

2017

City of Claremore, Oklahoma
Annual Financial Report
Fiscal Year Ended June 30, 2017



Clearly More.

CITY OF CLAREMORE, OKLAHOMA
 ANNUAL FINANCIAL REPORT
 AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
 For the fiscal year ended June 30, 2017

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AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
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**CITY OF CLAREMORE, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS**

June 30, 2017

MAYOR AND CITY COUNCIL

Bill Flanagan	Mayor
Susan Kirtley	Councilmember Ward 1
Scott Savage	Councilmember Ward 1
Justin Michael	Councilmember Ward 2
Brian Callender	Councilmember Ward 2
Ken Hays	Councilmember Ward 3
Terry Willis	Councilmember Ward 3
Jeff Goodwin	Councilmember Ward 4
Will DeMier	Councilmember Ward 4

ADMINISTRATION

Jim Thomas	City Manager
Jeri Koehler	Deputy City Manager/HR Director
Jonah Humes	Assistant to the City Manager
Suzan Maloy	Interim Director of Finance
Sean Douglas	Fire Chief
Stan Brown	Chief of Police
Sarah Sharp	City Clerk
Daryl Golbek	Director of Public Infrastructure
John Feary	Director, CIEDA
Jill Ferenc	Director, Planning and Development Services
Sherry Beach	Director, Library
Joe Kays	Director, Parks & Recreation
Tanya Andrews	Director, Claremore Expo Center
Tim White	Director, Information Technology

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Claremore, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Claremore, Oklahoma as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Claremore, Oklahoma, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension information listed in the table of contents of the financial statements 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. I 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. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2018, on our consideration of the City of Claremore, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Claremore, Oklahoma's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "David Clark, CPA". The signature is written in a cursive style.

Claremore, Oklahoma
January 15, 2018

Management of the City of Claremore provides this discussion and analysis of the City of Claremore's financial performance as an overview of the city's financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the city's financial statements, which follow.

Financial Highlights

- Total net position of the city increased by \$6,362,138 or 6.1% from the prior year. This increase is largely due to continued spending controls and receipt of capital grant revenues, somewhat offset by lower utility margins.
- The city's governmental activities net position increased by \$2,319,171 or 4.3% due primarily to the receipt of capital grant revenues for airport development and the sale of a tract of land, as well as sales tax dedicated by ordinance to capital project spending in excess of actual capital expenditures.
- Net position of the business-type activities increased by \$4,042,967 or 8.0%, due to continued spending controls, capitalization of interest expense for an improvement project at the water treatment plant, and the recognition of contributed capital from Rogers County for a sewer improvement, partially offset by lower utility margins.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the city's basic financial statements. The city's basic financial statements include (or are comprised of) three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (pension information and budgetary schedules) and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the city's finances, in a manner similar to private-sector business. The statements are prepared using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid. The government-wide financial statements include the following:

The *statement of net position* presents information on all of the city's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the four reported *as net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the city that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The *governmental activities* of the city include administrative, culture and recreation, public safety, community development, and streets. The *business-type activities* of the city include three enterprise activities: the water system, the sewer system, and the sanitation system.

The government-wide financial statements include not only the city and the Claremore Public Works Authority (CPWA) and Claremore Cultural Development Authority (CCDA) (both blended component units) which comprise the primary government, but also the Claremore Industrial and Economic Development Authority (CIEDA). *This discretely presented component unit* operates similar to private sector business, but has financial accountability to the city. The financial

MANAGEMENT'S DISCUSSION AND ANALYSIS

information for the component unit is reported separately from the financial information presented for the primary government. Complete financial statements of CIEDA, including its MD&A, may be obtained from its Board of Trustees, PO Box 249, Claremore, OK 74018.

The government-wide financial statements can be found immediately following this discussion and analysis on pages 14-15 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The city, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the city can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating governments' near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Sales Tax Street Fund, and EXPO/WWTP Sales Tax Fund, which are considered to be major funds. Data from the other seventeen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found immediately following the government-wide statements on pages 16-19

Proprietary funds. These funds are used to report activities that operate like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The city uses one enterprise fund to account for the operations of its electric, water, sanitary sewer, and sanitation services and one fund to account for the operation of its recreation services. These funds are considered major proprietary funds for presentation purposes. The basic proprietary funds financial statements can be found immediately following the governmental funds financial statements on pages 20-22.

Component Unit Financial Statements. As mentioned above, these are operations for which the city has financial accountability but they have certain independent qualities as well, and they operate similar to business-type activities. The government-wide financial statements present information for the component unit in a single column of the statement of net position and the statement of changes in net position.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements, beginning on page 23.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the city's pension plan and the budgets for each major fund. A budgetary comparison statement has been provided for each major fund to demonstrate compliance with these budgets. Required supplementary information can be found immediately following the notes to the financial statements beginning on page 53.

Other Information. The combining statements referred to earlier are presented following the required supplementary information beginning on page 61.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Net position is the difference between total assets plus total deferred outflows of resources less total liabilities and deferred inflows of resources and is an indicator of the current fiscal health of the City. For the year ended June 30, 2017, the City's combined net position increased by \$6.4 million. The following table provides a summary of the city's net position:

Summary of Net Position

(Table 1 - In millions)

	Governmental Activities		Business Type Activities		Total		Total % Change
	2017	2016	2017	2016	2017	2016	2016-2017
Current and other assets	\$ 31.6	\$ 30.4	\$ 30.7	\$ 40.9	\$ 62.3	\$ 71.3	-13%
Capital assets	37.5	36.6	83.0	73.0	120.5	109.6	10%
Total assets	69.1	67.0	113.7	113.9	182.8	180.9	1%
Deferred outflows of resources	5.1	3.0	0.7	0.3	5.8	3.3	76%
Long-term debt outstanding	0.4	0.6	54.6	58.9	55.0	59.5	-8%
Other liabilities	16.2	13.3	5.1	4.6	21.3	17.9	19%
Total liabilities	16.6	13.9	59.7	63.5	76.3	77.4	-1%
Deferred inflows of resources	1.7	2.5	0.3	0.3	2.0	2.8	-29%
Net position							
Net investment in capital	37.1	36.0	33.1	27.6	70.2	63.6	10%
Restricted	0.3	0.4	12.0	12.0	12.3	12.4	-1%
Unrestricted	18.5	17.2	9.3	10.8	27.8	28.0	-1%
Total net position	\$ 55.9	\$ 53.6	\$ 54.4	\$ 50.4	\$ 110.3	\$ 104.0	6%

The table above reflects an increase of 4.3% for governmental activities net position and an increase of approximately 8.0% for business-type activities. The City's overall financial position improved during fiscal year 2017.

The City's governmental activities net position increased by \$2.3 million, primarily due to the receipt of capital grant and dedication sales tax revenues for which the revenues are recognized but the expenditure is capitalized.

The net position of the City's business type activities increased by \$4.0 million. The increase was due to the recognition of contributed capital from the Cherokee Nation related to sewer improvements, lower transfers out, and the implementation of a new policy to capitalize interest on large long – term construction projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table provides a summary of the City's changes in net position:

**Summary of Changes in Net Position
Table 2 (In millions)**

	Governmental Activities		% Inc. (Dec.)	Business Type Activities		% Inc. (Dec.)	Total		Total % Change
	2017	2016		2017	2016		2017	2016	
<i>Revenues:</i>									
Program revenues									
Charges for services	\$ 0.6	\$ 0.6	0%	\$ 39.4	\$ 38.1	3%	\$ 40.0	\$ 38.7	3%
Operating grants and contributions	0.1	0.1	0%	-	-	-	0.1	0.1	0%
Capital grants and contributions	0.8	0.8	0%	-	-	-	0.8	0.8	0%
General revenues									
Sales and use taxes	11.9	11.8	1%	-	-	-	11.9	11.8	1%
Other taxes	0.7	0.8	-13%	-	-	-	0.7	0.8	-13%
Intergovernmental revenue	1.3	0.7	86%	-	-	-	1.3	0.7	86%
Other	0.6	0.3	100%	0.2	0.7	-71%	0.8	1.0	-20%
Total revenues	16.0	15.1	6%	39.6	38.8	2%	55.6	53.9	3%
<i>Expenses:</i>									
General government	5.0	3.6	39%	-	-	-	5.0	3.6	39%
Public safety and judiciary	9.7	9.9	-2%	-	-	-	9.7	9.9	-2%
Transportation	2.4	2.7	-11%	-	-	-	2.4	2.7	-11%
Culture, parks, recreation & promotion	2.1	2.0	5%	-	-	-	2.1	2.0	5%
Electric operations	-	-	-	19.8	17.7	12%	19.8	17.7	12%
Water operations	-	-	-	2.6	1.9	37%	2.6	1.9	37%
Wastewater operations	-	-	-	4.3	3.7	16%	4.3	3.7	16%
Solid waste operations	-	-	-	1.6	1.7	-6%	1.6	1.7	-6%
Recreation services	-	-	-	2.3	2.4	-4%	2.3	2.4	-4%
Total expenses	19.2	18.2	5%	30.6	27.4	12%	49.8	45.6	9%
Increase in net position before transfers & extraordinary items	(3.2)	(3.1)	3%	9.0	11.4	-21%	5.8	8.3	-30%
Transfers, net	5.5	5.8	-5%	(5.9)	(6.9)	-14%	(0.4)	(1.1)	-64%
Capital contributions	-	-	-	0.9	-	-	0.9	-	-
Change in net position	\$ 2.3	\$ 2.7	-15%	\$ 4.0	\$ 4.5	-11%	\$ 6.3	\$ 7.2	-13%

The results of 2017 were shaped largely by a continued stable to improving local economy. Total net position increased by 6.1% or \$6.4 million. Significant changes were related to:

Governmental Activities (see Table 2):

- Capital grants and intergovernmental revenue restricted for capital projects.
- Governmental fund expenses increased 12% in part due to increased pension expense as continued less than anticipated investment returns are reflected in changes in the carrying value of the net pension liability and higher other personnel costs.
- Other revenue increased by \$0.3 million reflecting the sale of a tract of land at a gain of \$0.5 million, offset by the write off of capital assets with remaining book value of \$0.2 million.
- General government expense included a \$0.3 million depreciation expense correction that was discovered as the result of the implementation of a new capital asset depreciation system.

Business-type Activities:

- Charges for services increased due to higher electric utility rates which failed to fully offset even higher electric purchase costs.
- Operations and maintenance expense was higher primarily to higher electric purchase costs and personnel costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities:

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Table 3 presents the cost of each of the City's five largest programs—public safety and judiciary (police, fire, and court), general government, transportation (streets), cultural (parks, library, cemetery, and senior citizens), and fleet maintenance (a shared service)—as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Governmental Activities
Table 3
(In Thousands)

	Total Cost of Services			%	Net (Expense) Revenue from Services		
	2017	2016	%		2017	2016	%
General government	\$ 4,385	\$ 3,009	46%	\$ (4,196)	\$ (2,789)	50%	
Public safety and judiciary	9,725	9,886	-2%	(9,358)	(9,609)	-3%	
Transportation	2,382	2,694	-12%	(1,543)	(1,880)	-18%	
Cultural, parks, recreation	2,126	1,981	7%	(2,057)	(1,795)	15%	
Fleet maintenance	609	586	4%	(609)	(586)	4%	
	<u>\$ 19,227</u>	<u>\$ 18,156</u>	6%	<u>\$ (17,763)</u>	<u>\$ (16,659)</u>	7%	

Overall, the city's governmental activities' total costs increased 6% over last year and net costs increased by 7%. The explanations on the previous page account for the majority of decreases in total costs of services as well as net costs of services in the governmental activities

Business-type Activities:

Overall, total cost of services for the city's business-type activities increased 17% from last year.

Business-Type Activities
Table 4
(In Thousands)

	Total Cost of Services			%	Net (Expense) Revenue from Services		
	2017	2016	%		2017	2016	%
Electric operations	\$ 19,742	\$ 17,538	13%	\$ 9,102	\$ 9,844	-8%	
Water operations	2,639	1,903	39%	2,351	2,945	-20%	
Wastewater operations	4,302	3,678	17%	(2,114)	(1,512)	40%	
Solid waste operations	1,605	1,912	-16%	487	147	231%	
Recreation services	2,291	2,354	-3%	(1,021)	(752)	36%	
	<u>\$ 30,579</u>	<u>\$ 27,385</u>	12%	<u>\$ 8,805</u>	<u>\$ 10,672</u>	-17%	

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's Funds

The General Fund is the city's primary operating fund and the source of day-to-day operations. The general fund is significantly reliant on transfers from the CPWA. The fund balance increased by \$570,542, or 11.4 percent from the prior year.

General Fund Budgetary Highlights

The general fund budget was virtually unchanged from the original one approved in June 2016. General Fund actual expenditures were below budgeted appropriations by \$1,017,830, due primarily to lower spending than originally projected in the fire and police functional areas. Actual revenues were higher than budgeted by \$936,389 in part due to the sale of a tract of land for \$509,700 and higher transfers from CPWA than was originally budgeted.

Capital Asset and Debt Administration

At the end of June 30, 2017, the city had \$120.5 million invested in capital assets including police and fire equipment, buildings, park facilities, streets and drainage systems, and electric, water, and sewer infrastructure. Additions to capital assets included the purchase of land, easements, water treatment plant improvements, airport runway improvements, a park splash pad, and purchase several vehicles. Information on capital assets is located in Note 3.D.

Capital Assets
Table 5
Net of Accumulated Depreciation
(In millions)

	Governmental		Business-type		Totals		Total % Change
	Activities		Activities				
	2017	2016	2017	2016	2017	2016	
<i>Non-Depreciable Assets</i>							
Land	\$ 3.2	\$ 1.9	\$ 2.1	\$ 2.1	\$ 5.3	\$ 4.0	33%
Construction-in-progress	1.6	2.2	18.7	12.5	20.3	14.7	38%
<i>Depreciable Assets</i>							
Buildings	13.3	12.9	24.5	24.4	37.8	37.3	1%
Equipment and furniture	12.3	11.8	10.0	9.2	22.3	21.0	6%
Infrastructure	58.8	57.1	75.4	69.6	134.2	126.7	6%
<i>Accumulated Depreciation</i>	(51.7)	(49.3)	(47.7)	(44.8)	(99.4)	(94.1)	6%
Totals	\$ 37.5	\$ 36.6	\$83.0	\$73.0	\$120.5	\$109.6	10%

Debt Administration

At year-end, the city had \$62.9 million in outstanding notes, bonds and capital leases. Additional debt information can be found in note 3.F.

These debts are further detailed below as follows:

Outstanding Debt
Table 6
(in millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total % Change</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
Notes Payable	\$ -	\$ -	\$ 21.4	\$ 23.0	\$ 21.4	\$ 23.0	-7%
Revenue Bonds	-	-	33.2	35.9	33.2	35.9	-8%
Capital Leases	0.4	0.6	-	-	0.4	0.6	
Totals	\$ 0.4	\$ 0.6	\$ 54.6	\$ 58.9	\$ 55.0	\$ 59.5	-8%

Economic Factors and Next Year's Budget

The City of Claremore expects the economy to remain essentially flat for next year, with the primary source of increased receipts to meet increasing costs coming from increased utility revenues. Management will continue to strive for fiscal conservativeness while developing plans to improve the systems and operations needed to meet citizens' needs.

The fiscal year 2017-2018 government-wide budget of \$85.4 million is a increase of 7.8% over the prior year primarily due to increased capital spending for roads, a sewer line extension, storm water management, and outdoor recreational improvements; as well as higher electric purchase costs and increases in employee salaries and benefits.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Claremore's finances and to show the city's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Claremore, 104 S. Muskogee Ave., Claremore, OK 74017 or phone (918) 341-1325.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

City of Claremore, Oklahoma
Statement of Net Position
June 30, 2017

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Claremore
	Activities	Activities		Industrial and Economic Development Authority
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 18,601,299	\$ 6,073,582	\$ 24,674,881	\$ 404,272
Cash and cash equivalents - restricted	-	7,959,388	7,959,388	664,613
Accounts receivable, net	180,972	4,866,197	5,047,169	12,203
Interest receivable	53,020	89,531	142,551	-
Interest receivable - restricted	-	-	-	7,670
Other receivable	2,200	-	2,200	-
Prepaid expenses	77,909	6,305	84,214	-
Inventory	13,680	1,313,145	1,326,825	23,803
Due from other governments	2,197,750	18,881	2,216,631	149,108
Due from related entities	9,846	-	9,846	119,891
Note receivable, current - restricted	-	408,495	408,495	540,495
Total current assets	<u>21,136,676</u>	<u>20,735,524</u>	<u>41,872,200</u>	<u>1,922,055</u>
Noncurrent Assets:				
Investments	10,466,567	523,591	10,990,158	-
Restricted assets:				
Investments	-	7,111,185	7,111,185	-
Note receivable, net of current portion	-	2,301,044	2,301,044	3,166,107
Capital assets:				
Land and construction in progress	4,872,656	20,816,262	25,688,918	2,567,517
Depreciable buildings, property, and equipment, net	32,650,416	62,199,118	94,849,534	2,269,608
Total noncurrent assets	<u>47,989,639</u>	<u>92,951,200</u>	<u>140,940,839</u>	<u>8,003,232</u>
Total assets	<u>69,126,315</u>	<u>113,686,724</u>	<u>182,813,039</u>	<u>9,925,287</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Related to defined benefit pension plan	5,065,965	665,829	5,731,794	46,423
LIABILITIES:				
Current Liabilities:				
Accounts payable and accrued liabilities	1,163,462	3,177,410	4,340,872	29,333
Accrued interest payable	-	375,532	375,532	12,511
Due to related entities	41,673	88,064	129,737	-
Current portion of long-term debt	202,260	4,438,495	4,640,755	580,525
Total current liabilities	<u>1,407,395</u>	<u>8,079,501</u>	<u>9,486,896</u>	<u>622,369</u>
Noncurrent liabilities:				
Deposits subject to refund	-	962,283	962,283	-
Net pension liability	13,661,142	312,806	13,973,948	24,661
Accrued compensated absences	1,250,618	163,904	1,414,522	-
Noncurrent portion of long-term debt	202,695	50,141,044	50,343,739	3,329,005
Total non-current liabilities	<u>15,114,455</u>	<u>51,580,037</u>	<u>66,694,492</u>	<u>3,353,666</u>
Total liabilities	<u>16,521,850</u>	<u>59,659,538</u>	<u>76,181,388</u>	<u>3,976,035</u>
DEFERRED INFLOWS OF RESOURCES:				
Related to defined benefit pension plan	1,726,935	287,333	2,014,268	17,549
NET POSITION:				
Net investment in capital assets	37,118,117	33,124,738	70,242,855	4,794,134
Restricted by:				
Enabling legislation	333,198	10,707,956	11,041,154	-
External contracts	-	1,240,969	1,240,969	699,084
Unrestricted	18,492,180	9,332,019	27,824,199	484,908
Total net position	<u>\$ 55,943,495</u>	<u>\$ 54,405,682</u>	<u>\$ 110,349,177</u>	<u>\$ 5,978,126</u>

See accompanying notes to the basic financial statements.

City of Claremore, Oklahoma
Statement of Activities
For the fiscal year ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit CIEDA
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government:								
General government	\$ 4,385,164	\$ 189,144	\$ -	\$ -	\$ (4,196,020)	\$ -	\$ (4,196,020)	\$ -
Public safety and judiciary	9,724,991	352,219	15,000	-	(9,357,772)	-	(9,357,772)	-
Transportation	2,381,516	-	-	838,882	(1,542,634)	-	(1,542,634)	-
Cultural, parks, recreation and promotion	2,126,180	51,608	17,355	-	(2,057,217)	-	(2,057,217)	-
Fleet maintenance	609,353	-	-	-	(609,353)	-	(609,353)	-
Total governmental activities	19,227,204	592,971	32,355	838,882	(17,762,996)	-	(17,762,996)	-
Business-type activities:								
Electric operations	19,741,584	28,843,500	-	-	-	9,101,916	9,101,916	-
Water operations	2,638,927	4,990,303	-	-	-	2,351,376	2,351,376	-
Wastewater operations	4,301,835	2,188,230	-	-	-	(2,113,605)	(2,113,605)	-
Solid waste operations	1,605,553	2,092,295	-	-	-	486,742	486,742	-
Recreation services	2,291,218	1,270,170	-	-	-	(1,021,048)	(1,021,048)	-
Total business-type activities	30,579,117	39,384,498	-	-	-	8,805,381	8,805,381	-
Total primary government	\$ 49,806,321	\$ 39,977,469	\$ 32,355	\$ 838,882	(17,762,996)	8,805,381	(8,957,615)	
Component Unit:								
Economic development	\$ 902,736	\$ 308,002	\$ -	\$ -				(594,734)
Airport	601,663	422,533	-	-				(179,130)
Total component unit	\$ 1,504,399	\$ 730,535	\$ -	\$ -				(773,864)
General revenues:								
Taxes:								
Sales and use taxes					11,944,239	-	11,944,239	-
Franchise and public service taxes					623,844	-	623,844	-
Property tax					17,001	-	17,001	484,698
Intergovernmental revenue not restricted to specific programs					1,339,207	-	1,339,207	-
Investment income					179,761	58,331	238,092	2,174
Miscellaneous					133,297	86,323	219,620	6,879
Gain on disposition of assets					331,408	-	331,408	-
Total general revenues					14,568,757	144,654	14,713,411	493,751
Change in net position before transfers, capital contributions, and extraordinary items					(3,194,239)	8,950,035	5,755,796	(280,113)
Capital contributions					-	964,970	964,970	-
Transfers - Internal activity					5,513,410	(5,872,038)	(358,628)	358,628
Change in net position					2,319,171	4,042,967	6,362,138	78,515
Net position - beginning					53,624,324	50,362,715	103,987,039	5,899,631
Net position - ending					\$ 55,943,495	\$ 54,405,682	\$ 110,349,177	\$ 5,978,146

See accompanying notes to the basic financial statements

**City of Claremore, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2017**

	SPECIAL REVENUE FUNDS				
	General	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 4,832,264	\$ 4,244,475	\$ 5,414,756	\$ 4,109,804	\$ 18,601,299
Prepaid expenses	66,205	-	-	11,704	77,909
Inventory	-	13,680	-	-	13,680
Investments	1,047,219	8,778,447	-	640,901	10,466,567
Receivables:					
Court receivables	180,972	-	-	-	180,972
Due from other governments	246,163	660,954	630,897	636,211	2,174,225
Grants	-	-	-	23,525	23,525
Accrued interest	5,295	44,729	-	2,996	53,020
Other receivable	-	-	-	2,200	2,200
Due from other funds	-	-	-	9,846	9,846
Total assets	<u>\$ 6,378,118</u>	<u>\$ 13,742,285</u>	<u>\$ 6,045,653</u>	<u>\$ 5,437,187</u>	<u>\$ 31,603,243</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 662,466	\$ 264,720	\$ -	\$ 236,276	\$ 1,163,462
Unearned revenue	112,286	-	-	-	112,286
Due to component unit	25,586	-	-	16,087	41,673
Total liabilities	<u>800,338</u>	<u>264,720</u>	<u>-</u>	<u>252,363</u>	<u>1,317,421</u>
Fund Balances:					
Nonspendable	-	13,680	-	-	13,680
Restricted	-	-	-	333,198	333,198
Unrestricted:					
Committed	1,250,618	13,463,885	6,045,653	3,662,589	24,422,745
Assigned	1,342,348	-	-	1,189,037	2,531,385
Unassigned	2,984,814	-	-	-	2,984,814
Total fund balances	<u>5,577,780</u>	<u>13,477,565</u>	<u>6,045,653</u>	<u>5,184,824</u>	<u>30,285,822</u>
Total liabilities and fund balances	<u>\$ 6,378,118</u>	<u>\$ 13,742,285</u>	<u>\$ 6,045,653</u>	<u>\$ 5,437,187</u>	<u>\$ 31,603,243</u>

See accompanying notes to the basic financial statements.

City of Claremore, Oklahoma
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

Fund balances of governmental funds	\$	30,285,822
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of depreciation of \$51,699,994		37,523,072
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are not reported in the funds:		
Court fines receivable		112,286
Some liabilities, including pension obligations, are applicable to future periods and, therefore, are not reported in the funds:		
Accrued compensated absences		(1,250,618)
Net pension liability (measurement date is June 30, 2016)		(13,661,142)
Long term debt		(404,955)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions		5,065,965
Deferred inflows of resources related to pensions		(1,726,935)
Net position of governmental activities	\$	55,943,495

See accompanying notes to the basic financial statements

City of Claremore, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2017

	General	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,254,126	\$ 3,715,519	\$ 3,715,519	\$ 3,899,920	\$ 12,585,084
Intergovernmental	1,306,072	165,099	-	916,237	2,387,408
Licenses and permits	132,611	-	-	-	132,611
Charges for services	56,533	-	-	83,677	140,210
Fines and forfeitures	288,077	-	-	14,114	302,191
Investment income	57,086	114,435	-	8,240	179,761
Miscellaneous	48,188	280	-	84,829	133,297
Total Revenues	3,142,693	3,995,333	3,715,519	5,007,017	15,860,562
Expenditures:					
General government	3,484,120	-	-	224,906	3,709,026
Public safety and judiciary	8,542,096	-	-	999,148	9,541,244
Transportation	7,450	1,135,421	-	-	1,142,871
Cultural, parks, recreation and promotion	1,384,730	-	-	484,958	1,869,688
Fleet maintenance	-	-	-	606,587	606,587
Capital outlay	96,885	1,838,731	-	1,638,742	3,574,358
Total Expenditures	13,515,281	2,974,152	-	3,954,341	20,443,774
Excess (deficiency) of revenues over expenditures	(10,372,588)	1,021,181	3,715,519	1,052,676	(4,583,212)
Other Financing Sources (Uses):					
Gross proceeds from sale of property	509,700	-	-	-	509,700
Transfers in	11,663,840	-	-	706,842	12,370,682
Transfers out	(1,230,410)	(662,330)	(3,023,218)	(2,011,922)	(6,927,880)
Total Other Financing Sources (Uses)	10,943,130	(662,330)	(3,023,218)	(1,305,080)	5,952,502
Net change in fund balances	570,542	358,851	692,301	(252,404)	1,369,290
Fund balances - beginning	5,007,238	13,118,714	5,353,352	5,437,228	28,916,532
Fund balances - ending	\$ 5,577,780	\$ 13,477,565	\$ 6,045,653	\$ 5,184,824	\$ 30,285,822

See accompanying notes to the basic financial statements

City of Claremore, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the fiscal year ended June 30, 2017

Net change in fund balances - total governmental funds	\$	1,369,290
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 as:		
Capital asset purchases capitalized		3,574,359
Depreciation expense		(2,571,904)
Revenues in the Statement of Activities that do not provide current financial resources		
Court receivables expected to collect after the availability period (60 days)		112,286
Repayment of debt principal is an expenditure in the governmental funds, and debt issuance is considered an other financing source, but repayment reduces long-term liabilities in the Statement of Net Position:		
Principal payments on long term debt		198,220
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		
Accrued compensated absences		(171,261)
Loss on asset dispositions		(120,028)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:		
Employer pension contributions		1,212,126
Cost of benefits earned net of employee contributions		(1,283,917)
Change in net position of governmental activities	<u>\$</u>	<u>2,319,171</u>

See accompanying notes to the basic financial statements

City of Claremore, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2017

	<u>CPWA</u>	<u>CCDA</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 5,159,042	\$ 914,540	\$ 6,073,582
Accounts receivable, net	4,850,657	15,540	4,866,197
Due from other governments	18,881	-	18,881
Prepaid expense	772	5,533	6,305
Inventory	1,313,145	-	1,313,145
Restricted assets:			
Cash and cash equivalents	7,959,388	-	7,959,388
Investments	-	-	-
Interest receivable	89,531	-	89,531
Note receivable, current portion	408,495	-	408,495
Total current assets	<u>19,799,911</u>	<u>935,613</u>	<u>20,735,524</u>
Noncurrent Assets:			
Investments	523,591	-	523,591
Restricted assets:			
Investments	7,111,185	-	7,111,185
Note receivable, net of current portion	2,301,044	-	2,301,044
Land and construction in progress	19,396,134	1,420,128	20,816,262
Other capital assets, net	52,495,433	9,703,685	62,199,118
Total noncurrent assets	<u>81,827,387</u>	<u>11,123,813</u>	<u>92,951,200</u>
Total assets	<u>101,627,298</u>	<u>12,059,426</u>	<u>113,686,724</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to defined benefit pension plan	<u>552,616</u>	<u>113,213</u>	<u>665,829</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued expenses	3,066,043	111,367	3,177,410
Accrued interest payable	375,532	-	375,532
Accrued compensated absences	124,829	39,075	163,904
Due to related entities	88,064	-	88,064
Current portion of long term obligations	4,438,495	-	4,438,495
Total current liabilities	<u>8,092,963</u>	<u>150,442</u>	<u>8,243,405</u>
Noncurrent liabilities:			
Deposits subject to refund	948,485	13,798	962,283
Net pension liability	250,310	62,496	312,806
Noncurrent portion of long-term obligations	50,141,044	-	50,141,044
Total noncurrent liabilities	<u>51,339,839</u>	<u>76,294</u>	<u>51,416,133</u>
Total liabilities	<u>59,432,802</u>	<u>226,736</u>	<u>59,659,538</u>
DEFERRED INFLOWS OF RESOURCES:			
Related to defined benefit pension plan	<u>248,882</u>	<u>38,451</u>	<u>287,333</u>
NET POSITION:			
Net investment in capital assets	21,942,661	11,123,813	33,066,474
Restricted for:			
Storm water	789,470	-	789,470
Debt service	1,240,969	-	1,240,969
Hospital trust fund	9,820,724	-	9,820,724
Unrestricted	8,704,406	783,639	9,488,045
Total net position	<u>\$ 42,498,230</u>	<u>\$ 11,907,452</u>	<u>\$ 54,405,682</u>

See accompanying notes to the basic financial statements

City of Claremore, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2017

	Enterprise Funds		
	CPWA	CCDA	Total
Operating revenues:			
Charges for services:			
Electricity charges	\$ 28,713,097	\$ -	\$ 28,713,097
Water charges	4,859,900	-	4,859,900
Sewer and storm water charges	2,057,827	-	2,057,827
Sanitation charges	1,961,892	-	1,961,892
Recreation services	-	860,903	860,903
Rentals	-	409,267	409,267
Penalties and fees	521,612	-	521,612
Other	48,239	38,084	86,323
Total operating revenues	<u>38,162,567</u>	<u>1,308,254</u>	<u>39,470,821</u>
Operating expenses:			
Electric	18,680,565	-	18,680,565
Water	1,981,746	-	1,981,746
Sewer	2,184,409	-	2,184,409
Sanitation	1,393,200	-	1,393,200
Recreation	-	1,759,011	1,759,011
Depreciation	2,677,172	532,207	3,209,379
Total operating expenses	<u>26,917,092</u>	<u>2,291,218</u>	<u>29,208,310</u>
Operating income (loss)	11,245,475	(982,964)	10,262,511
Non-operating revenues (expenses):			
Investment income	56,176	2,155	58,331
Interest expense and fiscal charges	(1,370,807)	-	(1,370,807)
Total non-operating revenues (expenses)	<u>(1,314,631)</u>	<u>2,155</u>	<u>(1,312,476)</u>
Net income(loss) before transfers and capital contributions	9,930,844	(980,809)	8,950,035
Capital contributions	964,970	-	964,970
Transfers in	3,983,696	637,278	4,620,974
Transfers out	(10,493,012)	-	(10,493,012)
Change in net position	<u>4,386,498</u>	<u>(343,531)</u>	<u>4,042,967</u>
Net position - beginning	38,111,732	12,250,983	50,362,715
Net position - ending	<u>\$ 42,498,230</u>	<u>\$ 11,907,452</u>	<u>\$ 54,405,682</u>

See accompanying notes to the basic financial statements

City of Claremore, Oklahoma
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2017

	CPWA	CCDA	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 38,113,952	\$ 1,366,085	\$ 39,480,037
Payments to suppliers	(21,124,064)	(692,414)	(21,816,478)
Payments to or on behalf of employees	(3,001,438)	(1,135,822)	(4,137,260)
Receipts of customer deposits	278,415	18,713	297,128
Customer deposits refunded or applied	(261,566)	(33,042)	(294,608)
Net cash provided by (used in) operating activities	<u>14,005,299</u>	<u>(476,480)</u>	<u>13,528,819</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	3,577,563	637,278	4,214,841
Transfers to other funds	(10,486,515)	-	(10,486,515)
Net cash provided by (used in) non-capital and related financing activities	<u>(6,908,952)</u>	<u>637,278</u>	<u>(6,271,674)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(11,611,245)	(164,688)	(11,775,933)
Principal paid on capital debt	(4,292,784)	-	(4,292,784)
Interest and fiscal agent fees paid on capital debt	(1,942,032)	-	(1,942,032)
Capital asset transfers from other funds	363,260	-	363,260
Net cash used in capital and related financing activities	<u>(17,482,801)</u>	<u>(164,688)</u>	<u>(17,647,489)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	13,459,227	-	13,459,227
Note principal and interest payments from related party	516,877	-	516,877
Interest and dividends	63,444	2,155	65,599
Net cash provided by (used in) investing activities	<u>14,039,548</u>	<u>2,155</u>	<u>14,041,703</u>
Net increase in cash and cash equivalents	3,653,094	(1,735)	3,651,359
Balances - beginning of the year	9,465,336	916,275	10,381,611
Balances - end of the year	<u>\$ 13,118,430</u>	<u>\$ 914,540</u>	<u>\$ 14,032,970</u>
Reconciliation to the Statement of Net Position:			
Cash and cash equivalents	\$ 5,159,042	\$ 914,540	\$ 6,073,582
Restricted cash and cash equivalents	7,959,388	-	7,959,388
Total cash and cash equivalents	<u>\$ 13,118,430</u>	<u>\$ 914,540</u>	<u>\$ 14,032,970</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 11,245,475	\$ (982,964)	\$ 10,262,511
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	2,677,172	532,207	3,209,379
Change in assets, liabilities, and deferrals:			
Decrease (increase) in receivables, net	(48,615)	(7,017)	(55,632)
Decrease in inventory	103,755	-	103,755
Increase in prepaid expense	5,709	1,981	7,690
Increase in deferred outflows	(343,844)	(54,547)	(398,391)
Increase in accounts payable	(181,334)	(10,215)	(191,549)
Increase in customer deposits payable	16,849	(14,329)	2,520
Increase (decrease) in accrued compensated absences	(6,279)	3,838	(2,441)
Increase in other accrued liabilities	273,996	-	273,996
Increase in net pension liability	311,861	64,848	376,709
Decrease in deferred inflows	(49,446)	(10,282)	(59,728)
Net cash provided by (used in) operating activities	<u>\$ 14,005,299</u>	<u>\$ (476,480)</u>	<u>\$ 13,528,819</u>

See accompanying notes to the basic financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). Generally Accepted Accounting Principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices of Claremore are discussed in subsequent sections of this Note.

1.A. FINANCIAL REPORTING ENTITY

The city's financial reporting entity is comprised of the following:

Primary Government:	City of Claremore
Component Units:	Claremore Public Works Authority (CPWA)
	Claremore Cultural Development Authority (CCDA)
	Claremore Industrial and Economic Development Authority (CIEDA)

In determining the financial reporting entity, the city complies with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, and Statement No. 61, *The Financial Reporting Entity: Omnibus* and includes all component units of which the city is fiscally accountable.

Each of these component units is a Public Trust established pursuant to Title 60 of Oklahoma State Statutes. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets that are acquired or constructed with Authority debt or other Authority generated resources. In addition, the city has leased certain existing assets at the creation of the Authorities to the Trustees on a long-term basis. The city, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

BLENDED COMPONENT UNITS

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the city. These component units funds are blended into those of the city's by appropriate fund category to comprise the primary government presentation.

The component units that are blended into the primary governments' fund categories are presented below:

Claremore Public Works Authority (CPWA) - Created April 7, 1972, to finance, develop and operate the electric, water, sewer, and solid waste activities. The current City Council serves as the entire governing body (Trustees). Any issuances of debt would require a two-thirds approval of the City Council. The CPWA is reported as an enterprise fund within the primary government presentation.

Claremore Cultural Development Authority (CCDA) - Created June 7, 1999 to provide funds for cultural and recreational services for the City and its inhabitants. The current City Council serves as the entire governing body. Any issuance of debt would require a two-thirds approval of the City Council. The CCDA is reported as an enterprise fund within the primary government presentation

DISCRETELY PRESENTED COMPONENT UNIT

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The component unit that is discretely presented in the city's report is presented below:

Claremore Industrial and Economic Development Authority (CIEDA) was created September 16, 1968, to promote, stimulate, encourage, and finance the development of industry and commerce and other related activities on behalf of the city. CIEDA also manages the City's airport under an annual contract. Trustee appointments are approved by the City Council and may be removed at will by the City Council. The city assumes no responsibility for the Authority's day-to-day operations and the Authority's Trustees are responsible for management contracts. In addition, the city has no obligation for the debt of the Authority.

Complete financial statements of the discretely presented component unit can be obtained by contacting the Administrative office of the Claremore Industrial and Economic Development Authority, PO Box 249, Claremore, Oklahoma 74018.

1.B. BASIS OF PRESENTATION

Government-Wide Financial Statements:

The statement of net position and statement of activities display information about the city as a whole. They include all financial activities of the reporting entity. Eliminations have been made to minimize the double reporting of transactions involving internal activities. Individual funds are not displayed in these statements. Instead, 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.

The statement of activities presents a comparison between the expenses and program revenues directly associated with the different governmental functions and business-type activities to arrive at the net revenue or expense of the function or activity prior to the use of taxes and other general revenues. Program revenues include (1) fees, fines, and service charges generated by the program or activity, (2) operating grants and contributions that are restricted to meeting the operational requirements of the program or activity, and (3) capital grants and contributions that are restricted to meeting the capital requirements of the program or activity and include assets donated by developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Separate financial statements are presented for the two major fund categories: governmental and proprietary. The city presently has no fiduciary funds. An emphasis of the fund financial statements is placed on major governmental and enterprise funds. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

1. 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
2. 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.
3. A fund not meeting the criteria of (a) and (b), however management has elected to report the fund as a major fund due to its significance to users of the financial statements.

FUND TYPES AND MAJOR FUNDS:

All remaining governmental and enterprise funds not meeting the above criteria are aggregated and reported as nonmajor funds. The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specified revenue sources that are restricted or committed to expenditures for specified purposes other than capital projects or debt service. The reporting entity includes the following special revenue funds: Sales Tax Street Fund and EXPO/WWTP Fund, both of which are considered major funds. Nonmajor funds include the Police Juvenile Fund, Drug Seizure fund, Sales Tax Park, IRS Seizures Fund, Sales Tax Police, Sales Tax Fire, Animal Control Fund, Emergency Taxes, Cemetery Care Fund, Emergency Management, Fleet Maintenance, Library Fund, and the Street Improvement Fund.

Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities or other capital assets. The reporting entity includes five capital project funds, none of which are major funds: Capital Improvement Sales Tax, Airport Fund, CDBG Sewer Fund, Bicycle Trails Grant, and John Carle Blvd Improvement Fund.

PROPRIETARY FUND TYPES

Proprietary funds include both enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-like activities provided and charged to other funds or entities within the reporting entity. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Claremore Public Works Authority enterprise fund. This fund accounts for activities of the public trust in providing electric, water, wastewater, and sanitation services to the public and is considered a major fund. The reporting entity also includes the Claremore Cultural Development Authority.

COMPONENT UNIT

The discretely presented component unit is a separate legal entity whose governing body (in majority) is appointed by the Mayor or City Council, but whose governing body is not substantially the same as the City Council nor is it an entity established to provide services primarily to the primary government. Since this component unit is not as closely associated with the city as is a blended component unit, it is reported in a discretely presented column on the government-wide financial statements labeled "Component Units." The reporting entity includes the Claremore Industrial and Economic Development Authority, a discretely presented component unit.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The government-wide financial statements and the proprietary fund statements report using the *economic resources* measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in Net Position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. 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.

Governmental fund financial statements report using the "current financial resources" measurement focus and the modified accrual basis of accounting. Under the current financial resources 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. Under the 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. The city considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Sales and use taxes, franchise taxes, hotel/motel taxes, court fines and interest are considered susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

1.D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Cash and Cash Equivalents

Cash and cash equivalents includes all demand, savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Revenue bond account investments in money market accounts are also considered cash equivalents and carried at cost.

Investments

Investments consist of non-negotiable certificates of deposit whose original maturity term exceeds three months, investments in U.S. Government Securities, and securities that are guaranteed by the U.S. Government. All non-negotiable certificates of deposit are carried at cost. Investments in U.S. Government Securities and those backed by the U.S. Government are carried at fair value. The city places no limit on the amount it may invest in any one issuer. The city has not adopted a formal deposit and investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates other than restrictions set forth in state statutes.

Receivables

Material receivable in the governmental fund types and the governmental activities include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. These are reported as *Due From Other Governments*. Non-exchange transactions collectible but not available are deferred in the fund financial statements. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Business-type activities and the proprietary type fund consist of revenues earned at year-end and not yet received. Billed and unbilled utility accounts receivable comprise the majority of these receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Component unit notes receivable of the Claremore Industrial and Economic Development Authority consist of hangar rentals, accrued investment interest, administrative fees and reimbursements related to the conduit debt and tax increment financing activity, and accrued grant revenue.

Inventories

The city maintains a materials inventory related to the electric, water, and sewer facilities and component unit inventories consist of aviation fuel; inventory values are carried on a first-in first-out basis.

Capital Assets and Depreciation

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

In the government-wide financial statements and the proprietary fund type, property, plant and equipment are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets that are recorded at their estimated fair value at the date of donation. The governmental fund infrastructure assets consisting of streets and drainage systems were capitalized for the first time for the year ended June 30, 2006. Estimated historical cost was used to value the majority of the assets acquired prior to that time. The city capitalizes all capital purchases of land, buildings and improvements, infrastructure, and leasehold improvements regardless of cost, and furniture and equipment in excess of \$2,000. Computer hardware and software is expensed when purchased.

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

- Buildings and Improvements 20-50 years
- Furniture and Equipment 3-25 years
- Infrastructure 25-45 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Restricted Assets

Restricted assets reported in the fund financial statements include current assets of the governmental and enterprise funds that are legally restricted as to their use. The primary restricted assets are related to the Hospital Sale Trust, revenue bond trustee accounts restricted for debt service, and deposits held for refund.

Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the City that are applicable to a future reporting period. At June 30, 2017, the City reported deferred outflows of resources related to its defined benefit pension plans.

Long-Term Debt

Accounting treatment of long-term debt varies depending upon the source of repayment and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources and business-type and similar discretely presented component unit resources are reported as liabilities as incurred. The long-term debt consists primarily of revenue bonds and notes payable. This long-term debt is reported net of unamortized premiums, and discounts, if any.

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

Deferred Inflows of Resources

Deferred inflows are the acquisitions of net position by the City that are applicable to a future reporting period. At June 30, 2017, the City reported deferred inflows of resources related to its defined benefit pension plans.

Compensated Absences

The city's policy regarding vacation and compensatory time permits employees to accumulate varying amounts as determined by management and contracts with employee groups. One half of accrued sick leave may be paid upon termination at various rates accordingly to non-union and union employees.

NOTES TO THE BASIC FINANCIAL STATEMENTS

In the fund financial statements, governmental funds report only the compensated absences that have matured; however, the compensated absences obligation is reported as a fund balance reserve in compliance with the State Constitution.

Pensions

The City participates in three employee pension systems as follows:

<u>Name of Plan/System</u>	<u>Type of Defined Benefit Plan</u>
Oklahoma Police Pension and Retirement Plan (OPPRS)	Cost Sharing Multiple Employer
Oklahoma Firefighters Pension and Retirement Plan (OFPRS)	Cost Sharing Multiple Employer
Oklahoma Municipal Retirement Fund (OMRF)	Agent Multiple Employer

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's retirement plans and additions to/deductions from the City's fiduciary net positions have been determined on the same basis as they are reported by each respective plan or system. For this purpose, benefit payments are recognized when due and payable in accordance with the respective plan benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OPPRS, OFPRS, and OMRF plans' fiduciary net position is available in a separately issued financial report for each plan. Those reports may be obtained as follows: Oklahoma Police Pension and Retirement System – www.ok.gov/OPPRS and the Oklahoma Firefighters Pension and Retirement System – www.ok.gov/FPRS and the Oklahoma Municipal Retirement Fund at www.okmrf.org.

Equity Classifications

Government-Wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

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

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Since the City implemented GASB Statement 54, fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – included amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.

NOTES TO THE BASIC FINANCIAL STATEMENTS

d. Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.

e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy to first use restricted fund balance prior to the use of the unassigned fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of fund balance amounts require that restricted amounts would be reduced first, followed by committed amounts and then assigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

1.E. 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 sales tax is recorded as revenue in the funds as follows:

- One third is designated for street improvements and is recorded in the Sales Tax Street Fund. This sales tax is permanent (1% of taxable sales).
- On third is designated for repayment of long-term debt of the Expo/Recreation Center and Wastewater Plant and is recorded in the EXPO/WWTP Sales Tax Fund. This sales tax (1% of taxable sales) expires in 2034.
- The remaining third expires on July 1, 2019 (1% of taxable sales) and is split as follows:
 - 40% to the Capital Improvement Sales Tax Fund to be used for capital improvements and maintenance
 - 20% to the Sales Tax Park Fund to be used for the parks and recreation department
 - 20% to the Sales Tax Police fund to be used for police operations
 - 20% to the Sales Tax Fire fund to be used for fire operations
- Sales tax resulting from sales occurring prior to year end and received by the City after year end have been accrued and is included under the caption *Due From Other Governments* because they represent taxes on sales occurring during the reporting period.

Property Tax

Under State statutes, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. The City has not levied any property tax; however, the City has designated four tax increment districts for which incremental additional property tax will be paid to the City for a specified term. The property tax is recognized in the financial presentation of CIEDA.

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

Pledged Revenue

The city has pledged future net electric system revenues to repay the \$23,920,000 Utility System Refunding Revenue Bonds, Series 2012 which were issued on May 30, 2012 in order to refund the Bank of America Capital Corp. Lease Purchase Agreement dated October 18, 2007 which provided financing for acquiring, constructing, furnishing and equipping improvements to the wastewater treatment facilities owned by the City. The note is payable through 2025. The total

NOTES TO THE BASIC FINANCIAL STATEMENTS

principal and interest payable for the remainder of the life of this note is \$21,218,875. Debt service payments of \$1,950,700 for the current fiscal year were 14.2% of pledged net revenues.

The city has pledged future net electric system and certain sales tax revenues to repay the \$8,680,000 Capital Improvement Refunding Revenue Bonds, Taxable Series 2013A which were issued on May 7, 2013 in order to refund the outstanding Capital Improvement Refunding Bonds, Taxable Series 2004B dated April 1, 2004 which were used to advance refund the Capital Improvement Revenue Refunding Bonds, Series 2000 and acquire and construct an exposition, park and recreational facility known as the Claremore expo Complex and to acquire, construct and equip waste water treatment facilities and other City capital improvements. The note is payable through 2021. The total principal and interest payable for the remainder of the life of this note is \$4,484,010. Debt service payments of \$1,089,570 for the current fiscal year were 7.9% of pledged net revenues.

The city has also pledged future net electric system revenues to repay the \$5,035,000 Electric System Refunding Revenue Bonds, Series 2013B which were issued on June 7, 2013 in order to refund the outstanding Electric System Revenue Bonds, Series 2005, dated June 1, 2005 which were used to construct improvements to the electric system. The note is payable through 2030. The total principal and interest payable for the remainder of the life of this note is \$5,131,465. Debt service payments of \$386,760 for the current fiscal year were 2.6% of pledged net revenues.

The city also pledged future net electric system revenues to repay the \$8,005,000 Utility System Refunding Revenue Bonds, Series 2013C which were issued on June 7, 2013 in order to refund the outstanding Utility System Revenue Bonds, Series 2005, dated July 1, 2005 which were used to advance refund CPWA's \$9,710,000 Capital Improvement Revenue Refunding Bonds, Series 1998 which were issued to refund CPWA's outstanding Water and Sewer System Revenue Bonds, Series 1993, Dated October 1, 1993 and expend, enlarge and improve the water system and facilities owned by the City and leased to the Authority. The note is payable through 2035. The total principal and interest payable for the remainder of the life of this note is \$9,911,735. Debt service payments of \$396,460 for the current fiscal year were 2.9% of pledged net revenues.

The city has pledged net revenues from the water and sewer systems and the 1% sales tax levied and reported in the Sales Tax Street Fund to repay the \$21,000,000 Utility System and Sales Tax Revenue Note, Series 2015 which were issued on March 10, 2015 to RCB Bank, which will be used for expansion and renovation of the water treatment plant. The note is payable through March, 2030 with the first payment coming due on September 1, 2015 in the amount of \$818,353. The total principal and interest payable for the remainder of the life of this note is \$22,188,643. Debt service payments of \$1,672,013 for the current fiscal year were 25.7% of pledged net revenues.

Expenditures and Expenses

In the government-wide financial statements, expenses, including depreciation of capital assets, are reported by function or activity. In the governmental fund financial statements, expenditures are reported by class (further reported by function), capital outlay and debt service. In the proprietary fund financial statements, expenses are reported by object or activity.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide statement of net position and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans - amounts provided with a requirement for repayment are reported as interfund receivables and payables.

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. Interfund services - sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements:

Interfund activity related to services provided and used is not eliminated in the process of consolidating the government-wide financial statements. All other interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements, as follows:

1. Internal balances - amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities - amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effect of interfund services between funds is not eliminated in the statement of activities.
3. Primary government and component unit activity and balances - resource flows between the primary government (the City, CPWA, and CCDA) and the discretely presented component units (the CIEDA) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

1.G. USE OF ESTIMATES

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

1.H. NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL YEAR 2017

The City adopted new accounting pronouncements during the year ended June 30, 2017 as follows:

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions— The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Although the City does permit retired employees to participate in its health insurance programs by paying the full current premium, implementation of this statement would require an actuarially determined liability related to the fact that the premium is not age adjusted. Since currently only one retiree has elected to participate, the City elected to forego the actuary study as management believes it to be immaterial to the financial presentation. This will continue to be monitored for possible inclusion in future years.

Statement No. 77, Tax Abatement Disclosures – This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The required information is included in the footnotes to the City's financial statements; there is no effect on the financial statements themselves.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unity, the City and its component units are subject to various federal, state and local laws and contractual regulations.

2.A. DEFICIT FUND BALANCES OR NET POSITION

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). The City did not create any deficit fund balances in the current year.

2.B. DEPOSITS AND INVESTMENTS REQUIREMENTS

In accordance with State Statutes, 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.

Investments of a City (excluding Public Trusts) are limited by State Statute to the following:

- a. Direct obligations of the U. S. Government, its agencies and 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 in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- 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 obligations of the National Mortgage Association.
- 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, 2017, the city and its public trusts, complied with the above investment restrictions.

NOTES TO THE BASIC FINANCIAL STATEMENTS

2.C. DEBT RESTRICTIONS AND COVENANTS

Revenue Bond Debt

The bond indentures relating to the revenue bond issued by the CPWA contain a number of financial restrictions or covenants. These include covenants requiring flow of funds through special accounts, required reserve account balances and revenue bond debt service coverage requirements. The CPWA complied with the requirements of the bond indentures in all material respects for the fiscal year ended June 30, 2017.

NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

3.A. DEPOSITS AND INVESTMENTS

The City's policies regarding deposits of cash and investments are discussed in Note 2.B.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2017, the City was not exposed to custodial credit risk as defined above.

Total bank deposits of \$1,068,885 of the discretely presented component unit were either insured with Federal Deposit Insurance Corporation Insurance or collateralized.

As of June 30, 2017, the City's reporting entity had the following deposits and investments:

Type	Fair Value	Credit Rating	Maturities in Years		
			On Demand	Less than one	1 - 5
Demand deposits and cash on hand	\$27,029,839	n/a	\$27,029,839	\$ -	\$ -
Money market fund - federal obligations	6,143,673	n/a	6,143,673	-	-
Certificates of deposit	5,475,064	n/a	-	900,114	4,574,950
Government backed securities	12,087,036	n/a	-	2,115,586	9,971,450
	<u>\$50,735,612</u>		<u>\$33,173,512</u>	<u>\$ 3,015,700</u>	<u>\$ 14,546,400</u>
Reconciliation to Statement of net position:					
Cash and cash equivalents	\$24,674,881				
Restricted - cash and cash equivalents	7,959,388				
Investments	10,990,158				
Restricted - investments	7,111,185				
	<u>\$50,735,612</u>				

Investments

The City's investment policy requires diversification in order to eliminate the risk of loss resulting from the over-concentration of assets with a specific maturity date, issuer, or class of securities.

NOTES TO THE BASIC FINANCIAL STATEMENTS

3.B. ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consists of court receivables, business-type activities consists of customer utilities receivable. Component unit accounts receivable consists of airport hangar and land rentals. Receivables detail at June 30, 2017, is as follows:

	Governmental Activities	Business-Type Activities	Component Unit (CIEDA)
Accounts Receivable	\$349,861	\$7,066,479	\$12,203
Allowance for uncollectible accounts	(168,889)	(2,200,282)	(-)
Net Accounts Receivable	\$180,972	\$4,866,197	\$12,203

3.C. RESTRICTED ASSETS

The amounts reported as restricted assets in the fund financial statements are comprised of cash and investments held by the trustee bank on behalf of the various public trusts (authorities) related to their required revenue note accounts as described in Note 2.B., and deposits held for refund.

NOTES TO THE BASIC FINANCIAL STATEMENTS

3.D. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,895,191	\$ 1,342,275	\$ -	\$ 3,237,466
Construction-in-progress	2,197,583	624,445	1,186,838	1,635,190
Total Capital assets not being depreciated	<u>4,092,774</u>	<u>1,966,720</u>	<u>1,186,838</u>	<u>4,872,656</u>
Depreciable assets				
Buildings and improvements	12,957,449	448,561	126,470	13,279,540
Equipment and furniture	11,824,552	658,513	186,865	12,296,200
Infrastructure	57,074,923	1,699,747	-	58,774,670
Total depreciable assets	<u>81,856,924</u>	<u>2,806,821</u>	<u>313,335</u>	<u>84,350,410</u>
Less accumulated depreciation	<u>49,321,397</u>	<u>2,571,904</u>	<u>193,307</u>	<u>51,699,994</u>
Net depreciable assets	<u>32,535,527</u>	<u>234,917</u>	<u>120,028</u>	<u>32,650,416</u>
Governmental activities capital assets, net	<u>\$ 36,628,301</u>	<u>\$ 2,201,637</u>	<u>\$ 1,306,866</u>	<u>\$ 37,523,072</u>
<i>Business -type Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 2,094,862	\$ 105,494	\$ 58,264	\$ 2,142,092
Construction-in-progress	12,502,984	10,557,913	4,386,727	18,674,170
Total Capital assets not being depreciated	<u>14,597,846</u>	<u>10,663,407</u>	<u>4,444,991</u>	<u>20,816,262</u>
Depreciable Assets:				
Buildings and improvements	24,367,204	96,538	-	24,463,742
Equipment and furniture	9,252,221	1,035,764	310,156	9,977,829
Infrastructure	69,577,649	5,885,177	-	75,462,826
Total depreciable assets	<u>103,197,074</u>	<u>7,017,479</u>	<u>310,156</u>	<u>109,904,397</u>
Less accumulated depreciation	<u>44,806,056</u>	<u>3,209,379</u>	<u>310,156</u>	<u>47,705,279</u>
Net depreciable assets	<u>58,391,018</u>	<u>3,808,100</u>	<u>-</u>	<u>62,199,118</u>
Business-type activities capital assets, net	<u>\$ 72,988,864</u>	<u>\$ 14,471,507</u>	<u>\$ 4,444,991</u>	<u>\$ 83,015,380</u>
<i>Component Unit (CIEDA):</i>				
Capital assets not being depreciated:				
Land and building held for development	\$ 2,416,550	\$ 150,967	\$ -	\$ 2,567,517
Total Capital assets not being depreciated	<u>2,416,550</u>	<u>150,967</u>	<u>-</u>	<u>2,567,517</u>
Depreciable Assets:				
Buildings and improvements	1,213,347	-	-	1,213,347
Equipment and furniture	369,876	-	-	369,876
Infrastructure	2,079,378	-	-	2,079,378
Total depreciable assets	<u>3,662,601</u>	<u>-</u>	<u>-</u>	<u>3,662,601</u>
Less accumulated depreciation	<u>1,157,507</u>	<u>235,486</u>	<u>-</u>	<u>1,392,993</u>
Net depreciable assets	<u>2,505,094</u>	<u>(235,486)</u>	<u>-</u>	<u>2,269,608</u>
Component unit capital assets, net	<u>\$ 4,921,644</u>	<u>\$ (84,519)</u>	<u>\$ -</u>	<u>\$ 4,837,125</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

Depreciation expense was charged to functions in the statement of activities as follows:

Primary Government:	
Governmental Activities:	
General government	\$663,812
Public safety and judiciary	426,742
Culture, parks, and recreation	242,705
Transportation	<u>1,238,645</u>
Total depreciation expense - governmental activities	<u>\$2,571,904</u>
Business-Type Activities:	
Electric	\$553,767
Water	343,620
Wastewater	1,567,430
Solid waste	212,353
Recreation	<u>532,207</u>
Total depreciation expense - business-type activities	<u>\$3,209,379</u>
Discretely Presented Component Unit:	
CIEDA:	
Airport	\$166,718
Railroad spur	<u>68,768</u>
Total depreciation expense – component unit	<u>\$235,486</u>

3.E.TAX ANTICIPATION RECEIVABLES

In 2011, CIEDA proposed, and the City adopted, a resolution which declared the City's intent to create a "reinvestment area" pursuant to the provisions of the Oklahoma Local Development Act, Title 62, Section 850 of the Oklahoma Statutes. The resolution also directed the City's Local Development Act Review Committee to analyze the area and determine the potential of creating tax increment districts within the City. As of June 30, 2017, the following districts had been created:

TIF District #1 –Baker Hughes Increment District Project

The City created TIF District #1 on November 12, 2012. On February 8, 2014, the following notes were issued:

The Claremore Public Works Authority issued Tax Apportionment/Utility Revenue Note Series 2013B to CIEDA in the amount of \$3,480,000, bearing interest at 4% and payable in 10 annual installments with interest only being paid the first two payments and \$516,877 each year thereafter with the final payment due June 1, 2022, secured by an electric substation at the City's industrial park.

In order to finance the above note, CIEDA simultaneously issued Tax Apportionment/Revenue Note Series 2013A and 2013B in the amount of \$1,740,000 each (\$3,480,000 total) to the Claremore Hospital Sale Fund, bearing interest at the rate of 4% and payable in 10 annual installments with interest only due the first two years and annual payments of \$258,438 each (\$516,876 total) for the remaining 8 years. The final payment is due June 1, 2022 and it is secured by an electric substation at the City's industrial park.

On April 4, 2016, CIEDA and CPWA issued corresponding note amendments to provide for interest only payments on June 1, 2016 with the previously scheduled principal payments being spread over the remainder of the life of the notes with the final payment date unchanged.

TIF District #2 – NXTGen Filterworks

The City created TIF District #2 on February 18, 2013. The TIF District was created in order to reimburse CIEDA and the City for the cost of the financing assistance to NXTGEN Filterworks.

On August 8, 2013 the City provided funding to CIEDA in order to provide development financing assistance in exchange for a \$350,000 note issued by NXTGen Filterworks ("Company") to acquire, renovate, and equip a manufacturing facility within the Claremore Industrial Park. The note is non-interest bearing with annual payments of \$35,000 due beginning March 1, 2015 and a maturity date of March 1, 2024, secured by a manufacturing facility and subordinate to two other loans. The Company can receive offsets of the annual payment by meeting certain employment benchmarks. The TIF District was created in order to reimburse CIEDA and the City for the cost of the financing assistance.

In April, 2016 the City agreed to amend the note issued by NXTGen Filterworks to effectively delay the due date and amortization period of the note by two years, with the first payment due March 1, 2017.

In the fiscal year ended June 30, 2017, the Company began making payments as scheduled and received \$4,667 in employment credit offsets.

TIF District #3 – Promise Hotels

The City created TIF District #3 on November 1, 2013 for the purpose of constructing and equipping conference facilities adjacent to a hotel.

On December 29, 2014, CIEDA issued Tax Apportionment Note Series 2014C and 2014B in the amount of \$375,000 each (\$750,000 in total), bearing a variable interest rate initially of 4.6% per annum, payable in annual payments beginning June 1, 2015 and maturing June 1, 2023, in order to provide financing assistance to RC Hospitality, LLC. The notes were subsequently purchased by Patriot Bank. On the same date, RC Hospitality, LLC issued a development financing promissory note to CIEDA in the amount of \$750,000. Incremental property taxes, sales tax, and hotel/motel taxes may be apportioned to offset the annual payments due from RC Hospitality, LLC.

TIF District #4 – AXH

On April 14, 2014, the City created TIF District #4 for the purposes of assisting a manufacturer in the purchase of a building located at the Claremore Industrial Park. The building had been purchased by CIEDA from Burgess Norton and CIEDA entered into a lease purchase agreement with AXH on December 1, 2013.

On December 1, 2014, the sale to AXH Real Estate was closed and the BancFirst note paid off. CIEDA financed the balance needed to pay off the BancFirst building note by issuing a new note to BancFirst in the amount of \$500,000, with a plan to amortize the note with incremental property taxes received related to Tax Increment Financing (TIF) District #4.

Changes in Tax Anticipation Receivables

	Balance			Balance	Due within
	June 30, 2016	Advanced	Received	June 30, 2017	One Year
TIF District #1 - Due From CPWA	\$ 3,102,323	\$ -	\$ 392,784	\$ 2,709,539	\$ 408,495
TIF District #2 - Due From NXTGEN	350,000	-	9,937	340,063	35,000
TIF District #3 - Due From RH Hospitality, LLC	750,000	-	93,000	657,000	97,000
Total TIF receivable	<u>\$ 4,202,323</u>	<u>\$ -</u>	<u>\$ 495,721</u>	<u>\$ 3,706,602</u>	<u>\$ 540,495</u>

3.F. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities, business-type activities, and component units.

Governmental Activities

As of June 30, 2017, the long-term debt payable from governmental activities resources consisted of the following:

Capital Leases:

Equipment lease payable to RCB Bank, original issue amount of \$404,151, secured by police vehicles, nominal annual rate of 1.98%, with final maturity of June 2018.

All is current portion \$ 104,028

Equipment lease payable to RCB Bank, original issue amount of \$500,250, secured by a fire pumper truck, nominal annual rate of 2.10%, with final maturity of March 2020.

Current amount is \$96,232, non-current portion \$202,695 300,927

Total long-term debt payable from governmental resources \$ 404,955

Business-Type Activities:

As of June 30, 2017, the long-term debt payable from business-type activities resources consisted of the following:

Claremore PWA Refunding Revenue Bonds, Series 2012, original issue amount of \$23,920,000, secured by electric system revenues, interest rate of 1.00%-4.00%, and final maturity June 2025. Note was issued to refund the amount outstanding on the Bank of America Capital Corp. Lease Purchase Agreement dated October 18, 2007.

Current portion \$1,275,000, non-current portion \$16,415,000 \$17,690,000

Claremore PWA Capital Improvement Taxable Refunding Bonds, Series 2013A, original issue amount of \$8,680,000, secured by electric system revenues and certain sales tax revenue and reported in the CCDA fund, interest rate of 0.50%-2.40%, and final maturity June 2021.

Note was issued to refund the outstanding Capital Improvement Refunding Bonds, Series 2004B.

Current portion \$1,000,000, non-current portion \$3,245,000 \$ 4,245,000

Claremore PWA Electric System Taxable Refunding Bonds, Series 2013B, original issue amount of \$5,035,000, secured by electric system revenues, interest rate of 1.70%-4.00%, and final maturity June 2030.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note was issued to refund the outstanding Electric System Refunding Bonds, Series 2005, which were used to construct improvements to the electric system.

Current portion \$270,000, non-current portion \$3,820,000 \$ 4,090,000

Claremore PWA Capital Improvement Taxable Refunding Bonds, Series 2013C, original issue amount of \$8,005,000, secured by electric system revenues, interest rate of 2.20%-4.00%, and final maturity July 2035.

Note was issued to refund the outstanding Utility System Revenue Bonds, Series 2005.

Current portion \$290,000, non-current portion \$6,840,000 \$ 7,130,000

Notes Payable:

Claremore PWA Utility Revenue Note, Series 2013B, original issue amount of \$3,480,000, secured by an electric system substation at the Claremore Industrial Park, interest rate of 4.00%, and final maturity June 2022.

Note was issued to CIEDA, a related party, to construct an electric system substation and annual debt service may be offset up to 50% from incremental property taxes received related to the project

Current portion \$408,495, non-current portion \$2,301,044 \$ 2,709,539

Claremore PWA Utility System and Sales Tax Revenue Note, Series 2015, original issue amount of \$21,000,000, secured by net revenues from the water and sewer system and sales tax revenues deposited to Sales Tax Street Fund, interest rate of 2.59%, and final maturity March 2030. Note was issued for the enlargement and renovation of the water treatment plant.

Current portion \$1,195,000, non-current portion \$17,520,000 \$18,715,000

Total Long Term Debt outstanding – Business-type \$54,579,539

Current portion \$ 4,438,495

Non-current portion 50,141,044

Total Long Term Debt outstanding – Business-type \$54,579,539

Component Unit (CIEDA):

Notes payable:

Note payable to the Oklahoma Industrial Finance Authority, original issue amount of \$300,000, secured by airport buildings and fuel facilities, interest rate of 5.75%, and final maturity January 2019.

Note was issued to construct airport buildings and is payable from hangar rental fees.

Current portion \$28,030, non-current portion \$14,961 \$ 42,991

CIEDA Tax Apportionment/Utility Revenue Note Series 2013A, original issue amount of \$1,740,000, secured by an electric system substation at the Claremore Industrial Park, interest rate of 4.00%, and final maturity June 2022.

Note was issued to the Hospital Sale Trust Fund, a related party, to partially fund the note issued by CPWA as discussed above.

Current portion \$204,247, non-current portion \$1,150,522 \$ 1,354,769

CIEDA Tax Apportionment/Utility Revenue Note Series 2013B, original issue amount of \$1,740,000, secured by an electric system substation at the Claremore Industrial Park, interest rate of 4.00%, and final maturity June 2022.

Note was issued to the Hospital Sale Trust Fund, a related party, to partially fund the note issued by CPWA as discussed above.

Current portion \$204,248, non-current portion \$1,150,522 \$ 1,354,770

CIEDA Tax Apportionment Revenue Note Series 2014A, original issue amount of \$500,000, secured by anticipated ad valorem tax revenues from Increment District 4, interest rate of 4.75%, and final maturity June 2025.

CITY OF CLAREMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
For the fiscal year ended June 30, 2017

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note was issued to BancFirst defray the cost of providing economic development financing to AXH Air-coolers, Inc.
Current portion \$47,000, non-current portion \$453,000 500,000

CIEDA Tax Apportionment Revenue Note Series 2014B&C, original issue amount of \$750,000, secured by commercial real estate and equipment and a note receivable in the same amount and terms from RC Hospitality, Inc., interest rate of 4.60%, and final maturity June 2023.

Note was issued to Patriot Bank to provide construction financing to RC Hospitality, LLC.

Current portion \$97,000, non-current portion \$560,000 \$ 657,000

Total Long Term Debt outstanding – Component Unit \$ 3,909,530

Current portion \$ 580,525

Non-current portion 3,329,005

Total Notes Payable \$ 3,909,530

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Amounts Due in One Year
Governmental Activities:					
Capital lease payable	\$ 603,175	\$ -	\$ 198,220	\$ 404,955	\$ 202,260
Total Governmental Activities	<u>\$ 603,175</u>	<u>\$ -</u>	<u>\$ 198,220</u>	<u>\$ 404,955</u>	<u>\$ 202,260</u>
Business Type Activities:					
Notes payable	\$ 22,977,323	\$ -	\$ 1,552,784	\$ 21,424,539	\$ 1,603,495
Revenue bonds payable	35,895,000	-	2,740,000	33,155,000	2,835,000
Total Business Type Activities	<u>\$ 58,872,323</u>	<u>\$ -</u>	<u>\$ 4,292,784</u>	<u>\$ 54,579,539</u>	<u>\$ 4,438,495</u>
Component Unit - CIEDA:					
Tax anticipation notes	\$ 4,352,323	\$ -	\$ 485,784	\$ 3,866,539	\$ 552,495
Other notes payable	69,459	-	26,467	42,992	28,030
Total Component Unit - CIEDA	<u>\$ 4,421,782</u>	<u>\$ -</u>	<u>\$ 512,251</u>	<u>\$ 3,909,531</u>	<u>\$ 580,525</u>

Payment requirements to maturity:

Year Ending June 30,	Governmental Activities		Business Type Activities		Component Unit (CIEDA)	
	Capital Lease Payable		Bonds and Note Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 202,260	\$ 8,379	4,438,495	\$ 1,726,945	580,525	147,878
2019	100,294	4,257	4,579,835	1,594,858	590,796	122,655
2020	102,401	2,150	4,751,828	1,455,401	601,828	97,633
2021	-	-	4,919,502	1,310,136	642,502	71,814
2022	-	-	5,337,882	1,158,833	670,882	44,174
2023-2027	-	-	20,586,997	3,173,584	822,998	25,372
2028-2032	-	-	8,105,000	886,894	-	-
2033-2037	-	-	1,860,000	149,800	-	-
Total	<u>\$ 404,955</u>	<u>\$ 14,786</u>	<u>\$ 54,579,539</u>	<u>\$ 11,456,451</u>	<u>\$ 3,909,531</u>	<u>\$ 509,526</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

3.G. INTERFUND TRANSACTION AND BALANCES

Interfund transfers for the year ended June 30, 2017 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Nature of Interfund Transfer</u>
* General Fund	* CCDA	\$ 227,538	General operations
* General Fund	* CCDA	70,942	Donations
Capital Improvement Sales Tax	* CPWA	524,821	Fixed asset acquisitions
Capital Improvement Sales Tax	* CCDA	159,238	Fixed asset acquisitions
* Expo/Rec Sales Tax Fund	* CPWA	3,023,218	Debt service
* General Fund	* Airport Fund	134,503	Airport infrastructure project
John Carle Blvd Fund	* General Fund	319,832	Close out fund
* CPWA	* General Fund	9,400,000	General operations
* CPWA	* General Fund	928,647	Shared overhead reimbursement
Sale Tax Fire	* General Fund	446,242	Shared overhead reimbursement
Sale Tax Park	* General Fund	174,462	Shared overhead reimbursement
Sales Tax Police	* General Fund	373,627	Shared overhead reimbursement
* Sales Tax Street	* General Fund	662,330	Shared overhead reimbursement
Cemetery Care Fund	* General Fund	13,700	Shared overhead reimbursement
* General Fund	Emergency Management	6,151	Dedicated revenues
* General Fund	CIEDA (Component unit)	600,000	Airport management, economic incentives
* General Fund	CIEDA (Component unit)	110,057	Incremental hotel and sales tax (TIF3)
* CPWA	CIEDA (Component unit)	175,018	Incremental utility revenue (TIF1)
CIEDA (Component Unit)	CPWA	516,877	TIF Baker Hughes - Hospital Trust payment
* CPWA	CDBG	9,528	Grant project
* CPWA	Governmental activities	61,039	Fixed asset transfer (non-cash)
* CIEDA (Component Unit)	Governmental activities	9,569	Fixed asset transfer (non-cash)
		<u>\$ 17,947,339</u>	

* Represents major fund

Reconciliation to Fund Financial Statements:

	<u>Transfers in</u>	<u>Transfers out</u>	<u>Total</u>
Governmental Funds	\$ 12,370,682	\$ 6,927,880	\$ 5,442,802
Proprietary Funds	4,620,974	10,493,012	(5,872,038)
Total funds	<u>16,991,656</u>	<u>17,420,892</u>	<u>(429,236)</u>
Fixed asset transfer to business-type from governmental activities, net	70,608	-	70,608
Total primary government	<u>17,062,264</u>	<u>17,420,892</u>	<u>(358,628)</u>
Component unit (CIEDA)	885,075	526,447	358,628
Total government wide	<u>\$ 17,947,339</u>	<u>\$ 17,947,339</u>	<u>\$ -</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

3.H. FUND BALANCES AND NET POSITION

Government Wide Financial Statements:

Net Position Restrictions at June 30, 2017 were as follows:

Fund	Restricted By	Amount
Cemetery Care Fund	State statute	333,198
CPWA	Debt covenants - external	1,240,969
CPWA	Hospital Trust Agreement	10,707,956
		\$ 12,282,123

Fund Level Financial Statements:

	General Fund	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Fund	Total
Fund Balance:					
Nonspendable:					
Inventory	\$ -	\$ 13,680	\$ -	\$ -	\$ 13,680
Restricted For:					
Cemetery	-	-	-	333,198	333,198
Committed For:					
Street improvements - city ordinance	-	13,463,885	-	-	13,463,885
Debt service - city ordinance	-	-	6,045,653	-	6,045,653
Park improvements -city ordinance	-			1,097,912	1,097,912
Police operations - city ordinance	-			695,645	695,645
Fire service - city ordinance	-			527,974	527,974
Capital improvement - city ordinance	-	-	-	1,341,058	1,341,058
Accrued leave - state constitution	1,250,618				1,250,618
Sub-total restricted	1,250,618	13,463,885	6,045,653	3,662,589	24,422,745
Assigned for:					
Budgetary - council resolution	1,342,348	-	-	-	1,342,348
Police and judiciary -council resolution				59,201	59,201
Emergency managment -council resolution				387,666	387,666
Fleet managment -council resolution				395,385	395,385
Library operations-council resolution				67,030	67,030
Capital improvements -council resolution	-	-	-	279,755	279,755
Sub-total assigned	1,342,348	-	-	1,189,037	2,531,385
Unassigned:	2,984,814	-	-	-	2,984,814
TOTAL FUND BALANCE	\$ 5,577,780	\$ 13,477,565	\$ 6,045,653	\$ 5,184,824	\$ 30,285,822

NOTE 4. OTHER NOTES

4.A. DEFINED BENEFIT PENSION PLANS

The City participates in three employee pension systems as follows:

<u>Name of Plan/System</u>	<u>Type of Defined Benefit Plan</u>
Oklahoma Police Pension and Retirement Plan (OPPRS)	Cost Sharing Multiple Employer
Oklahoma Firefighters Pension and Retirement Plan (OFPRS)	Cost Sharing Multiple Employer
Oklahoma Municipal Retirement Fund (OMRF)	Agent Multiple Employer

Plan Descriptions

The City of Claremore, as employer, contributes to two cost-sharing multiple-employer defined benefit pension plans on behalf of the policemen and firefighters and to the OMRF for all other eligible employees. The plans provide retirement and disability benefits, and death benefits to plan members and beneficiaries. The cost to administer the OPPRS and OFPRS plans is financed through the contributions, insurance premium taxes, state appropriations, and investment earnings. The OMRF plan is financed through contributions and investment earnings. Each plan issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained as follows: Oklahoma Police Pension and Retirement System – www.ok.gov/OPPRS and the Oklahoma Firefighters Pension and Retirement System – www.ok.gov/FPRS and the Oklahoma Municipal Retirement Fund at www.okmrf.org.

The Oklahoma Police Pension and Retirement System is administrator of the Oklahoma Police Pension and Retirement Plan (OPPRS), a multi-employer, cost sharing defined benefit plan established by Oklahoma Statutes. The System is a component unit of the State of Oklahoma and is part of the State’s reporting entity. Responsibility for administration of the OPPRS is assigned to a Board of Trustees comprised of thirteen members including six active members representing specific geographic areas of the state and one retired member; the remaining six members are either governmental office holders or appointees with demonstrated experience in finance or licensed to practice law or accounting in the state.

The Oklahoma Firefighters Pension Retirement System is administrator of the Oklahoma Firefighters Pension and Retirement Plan (OFPRS). The System is a part of the State financial reporting entity, which is combined with other similar funds to comprise the fiduciary pension trust funds of the State. Responsibility for administration of the OFPRS is assigned to the Oklahoma Firefighters Pension and Retirement System Board of Trustees comprised of thirteen members including the five members of the Board of Trustees of the Oklahoma State Firefighters Association, one member of the Professional Firefighters Associations, one member of the Oklahoma State Retired Firefighters Association, one member each appointed by the Oklahoma House and Senate, two members appointed by the Oklahoma Municipal League, and the State Insurance Commissioner or designee.

The overall operations of the OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. JPMorgan Chase Bank (“JPMorgan”) acts as securities custodian. The Fund utilizes mutual funds, collective trust funds of banks and trust companies, or separate accounts specifically tailored for the Fund by investment advisors. At July 1, 2016, the City’s OMRF plan had 142 active participants, 38 retired participants in payment status, 6 disabled participants, 6 disabled vested former employees, and 16 deferred vested former employees.

Plan Benefits

All three plans provide defined retirement benefits based on the members final average compensation, age, and term

NOTES TO THE BASIC FINANCIAL STATEMENTS

of services. In addition, the retirement programs provide for benefits upon disability and to survivors upon the death of eligible members. Benefits are established and amended by state statute for the OPPRS and OFRS and by the City Council for the OMRF. Retirement provisions for each plan are as follows:

OPPRS

The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

OFPRS

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-line-of-duty disability is also limited to only those with less

NOTES TO THE BASIC FINANCIAL STATEMENTS

than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

OMRF

All regular, full time employees of the City except police, firefighters, and other employees who are covered under an approved system are eligible to participate immediately upon hire. Vesting occurs after 7 years of service and the normal retirement age is 65 with earlier retirement available at age 55 with benefits reduced 5% per year under age 65. Service credit may be transferred from other OMRF employers. Employees hired prior to 7/1/2010 receive a benefit of 3% of final average compensation per year of service and employees hired after 7/1/2010 receive 1.25% of final average compensation. Final average compensation for both groups is calculated as the 5 highest consecutive years of salaries of the last 10 years of service. Disability benefits are payable after 7 or more years of service without reduction for total and permanent disability. Surviving beneficiaries of vested members receive 50% of the accrued benefit. The plan does not provide cost of living adjustments for any beneficiary class. Additional details of the plan benefits may be obtained by contacting the City's Human Resources department.

Member and Employer Contributions

The contribution requirements of the OPPRS and OPFRS plans are at an established rate determined by Oklahoma statute and are not based on actuarial calculations. The City Council has the authority to set and amend contribution rates by ordinance for the OMRF benefit plan in accordance with O.S. Title 11, Section 48-102. Specific requirements for each plan are as follows:

OPPRS

All persons employed by the City as police officers and expected to work more than 25 hours per week are required to participate in the Plan. Required employer contribution levels are 13% of base salary and each participant contributes 8% of his/her actual paid base salary, however, the City contributes half of the officer's required contribution, bringing the total City employer contribution to 17%. The Oklahoma Legislature has authority to establish and amend contribution amounts. Additional funds are provided to the Plan by the State of Oklahoma, a non-employer contributing entity, through a 14% allocation of the tax on premiums collected by insurance companies operating in Oklahoma and by the net investment income generated on assets held by the Plan. The Plan is responsible for paying administrative costs. Administrative costs of the Plan are paid by using the earnings from the invested assets of the Plan.

OPFRS

Required employer contribution levels are 14% of applicable earnings and firefighters contribute 9%, however, the City contributes the firefighters' contribution as well, bringing the total City employer contribution to 23% of covered payroll. In addition, member cities contribute \$60 for each volunteer firefighter. The Oklahoma Legislature has the authority to establish and amend contribution amounts. The State of Oklahoma, a non-employer contributing entity, presently allocates 36% of the insurance premium tax collected from various types of insurance policies to the Plan. The State of Oklahoma may also appropriate additional funds annually as needed to pay current costs and to amortize the unfunded actuarial present value of accumulated plan benefits. No such appropriations were received during the year ended June 30, 2016.

NOTES TO THE BASIC FINANCIAL STATEMENTS

OMRF

Employee contribution rates are set by ordinance by the City Council at 6% for employees hired before 7/1/2010 and 2.25% for employees hired after 7/1/2010. Since employee contributions are set by ordinance, the employer contributions are determined to be the amount to meet the Plan's actuarial requirements. The actuarial report prepared 7/1/2016 set the employer contribution rate at 5.08% and 4.79% of covered payroll for the fiscal year ended June 30, 2016 and 2017, respectively. OMRF participating employees include employees of the City's governmental activities, business-type activities, and CIEDA, a discretely presented component unit. Total employer contributions in the fiscal year ended June 30, 2016 from all sources totaled \$277,743 which equals the actuarially determined amount based on a covered payroll of \$5,800,075.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City of Claremore reported a liability for its proportionate share of the net pension liability. The net pension liability for all three plans was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's share of contributions in the respective pension plan relative to the total contributions of all participating OPPRS or OFPRS Plan employers, since the plans are cost sharing-multiple employer type plans. At June 30, 2016, the City's proportionate share was 0.6799 percent of the total OPPRS plan and 1.0032 percent of the total OFPRS plan. Since the OMRF is an agent multiple employer plan, the net pension liability is determined for the City's plan alone.

For the year ended June 30, 2017, the City recognized pension expense of \$372,860 and \$1,265,616 for the OPPRS and OFPRS plans, respectively and \$282,283 for the OMRF plan. At June 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to the three defined benefit pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPPRS		
Difference between expected and actual plan experience	\$ 3,340	\$ 116,953
Net difference between projected and actual earnings on pension plan investments	1,402,641	402,271
Contributions subsequent to the measurement date	356,470	-
OFPRS		
Difference between expected and actual plan experience	328,553	-
Net difference between projected and actual earnings on pension plan investments	1,530,690	780,803
Contributions subsequent to the measurement date	617,625	-
OMRF		
Difference between expected and actual plan experience	-	234,605
Net difference between projected and actual earnings on pension plan investments	1,256,878	497,185
Contributions subsequent to the measurement date	282,020	-
Total for all plans	\$ 5,778,217	\$ 2,031,817
 Reconciliation to the Statement of Net Position:		
Governmental activities	\$ 5,065,965	\$ 1,726,935
Business-type activities	665,829	287,333
Discretely presented component unit (CIEDA)	46,423	17,549
Total	\$ 5,778,217	\$ 2,031,817

NOTES TO THE BASIC FINANCIAL STATEMENTS

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017 as follows: \$1,122,207 for governmental activities, \$124,442 for business-type activities, and \$9,466 for CIEDA, a discretely presented component unit.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2016 is 5.68 years for the OPPRS and 6.31 years for the OFPRS.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the aggregated three pension plans will be recognized in pension expense (revenue) as follows:

Fiscal Year:	
2018	\$ 292,499
2019	\$ 292,499
2020	\$ 1,147,442
2021	\$ 778,135
2022	\$ 2,977
Thereafter	\$ (23,267)

Actuarial Assumptions

For all plans, valuations are based on actuarial assumptions, the benefit provisions, and census of system members. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. Any unfunded actuarial accrued liability is amortized based on a level percentage of payroll.

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>OPPRS</u>	<u>OFPRS</u>	<u>OMRF</u>
Inflation	3.00%	3.00%	3.00%
Salary increases	1.50% - 14.00%	0.50% - 6.00%	4% - 7.42%
Salary inflation	3.00%	3.00%	
Investment rate of return	7.50%, net of investment expenses	7.50%, net of investment expenses	7.75%, net of investment expenses
Cost-of-living adjustments	Officers eligible to receive increased benefits based on a repealed statute receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase of base salary of 3%	Half of the dollar amount of a 3% assumed increase in base pay for firefighters with 20 years of service as of May 26, 1983. No COLA is assumed for members not eligible for this increase	No current provision

NOTES TO THE BASIC FINANCIAL STATEMENTS

Mortality rates for the OPPRS and OFPRS were based on the RP-2000 Blue Collar Healthy Combined with generational mortality improvement using Scale AA. The OMRF Plan uses the UP 94 mortality scale (projected). The OPPRS Plan uses an age set forward of 4 years for disabled pensioners.

The most recent experience study for OPPRS and OFPRS considered actual System experience for the period July, 2007 through June 30, 2012. The last Analysis of Demographic Experience of the OMRF considered Fund experience for the years 2007-2011. Total Pension Liability for both Plans as of June 30, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

The long-term expected rate of return on pension plan investments for all plans was determined using the building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major class included in each pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

Asset Class	OPPRS	OFPRS	OMRF		
	LT Expected Real Return	LT Expected Real Return	Target	LT Expected Real Return	Weighted Return
Domestic equity	5.16%	8.70%	35%	5.4%-7.5%	2.10%
International equity	8.61%	10.87	20%	5.10%	1.02%
Other equity	8.23%		10%	6.10%	0.61%
Total equity			65%		3.73%
Domestic Fixed Income	3.27%	5.18%	30%	2.60%	0.78%
Global Fixed Income	3.27%	5.18%			
Total fixed income		10% - 30%	30%		
Real Estate	4.97%	7.23%	5%	4.80%	0.24%
Other assets	2.42%	6.24%			
Total other assets		5% - 28%	5%		
				Average Real Return	4.75%
				Inflation	3.00%
				Long-term expected return	7.75%

Discount Rate

The discount rate used to measure the total pension liability for the OPPRS and OFPRS was 7.50% and 7.75% for the OMRF as outlined in the above table. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at the contractually required rates, determined by State statutes, for the OPPRS and OFPRS plans and at the actuarially determined rate for the OMRF plan. Projected cash flows also assume that the State of Oklahoma will continue contributing 14% and 36% of the insurance premium for the OPPRS and OFPRS, respectively, as established by statute. For all plans, the pension plans' fiduciary net positions were expected to be available to make all projected future benefit payments of current plan members for all future years and hence, the blended GASB discount rate is equal to the long-term rate of return of 7.50% for the OPPRS and OFPRS plans and 7.75% for the OMRF plans ("specified rate").

NOTES TO THE BASIC FINANCIAL STATEMENTS

Changes in Net Pension Liability – Agent Multiple Employer Plan (OMRF)

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2016 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2016 and the City's report ending date of June 30, 2017 that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability for the OMRF plan:

CHANGES IN NET PENSION LIABILITY (OMRF PLAN)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 7/1/2015	\$ 15,830,217	\$ 15,982,984	\$ (152,767)
Changes for the Year:			
Service cost	427,908		427,908
Interest cost	1,198,906		1,198,906
Difference between expected and actual experience	(164,055)		(164,055)
Contributions - Employer		262,743	(262,743)
Contributions - Employee		236,875	(236,875)
Net investment income		140,981	(140,981)
Benefit payments, including refunds of employee contributions	(734,641)	(734,641)	-
Administrative expense		(31,565)	31,565
Net changes	728,118	(125,607)	853,725
Balance at 7/1/2016	\$ 16,558,335	\$ 15,857,377	\$ 700,958

NOTES TO THE BASIC FINANCIAL STATEMENTS

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.

The following presents the City's proportionate share of the net pension liability calculated using the specified discount rate, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the specified current rate:

City of Claremore's Net Pension Liability (Asset)			
	1% Decrease	Current Discount Rate	1% Increase
Discount rate used>	6.50%	7.50%	8.50%
Cost sharing plans - proportionate share:			
Oklahoma Police Pension and Retirement	\$ 2,732	\$ 1,041,153	\$ 384,878
Oklahoma Firefighters Pension and Retirement	15,959,565	12,256,498	9,796,382
Total net pension liability - cost sharing plans	15,962,297	13,297,651	10,181,260
	6.75%	7.75%	8.75%
Agent plan - "stand alone" determination:			
Oklahoma Municipal Retirement System	2,889,643	700,958	(1,085,764)
Total - All City of Claremore's Plans	\$ 18,851,940	\$ 13,998,609	\$ 9,095,496
Reconciliation to Statement of Net Position:			
Governmental activities		\$ 13,661,142	
Business-type activities		312,806	
Discretely presented component unit (CIEDA)		24,661	
Total net pension liability (asset)		\$ 13,998,609	

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial reports for each pension system.

Both the OPPRS and the OFPRS issue a publicly available financial report that includes financial statements and the required supplementary information for each pension system. Those reports may be obtained as follows: Oklahoma Police Pension and Retirement System (OPPRS) – www.ok.gov/OPPRS and the Oklahoma Firefighters Pension and Retirement System (OFPRS) – www.ok.gov/FPRS and the Oklahoma Municipal Retirement Fund at www.okmrf.org.

Payables to the pension plans

At June 30, 2017 the City reported no payables to the defined benefit pension plans for legally required employer contributions.

4.C. TAX ABATEMENTS

The City entered into a sales and hotel tax rebate agreement with a local hotel as allowed in the Oklahoma State Constitution, Article 10, Section 14. Under this law, the City may establish economic development programs and provide sales and hotel tax increments for development as part of its economic development plan.

RC Hospitality, LLC (the Developer) received rebated sales and hotel tax credits during 2017 that offset a portion of the payments due related to a development financing note issued to CIEDA on December 29, 2014. The agreement is for a

NOTES TO THE BASIC FINANCIAL STATEMENTS

maximum of 10 years from the effective date of the establishment of the Promise Hotel Increment District (TIF District #3). As part of the agreement, the Developer has constructed an 80-room hotel and conference center. The credit offsets are calculated as the amount of additional incremental sales and hotel tax revenue, over the established base, that is generated within the Promise Hotel Increment District. In the event that credits exceed the amount necessary to amortize the note, CIEDA retains the excess to be applied against the subsequent note payment.

On January 18, 2011, CPWA entered into an Infrastructure Improvement Agreement with Quicktrip Corporation (QuikTrip) to reimburse up to \$500,000 of the cost of constructing public utility improvements to serve a new store location, payable at the rate of 66% of the verified sales taxes generated by the new store and paid to the City up to \$100,000 per year for seven years from the date of the store opening. The City recognizes the expense related to this agreement at the time the corresponding revenue is received. In the fiscal year ended June 30, 2017, CPWA recognized \$51,341 of expense related to this agreement which expires in 2019.

4.D. CONDUIT DEBT OBLIGATIONS

Component Unit (CIEDA)

In support of its primary mission, CIEDA arranges financing to industrial, commercial, governmental, and other various organizations in an effort to promote economic development within and near the territorial limits of the City of Claremore. Over time these transactions have taken on various forms, including the issuance of notes and bonds. CIEDA leases the facilities acquired with the proceeds to the organizations under financing lease arrangements providing for transfer of the property to such organizations at the end of the lease.

The notes and bonds issued by CIEDA are special and limited obligations of CIEDA, payable solely out of revenues derived from and in connection with the underlying loan agreements and the underlying security provided under the loan agreements. CIEDA or any political subdivision thereof is not obligated in any manner for repayment of the notes and bonds. Accordingly, the notes and bonds are not reported as liabilities in the accompanying financial statements nor are the related investments reported as assets.

The aggregate outstanding principal balance due on these notes was approximately \$24.4 million at June 30, 2017 as follows:

	Maturity Date	Balance 6/30/2017
Northeast Technology Center	6/20/2027	\$ 7,294,688
Claremore Public Schools #1	8/15/2017	679,229
Claremore Public Schools #2	8/15/2018	9,127,520
Sequoyah Public Schools	8/15/2022	7,337,361
		\$ 24,438,798

4.E. 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 employee; employee's health and life; and natural disasters. The city manages these various risks of loss with purchased commercial insurance for all major programs except workers' compensation, for which the city assumed the risk of loss on July 1, 2016. For insured programs, there has been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The self-insured workers compensation program is accounted for in the General Fund with participating departments charged a risk-adjusted estimated annual claim cost. The plan is administered by the city with the assistance of a third party for claims discounting and processing.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirement of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. For the self-insured worker's compensation program, changes in the claims liability for the City from July 1, 2016 (inception) through June 30, 2017 are as follows:

<i>Claims liability analysis:</i>	
Claims liability, July 1, 2016 (inception)	\$ 0
Claims and changes in estimates	202,194
Claim payments	(129,358)
Claim liability, June 30, 2017	<u>\$ 72,836</u>
Assets available to pay claims at June 30, 2017	<u>\$ 375,249</u>

Because the year ended June 30, 2017 is the first year for the City to assume the risk of loss for workers compensation, the claims incurred but not reported has been estimated as the amount necessary to bring the total expense to the level the City previously incurred for insured coverage. This has resulted in the establishment of a reserve for incurred but not reported claims of \$245,206. The City has purchased reinsurance for individual claims more than \$750,000 for electric utility workers and \$500,000 for all others.

4.E. COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Contingencies:

Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The City is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the city. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City. This statutory taxing ability is not available to the city's public trusts (Authorities).

Subsequent Events

Management has evaluated subsequent events through the date of this report and has determined that no additional information needs to be added to the financial statements.

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
 - Sales Tax Street Fund
 - EXPO/WWTP Sales Tax Fund
- Notes to RSI – Budgetary Comparison Schedules
- Schedule of City of Claremore's Share of Net Pension Liability
- Schedule of Employer Contributions

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance to final Favorable (unfav)
Beginning budgetary fund balance	\$ 1,837,677	\$ 1,838,677	\$ 5,007,238	\$ 3,168,561
Resources (inflows)				
Taxes				
Use tax	690,000	690,000	630,281	(59,719)
Franchise tax	587,100	587,100	623,845	36,745
Total taxes	<u>1,277,100</u>	<u>1,277,100</u>	<u>1,254,126</u>	<u>(22,974)</u>
Intergovernmental				
Alcoholic beverage tax	110,000	110,000	117,612	7,612
Tobacco tax	135,000	135,000	140,259	5,259
Total intergovernmental	<u>245,000</u>	<u>245,000</u>	<u>257,871</u>	<u>12,871</u>
Licenses and permits				
Occupational licenses	4,250	4,250	5,900	1,650
Construction Permits	66,060	66,060	51,890	(14,170)
Animal license	4,150	4,150	5,271	1,121
Inspection fees	14,500	14,500	22,656	8,156
Miscellaneous licenses and permits	9,175	9,175	25,649	16,474
Total licenses and permits	<u>98,135</u>	<u>98,135</u>	<u>111,366</u>	<u>13,231</u>
Charges for services				
Ambulance	200	200	550	350
Plots and interment	47,300	47,300	44,939	(2,361)
Miscellaneous fees	23,400	23,400	32,290	8,890
Total charges for services	<u>70,900</u>	<u>70,900</u>	<u>77,779</u>	<u>6,879</u>
Fines and forfeitures	<u>222,000</u>	<u>222,000</u>	<u>288,077</u>	<u>66,077</u>
Other income				
Investment income	44,200	44,200	57,086	12,886
Miscellaneous income	30,300	30,300	48,188	17,888
Total other income	<u>74,500</u>	<u>74,500</u>	<u>105,274</u>	<u>30,774</u>
Other financing sources				
Gain on sale of assets	-	-	509,700	509,700
Overhead transfers	1,944,008	1,944,008	1,944,008	-
Transfers in	9,400,000	9,400,000	9,719,831	319,831
	<u>11,344,008</u>	<u>11,344,008</u>	<u>12,173,539</u>	<u>829,531</u>
Amounts available for appropriation	<u>15,169,320</u>	<u>15,170,320</u>	<u>19,275,270</u>	<u>4,104,950</u>

(CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(CONTINUED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to final Favorable (unfav)</u>
Charges to appropriations (outflows)				
General government:				
Information technology	354,971	354,971	349,640	5,331
Human resources	420,462	420,462	302,181	118,281
City clerk	111,745	111,745	116,138	(4,393)
Managerial	255,281	255,281	243,682	11,599
Finance	345,721	345,721	331,111	14,610
General government	1,100,381	1,100,381	1,481,452	(381,071)
Development services	681,246	681,246	558,777	122,469
Custodial	115,870	115,870	120,906	(5,036)
Hotel room tax agreement	202,375	202,375	179,560	22,815
Emergency	265,741	265,741	64,456	201,285
Total general government	<u>3,853,793</u>	<u>3,853,793</u>	<u>3,747,903</u>	<u>105,890</u>
Public safety and judiciary				
Police and court	3,968,539	3,968,539	3,639,659	328,880
Fire	4,416,127	4,416,127	3,777,463	638,664
Total public safety and judiciary	<u>8,384,666</u>	<u>8,384,666</u>	<u>7,417,122</u>	<u>967,544</u>
Cultural, parks, recreation, and promotion				
Library	341,246	341,246	311,707	29,539
Cemetery	141,577	141,577	136,514	5,063
Recreation	610,775	610,775	615,943	(5,168)
Senior Citizens	356,635	356,635	320,565	36,070
Total cultural, parks, recreation, and promotion	<u>1,450,233</u>	<u>1,450,233</u>	<u>1,384,729</u>	<u>65,504</u>
Capital outlay	-	-	96,885	(96,885)
Other financing uses				
Transfers to other funds	384,628	384,628	340,794	43,834
Contributions to CIEDA	642,000	642,000	710,057	(68,057)
Total other financing uses	<u>1,026,628</u>	<u>1,026,628</u>	<u>1,050,851</u>	<u>(24,223)</u>
Total charges to appropriations	<u>14,715,320</u>	<u>14,715,320</u>	<u>13,697,490</u>	<u>1,017,830</u>
Ending budgetary fund balance	<u>\$ 454,000</u>	<u>\$ 455,000</u>	<u>\$ 5,577,780</u>	<u>\$ 5,122,780</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
SALES TAX STREET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance to final Favorable (unfav)
Beginning budgetary fund balance	\$ 7,968,790	\$ 7,970,733	\$ 13,118,714	\$ 5,147,981
Resources (inflows)				
Taxes				
Sales tax	3,600,000	3,600,000	3,715,519	115,519
Intergovernmental				
Gasoline excise tax	30,000	30,000	34,867	4,867
Commercial vehicle fee	140,000	140,000	130,232	(9,768)
Miscellaneous	-	-	280	280
Total intergovernmental	170,000	170,000	165,379	(4,621)
Other income				
Investment income	56,000	56,000	114,435	58,435
Total other income	56,000	56,000	114,435	58,435
Amounts available for appropriation	11,794,790	11,796,733	17,114,047	5,317,314
Charges to appropriations (outflows)				
Personal services	779,515	779,515	490,663	288,852
Material and supplies	378,207	378,207	644,758	(266,551)
Capital outlay	9,974,738	9,976,681	1,838,713	8,137,968
Overhead transfers	662,330	662,330	662,330	-
Total charges to appropriations	11,794,790	11,796,733	3,636,464	8,160,269
Ending budgetary fund balance	\$ -	\$ -	\$ 13,477,583	\$ 13,477,583

**CITY OF CLAREMORE
 BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
 EXPO/WWTP SALES TAX FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to final Favorable (unfav)</u>
Beginning budgetary fund balance	\$ 10,000	\$ 10,000	\$ 5,353,352	\$ 5,343,352
Resources (inflows)				
Taxes				
Sales tax	3,600,000	3,600,000	3,715,519	115,519
Amounts available for appropriation	<u>3,610,000</u>	<u>3,610,000</u>	<u>9,068,871</u>	<u>5,458,871</u>
Charges to appropriations (outflows)				
Reserve funds	583,205	583,205	-	583,205
Transfers out	3,026,795	3,026,795	3,023,218	3,577
Total charges to appropriations	<u>3,610,000</u>	<u>3,610,000</u>	<u>3,023,218</u>	<u>586,782</u>
Ending budgetary fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,045,653</u>	<u>\$ 6,045,653</u>

**CITY OF CLAREMORE, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

The city prepares its annual operating budget under the provisions of the Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
- c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the City Council.
- d. By July 1, the adopted budget is filed with the Office of State Auditor and Inspector.

All funds of the city with revenues and expenditures are required to have annual budgets under this section of the state law, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the department within a fund. The Budget Act recognizes the following object categories of control by department within a fund: Personal Services, Materials and Supplies, Other Services and Charges, Capital Outlay, Debt Service, and Interfund Transfers.

Transfers of appropriations between departments and supplemental appropriations require City Council approval. The City Manager may transfer appropriations between object categories within a department without City Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector. The City's actual spending did not exceed appropriations in the current year.

Budgetary Accounting

The annual operating budgets of the General Fund are prepared and presented on the modified accrual basis of accounting for revenues and on the cash basis for expenditures, excluding internal service account activity of the General Fund.

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. The City considers all appropriations to lapse at year-end; any open purchase orders to be honored in the subsequent budget year are reappropriated in the subsequent year's budget. As a result, encumbrances are not treated as the equivalent of expenditures in the budget and actual financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CLAREMORE
SCHEDULE OF CITY OF CLAREMORE'S SHARE OF NET PENSION LIABILITIES*
JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Oklahoma Police Pension and Retirement Plan</u>			
City's portion of net pension liability	0.6799%	0.7120%	0.6911%
City's proportionate share of the net pension liability	\$ 1,041,153	\$ 29,030	\$ (232,695)
City's covered-employee payroll	\$ 2,004,941	\$ 2,012,431	\$ 1,933,492
City's proportional share of the net pension liability as a percentage of its covered employee payroll	51.929%	1.443%	-12.035%
Plan fiduciary net position as a percentage of the total pension liability	93.50%	99.82%	101.53%
<u>Oklahoma Firefighters Pension and Retirement Plan</u>			
City's portion of net pension liability	1.0032%	1.0257%	0.9876%
City's proportionate share of the net pension liability	\$ 12,256,138	\$ 10,887,371	\$ 10,155,561
City's covered-employee payroll	\$ 2,806,136	\$ 2,802,586	\$ 2,636,429
City's proportional share of the net pension liability as a percentage of its covered employee payroll	436.76%	388.48%	385.20%
Plan fiduciary net position as a percentage of the total pension liability	64.87%	68.27%	68.12%
<u>Employee Retirement System of Claremore, Oklahoma (OMRF)</u>			
City's portion of net pension liability	100%	100%	100%
City's net pension liability	\$ 700,958	\$ (152,767)	\$ (650,127)
City's covered-employee payroll	\$ 5,600,491	\$ 5,452,954	\$ 5,230,443
City's proportional share of the net pension liability as a percentage of its covered employee payroll	12.52%	-2.80%	-12.43%
Plan fiduciary net position as a percentage of the total pension liability	95.77%	100.97%	104.32%

*This information is reported for the cost sharing multiple employer plans and is as of 7/1/2016 (measurement date) GASB Statement No. 68 requires ten years of information to be reported in this table. However, until a full 10-year trend is compiled, the City will present information that is available.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Oklahoma Police Pension and Retirement Plan</u>			
Statutorily required contribution	\$ 356,470	\$ 340,840	\$ 342,113
Contributions related to the statutorily required contributions (does not include State contributions)	356,470	340,840	342,113
Contribution (deficiency) excess	-	-	-
City's covered-employee payroll	\$ 2,096,882	\$ 2,004,941	\$ 2,012,431
Contributions as a percentage of covered-employee payroll	17%	17%	17%
<u>Oklahoma Firefighters Pension and Retirement Plan</u>			
Statutorily required contribution	\$ 617,625	\$ 645,411	\$ 644,595
Contributions related to the statutorily required contributions (does not include State contributions)	617,625	645,411	644,595
Contribution (deficiency) excess	-	-	-
City's covered-employee payroll	\$ 2,685,326	\$ 2,806,136	\$ 2,802,586
Contributions as a percentage of covered-employee payroll	23%	23%	23%
<u>Employee Retirement System of Claremore, Oklahoma (OMRF)</u>			
Statutorily required contribution	\$ 282,020	\$ 268,264	\$ 277,010
Contributions related to the statutorily required contributions	282,020	268,264	277,010
Contribution (deficiency) excess	-	-	-
City's covered-employee payroll	\$ 6,225,607	\$ 5,600,491	\$ 5,452,954
Contributions as a percentage of covered-employee payroll	4.53%	4.79%	5.08%

Data reported is for the City's fiscal year ending June 30

OTHER INFORMATION

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

Such statements and schedules include:

- Combining Schedules – Non-major governmental funds
- Schedule of Federal Awards
- Schedule of Revenue Bond Coverage

CITY OF CLAREMORE, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

SPECIAL REVENUE FUNDS

	Police Juvenile Fund	Drug Seizure Fund	Sales Tax Park	IRS Seizures Fund	Sales Tax Police	Sales Tax Fire	Animal Control Fund	Emergency Taxes	Cemetery Care Fund
ASSETS									
Cash	\$ 52,738	\$ 3,632	\$ 841,995	\$ 510	\$ 542,196	\$ 379,538	\$ 13,146	\$ 258,492	\$ 101,116
Prepaid Expenses	-	-	109	-	5,909	2,338	-	-	-
Investments	-	-	200,263	-	48,697	53,265	-	106,936	231,740
Receivables:									
Due from other governments	-	-	126,179	-	126,179	126,179	-	5,315	-
Due from other funds	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	1,012	-	-	268	-	542	1,174
Other receivable	-	-	2,200	-	-	-	-	-	-
Total assets	\$ 52,738	\$ 3,632	\$ 1,171,758	\$ 510	\$ 722,981	\$ 561,588	\$ 13,146	\$ 371,285	\$ 334,030
LIABILITIES									
Accounts payable and accrued liabilities	\$ 5,370	\$ 2,990	\$ 73,846	\$ -	\$ 27,336	\$ 33,614	\$ 2,465	\$ 1,657	\$ 832
Total liabilities	5,370	2,990	73,846	-	27,336	33,614	2,465	1,657	832
FUND BALANCES									
Restricted	-	-	-	-	-	-	-	-	333,198
Committed	-	-	1,097,912	-	695,645	527,974	-	-	-
Assigned	47,368	642	-	510	-	-	10,681	369,628	-
Total fund balances	47,368	642	1,097,912	510	695,645	527,974	10,681	369,628	333,198
Total liabilities and fund balances	\$ 52,738	\$ 3,632	\$ 1,171,758	\$ 510	\$ 722,981	\$ 561,588	\$ 13,146	\$ 371,285	\$ 334,030

(CONTINUED)

CITY OF CLAREMORE, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	SPECIAL REVENUE FUNDS (CONT'D)			CAPITAL PROJECT FUNDS				DEBT SERVICE	Total Nonmajor Governmental Funds	
	(CONTINUED)			Capital Improvement	Airport	CDBG	John Carle Blvd Improvement	Bicycle Trails Grant		FUND
	Emergency Management	Fleet Maintenance	Library Fund	Sales Tax	Fund	Sewer Fund	Fund	Grant		Sinking Fund
ASSETS										
Cash	\$ 18,185	\$ 435,701	\$ 66,301	\$ 1,131,289	\$ 48,295	\$ 6,730	\$ -	\$ 208,140	\$ 1,800	\$ 4,109,804
Prepaid Expenses	-	-	2,223	1,125	-	-	-	-	-	11,704
Investments	-	-	-	-	-	-	-	-	-	640,901
Receivables:										
Due from other governments	-	-	-	252,359	-	-	-	-	-	636,211
Due from other funds	-	-	-	-	-	9,846	-	-	-	9,846
Grants	-	-	-	-	23,525	-	-	-	-	23,525
Accrued interest	-	-	-	-	-	-	-	-	-	2,996
Other receivable	-	-	-	-	-	-	-	-	-	2,200
Total assets	<u>\$ 18,185</u>	<u>\$ 435,701</u>	<u>\$ 68,524</u>	<u>\$ 1,384,773</u>	<u>\$ 71,820</u>	<u>\$ 16,576</u>	<u>\$ -</u>	<u>\$ 208,140</u>	<u>\$ 1,800</u>	<u>\$ 5,437,187</u>
LIABILITIES										
Accounts payable and accrued liabilities	\$ 147	\$ 40,316	\$ 1,494	\$ 43,715	\$ 16,087	\$ 694	\$ -	\$ -	\$ 1,800	\$ 252,363
Total liabilities	<u>147</u>	<u>40,316</u>	<u>1,494</u>	<u>43,715</u>	<u>16,087</u>	<u>694</u>	<u>-</u>	<u>-</u>	<u>1,800</u>	<u>252,363</u>
FUND BALANCES										
Restricted	-	-	-	-	-	-	-	-	-	333,198
Committed	-	-	-	1,341,058	-	-	-	-	-	3,662,589
Assigned	18,038	395,385	67,030	-	55,733	15,882	-	208,140	-	1,189,037
Total fund balances	<u>18,038</u>	<u>395,385</u>	<u>67,030</u>	<u>1,341,058</u>	<u>55,733</u>	<u>15,882</u>	<u>-</u>	<u>208,140</u>	<u>-</u>	<u>5,184,824</u>
Total liabilities and fund balances	<u>\$ 18,185</u>	<u>\$ 435,701</u>	<u>\$ 68,524</u>	<u>\$ 1,384,773</u>	<u>\$ 71,820</u>	<u>\$ 16,576</u>	<u>\$ -</u>	<u>\$ 208,140</u>	<u>\$ 1,800</u>	<u>\$ 5,437,187</u>

CITY OF CLAREMORE, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SPECIAL REVENUE FUNDS

	Police Juvenile Fund	Drug Seizure Fund	Sales Tax Park	IRS Seizures Fund	Sales Tax Police	Sales Tax Fire	Animal Control Fund	Emergency Taxes	Cemetery Care Fund
REVENUES									
Taxes	\$ -	\$ -	\$ 743,104	\$ -	\$ 743,104	\$ 743,104	\$ -	\$ 167,399	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	13,695	-	9,205	-	22,864	-	19,260
Fines and forfeitures	14,114	-	-	-	-	-	-	-	-
Investment income	-	-	2,590	-	576	688	-	1,385	3,001
Miscellaneous	-	-	9,427	-	63,947	5,069	5,381	-	-
Total revenues	<u>14,114</u>	<u>-</u>	<u>768,816</u>	<u>-</u>	<u>816,832</u>	<u>748,861</u>	<u>28,245</u>	<u>168,784</u>	<u>22,261</u>
EXPENDITURES									
General government	-	-	-	-	-	-	-	-	-
Public safety	11,128	2,990	-	5,164	406,816	321,524	43,093	139,779	-
Transportation	-	-	-	-	-	-	-	-	-
Cultural, Parks, Recreation	-	-	365,499	-	-	-	-	-	15,140
Fleet maintenance	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	408,151	-	35,491	-	-	-	23,762
Total expenditures	<u>11,128</u>	<u>2,990</u>	<u>773,650</u>	<u>5,164</u>	<u>442,307</u>	<u>321,524</u>	<u>43,093</u>	<u>139,779</u>	<u>38,902</u>
OTHER FINANCING SOURCES (USES)									
Proceeds from debt issuance	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(174,462)	-	(373,627)	(446,242)	-	-	(13,700)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(174,462)</u>	<u>-</u>	<u>(373,627)</u>	<u>(446,242)</u>	<u>-</u>	<u>-</u>	<u>(13,700)</u>
NET CHANGE IN FUND BALANCES	2,986	(2,990)	(179,296)	(5,164)	898	(18,905)	(14,848)	29,005	(30,341)
FUND BALANCES - BEGINNING*	44,382	3,632	1,277,208	5,674	694,747	546,879	25,529	340,623	363,539
FUND BALANCES - ENDING	<u>\$ 47,368</u>	<u>\$ 642</u>	<u>\$ 1,097,912</u>	<u>\$ 510</u>	<u>\$ 695,645</u>	<u>\$ 527,974</u>	<u>\$ 10,681</u>	<u>\$ 369,628</u>	<u>\$ 333,198</u>

(CONTINUED)

CITY OF CLAREMORE, OKLAHOMA
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS (CONT'D)			CAPITAL PROJECT FUNDS				DEBT SERVICE	Total Nonmajor Governmental Funds	
	(CONTINUED)			Capital	Airport	CDBG Sewer Fund	John Carle Blvd Improvement Fund	Bicycle Trails Grant		FUND
	Emergency Management	Fleet Maintenance	Library Fund	Improvement Sales Tax						Sinking Fund
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ 1,486,208	\$ -	\$ -	\$ -	\$ -	\$ 17,001	\$ 3,899,920
Intergovernmental	15,000	-	17,355	-	883,882	-	-	-	-	916,237
Charges for services	-	-	18,653	-	-	-	-	-	-	83,677
Fines and forfeitures	-	-	-	-	-	-	-	-	-	14,114
Investment income	-	-	-	-	-	-	-	-	-	8,240
Miscellaneous	-	530	475	-	-	-	-	-	-	84,829
Total revenues	15,000	530	36,483	1,486,208	883,882	-	-	-	17,001	5,007,017
EXPENDITURES										
General government	-	-	-	199,108	-	8,797	-	-	17,001	224,906
Public safety	21,085	-	-	47,569	-	-	-	-	-	999,148
Transportation	-	-	-	-	-	-	-	-	-	-
Cultural, Parks, Recreation	-	-	36,761	67,558	-	-	-	-	-	484,958
Fleet maintenance	-	604,816	-	1,771	-	-	-	-	-	606,587
Capital outlay	-	7,003	-	211,902	924,696	-	-	27,737	-	1,638,742
Total expenditures	21,085	611,819	36,761	527,908	924,696	8,797	-	27,737	17,001	3,954,341
OTHER FINANCING SOURCES (USES)										
Proceeds from debt issuance	-	-	-	-	-	-	-	-	-	-
Transfers in	6,151	655,000	-	-	36,163	9,528	-	-	-	706,842
Transfers out	-	-	-	(684,059)	-	-	(319,832)	-	-	(2,011,922)
Total other financing sources (uses)	6,151	655,000	-	(684,059)	36,163	9,528	(319,832)	-	-	(1,305,080)
NET CHANGE IN FUND BALANCES	66	43,711	(278)	274,241	(4,651)	731	(319,832)	(27,737)	-	(252,404)
FUND BALANCES - BEGINNING*	17,972	351,674	67,308	1,066,817	60,384	15,151	319,832	235,877	-	5,437,228
FUND BALANCES - ENDING	\$ 18,038	\$ 395,385	\$ 67,030	\$ 1,341,058	\$ 55,733	\$ 15,882	\$ -	\$ 208,140	\$ -	\$ 5,184,824

**CITY OF CLAREMORE, OKLAHOMA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA# Number	Pass-through Identifying Number	Federal Expenditures
FEDERAL AWARDS:			
<u>U. S. DEPARTMENT OF JUSTICE:</u>			
Bulletproof Vest Partnership Program	16.607	Direct	\$8,993
<u>US DEPARTMENT OF TRANSPORTATION</u>			
Airport Improvement Program	20.106	Direct	499,518
Passed through the Oklahoma Department of Commerce: Airport Improvement Program (State Apportionment)	20.106	3-40-0019-018-2015	355,564
Total US Department of Transportation			855,082
<u>US DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through the Oklahoma Department of Emergency Management			
Emergency Management Performance Grant	97.042	EMPG 16	7,500
Emergency Management Performance Grant	97.042	EMPG 17	7,500
Total US Department of Homeland Security			15,000
TOTAL FEDERAL AWARDS			\$879,075

NOTES TO THE SCHEDULED OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

This schedule includes the federal grant activity of the City of Claremore, Oklahoma under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") Because the schedule presents only a selected portion of the operations of the City of Claremore, Oklahoma, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Claremore, Oklahoma.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting which may be different from other information contained in the City's financial statements.

**CLAREMORE PUBLIC WORKS AUTHORITY
SCHEDULE OF REVENUE BOND AND NOTE COVERAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Electric	Water & Sewer
Gross Revenue Available for Debt Service:		
Electric system revenues (1)	\$ 28,713,097	\$ -
Water and sewer systems revenues (1)		6,917,727
Investment income (split evenly)	29,166	29,165
Sales tax revenues (2)	3,715,519	3,715,519
Total Gross Revenues Available	\$32,457,782	\$10,662,411
System operating expenses (3)	18,680,565	4,166,155
Net revenues available for debt service	\$13,777,217	\$6,496,256
Average Annual Debt Service Requirements for Term:		
Claremore PWA Refunding Revenue Bonds, Series 2012	\$ 1,950,700	\$ -
Claremore PWA Cap Improvement Taxable Refunding Bonds, Series 2013A	1,089,570	-
Claremore PWA Electric System Refunding Revenue Bonds, Series 2013B	396,460	-
Claremore PWA Utility System Refunding Revenue Bonds, Series 2013C	539,820	-
CPWA Utility Revenue Note Series 2013B (4)	516,877	-
CPWA Sales Tax & Utility System Revenue Note, Series 2015	-	1,672,013
Total average annual debt service	\$ 4,493,427	\$ 1,672,013
Computed Coverage	3.07	3.89
Coverage Requirement - Revenue Bond and Note Indentures	1.25	1.25

(1) Water and sewer system are pledged to the 2015 CPWA Revenue Note, electric revenue is pledged to all others

(2) Sales tax revenues deposited to the Sales Tax Street Fund are pledged to the 2015 CPWA Revenue Note, EXPO/WWTP Sales Tax Fund are dedicated for all others

(3) Excludes depreciation.

(4) Note Series 2013B debt service may be offset by incremental property taxes as specified by TIF #1

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

To the Honorable Mayor and City Council
City of Claremore, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Claremore, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Claremore, Oklahoma's basic financial statements, and have issued our report thereon dated January 15, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Claremore, OK
January 15, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and City Council
City of Claremore, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Claremore, State of Oklahoma's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Claremore, State of Oklahoma's major federal programs for the year ended June 30, 2017. City of Claremore, State of Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Claremore, State of Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, State of Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Claremore, State of Oklahoma's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Claremore, State of Oklahoma, complied, in all material respects, with the types of 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, 2017.

Report on Internal Control over Compliance

Management of the City of Claremore, State of Oklahoma, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Claremore, State of Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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, State of Oklahoma'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

A handwritten signature in black ink that reads "David A. Clavin, CPA". The signature is written in a cursive style.

Claremore, OK
January 15, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF CLAREMORE

Year ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: *unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiencies identified that are considered to be material weaknesses? *No*
- Noncompliance material to financial statements noted? *No*

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? *No*
- Significant deficiencies identified that are not considered to be material weaknesses? *No*

Type of auditor’s report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with *Uniform Guidance*? *No*

Identification of major programs:

CFDA Number

Federal Program

20.106

Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: *\$750,000*

The auditee was not considered to be a low-risk auditee.

Note: The City has not prepared a *Summary Schedule of Prior Audit Findings and Corrective Action Plan* as there were no findings in the prior year.

Section II – Financial Statement Finding

No matters to report

Section III – Federal Award Findings and Questioned Costs

No matters to report