

# City of Claremore, Oklahoma Annual Financial Report

Fiscal Year Ended June 30, 2016



CITY OF CLAREMORE, OKLAHOMA  
 ANNUAL FINANCIAL REPORT  
 AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT  
 For the fiscal year ended June 30, 2016

TABLE OF CONTENTS

	<i>Page</i>
<b>FINANCIAL SECTION:</b>	
INDEPENDENT AUDITOR'S REPORT	4-5
Management's Discussion and Analysis	6-12
BASIC FINANCIAL STATEMENTS:	13
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	14
Statement of Activities	15
<i>Fund Financial Statements:</i>	
Balance Sheet-Governmental Funds and Reconciliation to the Statement of Net Position	16-17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18-19
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Notes to Basic Financial Statements	23-52
REQUIRED SUPPLEMENTARY INFORMATION:	53
Budgetary Comparison Schedule – General Fund	54-55
Budgetary Comparison Schedule – Sales Tax Street Fund	56
Budgetary Comparison Schedule – EXPO/WWTP Sales Tax Fund	57
Notes to Required Supplementary Information	58
Schedule of City of Claremore's Share of Net Pension Liabilities	59

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 For the fiscal year ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Schedule of Employer Contributions	60
<b>OTHER INFORMATION:</b>	61
Combining Balance Sheet – Nonmajor Governmental Funds	62-63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	64-65
Schedule of Expenditures of Federal Awards	66
Notes to the Schedule of Expenditures of Federal Awards	67
Claremore Public Works Authority – Schedule of Revenue Debt Service Coverage	68
 <b>COMPLIANCE SECTION:</b>	
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 <i>Government Auditing Standards</i>	69
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance as Required by OMB Circular A-133	70-71
Summary of Auditor’s Results	72

**CITY OF CLAREMORE, OKLAHOMA  
LIST OF PRINCIPAL OFFICIALS**

June 30, 2016

**MAYOR AND CITY COUNCIL**

Bill Flanagan	Mayor
Susan Kirtley	Councilmember Ward 1
Scott Savage	Councilmember Ward 1
Don Purkey	Councilmember Ward 2
Brian Callender	Councilmember Ward 2
Buddy Robertson	Councilmember Ward 3
Terry Willis	Councilmember Ward 3
Jeff Godwin	Councilmember Ward 4
Will DeMier	Councilmember Ward 4

**ADMINISTRATION**

Jim Thomas	City Manager
Susy Collins	Director of Finance
Sean Douglas	Fire Chief and Emergency Management Director
Stan Brown	Chief of Police
Sarah Sharp	City Clerk
Daryl Golbek	Director, Public Works
Jeri Koehler	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

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable 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, 2016, 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, 2016, 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 on pages 6-12, 54-58 and 59-60 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 October 7, 2016, 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.



Claremore, Oklahoma  
October 7, 2016

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, 2016. 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 \$7,174,341 or 7.4% from the prior year. This increase is largely due to an increase utility service revenue, continued spending controls, and the receipt of capital grant revenues.
- The city's governmental activities net position increased by \$2,700,486 or 5.3% due primarily to the receipt of capital grant revenues for airport and recreational trail development 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 \$4,473,855 or 9.7%, due to increased water rates in anticipation of amortization of the debt incurred for significant water treatment system improvements as well as general spending controls.

### 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.



**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 62.

### 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, 2016, the City's combined net position increased by \$7.2 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
	2016	2015	2016	2015	2016	2015	2015-2016
Current and other assets	\$ 30.4	\$ 28.5	\$ 40.9	\$ 45.1	\$ 71.3	\$ 73.6	-3%
Capital assets	36.6	35.5	73.0	67.6	109.6	103.1	6%
Total assets	67.0	64.0	113.9	112.7	180.9	176.7	2%
Deferred outflows of resources	3.0	2.3	0.3	0.1	3.3	2.4	38%
Long-term debt outstanding	0.6	0.3	58.9	62.6	59.5	62.9	-5%
Other liabilities	13.3	12.1	4.6	3.9	17.9	16.0	12%
Total liabilities	13.9	12.4	63.5	66.5	77.4	78.9	-2%
Deferred inflows of resources	2.5	3.0	0.3	0.4	2.8	3.4	-18%
Net position							
Net investment in capital	36.0	35.2	27.6	26.0	63.6	61.2	4%
Restricted	0.4	-	12.0	12.2	12.4	12.2	2%
Unrestricted	17.2	15.7	10.8	7.7	28.0	23.4	20%
Total net position	\$ 53.6	\$ 50.9	\$ 50.4	\$ 45.9	\$ 104.0	\$ 96.8	7%

The table above reflects an increase of 5.3% for governmental activities net position and an increase of approximately 9.8% for business-type activities. The City's overall financial position improved during fiscal year 2016.

The City's governmental activities net position increased by \$2.7 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 \$4.5 million. The increase was due to stronger operational results that included increased water revenues targeted at amortizing debt related to a significant water treatment project that was initiated during the year.

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
	2016	2015		2016	2015		2016	2015	
<i>Revenues:</i>									
Program revenues									
Charges for services	\$ 0.6	\$ 0.7	-14%	\$ 38.1	\$ 39.5	-4%	\$ 38.7	\$ 40.2	-4%
Operating grants and contributions	0.1	1.0	-90%	-	-	-	0.1	1.0	-90%
Capital grants and contributions	0.8	0.5	60%	-	-	-	0.8	0.5	60%
General revenues									
Sales and use taxes	11.8	11.8	0%	-	-	-	11.8	11.8	0%
Other taxes	0.8	0.7	14%	-	-	-	0.8	0.7	14%
Intergovernmental revenue	0.7	0.4	75%	-	-	-	0.7	0.4	75%
Other	0.3	0.3	0%	0.7	0.5	40%	1.0	0.8	25%
Total revenues	<u>15.1</u>	<u>15.4</u>	-2%	<u>38.8</u>	<u>40.0</u>	-3%	<u>53.9</u>	<u>55.4</u>	-3%
<i>Expenses:</i>									
General government	3.6	3.3	9%	-	-	-	3.6	3.3	9%
Public safety and judiciary	9.9	9.3	6%	-	-	-	9.9	9.3	6%
Transportation	2.7	2.3	17%	-	-	-	2.7	2.3	17%
Culture, parks, recreation & promotion	2.0	1.8	11%	-	-	-	2.0	1.8	11%
Electric operations	-	-	-	17.5	20.4	-14%	17.5	20.4	-14%
Water operations	-	-	-	1.9	3.2	-41%	1.9	3.2	-41%
Wastewater operations	-	-	-	3.7	2.7	37%	3.7	2.7	37%
Solid waste operations	-	-	-	1.9	1.5	27%	1.9	1.5	27%
Recreation services	-	-	-	2.4	2.1	14%	2.4	2.1	14%
Total expenses	<u>18.2</u>	<u>16.7</u>	9%	<u>27.4</u>	<u>29.9</u>	-8%	<u>45.6</u>	<u>46.6</u>	-2%
Increase in net position before transfers & extraordinary items	(3.1)	(1.3)	138%	11.4	10.1	13%	8.3	8.8	-6%
Transfers, net	5.8	5.5	5%	(6.9)	(5.8)	19%	(1.1)	(0.3)	267%
Extraordinary and nonrecurring items	-	-	-	-	(0.3)	-100%	-	(0.3)	-100%
Change in net position	<u>\$ 2.7</u>	<u>\$ 4.2</u>	-36%	<u>\$ 4.5</u>	<u>\$ 4.0</u>	13%	<u>\$ 7.2</u>	<u>\$ 8.2</u>	-12%

The results of 2016 were shaped largely by a continued slow but steady growth in the local economy. Total net position increased by 7.4% or \$7.2 million. Significant changes were related to:

Governmental Activities (see Table 2):

- Capital grants and intergovernmental revenue restricted for capital projects.
- Governmental fund expenses increased 9% in part due to timing differences in the recognition of pension expense and higher personnel costs.
- Net transfers increased by \$0.3 million reflecting an increase of \$1.1 million in net transfers from business type activities, somewhat offset by a \$0.7 million increase in transfers to CIEDA that were related to Tax Increment Financing agreements.

Business-type Activities:

- Charges for services decreased due to lower electric utility rates reflecting lower energy costs in the current year, somewhat offset by higher water rates and a full year of the new storm water fee collections.
- Operations and maintenance expense was lower primarily to lower electric purchase costs which resulted in essentially flat year over year gross margin for electric utility results.

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)**

	<b>Total Cost of Services</b>		<b>%</b>	<b>Net (Expense) Revenue from Services</b>		<b>%</b>
	<b>2016</b>	<b>2015</b>		<b>2016</b>	<b>2015</b>	
General government	\$ 3,009	\$ 2,733	10%	\$ (2,789)	\$ (2,498)	12%
Public safety and judiciary	9,886	9,319	6%	(9,609)	(8,953)	7%
Transportation	2,694	2,262	19%	(1,880)	(1,742)	8%
Cultural, parks, recreation	1,981	1,831	8%	(1,795)	(1,721)	4%
Fleet maintenance	586	582	1%	(586)	(582)	1%
	<u>\$ 18,156</u>	<u>\$ 16,727</u>	9%	<u>\$ (16,659)</u>	<u>\$ (15,496)</u>	8%

Overall, the city's governmental activities' total costs increased 9% over last year and net costs increased by 8%. 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 decreased 8% from last year.

**Business-Type Activities**  
**Table 4**  
**(In Thousands)**

	<b>Total Cost of Services</b>		<b>%</b>	<b>Net (Expense) Revenue from Services</b>		<b>%</b>
	<b>2016</b>	<b>2015</b>		<b>2016</b>	<b>2015</b>	
Electric operations	\$ 17,538	\$ 20,436	-14%	\$ 9,844	\$ 9,782	1%
Water operations	1,903	3,251	-41%	2,945	466	532%
Wastewater operations	3,678	2,666	38%	(1,512)	(528)	186%
Solid waste operations	1,912	1,453	32%	147	603	-76%
Recreation services	2,354	2,100	12%	(752)	(742)	1%
	<u>\$ 27,385</u>	<u>\$ 29,906</u>	-8%	<u>\$ 10,672</u>	<u>\$ 9,581</u>	11%

*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 decreased by \$41,041, or 0.8 percent from the prior year.

*General Fund Budgetary Highlights*

The general fund budget was virtually unchanged from the original one approved in June 2015. General Fund actual expenditures were below budgeted appropriations by \$1,018,986, due primarily to lower spending than originally projected in nearly every functional area. Actual revenues were higher than budgeted by \$297,093 in part due to higher hotel and franchise taxes as well as the sale of a parcel of land.

*Capital Asset and Debt Administration*

At the end of June 30, 2016, the city had \$109.6 million invested in capital assets including police and fire equipment, buildings, park facilities, streets and drainage systems, and electric, water, sewer infrastructure. Additions to capital assets included water treatment plant improvements, airport runway improvements, the completion of a recreational trail project, and purchase of a new fire pumper truck. Information on capital assets is located in Note 3.D.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>		<b>Total % Change</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	
<i>Non-Depreciable Assets</i>							
Land	\$ 1.9	\$ 1.9	\$ 2.1	\$ 2.0	\$ 4.0	\$ 3.9	3%
Construction-in-progress	2.2	2.4	12.5	4.7	14.7	7.1	107%
<i>Depreciable Assets</i>							
Buildings	12.9	11.4	24.4	24.2	37.3	35.6	5%
Equipment and furniture	11.8	10.9	9.2	9.3	21.0	20.2	4%
Infrastructure	57.1	56.0	69.6	69.6	126.7	125.6	1%
<i>Accumulated Depreciation</i>	(49.3)	(47.1)	(44.8)	(42.2)	(94.1)	(89.3)	5%
<b>Totals</b>	<b>\$ 36.6</b>	<b>\$ 35.5</b>	<b>\$73.0</b>	<b>\$67.6</b>	<b>\$109.6</b>	<b>\$103.1</b>	<b>6%</b>

### 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)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Total % Change</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	
Notes Payable	\$ -	\$ -	\$ 23.0	\$ 24.1	\$ 23.0	\$ 24.1	-5%
Revenue Bonds	-	-	35.9	38.5	35.9	38.5	-7%
Capital Leases	0.6	0.3	-	-	0.6	0.3	
<b>Totals</b>	<b>\$ 0.6</b>	<b>\$ 0.3</b>	<b>\$ 58.9</b>	<b>\$ 62.6</b>	<b>\$ 59.5</b>	<b>\$ 62.9</b>	-5%

#### *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 2016-2017 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, 2016**

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Claremore
	Activities	Activities		Industrial and Economic Development Authority
<b>ASSETS:</b>				
Current Assets:				
Cash and cash equivalents	\$ 17,178,063	\$ 7,281,534	\$ 24,459,597	\$ 330,683
Cash and cash equivalents - restricted	-	3,100,077	3,100,077	301,417
Accounts receivable, net	157,485	4,810,565	4,968,050	47,029
Interest receivable	41,561	-	41,561	-
Interest receivable - restricted	-	88,947	88,947	10,341
Prepaid expenses	108,235	13,995	122,230	35,036
Inventory	12,901	1,416,900	1,429,801	17,309
Investments - restricted	-	13,506,555	13,506,555	-
Due from other governments	2,558,712	18,881	2,577,593	420,943
Due from related entities	9,846	-	9,846	86,826
Note receivable, current - restricted	-	392,784	392,784	485,784
Total current assets	<u>20,066,803</u>	<u>30,630,238</u>	<u>50,697,041</u>	<u>1,735,368</u>
Noncurrent Assets:				
Investments	10,341,997	518,007	10,860,004	-
Restricted assets:				
Investments	-	7,077,293	7,077,293	-
Note receivable, net of current portion	-	2,709,539	2,709,539	3,716,539
Capital assets:				
Land and construction in progress	4,092,774	14,597,846	18,690,620	2,416,550
Depreciable buildings, property, and equipment, net	32,535,527	58,391,018	90,926,545	2,505,094
Total noncurrent assets	<u>46,970,298</u>	<u>83,293,703</u>	<u>130,264,001</u>	<u>8,638,183</u>
Total assets	<u>67,037,101</u>	<u>113,923,941</u>	<u>180,961,042</u>	<u>10,373,551</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Related to defined benefit pension plan	2,987,183	267,438	3,254,621	22,320
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	1,359,880	3,094,963	4,454,843	40,822
Accrued interest payable	-	393,501	393,501	15,538
Due to related entities	38,061	58,611	96,672	-
Current portion of long-term debt	196,220	4,292,784	4,489,004	512,252
Total current liabilities	<u>1,594,161</u>	<u>7,839,859</u>	<u>9,434,020</u>	<u>568,612</u>
Noncurrent liabilities:				
Deposits subject to refund	-	959,763	959,763	-
Net pension liability (asset)	10,831,531	(63,903)	10,767,628	(3,994)
Accrued compensated absences	1,079,357	166,345	1,245,702	-
Noncurrent portion of long-term debt	406,955	54,579,539	54,986,494	3,909,530
Total non-current liabilities	<u>12,317,843</u>	<u>55,641,744</u>	<u>67,959,587</u>	<u>3,905,536</u>
Total liabilities	<u>13,912,004</u>	<u>63,481,603</u>	<u>77,393,607</u>	<u>4,474,148</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Related to defined benefit pension plan	2,487,956	347,061	2,835,017	22,092
<b>NET POSITION:</b>				
Net investment in capital assets	36,025,126	27,623,096	63,648,222	4,852,185
Restricted by:				
Enabling legislation	363,539	10,718,051	11,081,590	-
External contracts	-	1,235,435	1,235,435	740,856
Unrestricted	17,235,659	10,786,133	28,021,792	306,590
Total net position	<u>\$ 53,624,324</u>	<u>\$ 50,362,715</u>	<u>\$ 103,987,039</u>	<u>\$ 5,899,631</u>

See accompanying notes to the basic financial statements.

**City of Claremore, Oklahoma**  
**Statement of Activities**  
**For the fiscal year ended June 30, 2016**

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		
<b>Primary Government:</b>								
General government	\$ 3,008,812	\$ 219,932	\$ -	\$ -	\$ (2,788,880)	\$ -	\$ (2,788,880)	\$ -
Public safety and judiciary	9,886,313	237,851	15,000	24,500	(9,608,962)	-	(9,608,962)	-
Transportation	2,694,357	-	-	814,813	(1,879,544)	-	(1,879,544)	-
Cultural, parks, recreation and promotion	1,981,140	161,251	24,454	-	(1,795,435)	-	(1,795,435)	-
Fleet maintenance	586,350	-	-	-	(586,350)	-	(586,350)	-
Total governmental activities	18,156,972	619,034	39,454	839,313	(16,659,171)	-	(16,659,171)	-
<b>Business-type activities:</b>								
Electric operations	17,538,399	27,381,927	-	-	-	9,843,528	9,843,528	-
Water operations	1,903,045	4,847,611	-	-	-	2,944,566	2,944,566	-
Wastewater operations	3,677,762	2,166,207	-	-	-	(1,511,555)	(1,511,555)	-
Solid waste operations	1,911,728	2,059,206	-	-	-	147,478	147,478	-
Recreation services	2,353,599	1,601,180	-	-	-	(752,419)	(752,419)	-
Total business-type activities	27,384,533	38,056,131	-	-	-	10,671,598	10,671,598	-
<b>Total primary government</b>	<b>\$ 45,541,505</b>	<b>\$ 38,675,165</b>	<b>\$ 39,454</b>	<b>\$ 839,313</b>	<b>(16,659,171)</b>	<b>10,671,598</b>	<b>(5,987,573)</b>	
<b>Component Unit:</b>								
Economic development	\$ 657,501	\$ 55,690	\$ -	\$ -				(601,811)
Airport	639,352	512,819	-	-				(126,533)
Total component unit	\$ 1,296,853	\$ 568,509	\$ -	\$ -				(728,344)
General revenues:								
Taxes:								
Sales and use taxes					11,757,658	-	11,757,658	-
Franchise and public service taxes					754,631	-	754,631	-
Property tax					18,134	-	18,134	436,632
Intergovernmental revenue not restricted to specific programs					663,258	-	663,258	-
Investment income					172,519	677,908	850,427	760
Miscellaneous					187,975	-	187,975	-
Loss on disposition of assets					(3,996)	-	(3,996)	-
Total general revenues					13,550,179	677,908	14,228,087	437,392
Change in net position before transfers, capital contributions, and extraordinary items					(3,108,992)	11,349,506	8,240,514	(290,952)
Transfers - Internal activity					5,809,478	(6,875,651)	(1,066,173)	1,066,173
Change in net position					2,700,486	4,473,855	7,174,341	775,221
Net position - beginning*					50,923,838	45,888,860	96,812,698	5,124,410
Net position - ending					\$ 53,624,324	\$ 50,362,715	\$ 103,987,039	\$ 5,899,631

See accompanying notes to the basic financial statements



**City of Claremore, Oklahoma**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	Sales Tax		EXPO/WWTP		Other		Total	
	General	Street Fund	Sales Tax Fund	Governmental Funds	Governmental Funds	Funds	Funds	Funds
<b>ASSETS:</b>								
Cash and cash equivalents	\$ 4,350,742	\$ 3,888,825	\$ 4,730,580	\$ 4,207,916	\$ 17,178,063			
Prepaid expenses	48,847	1,088	-	58,300	108,235			
Inventory	-	12,901	-	-	12,901			
Investments	1,034,835	8,673,840	-	633,322	10,341,997			
Receivables:								
Court receivables	157,485	-	-	-	157,485			
Due from other governments	241,129	651,391	622,772	788,086	2,303,378			
Grants	-	-	-	255,334	255,334			
Accrued interest	4,060	34,901	-	2,600	41,561			
Due from other funds	-	-	-	9,846	9,846			
Total assets	\$ 5,837,098	\$ 13,262,946	\$ 5,353,352	\$ 5,955,404	\$ 30,408,800			
<b>LIABILITIES AND FUND BALANCES:</b>								
Liabilities:								
Accounts payable and accrued liabilities	\$ 697,472	\$ 144,232	\$ -	\$ 518,176	\$ 1,359,880			
Deferred revenue	94,327	-	-	-	94,327			
Due to component unit	38,061	-	-	-	38,061			
Total liabilities	829,860	144,232	-	518,176	1,492,268			
Fund Balances:								
Restricted	-	-	-	363,539	363,539			
Unrestricted:								
Committed	1,019,968	13,118,714	5,353,352	3,585,651	23,077,685			
Assigned	1,837,677	-	-	1,488,038	3,325,715			
Unassigned	2,149,593	-	-	-	2,149,593			
Total fund balances	5,007,238	13,118,714	5,353,352	5,437,228	28,916,532			
Total liabilities and fund balances	\$ 5,837,098	\$ 13,262,946	\$ 5,353,352	\$ 5,955,404	\$ 30,408,800			

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, 2016**

Fund balances of governmental funds	\$	28,916,532
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 \$49,321,397		36,628,301
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are not reported in the funds:		
Court fines receivable		94,327
Some liabilities, including pension obligations, are applicable to future periods and, therefore, are not reported in the funds:		
Accrued compensated absences		(1,079,357)
Net pension liability (measurement date is June 30, 2014)		(10,831,531)
Long term debt		(603,175)
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		2,987,183
Deferred inflows of resources related to pensions		(2,487,956)
Net position of governmental activities	<u>\$</u>	<u>53,624,324</u>

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, 2016**

	General	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,219,522	\$ 3,713,455	\$ 3,713,455	\$ 3,883,991	\$ 12,530,423
Intergovernmental	1,541,500	172,565	-	1,087,908	2,801,973
Licenses and permits	154,537	-	-	-	154,537
Charges for services	65,160	-	-	96,091	161,251
Fines and forfeitures	225,814	-	-	12,037	237,851
Investment income	52,632	111,678	-	8,209	172,519
Miscellaneous	128,875	19,426	-	39,674	187,975
<b>Total Revenues</b>	<b>3,388,040</b>	<b>4,017,124</b>	<b>3,713,455</b>	<b>5,127,910</b>	<b>16,246,529</b>
Expenditures:					
General government	2,451,321	-	-	453,775	2,905,096
Public safety and judiciary	9,859,298	-	-	720,930	10,580,228
Transportation	-	1,225,200	-	12,841	1,238,041
Cultural, parks, recreation and promotion	1,279,767	-	-	426,597	1,706,364
Fleet maintenance	-	-	-	591,222	591,222
Capital outlay	180,222	1,142,627	-	2,035,275	3,358,124
<b>Total Expenditures</b>	<b>13,770,608</b>	<b>2,367,827</b>	<b>-</b>	<b>4,240,640</b>	<b>20,379,075</b>
Excess (deficiency) of revenues over expenditures	(10,382,568)	1,649,297	3,713,455	887,270	(4,132,546)
Other Financing Sources (Uses):					
Proceeds from debt Issuance	-	-	-	500,250	500,250
Transfers in	11,441,910	-	-	1,024,660	12,466,570
Transfers out	(1,100,383)	(1,116,036)	(3,001,130)	(1,670,151)	(6,887,700)
<b>Total Other Financing Sources (Uses)</b>	<b>10,341,527</b>	<b>(1,116,036)</b>	<b>(3,001,130)</b>	<b>(145,241)</b>	<b>6,079,120</b>
Net change in fund balances	(41,041)	533,261	712,325	742,029	1,946,574
Fund balances - beginning*	5,048,279	12,585,453	4,641,027	4,695,199	26,969,958
<b>Fund balances - ending</b>	<b>\$ 5,007,238</b>	<b>\$ 13,118,714</b>	<b>\$ 5,353,352</b>	<b>\$ 5,437,228</b>	<b>\$ 28,916,532</b>

\*Beginning fund balance is restated due to a change in accounting principle for recognition of compensated absences

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, 2016**

Net change in fund balances - total governmental funds	\$	1,946,574
<p style="margin-left: 40px;">Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p style="margin-left: 80px;">Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset:</p>		
Capital asset purchases capitalized		3,358,124
Depreciation expense		(2,246,838)
<p style="margin-left: 80px;">Revenues in the Statement of Activities that do not provide current financial resources:</p>		
Court receivables expected to collect after the availability period (60 days)		65,395
<p style="margin-left: 80px;">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:</p>		
Principal payments on long term debt		203,140
Capital lease proceeds		(500,250)
<p style="margin-left: 80px;">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 the Statement of Activities:</p>		
Accrued compensated absences		(57,988)
Loss on asset dispositions		(3,996)
<p style="margin-left: 80px;">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:</p>		
Employer pension contributions		1,207,849
Cost of benefits earned net of employee contributions		(1,271,524)
Change in net position of governmental activities	\$	2,700,486

See accompanying notes to the basic financial statements

**City of Claremore, Oklahoma**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	<u>CPWA</u>	<u>CCDA</u>	<u>Total</u>
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$ 6,365,259	\$ 916,275	\$ 7,281,534
Accounts receivable, net	4,802,042	8,523	4,810,565
Due from other governments	18,881	-	18,881
Prepaid expense	6,481	7,514	13,995
Inventory	1,416,900	-	1,416,900
Restricted assets:			
Cash and cash equivalents	3,100,077	-	3,100,077
Investments	13,506,555	-	13,506,555
Interest receivable	88,947	-	88,947
Note receivable, current portion	392,784	-	392,784
Total current assets	<u>29,697,926</u>	<u>932,312</u>	<u>30,630,238</u>
Noncurrent Assets:			
Investments	518,007	-	518,007
Net pension asset	61,551	2,352	63,903
Restricted assets:			
Investments	7,077,293	-	7,077,293
Note receivable, net of current portion	2,709,539	-	2,709,539
Land and construction in progress	13,157,919	1,439,927	14,597,846
Other capital assets, net	48,339,613	10,051,405	58,391,018
Total noncurrent assets	<u>71,863,922</u>	<u>11,493,684</u>	<u>83,357,606</u>
Total assets	<u>101,561,848</u>	<u>12,425,996</u>	<u>113,987,844</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Related to defined benefit pension plan	<u>208,772</u>	<u>58,666</u>	<u>267,438</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable and accrued expenses	2,973,381	121,582	3,094,963
Accrued interest payable	393,501	-	393,501
Accrued compensated absences	131,108	35,237	166,345
Due to related entities	58,611	-	58,611
Current portion of long term obligations	4,292,784	-	4,292,784
Total current liabilities	<u>7,849,385</u>	<u>156,819</u>	<u>8,006,204</u>
Noncurrent liabilities:			
Deposits subject to refund	931,636	28,127	959,763
Noncurrent portion of long-term obligations	54,579,539	-	54,579,539
Total noncurrent liabilities	<u>55,511,175</u>	<u>28,127</u>	<u>55,539,302</u>
Total liabilities	<u>63,360,560</u>	<u>184,946</u>	<u>63,545,506</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Related to defined benefit pension plan	<u>298,328</u>	<u>48,733</u>	<u>347,061</u>
<b>NET POSITION:</b>			
Net investment in capital assets	16,131,764	11,491,332	27,623,096
Restricted for:			
Storm water	538,435	-	538,435
Debt service	1,235,435	-	1,235,435
Hospital trust fund	10,179,616	-	10,179,616
Unrestricted	10,026,482	759,651	10,786,133
Total net position	<u>\$ 38,111,732</u>	<u>\$ 12,250,983</u>	<u>\$ 50,362,715</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, 2016**

	Enterprise Funds		
	CPWA	CCDA	Total
Operating revenues:			
Charges for services:			
Electricity charges	\$ 27,381,927	\$ -	\$ 27,381,927
Water charges	4,847,611	-	4,847,611
Sewer charges	2,155,458	-	2,155,458
Sanitation charges	2,059,206	-	2,059,206
Recreation services	-	1,013,856	1,013,856
Rentals	-	403,172	403,172
Other	15,692	184,152	199,844
Total operating revenues	<u>36,459,894</u>	<u>1,601,180</u>	<u>38,061,074</u>
Operating expenses:			
Electric	16,423,814	-	16,423,814
Water	1,443,046	-	1,443,046
Sewer	1,434,090	-	1,434,090
Sanitation	1,474,708	-	1,474,708
Recreation	-	1,731,784	1,731,784
Depreciation	2,538,927	484,129	3,023,056
Total operating expenses	<u>23,314,585</u>	<u>2,215,913</u>	<u>25,530,498</u>
Operating income (loss)	13,145,309	(614,733)	12,530,576
Non-operating revenues (expenses):			
Investment income	675,949	1,959	677,908
Interest expense and fiscal charges	(1,854,035)	-	(1,854,035)
Total non-operating revenues (expenses)	<u>(1,178,086)</u>	<u>1,959</u>	<u>(1,176,127)</u>
Net income(loss) before transfers	11,967,223	(612,774)	11,354,449
Transfers in	3,784,990	485,900	4,270,890
Transfers out	(11,151,484)	-	(11,151,484)
Change in net position	4,600,729	(126,874)	4,473,855
Net position - beginning	33,511,003	12,377,857	45,888,860
Net position - ending	<u>\$ 38,111,732</u>	<u>\$ 12,250,983</u>	<u>\$ 50,362,715</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, 2016**

	CPWA	CCDA	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 36,518,776	\$ 1,599,755	\$ 38,118,531
Payments to suppliers	(17,510,703)	(694,834)	(18,205,537)
Payments to or on behalf of employees	(2,692,939)	(1,048,540)	(3,741,479)
Receipts of customer deposits	250,310	11,257	261,567
Customer deposits refunded or applied	(268,483)	-	(268,483)
Net cash provided by (used in) operating activities	<u>16,296,961</u>	<u>(132,362)</u>	<u>16,164,599</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	325,884	325,884
Transfers to other funds	(8,140,468)	-	(8,140,468)
Net cash provided by (used in) non-capital and related financing activities	<u>(8,140,468)</u>	<u>325,884</u>	<u>(7,814,584)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(8,218,803)	(218,260)	(8,437,063)
Principal paid on capital debt	(3,680,000)	-	(3,680,000)
Interest and fiscal agent fees paid on capital debt	(1,874,089)	-	(1,874,089)
Capital asset transfers from other funds	713,412	182,496	895,908
Net cash used in capital and related financing activities	<u>(13,059,480)</u>	<u>(35,764)</u>	<u>(13,095,244)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(20,127,604)	-	(20,127,604)
Proceeds from sales and maturities of investments	6,663,115	-	6,663,115
Interest and dividends	346,547	1,959	348,506
Net cash provided by (used in) investing activities	<u>(13,117,942)</u>	<u>1,959</u>	<u>(13,115,983)</u>
Net increase in cash and cash equivalents	(18,020,929)	159,717	(17,861,212)
Balances - beginning of the year	27,486,265	756,558	28,242,823
Balances - end of the year	<u>\$ 9,465,336</u>	<u>\$ 916,275</u>	<u>\$ 10,381,611</u>
<b>Reconciliation to the Statement of Net Position:</b>			
Cash and cash equivalents	\$ 6,365,259	\$ 916,275	\$ 7,281,534
Restricted cash and cash equivalents	3,100,077	-	3,100,077
Total cash and cash equivalents	<u>\$ 9,465,336</u>	<u>\$ 916,275</u>	<u>\$ 10,381,611</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 13,145,309	\$ (614,733)	\$ 12,530,576
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	2,538,927	484,129	3,023,056
Change in assets, liabilities, and deferrals:			-
Decrease (increase) in receivables, net	27,839	(1,425)	26,414
Decrease in inventory	101,578	-	101,578
Increase in prepaid expense	(6,481)	(7,514)	(13,995)
Increase in deferred outflows	(100,260)	(40,183)	(140,443)
Increase in accounts payable	419,138	6,720	425,858
Increase in customer deposits payable	12,870	11,257	24,127
Increase (decrease) in accrued compensated absences	(933)	3,015	2,082
Increase in due to other funds	39,672	-	39,672
Decrease in net pension asset	160,308	35,436	195,744
Decrease in deferred inflows	(41,006)	(9,064)	(50,070)
Net cash provided by (used in) operating activities	<u>\$ 16,296,961</u>	<u>\$ (132,362)</u>	<u>\$ 16,164,599</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 account 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 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 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:



FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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 services 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 separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and 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:

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*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, and 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.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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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, 2016, 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, 2016, 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.

FOOTNOTES 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](http://www.ok.gov/OPPRS) and the Oklahoma Firefighters Pension and Retirement System – [www.ok.gov/FPRS](http://www.ok.gov/FPRS) and the Oklahoma Municipal Retirement Fund at [www.okmrf.org](http://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.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

- 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.
- 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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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 principal and interest payable for the remainder of the life of this note is \$23,166,625. Debt service payments of \$1,947,875 for the current fiscal year were 13.0% of pledged 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 \$5,553,055. Debt service payments of \$1,029,255 for the current fiscal year were 6.9% of pledged 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 \$5,528,325. Debt service payments of \$386,760 for the current fiscal year were 2.6% of pledged 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 \$10,452,955. Debt service payments of \$445,320 for the current fiscal year were 3.0% of pledged 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, 2028 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 \$23,855,895. Debt service payments of \$1,648,051 for the current fiscal year were 2.0% of pledged revenues.

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, 2016 and 2015, the City recognized \$75,979 and \$47,831, respectively, of expense related to this agreement which expires in 2019.

*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.
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.



FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

**1.H. NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL YEAR 2016**

The City adopted several new accounting pronouncements during the year ended June 30, 2016 as follows:

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 - This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. There were no significant changes to the City's financial presentation as a result of implementing this statement.

Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**1.I PRIOR PERIOD ADJUSTMENT**

The following beginning fund balances have been restated as follows:

	<b>General Fund</b>	<b>Sales Tax Street Fund</b>	<b>Fleet Maintenance</b>
<b>Beginning fund balances as previously reported at June 30, 2015:</b>	<b>\$ 4,289,571</b>	<b>\$ 12,547,013</b>	<b>\$ 237,098</b>
Prior period adjustment:			
Change in accounting principal			
Reversal of recognition of compensated absences (compensated absences are recognized at the government wide level)	758,708	38,440	5,950
<b>Fund balances as restated July 1, 2015</b>	<b>\$ 5,048,279</b>	<b>\$ 12,585,453</b>	<b>\$ 243,048</b>

**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).

**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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2016, the city and its public trusts, complied with the above investment restrictions.

## **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, 2016.

## **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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

trust, department or agent, but not in the government's name.

As of June 30, 2016, the City was not exposed to custodial credit risk as defined above.

Total bank deposits of \$632,100 of the discretely presented component unit were either insured with Federal Deposit Insurance Corporation Insurance or collateralized.

As of June 30, 2016, 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	6 - 10	11-15
Demand deposits and cash on hand	\$ 26,392,510	n/a	\$ 26,392,510	\$ -	\$ -	\$ -	\$ -
Money market fund - federal obligations	3,073,174	n/a	3,073,174	-	-	-	-
Certificates of deposit	9,864,896	n/a	-	6,464,896	3,150,000	250,000	-
Government backed securities	19,672,876	n/a	-	7,670,953	11,325,000	-	676,923
	<u>\$ 59,003,456</u>		<u>\$ 29,465,684</u>	<u>\$ 14,135,849</u>	<u>\$ 14,475,000</u>	<u>\$ 250,000</u>	<u>\$ 676,923</u>

Reconciliation to Statement of net position:

Cash and cash equivalents	\$ 24,459,597
Restricted - cash and cash equivalents	3,100,007
Investments	10,860,004
Restricted - investments	20,583,848
	<u>\$ 59,003,456</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.

**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, 2016, is as follows:

	Governmental Activities	Business-Type Activities	Component Unit (CIEDA)
Accounts Receivable	\$301,177	\$6,891,468	\$47,029
Allowance for uncollectible accounts	(143,692)	(2,080,903)	( - )
Net Accounts Receivable	<u>\$157,485</u>	<u>\$4,810,565</u>	<u>\$47,029</u>

**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.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

**3.D. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,895,191	\$ -	\$ -	\$ 1,895,191
Construction-in-progress	2,388,873	2,179,541	2,370,831	2,197,583
Total Capital assets not being depreciated	<u>4,284,064</u>	<u>2,179,541</u>	<u>2,370,831</u>	<u>4,092,774</u>
Depreciable assets				
Buildings and improvements	11,465,606	1,491,843	-	12,957,449
Equipment and furniture	10,870,571	1,004,034	50,053	11,824,552
Infrastructure	56,021,386	1,053,537	-	57,074,923
Total depreciable assets	<u>78,357,563</u>	<u>3,549,414</u>	<u>50,053</u>	<u>81,856,924</u>
Less accumulated depreciation	<u>47,120,616</u>	<u>2,246,838</u>	<u>46,057</u>	<u>49,321,397</u>
Net depreciable assets	<u>31,236,947</u>	<u>1,302,576</u>	<u>3,996</u>	<u>32,535,527</u>
Governmental activities capital assets, net	<u>\$ 35,521,011</u>	<u>\$ 3,482,117</u>	<u>\$ 2,374,827</u>	<u>\$ 36,628,301</u>
<i>Business -type Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 2,034,305	\$ 60,557	\$ -	\$ 2,094,862
Construction-in-progress	4,709,165	7,793,819	-	12,502,984
Total Capital assets not being depreciated	<u>6,743,470</u>	<u>7,854,376</u>	<u>-</u>	<u>14,597,846</u>
Depreciable Assets:				
Buildings and improvements	24,157,783	209,421	-	24,367,204
Equipment and furniture	9,238,131	411,348	397,258	9,252,221
Infrastructure	69,577,649	-	-	69,577,649
Total depreciable assets	<u>102,973,563</u>	<u>620,769</u>	<u>397,258</u>	<u>103,197,074</u>
Less accumulated depreciation	<u>42,180,258</u>	<u>3,023,056</u>	<u>397,258</u>	<u>44,806,056</u>
Net depreciable assets	<u>60,793,305</u>	<u>(2,402,287)</u>	<u>-</u>	<u>58,391,018</u>
Business-type activities capital assets, net	<u>\$ 67,536,775</u>	<u>\$ 5,452,089</u>	<u>\$ -</u>	<u>\$ 72,988,864</u>
<i>Component Unit (CIEDA):</i>				
Capital assets not being depreciated:				
Land and building held for development	\$ 2,267,738	\$ 148,812	\$ -	\$ 2,416,550
Total Capital assets not being depreciated	<u>2,267,738</u>	<u>148,812</u>	<u>-</u>	<u>2,416,550</u>
Depreciable Assets:				
Buildings and improvements	1,186,592	26,755	-	1,213,347
Equipment and furniture	369,876	-	-	369,876
Infrastructure	2,079,378	-	-	2,079,378
Total depreciable assets	<u>3,635,846</u>	<u>26,755</u>	<u>-</u>	<u>3,662,601</u>
Less accumulated depreciation	<u>909,400</u>	<u>248,107</u>	<u>-</u>	<u>1,157,507</u>
Net depreciable assets	<u>2,726,446</u>	<u>(221,352)</u>	<u>-</u>	<u>2,505,094</u>
Component unit capital assets, net	<u>\$ 4,994,184</u>	<u>\$ (72,540)</u>	<u>\$ -</u>	<u>\$ 4,921,644</u>

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

Primary Government:

Governmental Activities:

General government	\$146,794
Public safety and judiciary	329,766
Culture, parks, and recreation	301,901
Transportation	<u>1,468,377</u>
Total depreciation expense - governmental activities	<u>\$2,246,838</u>

Business-Type Activities:

Electric	\$457,989
Water	384,000
Wastewater	1,237,418
Solid waste	437,020
Recreation	<u>506,629</u>
Total depreciation expense - business-type activities	<u>\$3,023,056</u>

Discretely Presented Component Unit:

CIEDA:

Airport	\$179,126
Railroad spur	<u>68,981</u>
Total depreciation expense – component unit	<u>\$248,107</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, 2016, 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.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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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.

***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.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

***Changes in Tax Anticipation Receivables***

	<u>Balance</u> <u>June 30, 2015</u>	<u>Advanced</u>	<u>Received</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due within</u> <u>One Year</u>
TIF District #1 - Due From CPWA	\$ 3,102,323	\$ -	\$ -	\$ 3,102,323	\$ 392,784
TIF District #2 - Due From NXTGEN	350,000	-	-	350,000	-
TIF District #4 - Due From RH Hospitality, LLC	750,000	-	-	750,000	93,000
Total TIF receivable	<u>\$ 4,202,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,202,323</u>	<u>\$ 485,784</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, 2016, 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.

Current amount is \$100,009, non-current portion \$106,028 \$ 206,037

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 \$96,211, non-current portion \$300,927 397,138

Total long-term debt payable from governmental resources \$ 603,175

*Business-Type Activities:*

As of June 30, 2016, 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 \$1,235,000, non-current portion \$17,690,000 \$18,925,000

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 \$965,000, non-current portion \$4,245,000 \$ 5,210,000

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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.  
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 \$260,000, non-current portion \$4,090,000	\$ 4,350,000
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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 \$280,000, non-current portion \$7,130,000	\$ 7,410,000
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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 \$392,784, non-current portion \$2,709,539	\$ 3,102,323
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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 \$1,160,000, non-current portion \$18,715,000	\$19,875,000
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Total Long Term Debt outstanding – Business-type	<u>\$58,872,323</u>
Current portion	\$ 4,292,784
Non-current portion	<u>54,579,539</u>
Total Long Term Debt outstanding – Business-type	<u>\$58,872,323</u>

*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 \$26,468, non-current portion \$42,991	\$ 69,459
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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 \$196,392, non-current portion \$1,354,769	\$ 1,551,161
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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 \$196,392, non-current portion \$1,354,770	\$ 1,551,162
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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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.

Note was issued to BancFirst defray the cost of providing economic development financing to AXH Air-coolers, Inc.  
Full outstanding amount of \$500,000 is non-current \$ 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 \$93,000, non-current portion \$657,000 \$ 750,000

Total Long Term Debt outstanding – Component Unit	<u>\$ 4,421,782</u>
Current portion	\$ 512,252
Non-current portion	<u>3,909,530</u>
Total Notes Payable	<u>\$ 3,909,530</u>

*Changes in Long-Term Debt*

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Amounts Due in</u> <u>One Year</u>
Governmental Activities:					
Capital lease payable	\$ 306,055	\$ 500,250	\$ 203,140	\$ 603,165	\$ 198,220
Total Governmental Activities	<u>\$ 306,055</u>	<u>\$ 500,250</u>	<u>\$ 203,140</u>	<u>\$ 603,165</u>	<u>\$ 198,220</u>
Business Type Activities:					
Notes payable	\$ 24,102,323	\$ -	\$ 1,125,000	\$ 22,977,323	\$ 1,552,784
Revenue bonds payable	38,450,000	-	2,555,000	35,895,000	2,740,000
Total Business Type Activities	<u>\$ 62,552,323</u>	<u>\$ -</u>	<u>\$ 3,680,000</u>	<u>\$ 58,872,323</u>	<u>\$ 4,292,784</u>
Component Unit - CIEDA:					
Tax anticipation notes	\$ 4,352,323	\$ -	\$ -	\$ 4,352,323	\$ 485,784
Other notes payable	94,571	-	25,112	69,459	26,468
Total Component Unit - CIEDA	<u>\$ 4,446,894</u>	<u>\$ -</u>	<u>\$ 25,112</u>	<u>\$ 4,421,782</u>	<u>\$ 512,252</u>

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

*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
2017	\$ 198,220	\$ 12,419	\$ 4,292,784	\$ 1,830,508	\$ 512,252	\$ 170,059
2018	202,260	8,379	4,438,495	1,710,605	580,525	147,878
2019	100,294	4,257	4,579,835	1,577,865	590,796	122,655
2020	102,401	2,150	4,751,828	1,437,728	601,828	97,633
2021	-	-	4,919,502	1,311,636	642,502	72,274
2022-2026	-	-	23,649,879	3,900,147	1,493,879	52,940
2027-2031	-	-	9,940,000	1,177,088	-	-
2032-2036	-	-	2,300,000	233,000	-	-
<b>Total</b>	<b>\$ 603,175</b>	<b>\$ 27,205</b>	<b>\$ 58,872,323</b>	<b>\$ 13,178,577</b>	<b>\$ 4,421,782</b>	<b>\$ 663,439</b>

**3.G. INTERFUND TRANSACTION AND BALANCES**

Interfund transfers for the year ended June 30, 2016 were as follows:

Transfer from	Transfer to	Amount	Nature of Interfund Transfer
* General Fund	* CCDA	\$ 246,331	General operations
* General Fund	* CCDA	79,533	Donations
Capital Improvement Sales Tax	* CPWA	359,176	Fixed asset acquisitions
Capital Improvement Sales Tax	* CCDA	160,016	Fixed asset acquisitions
* Expo/Rec Sales Tax Fund	* CPWA	3,001,130	Debt service
* General Fund	* Airport Fund	134,503	Airport infrastructure project
* CPWA	* General Fund	9,498,306	General operations
* CPWA	* General Fund	955,942	Shared overhead reimbursement
Sale Tax Fire	* General Fund	450,242	Shared overhead reimbursement
Sale Tax Park	* General Fund	174,462	Shared overhead reimbursement
Sales Tax Police	* General Fund	381,627	Shared overhead reimbursement
* Sales Tax Street	* General Fund	662,329	Shared overhead reimbursement
* General Fund	CIEDA (Component unit)	600,000	Airport management, economic incentives
* General Fund	CIEDA (Component unit)	81,868	Incremental hotel and sales tax (TIF3)
* CPWA	* CIEDA (Component unit)	399,574	Incremental utility revenue (TIF1)
* CPWA	CDBG	180,157	Grant project
* Sales Tax Street	CPWA	453,706	To establish Storm Water Fund
* CPWA	Governmental activities	230,608	Fixed asset transfer (non-cash)
		<b>\$ 18,049,510</b>	

\* Represents major fund

**Reconciliation to Fund Financial Statements:**

	Transfers in	Transfers out	Total
Governmental Funds	\$ 12,466,570	\$ 6,887,700	\$ 5,578,870
Proprietary Funds	4,270,890	11,146,541	(6,875,651)
Total funds	16,737,460	18,034,241	(1,296,781)
Fixed asset transfer to business-type from governmental activities, net	230,608	-	230,608
Total primary government	16,968,068	18,034,241	(1,066,173)
Component unit (CIEDA)	1,081,442	15,269	1,066,173
Total government wide	\$ 18,049,510	\$ 18,049,510	\$ -

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

**3.H. FUND BALANCES AND NET POSITION**

*Government Wide Financial Statements:*

Net Position Restrictions at June 30, 2016 were as follows:

Fund	Restricted By	Amount
Cemetery Care Fund	State statute	363,539
CPWA	Debt covenants - external	1,235,435
CPWA	Hospital Trust Agreement	10,718,051
		\$ 12,317,025

*Fund Level Financial Statements:*

	General Fund	Sales Tax Street Fund	EXPO/WWTP	Other	Total
			Sales Tax Fund	Governmental Fund	
Fund Balance:					
Restricted For:					
Cemetery	-	-	-	363,539	363,539
Committed For:					
Street improvements - city ordinance	-	13,118,714	-	-	13,118,714
Debt service - city ordinance	-	-	5,353,352	-	5,353,352
Park improvements -city ordinance	-			1,277,208	1,277,208
Police operations - city ordinance	-			694,747	694,747
Fire service - city ordinance	-			546,879	546,879
Capital improvement - city ordinance	-	-	-	1,066,817	1,066,817
Accrued leave - state constitution	1,019,968				1,019,968
Sub-total restricted	1,019,968	13,118,714	5,353,352	3,585,651	23,077,685
Assigned for:					
Budgetary - council resolution	1,837,677	-	-	-	1,837,677
Police and judiciary -council resolution				79,217	79,217
Emergency managment -council resolution				358,595	358,595
Fleet managment -council resolution				351,674	351,674
Library operations-council resolution				67,308	67,308
Capital improvements -council resolution	-	-	-	631,244	631,244
Sub-total assigned	1,837,677	-	-	1,488,038	3,325,715
Unassigned:	2,149,593	-	-	-	2,149,593
<b>TOTAL FUND BALANCE</b>	<b>\$ 5,007,238</b>	<b>\$ 13,118,714</b>	<b>\$ 5,353,352</b>	<b>\$ 5,437,228</b>	<b>\$ 28,916,532</b>

**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](http://www.ok.gov/OPPRS) and the Oklahoma Firefighters Pension and Retirement System – [www.ok.gov/FPRS](http://www.ok.gov/FPRS) and the Oklahoma Municipal Retirement Fund at [www.okmrf.org](http://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.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Employee membership data related to the Plans, as of June 30, 2015 was as follows:

	Total Plan Membership		City's Membership*
	<b>OPPRS</b>	<b>OFPRS</b>	<b>OMRF</b>
Retirees and beneficiaries currently receiving benefits	3,309	10,241	46
Vested members with deferred benefits	125	1,413	16
Deferred Option plan members	22	75	-
	3,456	11,729	62
Active plan members:			
Vested	2,270	5,032	69
Nonvested	3,107	7,328	68
Total active plan members	5,377	12,360	137
Total members	8,833	24,089	199

\*City membership is not available for the OPRRS or OFPRS

*Plan Benefits*

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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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 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 OFPRS 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. The Oklahoma Legislature has authority to establish and amend contribution

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2015.

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 7/1/2015 set the employer contribution rate at 5.08% and 4.79% of covered payroll for the fiscal year ended June 30, 2015 and 2016, 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, 2015 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, 2016, 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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 OPFRS or OFPRS Plan employers, since the plans are cost sharing-multiple employer type plans. At June 30, 2015, the City's proportionate share was 0.7120 percent of the total OPFRS plan and 1.0257 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, 2016, the City recognized pension expense of \$146,714 and \$1,021,933 for the OPFRS and OFPRS plans, respectively and \$95,728 for the OMRF plan. At June 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to the three defined benefit pension plans from the following sources:

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>OPPRS</b>		
Difference between expected and actual plan experience	\$ -	\$ 160,522
Net difference between projected and actual earnings on pension plan investments	520,196	631,901
Contributions subsequent to the measurement date	340,839	-
Difference due to change in proportion	17,184	-
<b>OFPRS</b>		
Difference between expected and actual plan experience	215,100	-
Net difference between projected and actual earnings on pension plan investments	385,962	1,197,539
Contributions subsequent to the measurement date	589,267	-
Difference due to change in proportion	372,600	-
<b>OMRF</b>		
Difference between expected and actual plan experience	-	121,370
Net difference between projected and actual earnings on pension plan investments	558,050	745,777
Contributions subsequent to the measurement date	277,743	-
Total for all plans	\$ 3,276,941	\$ 2,857,109
Reconciliation to the Statement of Net Position:		
Governmental activities	\$ 2,987,183	\$ 2,487,956
Business-type activities	267,438	347,061
Discretely presented component unit (CIEDA)	22,320	22,092
Total	\$ 3,276,941	\$ 2,857,109

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: \$1,092,927 for governmental activities, \$107,999 for business-type activities, and \$6,923 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, 2015 is 5.77 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:	
2017	\$ (429,275)
2018	\$ (429,275)
2019	\$ (429,273)
2020	\$ 429,131
2021	\$ 48,920
Thereafter	\$ 21,755



FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

*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, 2015 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

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, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

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, 2015, are summarized in the following table:

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Asset Class	<u>OPPRS</u>		<u>OFPRS</u>		<u>OMRF</u>		
	Target	LT Expected Real Return	Target	LT Expected Real Return	Target	LT Expected Real Return	Weighted Return
Domestic equity	35%	6.47%	37%	9.61%	35%	5.4%-7.5%	2.10%
International equity	15%	6.98%	20%	9.24	20%	5.10%	1.02%
Other equity	10%	5.96%			10%	6.10%	0.61%
<b>Total equity</b>	<b>60%</b>		<b>57%</b>		<b>65%</b>		<b>3.73%</b>
Domestic Fixed Income	10%	2.83%	13%	5.48%	30%	2.60%	0.78%
Global Fixed Income	15%	2.83%	7%	5.48%			
<b>Total fixed income</b>	<b>25%</b>		<b>20%</b>	<b>10% - 30%</b>	<b>30%</b>		
Real Estate	10%	5.50%	10%	7.76%	5%	4.80%	0.24%
Other assets	5%	3.08%	13%	6.88%			
<b>Total other assets</b>	<b>15%</b>		<b>23%</b>	<b>5% - 28%</b>	<b>5%</b>		
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").

*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, 2015 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, 2015 and the City's report ending date of June 30, 2016 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:

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

**CHANGES IN NET PENSION LIABILITY (OMRF PLAN)**

	Increase (Decrease)		
	Total Pension Liability	Plan Net Fiduciary Position	Net Pension Liability
<b>Balance at 7/1/2014</b>	\$ 15,044,938	\$ 15,695,065	\$ (650,127)
<b>Changes for the Year:</b>			
Service cost	430,513		430,513
Interest cost	1,141,576		1,141,576
Difference between expected and actual experience	(144,982)		(144,982)
Contributions - employer		283,641	(283,641)
Contributions - employee		240,326	(240,326)
Net investment income		438,366	(438,366)
Benefit payments, including refunds of employee contributions	(641,828)	(641,828)	-
Administrative expense	-	(32,586)	32,586
<b>Net changes</b>	<u>785,279</u>	<u>287,919</u>	<u>497,360</u>
<b>Balance at 7/1/2014</b>	<u>\$ 15,830,217</u>	<u>\$ 15,982,984</u>	<u>\$ (152,767)</u>

*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)**

Discount rate used>	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Cost sharing plans - proportionate share:			
Oklahoma Police Pension and Retirement System	\$ 1,744,305	\$ 29,030	\$ (1,417,067)
Oklahoma Firefighters Pension and Retirement System	14,136,115	10,887,371	8,162,642
Total net pension liability - cost sharing plans	<u>15,880,420</u>	<u>10,916,401</u>	<u>6,745,575</u>
<b>Discount rate used&gt;</b>	<b>6.75%</b>	<b>7.75%</b>	<b>8.75%</b>
Agent plan - "stand alone" determination:			
Oklahoma Municipal Retirement System	1,907,082	(152,767)	(2,821,536)
<b>Total - All City of Claremore's Plans</b>	<u>\$ 17,787,502</u>	<u>\$ 10,763,634</u>	<u>\$ 3,924,039</u>
Reconciliation to Statement of Net Position:			
Governmental activities		\$ 10,831,531	
Business-type activities		(63,903)	
Discretely presented component unit (CIEDA)		(3,994)	
Total net pension liability (asset)		<u>\$ 10,763,634</u>	

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

*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](http://www.ok.gov/OPPRS) and the Oklahoma Firefighters Pension and Retirement System (OFPRS) – [www.ok.gov/FPRS](http://www.ok.gov/FPRS) and the Oklahoma Municipal Retirement Fund at [www.okmrf.org](http://www.okmrf.org).

*Payables to the pension plans*

At June 30, 2016 the City reported no payables to the defined benefit pension plans for legally required employer contributions.

**4.B. RISK MANAGEMENT**

The city is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. The city manages these various risks of loss with purchased commercial insurance for all major programs. There have been no significant reductions insurance coverage, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**4.C. 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 \$29.7 million at June 30, 2016 as follows:

	Maturity Date		Balance 6/30/2016
Northeast Technology Center	6/20/2027	\$	7,465,390
Claremore Public Schools #1	8/15/2017		1,828,654
Claremore Public Schools #2	8/15/2018		11,643,769
Sequoyah Public Schools	8/15/2022		8,738,718
		\$	29,676,531

#### **4.D. 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

CITY OF CLAREMORE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT  
For the fiscal year ended June 30, 2016

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE  
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance to final Favorable (unfav)
<b>Beginning budgetary fund balance</b>	\$ 1,312,120	\$ 1,357,120	\$ 5,048,279	\$ 3,691,159
Resources (inflows)				
Taxes				
Use tax	700,000	700,000	617,293	(82,707)
Franchise tax	564,950	564,950	602,229	37,279
Total taxes	<u>1,264,950</u>	<u>1,264,950</u>	<u>1,219,522</u>	<u>(45,428)</u>
Intergovernmental				
Alcoholic beverage tax	100,000	100,000	113,969	13,969
Tobacco tax	129,500	129,500	142,872	13,372
Grants and contributions	-	-	211	211
Total intergovernmental	<u>229,500</u>	<u>229,500</u>	<u>257,052</u>	<u>27,552</u>
Licenses and permits				
Occupational licenses	3,300	3,300	3,805	505
Construction Permits	2,550	2,550	3,651	1,101
Animal license	4,000	4,000	5,826	1,826
Inspection fees	78,900	78,900	90,111	11,211
Miscellaneous licenses and permits	26,700	26,700	51,144	24,444
Total licenses and permits	<u>115,450</u>	<u>115,450</u>	<u>154,537</u>	<u>39,087</u>
Charges for services				
Ambulance	-	-	-	-
Plots and interment	47,000	47,000	54,720	7,720
Miscellaneous fees	3,300	3,300	10,440	7,140
Total charges for services	<u>50,300</u>	<u>50,300</u>	<u>65,160</u>	<u>14,860</u>
Fines and forfeitures	<u>72,500</u>	<u>72,500</u>	<u>225,814</u>	<u>153,314</u>
Other income				
Investment income	50,000	50,000	52,632	2,632
Miscellaneous income	23,800	23,800	128,875	105,075
Total other income	<u>73,800</u>	<u>73,800</u>	<u>181,507</u>	<u>107,707</u>
Other financing sources				
Overhead transfers	1,943,603	1,943,603	1,943,604	1
Transfers in	9,498,306	9,498,306	9,498,306	-
	<u>11,441,909</u>	<u>11,441,909</u>	<u>11,441,910</u>	<u>1</u>
Amounts available for appropriation	<u>14,560,529</u>	<u>14,605,529</u>	<u>18,593,781</u>	<u>3,988,252</u>

(CONTINUED)

CITY OF CLAREMORE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT  
For the fiscal year ended June 30, 2016

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE  
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

(CONTINUED)

Charges to appropriations (outflows)

General government:

Information technology	350,586	350,586	345,420	5,166
Human resources	286,823	286,823	198,655	88,168
City clerk	72,003	72,003	70,657	1,346
Managerial	295,093	295,093	272,589	22,504
Finance	344,672	344,672	311,051	33,621
General government	388,714	388,714	336,713	52,001
Development services	574,801	574,801	521,642	53,159
Custodial	113,492	113,492	108,193	5,299
Hotel room tax agreement	193,000	193,000	176,851	16,149
Non departmental	250,000	295,000	132,744	162,256
Total general government	<u>2,869,184</u>	<u>2,914,184</u>	<u>2,474,515</u>	<u>439,669</u>

Public safety and judiciary

Police and court	4,131,778	4,131,778	3,866,252	265,526
Fire	4,813,144	4,813,144	4,733,099	80,045
Total public safety and judiciary	<u>8,944,922</u>	<u>8,944,922</u>	<u>8,599,351</u>	<u>345,571</u>

Cultural, parks, recreation, and promotion

Library	324,012	324,012	315,140	8,872
Cemetery	141,148	141,148	127,759	13,389
Recreation	602,068	602,068	581,857	20,211
Senior Citizens	551,657	551,657	387,538	164,119
Total cultural, parks, recreation, and promotion	<u>1,618,885</u>	<u>1,618,885</u>	<u>1,412,294</u>	<u>206,591</u>

Capital outlay

	-	-	-	-
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Other financing uses

Transfers to other funds	527,538	527,538	456,594	70,944
Contributions to CIEDA	600,000	600,000	643,789	(43,789)
Total other financing uses	<u>1,127,538</u>	<u>1,127,538</u>	<u>1,100,383</u>	<u>27,155</u>

Total charges to appropriations

	<u>14,560,529</u>	<u>14,605,529</u>	<u>13,586,543</u>	<u>1,018,986</u>
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**Ending budgetary fund balance**

	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,007,238</u>	<u>\$ 5,007,238</u>
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CITY OF CLAREMORE, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT  
For the fiscal year ended June 30, 2016

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE  
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)  
SALES TAX STREET FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to final Favorable (unfav)</u>
<b>Beginning budgetary fund balance</b>	<b>\$ 2,828,068</b>	<b>\$ 2,828,068</b>	<b>\$ 12,585,453</b>	<b>\$ 9,757,385</b>
Resources (inflows)				
Taxes				
Sales tax	3,600,000	3,600,000	3,713,455	113,455
Intergovernmental				
Gasoline excise tax	30,000	30,000	35,796	5,796
Commercial vehicle fee	140,000	140,000	136,769	(3,231)
Miscellaneous	-	-	19,426	19,426
Total intergovernmental	<u>170,000</u>	<u>170,000</u>	<u>191,991</u>	<u>21,991</u>
Other income				
Investment income	45,000	45,000	111,678	66,678
Transfer in	415,433	415,433	-	(415,433)
Total other income	<u>460,433</u>	<u>460,433</u>	<u>111,678</u>	<u>(348,755)</u>
<b>Amounts available for appropriation</b>	<b><u>7,058,501</u></b>	<b><u>7,058,501</u></b>	<b><u>16,602,577</u></b>	<b><u>9,544,076</u></b>
Charges to appropriations (outflows)				
Personal services	855,224	855,224	739,260	115,964
Material and supplies	506,063	506,063	485,940	20,123
Capital outlay	4,384,785	4,384,785	1,142,627	3,242,158
Transfer to CPWA	650,099	650,099	453,706	196,393
Overhead transfers	662,330	662,330	662,330	-
Total charges to appropriations	<u>7,058,501</u>	<u>7,058,501</u>	<u>3,483,863</u>	<u>3,574,638</u>
<b>Ending budgetary fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,118,714</b>	<b>\$ 13,118,714</b>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE  
 BUDGETARY COMPARISON SCHEDULE (UNAUDITED)  
 EXPO/WWTP SALES TAX FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to final Favorable (unfav)</u>
<b>Beginning budgetary fund balance</b>	\$ -	\$ -	\$ 4,641,027	\$ 4,641,027
Resources (inflows)				
Taxes				
Sales tax	3,600,000	3,600,000	3,713,455	113,455
<b>Amounts available for appropriation</b>	<u>3,600,000</u>	<u>3,600,000</u>	<u>8,354,482</u>	<u>4,754,482</u>
Charges to appropriations (outflows)				
Reserve funds	596,918	596,918	-	596,918
Transfers out	3,003,082	3,003,082	3,001,130	1,952
Total charges to appropriations	<u>3,600,000</u>	<u>3,600,000</u>	<u>3,001,130</u>	<u>598,870</u>
<b>Ending budgetary fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,353,352</u>	<u>\$ 5,353,352</u>

**CITY OF CLAREMORE, OKLAHOMA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
ON BUDGETARY ACCOUNTING AND CONTROL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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, 2016**

	<u>2016</u>	<u>2015</u>
<b><u>Oklahoma Police Pension and Retirement Plan</u></b>		
City's portion of net pension liability	0.7120%	0.6911%
City's proportionate share of the net pension liability	\$ 29,030	\$ (232,695)
City's covered-employee payroll	\$ 2,012,431	\$ 1,933,492
City's proportional share of the net pension liability as a percentage of its covered employee payroll	1.443%	-12.035%
Plan fiduciary net position as a percentage of the total pension liability	99.82%	101.53%
<b><u>Oklahoma Firefighters Pension and Retirement Plan</u></b>		
City's portion of net pension liability	1.0257%	0.9876%
City's proportionate share of the net pension liability	\$ 10,887,371	\$ 10,155,561
City's covered-employee payroll	\$ 2,802,586	\$ 2,636,429
City's proportional share of the net pension liability as a percentage of its covered employee payroll	388.48%	385.20%
Plan fiduciary net position as a percentage of the total pension liability	68.27%	68.12%
<b><u>Employee Retirement System of Claremore, Oklahoma (OMRF)</u></b>		
City's portion of net pension liability	100%	100%
City's share of the net pension liability	\$ (152,767)	\$ (650,127)
City's covered-employee payroll	\$ 5,452,954	\$ 5,230,443
City's proportional share of the net pension liability as a percentage of its covered employee payroll	-2.80%	-12.43%
Plan fiduciary net position as a percentage of the total pension liability	100.97%	104.32%

\*This information is reported for the cost sharing multiple employer plans and is as of 7/1/2015 (measurement 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, 2016**

	<u>2016</u>	<u>2015</u>
<b><u>Oklahoma Police Pension and Retirement Plan</u></b>		
Statutorily required contribution	\$ 340,839	\$ 341,575
Contributions related to the statutorily required contributions (does not include State contributions)	340,839	341,575
Contribution (deficiency) excess	-	-
City's covered-employee payroll	\$ 2,621,838	\$ 2,627,500
Contributions as a percentage of covered-employee payroll	13%	13%
 <b><u>Oklahoma Firefighters Pension and Retirement Plan</u></b>		
Statutorily required contribution	\$ 589,267	\$ 588,543
Contributions related to the statutorily required contributions (does not include State contributions)	589,267	588,543
Contribution (deficiency) excess	-	-
City's covered-employee payroll	\$ 2,562,030	\$ 2,558,883
Contributions as a percentage of covered-employee payroll	23%	23%
 <b><u>Employee Retirement System of Claremore, Oklahoma (OMRF)</u></b>		
Statutorily required contribution	\$ 277,743	\$ 283,641
Contributions related to the statutorily required contributions	277,743	283,641
Contribution (deficiency) excess	-	-
City's covered-employee payroll	\$ 5,800,075	\$ 5,583,484
Contributions as a percentage of covered-employee payroll	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, 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
<b>ASSETS</b>									
Cash	\$ 48,015	\$ 3,632	\$ 987,791	\$ 5,674	\$ 559,495	\$ 380,508	\$ 29,814	\$ 211,876	\$ 136,526
Prepaid Expenses	-	-	40	-	300	1,260	-	26,885	-
Investments	-	-	197,895	-	48,121	52,635	-	105,672	228,999
Receivables:									
Due from other governments	-	-	124,554	-	124,554	124,554	-	5,315	-
Due from other funds	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	790	-	192	210	72	422	914
<b>Total assets</b>	<u>\$ 48,015</u>	<u>\$ 3,632</u>	<u>\$ 1,311,070</u>	<u>\$ 5,674</u>	<u>\$ 732,662</u>	<u>\$ 559,167</u>	<u>\$ 29,886</u>	<u>\$ 350,170</u>	<u>\$ 366,439</u>
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities	\$ 3,633	\$ -	\$ 33,862	\$ -	\$ 37,915	\$ 12,288	\$ 4,357	\$ 9,547	\$ 2,900
<b>Total liabilities</b>	<u>3,633</u>	<u>-</u>	<u>33,862</u>	<u>-</u>	<u>37,915</u>	<u>12,288</u>	<u>4,357</u>	<u>9,547</u>	<u>2,900</u>
<b>FUND BALANCES</b>									
Restricted	-	-	-	-	-	-	-	-	363,539
Committed	-	-	1,277,208	-	694,747	546,879	-	-	-
Assigned	44,382	3,632	-	5,674	-	-	25,529	340,623	-
<b>Total fund balances</b>	<u>44,382</u>	<u>3,632</u>	<u>1,277,208</u>	<u>5,674</u>	<u>694,747</u>	<u>546,879</u>	<u>25,529</u>	<u>340,623</u>	<u>363,539</u>
<b>Total liabilities and fund balances</b>	<u>\$ 48,015</u>	<u>\$ 3,632</u>	<u>\$ 1,311,070</u>	<u>\$ 5,674</u>	<u>\$ 732,662</u>	<u>\$ 559,167</u>	<u>\$ 29,886</u>	<u>\$ 350,170</u>	<u>\$ 366,439</u>

(CONTINUED)

CITY OF CLAREMORE, OKLAHOMA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

	SPECIAL REVENUE FUNDS (CONT'D)			CAPITAL PROJECT FUNDS				DEBT SERVICE	Total Nonmajor Governmental Funds	
	Emergency Management	Fleet Maintenance	Library Fund	Capital Improvement Sales Tax	Airport Fund	CDBG Sewer Fund	John Carle Blvd Improvement Fund	Bicycle Trails Grant		FUND Sinking Fund
<b>ASSETS</b>										
Cash	\$ 17,972	\$ 398,924	\$ 65,122	\$ 822,619	\$ 7,931	\$ 112,137	\$ 295,475	\$ 106,271	\$ 18,134	\$ 4,207,916
Prepaid Expenses	-	-	3,442	26,373	-	-	-	-	-	58,300
Investments	-	-	-	-	-	-	-	-	-	633,322
Receivables:										
Due from other governments	-	-	-	249,109	-	-	-	160,000	-	788,086
Due from other funds	-	-	-	-	-	9,846	-	-	-	9,846
Grants	-	-	-	-	99,219	90,751	65,364	-	-	255,334
Accrued interest	-	-	-	-	-	-	-	-	-	2,600
Total assets	<u>\$ 17,972</u>	<u>\$ 398,924</u>	<u>\$ 68,564</u>	<u>\$ 1,098,101</u>	<u>\$ 107,150</u>	<u>\$ 212,734</u>	<u>\$ 360,839</u>	<u>\$ 266,271</u>	<u>\$ 18,134</u>	<u>\$ 5,955,404</u>
<b>LIABILITIES</b>										
Accounts payable and accrued liabilities	\$ -	\$ 47,250	\$ 1,256	\$ 31,284	\$ 46,766	\$ 197,583	\$ 41,007	\$ 30,394	\$ 18,134	\$ 518,176
Total liabilities	<u>-</u>	<u>47,250</u>	<u>1,256</u>	<u>31,284</u>	<u>46,766</u>	<u>197,583</u>	<u>41,007</u>	<u>30,394</u>	<u>18,134</u>	<u>518,176</u>
<b>FUND BALANCES</b>										
Restricted	-	-	-	-	-	-	-	-	-	363,539
Committed	-	-	-	1,066,817	-	-	-	-	-	3,585,651
Assigned	17,972	351,674	67,308	-	60,384	15,151	319,832	235,877	-	1,488,038
Total fund balances	<u>17,972</u>	<u>351,674</u>	<u>67,308</u>	<u>1,066,817</u>	<u>60,384</u>	<u>15,151</u>	<u>319,832</u>	<u>235,877</u>	<u>-</u>	<u>5,437,228</u>
Total liabilities and fund balances	<u>\$ 17,972</u>	<u>\$ 398,924</u>	<u>\$ 68,564</u>	<u>\$ 1,098,101</u>	<u>\$ 107,150</u>	<u>\$ 212,734</u>	<u>\$ 360,839</u>	<u>\$ 266,271</u>	<u>\$ 18,134</u>	<u>\$ 5,955,404</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
<b>REVENUES</b>									
Taxes	\$ -	\$ -	\$ 742,691	\$ -	\$ 742,691	\$ 742,691	\$ -	\$ 152,402	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	16,682	-	9,840	-	24,017	-	23,522
Fines and forfeitures	12,037	-	-	-	-	-	-	-	-
Investment income	-	-	2,528	-	615	673	117	1,350	2,926
Miscellaneous	10	2,204	7,156	-	19,501	3,629	3,802	-	-
Total revenues	<u>12,047</u>	<u>2,204</u>	<u>769,057</u>	<u>-</u>	<u>772,647</u>	<u>746,993</u>	<u>27,936</u>	<u>153,752</u>	<u>26,448</u>
<b>EXPENDITURES</b>									
General government	-	-	-	-	-	-	-	-	-
Public safety	10,810	-	-	-	247,985	229,604	40,732	114,884	-
Transportation	-	-	-	-	-	-	-	-	-
Cultural, Parks, Recreation	-	-	296,908	-	-	-	-	-	16,763
Fleet maintenance	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	120,604	-	82,648	119,292	-	7,709	-
Total expenditures	<u>10,810</u>	<u>-</u>	<u>417,512</u>	<u>-</u>	<u>330,633</u>	<u>348,896</u>	<u>40,732</u>	<u>122,593</u>	<u>16,763</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from debt issuance	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(174,462)	-	(381,627)	(450,242)	-	-	(14,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(174,462)</u>	<u>-</u>	<u>(381,627)</u>	<u>(450,242)</u>	<u>-</u>	<u>-</u>	<u>(14,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,237	2,204	177,083	-	60,387	(52,145)	(12,796)	31,159	(4,315)
<b>FUND BALANCES - BEGINNING*</b>	43,145	1,428	1,100,125	5,674	634,360	599,024	38,325	309,464	367,854
<b>FUND BALANCES - ENDING</b>	<u>\$ 44,382</u>	<u>\$ 3,632</u>	<u>\$ 1,277,208</u>	<u>\$ 5,674</u>	<u>\$ 694,747</u>	<u>\$ 546,879</u>	<u>\$ 25,529</u>	<u>\$ 340,623</u>	<u>\$ 363,539</u>

\*Fleet maintenance beginning fund balance is restated due to a change in accounting principle for recognition of compensated absences

(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 FUND		Total Nonmajor Governmental Funds
	(CONTINUED)			Capital Improvement	Airport	CDBG Sewer	John Carle Blvd Improvement	Bicycle Trails Grant	Sinking Fund	
	Emergency Management	Fleet Maintenance	Library Fund	Sales Tax	Fund	Fund	Fund	Grant	Fund	
<b>REVENUES</b>										
Taxes	\$ -	\$ -	\$ -	\$ 1,485,382	\$ -	\$ -	\$ -	\$ -	\$ 18,134	\$ 3,883,991
Intergovernmental	15,000	-	24,454	-	725,407	92,958	70,089	160,000	-	1,087,908
Charges for services	-	-	22,030	-	-	-	-	-	-	96,091
Fines and forfeitures	-	-	-	-	-	-	-	-	-	12,037
Investment income	-	-	-	-	-	-	-	-	-	8,209
Miscellaneous	-	-	3,372	-	-	-	-	-	-	39,674
<b>Total revenues</b>	<b>15,000</b>	<b>-</b>	<b>49,856</b>	<b>1,485,382</b>	<b>725,407</b>	<b>92,958</b>	<b>70,089</b>	<b>160,000</b>	<b>18,134</b>	<b>5,127,910</b>
<b>EXPENDITURES</b>										
General government	-	-	-	95,077	-	340,564	-	-	18,134	453,775
Public safety	27,429	-	-	49,486	-	-	-	-	-	720,930
Transportation	-	-	-	-	12,841	-	-	-	-	12,841
Cultural, Parks, Recreation	-	-	49,924	63,002	-	-	-	-	-	426,597
Fleet maintenance	-	586,374	-	4,848	-	-	-	-	-	591,222
Capital outlay	-	-	-	716,799	786,685	-	3,925	197,613	-	2,035,275
<b>Total expenditures</b>	<b>27,429</b>	<b>586,374</b>	<b>49,924</b>	<b>929,212</b>	<b>799,526</b>	<b>340,564</b>	<b>3,925</b>	<b>197,613</b>	<b>18,134</b>	<b>4,240,640</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from debt issuance	-	-	-	500,250	-	-	-	-	-	500,250
Transfers in	15,000	695,000	-	-	134,503	180,157	-	-	-	1,024,660
Transfers out	-	-	-	(649,820)	-	-	-	-	-	(1,670,151)
<b>Total other financing sources (uses)</b>	<b>15,000</b>	<b>695,000</b>	<b>-</b>	<b>(149,570)</b>	<b>134,503</b>	<b>180,157</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(145,241)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,571</b>	<b>108,626</b>	<b>(68)</b>	<b>406,600</b>	<b>60,384</b>	<b>(67,449)</b>	<b>66,164</b>	<b>(37,613)</b>	<b>-</b>	<b>742,029</b>
<b>FUND BALANCES - BEGINNING*</b>	<b>15,401</b>	<b>243,048</b>	<b>67,376</b>	<b>660,217</b>	<b>-</b>	<b>82,600</b>	<b>253,668</b>	<b>273,490</b>	<b>-</b>	<b>4,695,199</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 17,972</b>	<b>\$ 351,674</b>	<b>\$ 67,308</b>	<b>\$ 1,066,817</b>	<b>\$ 60,384</b>	<b>\$ 15,151</b>	<b>\$ 319,832</b>	<b>\$ 235,877</b>	<b>\$ -</b>	<b>\$ 5,437,228</b>

\*Fleet maintenance beginning fund balance is

OTHER INFORMATION

**CITY OF CLAREMORE, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>Federal Grantor/Pass Through Agency Grantor/Program Title</b>	<b>Federal CFDA# Number</b>	<b>Pass-through Identifying Number</b>	<b>Federal Expenditures</b>
<b>FEDERAL AWARDS:</b>			
<u>U. S. DEPARTMENT OF JUSTICE:</u>			
Bulletproof Vest Partnership Program	16.607	Direct	\$1,885
<u>US DEPARTMENT OF TRANSPORTATION</u>			
Airport Improvement Program	20.106	Direct	627,162
Passed through the Oklahoma Department of Commerce: Airport Improvement Program (State Apportionment)	20.106	3-40-0019-018-2015	168,815
Passed through the Oklahoma Tourism and Recreation Department: Recreational Trails Program	20.219	14-08	160,000
Total US Department of Transportation			955,977
<u>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed through the Oklahoma Department of Commerce Community Development Block Grant	14.228	CDBG14 - 16080	73,677
Community Development Block Grant	14.228	CDBG15 - 16434	90,751
Total US Department of Housing and Urban Development			164,428
<u>US DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through the Oklahoma Department of Emergency Management Homeland Security Grant Program	97.067	660.06	24,500
Emergency Management Performance Grant	97.042	EMPG 15	7,500
Emergency Management Performance Grant	97.042	EMPG 16	7,500
Total US Department of Homeland Security			39,500
<b>TOTAL FEDERAL AWARDS</b>			<b>\$1,161,790</b>

**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, 2016. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and No-Profit Organizations*. 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, 2016**

	<b>Electric</b>	<b>Water &amp; Sewer</b>
Gross Revenue Available for Debt Service:		
Electric system revenues (1)	\$ 27,381,927	\$ -
Water and sewer systems revenues (1)		7,003,069
Investment income (split evenly)	338,954	338,954
Sales tax revenues (2)	3,713,455	3,713,455
Total Gross Revenues Available	\$31,434,336	\$11,055,478
Electric system operating expenses (3)	16,423,814	2,877,136
Net Revenues Available for Debt Service	\$15,010,522	\$8,178,342
Average Annual Debt Service Requirements for Term:		
Claremore PWA Refunding Revenue Bonds, Series 2012	\$ 1,947,750	\$ -
Claremore PWA Cap Improvement Taxable Refunding Bonds, Series 2013A	1,069,045	-
Claremore PWA Electric System Refunding Revenue Bonds, Series 2013B	396,860	-
Claremore PWA Utility System Refunding Revenue Bonds, Series 2013C	541,220	-
CPWA Utility Revenue Note Series 2013B (4)	516,877	-
CPWA Sales Tax & Utility System Revenue Note, Series 2015	-	1,667,252
Total average annual Debt Service	\$ 4,471,752	\$ 1,667,252
Computed Coverage	3.36	4.91
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, 2016, 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 October 7, 2016.

**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  
October 7, 2016

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## 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, 2016. 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, 2016.

### **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.

*David Clamm CPA PLLC*

Claremore, OK  
October 7, 2016



## **SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on whether the financial statements of the City of Claremore were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit are reported in the in the 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* .
3. No instances of noncompliance material to the financial statements of the City of Claremore were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for City of Claremore expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major programs was:

Airport Improvement Program	CFDA No. 20.106
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8. The threshold for distinguishing Types A and B programs was \$750,000.
9. City of Claremore, Oklahoma was determined to be a high-risk auditee.

## **FINDINGS – FINANCIAL STATEMENT AUDIT**

None

## **FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None