identified? yes no
- Significant deficiency identified? yes 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 no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Federal Highway Administration

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 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) 2009-2
- 3) 2010-2

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

- 1) 2010-5
- 2) 2011-1

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.

Reported Material Weaknesses as presented in the Schedule of Findings and Responses related to internal control deficiencies over compliance with federal awards.

- 1) 2010-5

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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, 2011. 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, 2011.

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 consider item 2010-5 as reported in the Schedule of Findings and Responses to be a material weakness in internal control over compliance as defined above. These item, previously identified during the audit conducted for 2010, could not be addressed and corrected by management during the fiscal 2011 engagement, as the findings were discovered and reported during the calendar year 2011 and did not allow sufficient time to address these issues. We recommend any user of this statement to review the updated status of this item in the Schedule of Findings and Responses.

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

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JANUARY 26, 2012

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SCHEDULE OF FINDINGS AND RESPONSES

It should be noted, during the 2009 and 2010 audit engagements, certain audit findings could not be resolved for the 2011 audit engagement, as the timeframe of approximately 12 months between the issuance of the 2009 audit report and issuance of the 2011 audit report did not allow ample time for management to address these items. As such, these items are being repeated in the current year engagement, with the representation of management that the issues not able to be addressed prior to the 2011 audit engagement will be addressed prior to the 2012 audit engagement. Previously reported findings and the updated status of the findings related to the 2009 audit engagement are reflected below as items 2009-1 and 2009-2. Audit findings related to the 2010 audit engagement and the updated status of those findings are listed as 2010-1 through 2010-5. Audit findings related to the 2011 audit procedures are listed as 2011-1.

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

2010-1: Long Outstanding Checks - Continued

Context: Testing of reconciling amounts on the City's operating bank account revealed approximately \$17,000 of these items.

Effect: Unclaimed property not properly administered can result in violation of State statutes.

Cause: Periodic review of unclaimed property are not scheduled or enforced by management.

Recommendation: Implementation of a period review and evaluation of compliance with the State's Unclaimed Property Act.

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

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: The Human Director, who was aware of the problem before the audit findings were reported has implemented and conducted employee training and new procedures to eliminate this problem in the future. The City is in the process of bringing the payroll processing function "in-house" and is correcting employee files as this project progresses. Estimated completion date is February 2012. The 2012 audit plan will include procedures to test these procedures.

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: Management implemented a grant management and reporting policy in November 2011. Audit procedures performed during fiscal 2011 noted significant changes in the oversight and administration of grant activities.

2010-4: Recognition of Accounts Payable

Criteria or specific requirement: Accounts payable should be recognized in the period for which services or products are provided or received.

Condition: Material invoices for construction services, received subsequent to the reporting period, were not properly identified as liabilities of the 2010 fiscal period.

Context: Cut-off testing performed over accounts payable revealed and estimated \$3.2 million of construction costs not reported in the 2010 fiscal period.

Effect: Failure to recognize amounts payable for service and products in the proper period can result in materially misstated financial statements.

Cause: The employee responsible for performing cut-off procedures for accounts payable has not been properly trained to perform these procedures.

Recommendation: We recommend management implement training and control activities and to ensure proper recognition of similar expenditures.

2010-4: Recognition of Accounts Payable - Continued

Corrective Action Update: Audit testing performed during the fiscal 2011 engagement confirmed personnel responsible for these activities have been properly trained to identify items as noted above.

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: Management implemented a grant management and reporting policy in November 2011. Audit procedures performed during fiscal 2011 noted significant changes in the oversight and administration of grant activities.

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.

2009-1 Fixed Asset Records - Continued

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 have been implemented and physical inventories will began mid to late December 2011.

2009-2 Direct Pay Forms

Criteria or specific requirement: Invoices, along with attached supporting documentation, shall be submitted to and examined by the governing body for review of legality. The governing body shall approve the invoices for payment in the amount determined just and correct. As an alternative, a municipality may, by ordinance, authorize the CEO or their designee to approve the invoices for payment as long as adequate internal controls are present in the ordinance. Additionally, payments made by municipal entities are authorized by state statues to authorize blanket purchase orders for recurring purchases approved by the governing body.

Condition: Disbursements were made utilizing a "Direct Pay Form". This form was created and approved by the governing body for isolated cases where approval of a disbursement by the Council could not be obtained timely for certain, necessary disbursements. Per review of the payment process, there was no designee, approved by the Council, or there was no approved blanket purchase order for such payments.

Context: Testing of internal controls surrounding expenditures revealed numerous instances where payments were made with respect to the condition described above, and that the purpose of the "Direct Pay Form" as described above was not properly utilized.

Effect: Disbursements made without prior authorization of the governing body can result in violation of state statues and fraudulent expenditures.

Cause: Internal controls surrounding cash disbursements are not properly enforced to ensure compliance with the governing body's authorization for payments.

Recommendation: Management must establish and enforce cash disbursement policies with respect to authorization made by the governing body.

Corrective Action Update: Current year audit testing confirms the Finance office has significantly reduced the use of direct pay forms. Purchasing policies and procedures have been revised to address the circumstances where misuse of the form was noted.