

City of Claremore
Annual Financial Report
Fiscal Year Ended June 30, 2015

2015

CITY OF CLAREMORE, OKLAHOMA
 ANNUAL FINANCIAL REPORT
 AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
 For the fiscal year ended June 30, 2015

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CITY OF CLAREMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
For the fiscal year ended June 30, 2015

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

June 30, 2015

MAYOR AND CITY COUNCIL

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

ADMINISTRATION

Jim Thomas	City Manager
David Brown	Assistant City Manager
Susy Collins	Director of Finance
Sean Douglas	Fire Chief and Emergency Management Director
Stan Brown	Chief of Police
Sherry Beach, MLS	Director, Library
Joe Kays	Director, Parks & Recreation
Daryl Golbek	Director, Public Works
Mitch Louderback	Director, Recreation Center

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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, 2015, 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. 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, 2015, 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, 54-57

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 was 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 September 30, 2015, 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
September 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015. 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 \$8,161,607 or 9.2% from the prior year. This increase is largely due to increases in utility service revenues.
- The city's governmental activities net position increased by \$4,205,213 or 9.0% due primarily to lower transfers to business activities and the component unit, CIEDA.
- Net position of the business-type activities increased by \$3,956,394 or 9.4%, primarily due to increased utility rates.

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. These bases 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 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015, the City's combined net position increased by \$8.2 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
	2015	2014	2015	2014	2015	2014	2014-2015
Current and other assets	\$ 28.5	\$ 26.5	\$ 45.1	\$ 22.7	\$ 73.6	\$ 49.2	50%
Capital assets	35.5	33.6	67.6	67.9	103.1	101.5	2%
Total assets	64.0	60.1	112.7	90.6	176.7	150.7	17%
Deferred outflows of resources	2.3	1.8	0.1	0.1	2.4	1.9	
Long-term debt outstanding	0.3	-	62.6	44.5	62.9	44.5	41%
Other liabilities	12.1	15.2	3.9	4.3	16.0	19.5	-18%
Total liabilities	12.4	15.2	66.5	48.8	78.9	64.0	23%
Deferred inflows of resources	3.0	-	0.4	-	3.4	-	
Net position							
Net investment in capital	35.2	33.6	26.0	23.3	61.2	56.9	8%
Restricted	-	0.4	12.2	12.3	12.2	12.7	-4%
Unrestricted	15.7	12.7	7.7	6.3	23.4	19.0	23%
Total net position	\$ 50.9	\$ 46.7	\$ 45.9	\$ 41.9	\$ 96.8	\$ 88.6	9%

The table above reflects an increase of 9.0% for governmental activities net position and an increase of approximately 9.6% for business-type activities. The City's overall financial position improved during fiscal year 2015.

The City's governmental activities net position increased by \$4.2 million, primarily due to the net effects of the implementation of the GASB 68 statement related to pensions and decreased transfers to CIEDA.

The net position of the City's business type activities increased by \$4.0 million. The increase was due to stronger operational results and the net effects of the implementation of the GASB 68 statement related to pensions, somewhat offset by decreased capital asset transfers from governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

	Governmental Activities		% Inc. (Dec.)	Business Type Activities		% Inc. (Dec.)	Total		Total % Change
	2015	2014		2015	2014		2015	2014	
<i>Revenues:</i>									
Program revenues									
Charges for services	\$ 0.7	\$ 0.6	17%	\$ 39.5	\$ 35.9	10%	\$ 40.2	\$ 36.5	10%
Operating grants and contributions	10	10	0%	-	-	-	10	10	0%
Capital grants and contributions	0.5	0.3	67%	-	-	-	0.5	0.3	-
General revenues									
Sales and use taxes	11.8	10.9	8%	-	-	-	11.8	10.9	8%
Other taxes	0.7	1.4	-50%	-	-	-	0.7	1.4	-50%
Intergovernmental revenue	0.4	0.6	-33%	-	-	-	0.4	0.6	-33%
Other	0.3	(0.3)	-200%	0.5	0.4	-	0.8	0.1	700%
Total revenues	<u>15.4</u>	<u>14.5</u>	6%	<u>40.0</u>	<u>36.3</u>	10%	<u>55.4</u>	<u>50.8</u>	9%
<i>Expenses:</i>									
General government	3.3	3.3	0%	-	-	-	3.3	3.3	0%
Public safety and judiciary	9.3	10.2	-9%	-	-	-	9.3	10.2	-9%
Transportation	2.3	2.5	-8%	-	-	-	2.3	2.5	-8%
Culture, parks, recreation & promotion	1.8	2.0	-10%	-	-	-	1.8	2.0	-10%
Electric operations	-	-	-	20.4	19.7	4%	20.4	19.7	4%
Water operations	-	-	-	3.2	4.7	-32%	3.2	4.7	-32%
Wastewater operations	-	-	-	2.7	2.3	17%	2.7	2.3	17%
Solid waste operations	-	-	-	1.5	1.8	-	1.5	1.8	-17%
Recreation services	-	-	-	2.1	2.2	-5%	2.1	2.2	-5%
Total expenses	<u>16.7</u>	<u>18.0</u>	-7%	<u>29.9</u>	<u>30.7</u>	-3%	<u>46.6</u>	<u>48.7</u>	-4%
Increase in net position before transfers & extraordinary items	(1.3)	(3.5)	-63%	10.1	5.6	80%	8.8	2.1	319%
Transfers, net	5.5	2.5	320%	(5.8)	(3.4)	71%	(0.3)	(0.9)	-67%
Extraordinary and nonrecurring items	-	-	-	(0.3)	(0.1)	200%	(0.3)	(0.1)	200%
Change in net position	<u>\$ 4.2</u>	<u>\$ (1.0)</u>	257%	<u>\$ 4.0</u>	<u>\$ 2.1</u>	151%	<u>\$ 8.2</u>	<u>\$ 1.1</u>	252%

The results of 2015 were shaped largely by a continued slow but steady growth in the local economy. Total net position increased by 9% or \$8.2 million. Significant changes were related to:

Governmental Activities (see Table 2):

- Sales and use tax revenue increase 8% from the prior year.
- Governmental fund expenses decreased 7% in part due to timing differences in the recognition of pension expense due to the implementation of GASB Statement 68
- Net transfers increased by \$3.0 million due primarily to capital acquisitions that were transferred to the business-type activities in the prior year as well as lower transfers to CIEDA in the current year.

Business-type Activities:

- Charges for services increased due to the effect of peak billing for commercial customers on lower volumes and a full year of the new storm water fees that began collections in January 2014.
- Operations and maintenance expense was lower due in part to a cumulative bad debt charge off in the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities:

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

Governmental Activities
Table 3
(In Thousands)

	Total Cost of Services		%	Net (Expense) Revenue from Services		%
	2015	2014		2015	2014	
General government	\$ 2,733	\$ 2,840	-4%	\$ (2,498)	\$ (2,663)	-6%
Public safety and judiciary	9,319	10,077	-8%	(7,970)	(8,705)	-8%
Transportation	2,262	2,458	-8%	(1,742)	(2,195)	-21%
Cultural, parks, recreation	1,831	2,028	-10%	(1,721)	(1,855)	-7%
Fleet maintenance	582	617	-6%	(582)	(617)	-6%
	<u>\$ 16,727</u>	<u>\$ 18,020</u>	-7%	<u>\$ (14,513)</u>	<u>\$ (16,035)</u>	-9%

Overall, the city's governmental activities' total costs decreased 7% over last year and net costs decreased by 9%. 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 3% from last year.

Business-Type Activities
Table 4
(In Thousands)

	Total Cost of Services		%	Net (Expense) Revenue from Services		%
	2015	2014		2015	2014	
Electric operations	\$ 20,436	\$ 19,682	4%	\$ 9,782	\$ 7,437	32%
Water operations	3,251	4,747	-32%	466	(1,126)	-141%
Wastewater operations	2,666	2,278	17%	(528)	(434)	22%
Solid waste operations	1,453	1,859	-22%	603	77	683%
Recreation services	2,100	2,193	-4%	(742)	(812)	-9%
	<u>\$ 29,906</u>	<u>\$ 30,759</u>	-3%	<u>\$ 9,581</u>	<u>\$ 5,142</u>	86%

The City's Funds

The General Fund is the city's primary operating fund and the source of day-to-day operations. The general fund is significantly reliant on transfers from the CPWA. The fund balance increased by \$597,960, or 16.2 percent from the prior year. This increase is largely attributed to lower transfers to CIEDA in the current year.

General Fund Budgetary Highlights

The general fund budget was virtually unchanged from the original one approved in June 2014. General Fund actual expenditures were below budgeted appropriations by \$723,198, due primarily to lower spending than originally projected in the functional area of senior citizens. Actual revenues were higher than budgeted by \$362,242 in part due to higher use tax as well as fines and forfeitures receipts than originally projected.

Capital Asset and Debt Administration

At the end of June 30, 2015, the city had \$103.1 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, continued improvements at the industrial park and Expo building, road improvements, dump trucks and other vehicles, etc. Information on capital assets is located in Note 3.D.

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

	Governmental		Business-type		Totals		Total % Change
	Activities		Activities				
	2015	2014	2015	2014	2015	2014	
<i>Non-Depreciable Assets</i>							
Land	\$ 1.9	\$ 2.0	\$ 2.0	\$ 2.0	\$ 3.9	\$ 4.0	-3%
Construction-in-progress	2.4	3.0	4.7	4.9	7.1	7.9	-10%
<i>Depreciable Assets</i>							
Buildings	11.4	11.4	24.2	23.6	35.6	35.0	2%
Equipment and furniture	10.9	9.7	9.3	8.6	20.2	18.3	10%
Infrastructure	56.0	53.0	69.6	68.8	125.6	121.8	3%
<i>Accumulated Depreciation</i>	(47.1)	(45.5)	(42.2)	(40.0)	(89.3)	(85.5)	4%
Totals	\$ 35.5	\$ 33.6	\$67.6	\$67.9	\$103.1	\$101.5	2%

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.E.

These debts are further detailed below as follows:

Outstanding Debt
Table 6
 (in millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total % Change</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	
Notes Payable	\$ -	\$ -	\$ 24.1	\$ 3.5	\$ 24.1	\$ 3.5	589%
Revenue Bonds	-	-	38.5	41.0	38.5	41.0	-6%
Capital Leases	0.3	-	-	-	0.3	-	
Totals	<u>\$ 0.3</u>	<u>\$ -</u>	<u>\$ 62.6</u>	<u>\$ 44.5</u>	<u>\$ 62.9</u>	<u>\$ 44.5</u>	41%

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 2015-2016 government-wide budget of \$78.0 million is a increase of 5.4% over the prior year primarily due to higher utility revenues 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, 2015

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Claremore
	Activities	Activities		Industrial and Economic Development Authority
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 15,554,381	\$ 3,841,571	\$ 19,395,952	\$ 218,470
Restricted - cash and cash equivalents	-	24,401,252	24,401,252	695,392
Accounts receivable, net	125,222	4,836,979	4,962,201	43,507
Interest receivable	41,561	88,947	130,508	-
Interest receivable - restricted	-	-	-	11,600
Prepaid expenses	99,140	-	99,140	35,715
Inventory	-	1,518,478	1,518,478	58,572
Due from other governments	2,461,455	18,881	2,480,336	-
Due from related entities	10,066	-	10,066	54,786
Note receivable, current - restricted	-	392,784	392,784	392,784
Total current assets	<u>18,291,825</u>	<u>35,098,892</u>	<u>53,390,717</u>	<u>1,510,826</u>
Noncurrent Assets:				
Investments	10,209,007	510,788	10,719,795	-
Restricted assets:				
Investments	-	6,797,176	6,797,176	-
Note receivable, net of current portion	-	2,709,539	2,709,539	3,809,539
Capital assets:				
Land and construction in progress	4,284,064	6,743,470	11,027,534	2,267,738
Depreciable buildings, property, and equipment, net	31,236,947	60,793,305	92,030,252	2,726,447
Total noncurrent assets	<u>45,730,018</u>	<u>77,554,278</u>	<u>123,284,296</u>	<u>8,803,724</u>
Total assets	<u>64,021,843</u>	<u>112,653,170</u>	<u>176,675,013</u>	<u>10,314,550</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Current year pension plan contributions	2,304,452	126,995	2,431,447	8,091
LIABILITIES:				
Current Liabilities:				
Accounts payable and accrued liabilities	1,404,796	2,669,105	4,073,901	52,383
Accrued interest payable	-	413,555	413,555	15,195
Due to related entities	45,694	18,939	64,633	-
Current portion of long-term debt	100,028	4,072,784	4,172,812	415,748
Total current liabilities	<u>1,550,518</u>	<u>7,174,383</u>	<u>8,724,901</u>	<u>483,326</u>
Noncurrent liabilities:				
Deposits subject to refund	-	935,636	935,636	675,000
Net pension liability (asset)	9,548,929	(259,647)	9,289,282	(16,543)
Accrued compensated absences	1,065,333	164,263	1,229,596	-
Noncurrent portion of long-term debt	206,037	58,479,539	58,685,576	4,031,146
Total non-current liabilities	<u>10,820,299</u>	<u>59,319,791</u>	<u>70,140,090</u>	<u>4,689,603</u>
Total liabilities	<u>12,370,817</u>	<u>66,494,174</u>	<u>78,864,991</u>	<u>5,172,929</u>
DEFERRED INFLOWS OF RESOURCES:				
Unamortized pension investment income	3,031,640	397,131	3,428,771	25,302
NET POSITION:				
Net investment in capital assets	35,214,946	25,984,452	61,199,398	4,899,613
Restricted by:				
Enabling legislation	-	9,899,499	9,899,499	-
External contracts	-	2,283,950	2,283,950	-
Unrestricted	15,708,892	7,720,959	23,429,851	224,797
Total net position	<u>\$ 50,923,838</u>	<u>\$ 45,888,860</u>	<u>\$ 96,812,698</u>	<u>\$ 5,124,410</u>

See accompanying notes to the basic financial statements.

City of Claremore, Oklahoma
Statement of Activities
For the fiscal year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit CIEDA
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government:								
General government	\$ 2,732,781	\$ 234,676	\$ -	\$ -	\$ (2,498,105)	\$ -	\$ (2,498,105)	\$ -
Public safety and judiciary	9,319,118	365,416	983,807	-	(7,969,895)	-	(7,969,895)	-
Transportation	2,261,810	-	-	520,213	(1,741,597)	-	(1,741,597)	-
Cultural, parks, recreation and promotion	1,830,621	89,811	-	19,497	(1,721,313)	-	(1,721,313)	-
Fleet maintenance	581,769	-	-	-	(581,769)	-	(581,769)	-
Total governmental activities	16,726,099	689,903	983,807	539,710	(14,512,679)	-	(14,512,679)	-
Business-type activities:								
Electric operations	20,435,907	30,218,311	-	-	-	9,782,404	9,782,404	-
Water operations	3,251,435	3,717,774	-	-	-	466,339	466,339	-
Wastewater operations	2,666,380	2,138,148	-	-	-	(528,232)	(528,232)	-
Solid waste operations	1,452,634	2,055,234	-	-	-	602,600	602,600	-
Recreation services	2,099,992	1,357,544	-	-	-	(742,448)	(742,448)	-
Total business-type activities	29,906,348	39,487,011	-	-	-	9,580,663	9,580,663	-
Total primary government	\$ 46,632,447	\$ 40,176,914	\$ 983,807	\$ 539,710	(14,512,679)	9,580,663	(4,932,016)	
Component Unit:								
Economic development	\$ 687,889	\$ 266,450	\$ -	\$ 3,967				(417,472)
Airport	664,704	516,692	-	-				(148,012)
Total component unit	\$ 1,352,593	\$ 783,142	\$ -	\$ 3,967				(565,484)
General revenues:								
Taxes:								
Sales and use taxes					11,810,684	-	11,810,684	-
Franchise and public service taxes					667,267	-	667,267	-
Intergovernmental revenue not restricted to specific programs					428,820	-	428,820	-
Investment income					179,731	369,005	548,736	842
Loan issuance costs					-	(344,000)	(344,000)	(23,000)
Miscellaneous					282,173	162,491	444,664	-
Gain (loss) on disposition of assets					(104,647)	-	(104,647)	(4,770)
Total general revenues					13,264,028	187,496	13,451,524	(26,928)
Change in net position before transfers, capital contributions, and extraordinary items					(1,248,651)	9,768,159	8,519,508	(592,412)
Transfers - Internal activity					5,453,864	(5,811,765)	(357,901)	357,901
Change in net position					4,205,213	3,956,394	8,161,607	(234,511)
Net position - beginning*					46,718,625	41,932,466	88,651,091	5,358,921
Net position - ending					\$ 50,923,838	\$ 45,888,860	\$ 96,812,698	\$ 5,124,410

See accompanying notes to the basic financial statements

City of Claremore, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2015

	Sales Tax		EXPO/WWTP	Other	Total
	General	Street Fund	Sales Tax Fund	Governmental Funds	Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 4,504,047	\$ 3,425,869	\$ 4,018,255	\$ 3,606,210	\$ 15,554,381
Prepaid expenses	17,864	-	-	81,276	99,140
Investments	1,003,771	8,562,162	-	643,074	10,209,007
Receivables:					
Court receivables	125,222	-	-	-	125,222
Due from other governments	263,028	653,058	622,772	628,086	2,166,944
Grants	-	-	-	294,511	294,511
Accrued interest	4,060	34,901	-	2,600	41,561
Due from other funds	-	-	-	10,066	10,066
Total assets	<u>\$ 5,917,992</u>	<u>\$ 12,675,990</u>	<u>\$ 4,641,027</u>	<u>\$ 5,265,823</u>	<u>\$ 28,500,832</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 839,683	\$ 40,183	\$ -	\$ 524,930	\$ 1,404,796
Deferred revenue	28,932	-	-	-	28,932
Accrued compensated absences	759,806	88,794	-	5,950	854,550
Due to other funds	-	-	-	45,694	45,694
Total liabilities	<u>1,628,421</u>	<u>128,977</u>	<u>-</u>	<u>576,574</u>	<u>2,333,972</u>
Fund Balances:					
Restricted	-	-	-	367,854	367,854
Unrestricted:					
Committed	210,783	12,547,013	4,641,027	2,993,726	20,392,549
Assigned	817,368	-	-	1,327,669	2,145,037
Unassigned	3,261,420	-	-	-	3,261,420
Total fund balances	<u>4,289,571</u>	<u>12,547,013</u>	<u>4,641,027</u>	<u>4,689,249</u>	<u>26,166,860</u>
Total liabilities and fund balances	<u>\$ 5,917,992</u>	<u>\$ 12,675,990</u>	<u>\$ 4,641,027</u>	<u>\$ 5,265,823</u>	<u>\$ 28,500,832</u>

See accompanying notes to the basic financial statements.

City of Claremore, Oklahoma
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Fund balances of governmental funds	\$	26,166,860
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 \$47,120,616		35,521,011
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are not reported in the funds:		
Court fines receivable		28,932
Some liabilities, including pension obligations, are applicable to future periods and, therefore, are not reported in the funds:		
Accrued compensated absences (sick leave portion)		(210,783)
Net pension liability (measurement date is June 30, 2014)		(9,548,929)
Long term debt		(306,065)
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		2,304,452
Deferred inflows of resources related to pensions		(3,031,640)
Net position of governmental activities	\$	50,923,838

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, 2015

	General	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,314,693	\$ 3,668,876	\$ 3,668,876	\$ 3,825,506	\$ 12,477,951
Intergovernmental	1,233,038	179,589	-	539,710	1,952,337
Licenses and permits	164,439	-	-	-	164,439
Charges for services	70,237	-	-	89,811	160,048
Fines and forfeitures	320,133	-	-	16,351	336,484
Investment income	70,447	101,723	-	7,561	179,731
Miscellaneous	38,483	171,584	-	72,106	282,173
Total Revenues	3,211,470	4,121,772	3,668,876	4,551,045	15,553,163
Expenditures:					
General government	2,363,022	-	-	256,943	2,619,965
Public safety and judiciary	9,337,033	-	-	654,132	9,991,165
Transportation	-	1,103,415	-	45,694	1,149,109
Cultural, parks, recreation and promotion	1,294,261	-	-	324,927	1,619,188
Fleet maintenance	-	-	-	590,073	590,073
Capital outlay	341,047	1,515,256	-	2,022,974	3,879,277
Total Expenditures	13,335,363	2,618,671	-	3,894,743	19,848,777
Excess (deficiency) of revenues over expenditures	(10,123,893)	1,503,101	3,668,876	656,302	(4,295,614)
Other Financing Sources (Uses):					
Proceeds from debt Issuance	-	-	-	404,151	404,151
Transfers in	11,393,054	-	-	788,835	12,181,889
Transfers out	(671,201)	(1,129,052)	(2,983,799)	(1,943,973)	(6,728,025)
Total Other Financing Sources (Uses)	10,721,853	(1,129,052)	(2,983,799)	(750,987)	5,858,015
Net change in fund balances	597,960	374,049	685,077	(94,685)	1,562,401
Fund balances - beginning	3,691,611	12,172,964	3,955,950	4,783,934	24,604,459
Fund balances - ending	\$ 4,289,571	\$ 12,547,013	\$ 4,641,027	\$ 4,689,249	\$ 26,166,860

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, 2015

Net change in fund balances - total governmental funds	\$	1,562,401
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset		
Capital asset purchases capitalized		3,879,277
Depreciation expense		(1,895,642)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Deferred revenue		28,932
Repayment of debt principal is an expenditure in the governmental funds, and debt issuance is considered an other financing source, but repayment reduces long-term liabilities in the Statement of Net Position:		
Principal payments on long term debt		98,086
Debt proceeds		(404,151)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Loss on asset dispositions		(104,647)
Sick leave payments in excess of accruals		7,485
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:		
Employer and state (on behalf) pension contributions		2,062,481
Cost of benefits earned net of employee contributions		(1,029,009)
Change in net position of governmental activities	\$	4,205,213

See accompanying notes to the basic financial statements

City of Claremore, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2015

	<u>CPWA</u>	<u>CCDA</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 3,085,013	\$ 756,558	\$ 3,841,571
Accounts receivable, net	4,829,881	7,098	4,836,979
Due from other governments	18,881	-	18,881
Inventory	1,518,478	-	1,518,478
Restricted assets:			
Cash and cash equivalents	24,401,252	-	24,401,252
Interest receivable	88,947	-	88,947
Note receivable, current portion	392,784	-	392,784
Total current assets	<u>34,335,236</u>	<u>763,656</u>	<u>35,098,892</u>
Noncurrent Assets:			
Investments	510,788	-	510,788
Net pension asset	221,859	37,788	259,647
Restricted assets:			
Investments	6,797,176	-	6,797,176
Note receivable, net of current portion	2,709,539	-	2,709,539
Land and construction in progress	5,303,543	1,439,927	6,743,470
Other capital assets, net	50,453,551	10,339,754	60,793,305
Total noncurrent assets	<u>65,996,456</u>	<u>11,817,469</u>	<u>77,813,925</u>
Total assets	<u>100,331,692</u>	<u>12,581,125</u>	<u>112,912,817</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Current year pension plan contributions	<u>108,512</u>	<u>18,483</u>	<u>126,995</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued expenses	2,554,243	114,862	2,669,105
Accrued interest payable	413,555	-	413,555
Accrued compensated absences	132,041	32,222	164,263
Due to related entities	18,939	-	18,939
Current portion of long term obligations	-	-	-
Total current liabilities	<u>3,118,778</u>	<u>147,084</u>	<u>3,265,862</u>
Noncurrent liabilities:			
Deposits subject to refund	918,766	16,870	935,636
Noncurrent portion of long-term obligations	62,552,323	-	62,552,323
Total noncurrent liabilities	<u>63,471,089</u>	<u>16,870</u>	<u>63,487,959</u>
Total liabilities	<u>66,589,867</u>	<u>163,954</u>	<u>66,753,821</u>
DEFERRED INFLOWS OF RESOURCES:			
Unamortized pension investment income	<u>339,334</u>	<u>57,797</u>	<u>397,131</u>
NET POSITION:			
Net investment in capital assets	14,204,771	11,779,681	25,984,452
Restricted for:			
Debt service	2,283,950	-	2,283,950
Hospital trust fund	9,899,499	-	9,899,499
Unrestricted	7,122,783	598,176	7,720,959
Total net position	<u>\$ 33,511,003</u>	<u>\$ 12,377,857</u>	<u>\$ 45,888,860</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, 2015

	Enterprise Funds		
	CPWA	CCDA	Total
Operating revenues:			
Charges for services:			
Electricity charges	\$ 30,218,311	\$ -	\$ 30,218,311
Water charges	3,717,774	-	3,717,774
Sewer charges	2,138,148	-	2,138,148
Sanitation charges	2,055,234	-	2,055,234
Recreation services	-	1,043,704	1,043,704
Rentals	-	313,840	313,840
Other	205,716	4,606	210,322
Total operating revenues	<u>38,335,183</u>	<u>1,362,150</u>	<u>39,697,333</u>
Operating expenses:			
Electric	19,658,422	-	19,658,422
Water	1,690,745	-	1,690,745
Sewer	1,664,126	-	1,664,126
Sanitation	1,329,884	-	1,329,884
Recreation	-	1,515,980	1,515,980
Depreciation	1,925,766	459,757	2,385,523
Total operating expenses	<u>26,268,943</u>	<u>1,975,737</u>	<u>28,244,680</u>
Operating income (loss)	12,066,240	(613,587)	11,452,653
Non-operating revenues (expenses):			
Investment income	365,870	3,135	369,005
Interest expense and fiscal charges	(2,053,499)	-	(2,053,499)
Total non-operating revenues (expenses)	<u>(1,687,629)</u>	<u>3,135</u>	<u>(1,684,494)</u>
Net income(loss) before transfers	10,378,611	(610,452)	9,768,159
Transfers in	3,616,475	618,868	4,235,343
Transfers out	(10,047,108)	-	(10,047,108)
Change in net position	3,947,978	8,416	3,956,394
Net position - beginning	29,563,025	12,369,441	41,932,466
Net position - ending	<u>\$ 33,511,003</u>	<u>\$ 12,377,857</u>	<u>\$ 45,888,860</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, 2015

	Enterprise Funds		
	CPWA	CCDA	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 38,160,140	\$ 1,366,418	\$ 39,526,558
Payments to suppliers	(21,599,947)	(579,035)	(22,178,982)
Payments to or on behalf of employees	(3,028,107)	(942,110)	(3,970,217)
Receipts of customer deposits	250,310	13,920	264,230
Customer deposits refunded or applied	(268,483)	(2,375)	(270,858)
Net cash provided by (used in) operating activities	<u>13,513,913</u>	<u>(143,182)</u>	<u>13,370,731</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	176,116	176,116
Transfers to other funds	(10,047,107)	-	(10,047,107)
Net cash provided by (used in) non-capital and related financing activities	<u>(10,047,107)</u>	<u>176,116</u>	<u>(9,870,991)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	21,000,000	-	21,000,000
Purchases of capital assets	(1,711,734)	(355,291)	(2,067,025)
Principal paid on capital debt	(2,977,677)	-	(2,977,677)
Interest and fiscal agent fees paid on capital debt	(1,867,272)	-	(1,867,272)
Capital asset transfers from other funds	3,616,475	442,752	4,059,227
Net cash provided by capital and related financing activities	<u>18,059,792</u>	<u>87,461</u>	<u>18,147,253</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(587,370)	-	(587,370)
Proceeds received on note receivable	377,677	-	377,677
Interest and dividends	315,987	3,135	319,122
Net cash provided by investing activities	<u>106,294</u>	<u>3,135</u>	<u>109,429</u>
Net increase in cash and cash equivalents	21,632,892	123,530	21,756,422
Balances - beginning of the year	5,853,373	633,028	6,486,401
Balances - end of the year	<u>\$ 27,486,265</u>	<u>\$ 756,558</u>	<u>\$ 28,242,823</u>
Reconciliation to the Statement of Net Position:			
Cash and cash equivalents	\$ 3,085,013	\$ 756,558	\$ 3,841,571
Restricted cash and cash equivalents	24,401,252	-	24,401,252
Total cash and cash equivalents	<u>\$ 27,486,265</u>	<u>\$ 756,558</u>	<u>\$ 28,242,823</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 12,066,239	\$ (613,587)	\$ 11,452,652
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	1,925,766	459,757	2,385,523
Change in assets and liabilities:			-
Decrease (increase) in receivables, net	(156,869)	4,268	(152,601)
Increase in inventory	(206,258)	-	(206,258)
Decrease in deferred outflows	(6,673)	(1,137)	(7,810)
Increase (decrease) in accounts payable	15,146	24,814	39,960
Increase (decrease) in customer deposits payable	(18,173)	11,545	(6,628)
Decrease in accrued compensated absences	(23,135)	(14,691)	(37,826)
Increase in due to other funds	952	-	952
Decrease in net pension liability	(422,416)	(71,948)	(494,364)
Increase in deferred inflows	339,334	57,797	397,131
Net cash provided (used) by operating activities	<u>\$ 13,513,913</u>	<u>\$ (143,182)</u>	<u>\$ 13,370,731</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:

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

operations and whether they are reported in the government-wide or fund financial statements

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

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

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

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

Restricted Assets

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

Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the City that are applicable to a future reporting period. At June 30, 2015, 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, 2015, 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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

termination at various rates accordingly to non-union and union employees.

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

Pensions

The City participates in three employee pension systems as follows:

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

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

Equity Classifications

Government-Wide Financial Statements:

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

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of Net Position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other Net Position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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

Fund Financial Statements:

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

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.

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.

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

Pledged Revenue

The city has pledged future net electric system revenues to repay the \$23,920,000 Utility System Refunding Revenue Bonds, Series 2012 which were issued on May 30, 2012 in order to refund the Bank of America Capital Corp. Lease Purchase Agreement dated October 18, 2007 which provided financing for acquiring, constructing, furnishing and

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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 \$25,176,406. Debt service payments of \$1,947,250 for the current fiscal year were 13.5% 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 \$6,550,258. Debt service payments of \$1,029,255 for the current fiscal year were 7.1% 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 \$5,807,334. Debt service payments of \$391,660 for the current fiscal year were 2.7% 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 \$11,035,185. Debt service payments of \$442,120 for the current fiscal year were 3.1% 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 \$25,676,180. There were no debt service payments in the current fiscal year.

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, 2015 and 2014, the City recognized \$47,831 and \$45,026, 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.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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 2015

The City adopted several new accounting pronouncements during the year ended June 30, 2015 as follows:

Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirement are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance was issued in November 2013. As a result of the implementation of this standard, the City has restated its beginning net position as outlined in note 1.I.

Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – GASB No. 71 amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the pension liability. GASB 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflow of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68.

1.I PRIOR PERIOD ADJUSTMENT

The beginning net position has been restated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit (CIEDA)</u>
Beginning net position as previously reported at June 30, 2014:	\$ 55,038,083	\$ 42,252,402	\$ 8,989,745
Prior period adjustment:			
Implementation GASB 68:			
Net pension liability (July 1, 2013)	(13,085,496)	(234,718)	(14,954)
Deferred outflows - City's contributions made during fiscal year 2014	1,775,907	119,185	7,593
Airport runway infrastructure transferred from CIEDA to City	3,614,874	-	(3,614,874)
Payroll accrual omitted in prior year	(624,743)	(204,403)	(8,589)
Net position as restated July 1, 2014	<u>\$ 46,718,625</u>	<u>\$ 41,932,466</u>	<u>\$ 5,358,921</u>

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, surety bonds, or certain letters of credit. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the city must have a written collateral agreement approved by the board of directors or loan committee.

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

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c. and d.

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2015, 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, 2015.

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 1.E.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

As of June 30, 2015, the City was not exposed to custodial credit risk as defined above.

Total bank deposits of \$433,286 of the discretely presented component unit were either insured with Federal Deposit Insurance Corporation Insurance or collateralized.

As of June 30, 2015, 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	\$ 21,854,720	n/a	\$ 21,854,720	\$ -	\$ -	\$ -	\$ -	
Money market fund - federal obligations	22,482,216	n/a	22,482,216	-	-	-	-	
Certificates of deposit	2,414,911	n/a	-	501,078	1,913,833	-	-	
Government backed securities	14,562,328	n/a	-	-	5,105,738	3,037,091	6,419,499	
	<u>\$ 61,314,175</u>		<u>\$ 44,336,936</u>	<u>\$ 501,078</u>	<u>\$ 7,019,571</u>	<u>\$ 3,037,091</u>	<u>\$ 6,419,499</u>	
Reconciliation to Statement of net position:								
Cash and cash equivalents	\$ 19,395,952							
Restricted - cash and cash equivalents	24,401,252							
Investments	10,719,795							
Restricted - investments	6,797,176							
	<u>\$ 61,314,175</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, 2015, is as follows:

	Governmental Activities	Business-Type Activities	Component Unit (CIEDA)
Accounts Receivable	\$248,796	\$6,753,764	\$43,507
Allowance for uncollectible accounts	(123,574)	(1,916,785)	(-)
Net Accounts Receivable	<u>\$125,222</u>	<u>\$4,836,979</u>	<u>\$43,507</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.E., 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, 2015, was as follows:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,998,720	\$ -	\$ 103,529	\$ 1,895,191
Construction-in-progress	3,035,462	1,224,548	1,871,137	2,388,873
Total Capital assets not being depreciated	<u>5,034,182</u>	<u>1,224,548</u>	<u>1,974,666</u>	<u>4,284,064</u>
Depreciable assets				
Buildings and improvements	11,386,835	78,771	-	11,465,606
Equipment and furniture	9,718,085	1,401,251	248,765	10,870,571
Infrastructure	52,975,542	3,045,844	-	56,021,386
Total depreciable assets	<u>74,080,462</u>	<u>4,525,866</u>	<u>248,765</u>	<u>78,357,563</u>
Less accumulated depreciation	<u>45,472,621</u>	<u>1,895,642</u>	<u>247,647</u>	<u>47,120,616</u>
Net depreciable assets	<u>28,607,841</u>	<u>2,630,224</u>	<u>1,118</u>	<u>31,236,947</u>
Governmental activities capital assets, net	<u>\$ 33,642,023</u>	<u>\$ 3,854,772</u>	<u>\$ 1,975,784</u>	<u>\$ 35,521,011</u>
<i>Business -type Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 1,959,305	\$ 75,000	\$ -	\$ 2,034,305
Construction-in-progress	4,933,863	633,651	858,349	4,709,165
Total Capital assets not being depreciated	<u>6,893,168</u>	<u>708,651</u>	<u>858,349</u>	<u>6,743,470</u>
Depreciable Assets:				
Buildings and improvements	23,580,536	584,177	6,930	24,157,783
Equipment and furniture	8,596,296	895,914	254,079	9,238,131
Infrastructure	68,814,572	763,077	-	69,577,649
Total depreciable assets	<u>100,991,404</u>	<u>2,243,168</u>	<u>261,009</u>	<u>102,973,563</u>
Less accumulated depreciation	<u>40,029,299</u>	<u>2,385,523</u>	<u>234,564</u>	<u>42,180,258</u>
Net depreciable assets	<u>60,962,105</u>	<u>(142,355)</u>	<u>26,445</u>	<u>60,793,305</u>
Business-type activities capital assets, net	<u>\$ 67,855,273</u>	<u>\$ 566,296</u>	<u>\$ 884,794</u>	<u>\$ 67,536,775</u>
<i>Component Unit (CIEDA):</i>				
Capital assets not being depreciated:				
Land and building held for development	\$ 2,861,826	\$ 155,912	\$ 750,000	\$ 2,267,738
Total Capital assets not being depreciated	<u>2,861,826</u>	<u>155,912</u>	<u>750,000</u>	<u>2,267,738</u>
Depreciable Assets:				
Buildings and improvements	1,189,692	-	3,100	1,186,592
Equipment and furniture	404,056	13,102	47,282	369,876
Infrastructure	2,079,378	-	-	2,079,378
Total depreciable assets	<u>3,673,126</u>	<u>13,102</u>	<u>50,382</u>	<u>3,635,846</u>
Less accumulated depreciation	<u>709,378</u>	<u>245,635</u>	<u>45,613</u>	<u>909,400</u>
Net depreciable assets	<u>2,963,748</u>	<u>(232,533)</u>	<u>4,769</u>	<u>2,726,446</u>
Component unit capital assets, net	<u>\$ 5,825,574</u>	<u>\$ (76,621)</u>	<u>\$ 754,769</u>	<u>\$ 4,994,184</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	\$143,314
Public safety and judiciary	378,813
Culture, parks, and recreation	240,805
Transportation	<u>1,132,710</u>
Total depreciation expense - governmental activities	<u>\$1,895,642</u>
Business-Type Activities:	
Electric	\$482,626
Water	939,413
Wastewater	380,977
Solid waste	122,750
Recreation	<u>459,757</u>
Total depreciation expense - business-type activities	<u>\$2,385,523</u>
Discretely Presented Component Unit:	
CIEDA:	
Airport	\$176,654
Railroad spur	<u>68,981</u>
Total depreciation expense – component unit	<u>\$245,635</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, 2015, 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.

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.

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, 2013 CIEDA entered into a lease purchase agreement with AXH Real Estate, LLC to sell a commercial building for \$750,000 with monthly rental payments received during the term of the lease to be applied against the purchase price. CIEDA had purchased the building on August 9, 2013 at a cost of \$1,240,695. The reduced purchase price had been recognized as an economic incentive expense in the fiscal year ended June 30, 2014 with corresponding asset impairment.

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, 2014</u>	<u>Advanced</u>	<u>Received</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due within</u> <u>One Year</u>
TIF District #1 - Due From CPWA	\$ 3,480,000	\$ -	\$ 377,677	\$ 3,102,323	\$ 392,784
TIF District #2 - Due From NXTGEN	350,000	-	-	350,000	-
TIF District #3 - Due From RH Hospitality, LLC	-	750,000	-	750,000	-
Total TIF receivable	<u>\$ 3,830,000</u>	<u>\$ 750,000</u>	<u>\$ 377,677</u>	<u>\$ 4,202,323</u>	<u>\$ 392,784</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, 2015, 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 \$100,028, non-current portion \$206,037 \$ 306,065

Business-Type Activities:

As of June 30, 2015, 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 \$1,205,000, non-current portion \$18,925,000 \$20,130,000

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 \$930,000, non-current portion \$5,210,000 \$ 6,140,000

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

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 \$245,000, non-current portion \$4,350,000 \$ 4,595,000

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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 \$175,000, non-current portion \$7,410,000	\$ 7,585,000
 Notes Payable:	
Claremore PWA Utility Revenue Note, Series 2013B, original issue amount of \$3,480,000, secured by an electric system substation at the Claremore Industrial Park, interest rate of 4.00%, and final maturity June 2022.	
Note was issued to CIEDA, a related party, to construct an electric system substation and annual debt service may be offset up to 50% from incremental property taxes received related to the project	
Current portion \$392,784, non-current portion \$2,709,539	\$ 3,102,323
 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 \$1,125,000, non-current portion \$19,875,000	\$21,000,000
Total Long Term Debt outstanding – Business-type	<u>\$62,552,323</u>
Current portion	\$ 4,072,784
Non-current portion	<u>58,479,539</u>
Total Long Term Debt outstanding – Business-type	<u>\$62,552,323</u>
 <i>Component Unit (CIEDA):</i>	
 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 \$22,964, non-current portion \$71,607	\$ 94,571
 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
 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
 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

CITY OF CLAREMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
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For the fiscal year ended June 30, 2015

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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.

Full outstanding amount of \$750,000 is non-current \$ 750,000

Total Long Term Debt outstanding – Component Unit \$ 4,446,894

Current portion \$ 415,748

Non-current portion 4,031,146

Total Notes Payable \$ 4,446,894

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Amounts Due in One Year
Governmental Activities:					
Capital lease payable	\$ -	\$ 404,151	\$ 98,096	\$ 306,055	\$ 100,028
Total Governmental Activities	<u>\$ -</u>	<u>\$ 404,151</u>	<u>\$ 98,096</u>	<u>\$ 306,055</u>	<u>\$ 100,028</u>
Business Type Activities:					
Notes payable	\$ 3,480,000	\$ 21,000,000	\$ 377,677	\$ 24,102,323	\$ 392,784
Revenue bonds payable	41,050,000	-	2,600,000	38,450,000	3,680,000
Total Business Type Activities	<u>\$ 44,530,000</u>	<u>\$ 21,000,000</u>	<u>\$ 2,977,677</u>	<u>\$ 62,552,323</u>	<u>\$ 4,072,784</u>
Component Unit - CIEDA:					
Tax anticipation notes	\$ 3,480,000	\$ 1,250,000	\$ 377,677	\$ 4,352,323	\$ 392,784
Other notes payable	1,257,846	-	1,163,275	94,571	22,964
Total Component Unit - CIEDA	<u>\$ 4,737,846</u>	<u>\$ 1,250,000</u>	<u>\$ 1,540,952</u>	<u>\$ 4,446,894</u>	<u>\$ 415,748</u>

Payment requirements to maturity:

Year Ending June 30,	Governmental Activities		Business Type Activities		Component Unit (CIEDA)	
	Capital Lease Payable		Bonds and Note Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 100,028	\$ 6,060	\$ 4,072,784	\$ 1,911,723	\$ 415,748	\$ 187,245
2017	102,009	4,079	4,308,495	1,818,071	527,963	170,059
2018	104,028	2,060	4,454,835	1,699,310	596,865	147,878
2019	-	-	4,596,829	1,564,764	609,938	122,655
2020	-	-	4,769,502	1,383,778	619,502	97,633
2021-2025	-	-	25,904,878	4,673,304	1,676,878	141,360
2026-2030	-	-	11,725,000	1,481,939	-	-
2031-2035	-	-	2,250,000	332,980	-	-
2036	-	-	470,000	-	-	-
Total	<u>\$ 306,065</u>	<u>\$ 12,199</u>	<u>\$ 62,552,323</u>	<u>\$ 14,865,869</u>	<u>\$ 4,446,894</u>	<u>\$ 866,830</u>

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

3.G. INTERFUND TRANSACTION AND BALANCES

Interfund transfers for the year ended June 30, 2015 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Nature of Interfund Transfer</u>
* General Fund	* CCDA	\$ 176,116	General operations
* General Fund	* CCDA	89,025	Donations
Capital Improvement Sales Tax	* CPWA	590,577	Fixed asset acquisitions
Capital Improvement Sales Tax	* CCDA	353,727	Fixed asset acquisitions
* Expo/Rec Sales Tax Fund	* CPWA	2,983,799	Debt service
* General Fund	* Airport Fund	3,030	Reimburse prior year project costs, net
* CPWA	* General Fund	8,976,833	General operations
* CPWA	* General Fund	931,396	Shared overhead reimbursement
Sale Tax Fire	* General Fund	446,117	Shared overhead reimbursement
Sale Tax Park	* General Fund	156,862	Shared overhead reimbursement
Sales Tax Police	* General Fund	393,660	Shared overhead reimbursement
* Sales Tax Street	* General Fund	1,129,052	Shared overhead reimbursement
* General Fund	CIEDA (Component unit)	400,000	Airport management, economic incentives
CIEDA (Component unit)	* CPWA	42,099	Residual project cash account transfer
* CPWA	CDBG	138,879	Reimburse prior year project costs
	CPWA		Debt service
		<u>\$ 16,811,172</u>	

* Represents major fund

Reconciliation to Fund Financial Statements:

	<u>Transfers in</u>	<u>Transfers out</u>	<u>Total</u>
Governmental Funds	\$ 12,175,829	\$ 6,721,965	\$ 5,453,864
Proprietary Funds	4,235,343	10,047,108	(5,811,765)
Total funds	16,411,172	16,769,073	(357,901)
Fixed asset transfer to business-type from governmental activities, net	-	-	-
Total primary government	16,411,172	16,769,073	(357,901)
Component unit (CIEDA)	400,000	42,099	357,901
Total government wide	<u>\$ 16,811,172</u>	<u>\$ 16,811,172</u>	<u>\$ -</u>

3.H. FUND BALANCES AND NET POSITION

Government Wide Financial Statements:

Net Position Restrictions at June 30, 2015 were as follows:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Cemetery Care Fund	State statute	367,854
CPWA	Debt covenants - external	2,283,950
CPWA	Hospital Trust Agreement	9,899,499
		<u>\$ 12,551,303</u>

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Fund Level Financial Statements:

	General Fund	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Fund	Total
Fund Balance:					
Restricted For:					
Cemetery	-	-	-	367,854	367,854
Committed For:					
Street improvements - city ordinance	-	12,547,013	-	-	12,547,013
Debt service - city ordinance	-	-	4,641,027	-	4,641,027
Park improvements -city ordinance	-			1,100,125	1,100,125
Police operations - city ordinance	-			634,360	634,360
Fire service - city ordinance	-			599,024	599,024
Capital improvement - city ordinance	-	-	-	660,217	660,217
Accrued leave - state constitution	210,783				210,783
Sub-total restricted	210,783	12,547,013	4,641,027	2,993,726	20,392,549
Assigned for:					
Budgetary - council resolution	817,368	-	-	-	817,368
Police and judiciary -council resolution				88,572	88,572
Emergency managment -council resolution				324,865	324,865
Fleet managment -council resolution				237,098	237,098
Library operations-council resolution				67,376	67,376
Capital improvements -council resolution	-	-	-	609,758	609,758
Sub-total assigned	817,368	-	-	1,327,669	2,145,037
Unassigned:	3,261,420	-	-	-	3,261,420
TOTAL FUND BALANCE	\$ 4,289,571	\$ 12,547,013	\$ 4,641,027	\$ 4,689,249	\$ 26,166,860

NOTE 4. OTHER NOTES

4.A. DEFINED BENEFIT PENSION PLANS

The City participates in three employee pension systems as follows:

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

Plan Descriptions

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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.

Employee membership data related to the Plans, as of June 30, 2014 was as follows:

	Total Plan Membership			City's Membership*
	OPPRS	OFPRS	OMRF	OMRF
Retirees and beneficiaries currently receiving benefits	3,320	10,020	2,152	47
Vested members with deferred benefits	132	1,390	incl above	41
Deferred Option plan members	30	77	N/A	-
	<u>3,482</u>	<u>11,487</u>	<u>2,152</u>	<u>88</u>
Active plan members:				
Vested	2,213	4,946	1,789	53
Nonvested	3,107	7,490	2,172	86
Total active plan members	<u>5,320</u>	<u>12,436</u>	<u>3,961</u>	<u>139</u>
Total members	<u>8,802</u>	<u>23,923</u>	<u>6,113</u>	<u>227</u>

*City membership is not available for the OPPRS 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 OPPRS and OFRS and by the City Council for the OMRF. Retirement provisions for each plan are as follows:

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

OPPRS

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

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

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

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

OFPRS

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

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

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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 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, 2014.

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 7/1/2014 set the employer contribution rate at 5.72% and 5.08% of covered payroll for the fiscal year ended June 30, 2014 and 2015, 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, 2014 from all sources totaled \$298,424 which equals the actuarially determined amount based on a covered payroll of \$5,230,443.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

At June 30, 2015, 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, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportionate share of the net pension liability was based on the City's share of contributions in the respective pension plan relative to the total contributions of all participating OPPRS or OFPRS Plan employers, since the plans are cost sharing-multiple employer type plans. At June 30, 2014, the City's proportionate share was 0.6911 percent of the total OPPRS plan and 0.9876 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, 2015, the City recognized pension expense of \$85,292 and \$912,104 for the OPPRS and OFPRS plans, respectively and \$54,962 for the OMRF plan. At June 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to the three defined benefit pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPPRS		
Difference between expected and actual plan experience	\$ -	\$ 104,542
Net difference between projected and actual earnings on pension plan investments	-	817,887
Contributions subsequent to the measurement date	552,376	-
OFPRS		
Difference between expected and actual plan experience	241,971	-
Net difference between projected and actual earnings on pension plan investments	-	1,537,274
Contributions subsequent to the measurement date	1,361,550	
OMRF		
Net difference between projected and actual earnings on pension plan investments	-	994,370
Contributions subsequent to the measurement date	283,641	-
Total for all plans	<u>\$ 2,439,538</u>	<u>\$ 3,454,073</u>
 Reconciliation to the Statement of Net Position:		
Governmental activities	\$ 2,304,452	\$ 3,031,640
Business-type activities	126,995	397,131
Discretely presented component unit (CIEDA)	8,091	25,302
Total	<u>\$ 2,439,538</u>	<u>\$ 3,454,073</u>

Amounts reported as deferred outflows of resources related to pensions resulting from employer and non-employer on-behalf contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2015 as follows: \$2,062,481 for governmental activities (which includes the State's contribution), \$126,995 for business-type activities, and \$8,091 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, 2013 the beginning of the measurement period ended June 30, 2014 is 5.83 years for the OPPRS and 6.37 years for the OFPRS.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

Fiscal Year:	
2016	\$ (812,292)
2017	\$ (812,292)
2018	\$ (812,292)
2019	\$ (812,287)
2020	\$ 25,092
Thereafter	\$ 11,969

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, 2014 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 OPRRS 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 OPRRS Plan uses an age set forward of 4 years for disabled pensioners.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2014 is based on the results of an actuarial valuation date of July 1, 2014.

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, 2014, are summarized in the following table:

Asset Class	OPPRS		OFPRS		OMRF		
	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%	1.35%
International equity	15%	6.98%	20%	9.24	20%	5.10%	1.02%
Other equity	10%	5.96%			10%	6.10%	0.61%
Total equity	60%		57%		65%		3.73%
Domestic Fixed Income	10%	2.83%	13%	5.48%	30%	2.60%	0.78%
Global Fixed Income	15%	2.83%	7%	5.48%			
Total fixed income	25%		20%	10% - 30%	30%		
Real Estate	10%	5.50%	10%	7.76%	5%	4.80%	0.24%
Other assets	5%	3.08%	13%	6.88%			
Total other assets	15%		23%	5% - 28%	5%		
						Average Real Return	4.75%
						Inflation	3.00%
						Long-term expected return	7.75%

Discount Rate

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2014 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, 2014 and the City's report ending date of June 30, 2015 that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability for the OMRF plan:

CHANGES IN NET PENSION LIABILITY (OMRF PLAN)

	Increase (Decrease)		
	Total Pension Liability	Plan Net Fiduciary Position	Net Pension Liability
Balance at 7/1/2013	\$ 14,150,059	\$ 13,562,355	\$ 587,705
Changes for the Year:			
Service cost	392,034		392,034
Interest cost	1,104,147		1,104,147
Contributions - employer		298,424	(298,424)
Contributions - employee		235,846	(235,846)
Net investment income		2,232,743	(2,232,743)
Benefit payments, including refunds of employee contributions	(601,302)	(601,302)	-
Administrative expense	-	(33,000)	33,000
Net changes	<u>894,879</u>	<u>2,132,711</u>	<u>(1,237,832)</u>
Balance at 7/1/2014	<u>\$ 15,044,938</u>	<u>\$ 15,695,066</u>	<u>\$ (650,127)</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)

	Current Discount Rate		
	1% Decrease 6.50%	7.50%	1% Increase 8.50%
Discount rate used>	6.50%	7.50%	8.50%
Cost sharing plans - proportionate share:			
Oklahoma Police Pension and Retirement System	\$ 1,384,490	\$ (232,695)	\$ (1,595,622)
Oklahoma Firefighters Pension and Retirement System	13,261,019	10,155,561	7,551,977
Total net pension liability - cost sharing plans	<u>14,645,509</u>	<u>9,922,866</u>	<u>5,956,356</u>
Discount rate used>	6.75%	7.75%	8.75%
Agent plan - "stand alone" determination:			
Oklahoma Municipal Retirement System	1,409,722	(650,127)	(2,324,176)
Total - All City of Claremore's Plans	<u>\$ 16,055,231</u>	<u>\$ 9,272,739</u>	<u>\$ 3,632,180</u>
Reconciliation to Statement of Net Position:			
Governmental activities		\$ 9,548,929	
Business-type activities		(259,647)	
Discretely presented component unit (CIEDA)		(16,543)	
Total net pension liability (asset)		<u>\$ 9,272,739</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 and the Oklahoma Firefighters Pension and Retirement System (OFPRS) – www.ok.gov/FPRS and the Oklahoma Municipal Retirement Fund at www.okmrf.org.

Payables to the pension plans

At June 30, 2015 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 \$32.4 million at June 30, 2015 as follows:

	Maturity Date	Balance 6/30/2015
Northeast Technology Center	6/20/2027	\$ 7,614,515
Claremore Public Schools #1	8/15/2017	2,433,402
Claremore Public Schools #2	8/15/2018	12,834,393
Sequoyah Public Schools	8/15/2022	9,554,454
		\$ 32,436,764

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual	Variance to final Favorable (unfav)
Beginning budgetary fund balance	\$ 441,420	\$ 481,420	\$ 3,691,611	\$ 3,210,191
Resources (inflows)				
Taxes				
Use tax	600,000	600,000	804,057	204,057
Franchise tax	519,343	519,343	510,636	(8,707)
Total taxes	<u>1,119,343</u>	<u>1,119,343</u>	<u>1,314,693</u>	<u>195,350</u>
Intergovernmental				
Alcoholic beverage tax	120,000	120,000	113,092	(6,908)
Tobacco tax	132,500	132,500	136,139	3,639
Grants and contributions	-	-	-	-
Total intergovernmental	<u>252,500</u>	<u>252,500</u>	<u>249,231</u>	<u>(3,269)</u>
Licenses and permits				
Occupational licenses	5,140	5,140	11,299	6,159
Construction Permits	797	797	275	(522)
Animal license	4,000	4,000	6,281	2,281
Inspection fees	79,113	79,113	101,879	22,766
Miscellaneous licenses and permits	35,785	35,785	44,705	8,920
Total licenses and permits	<u>124,835</u>	<u>124,835</u>	<u>164,439</u>	<u>39,604</u>
Charges for services				
Ambulance	300	300	-	(300)
Plots and interment	39,000	39,000	60,508	21,508
Miscellaneous fees	6,500	6,500	9,729	3,229
Total charges for services	<u>45,800</u>	<u>45,800</u>	<u>70,237</u>	<u>24,437</u>
Fines and forfeitures	<u>223,800</u>	<u>223,800</u>	<u>320,133</u>	<u>96,333</u>
Other income				
Investment income	35,000	35,000	70,447	35,447
Miscellaneous income	21,282	64,145	38,485	(25,660)
Total other income	<u>56,282</u>	<u>99,145</u>	<u>108,932</u>	<u>9,787</u>
Other financing sources				
Overhead transfers	2,413,211	2,413,211	2,413,211	-
Transfers in	8,976,833	8,976,833	8,976,833	-
	<u>11,390,044</u>	<u>11,390,044</u>	<u>11,390,044</u>	<u>-</u>
Amounts available for appropriation	<u>13,654,024</u>	<u>13,736,887</u>	<u>17,309,320</u>	<u>3,572,433</u>

(CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

(CONTINUED)

Charges to appropriations (outflows)

General government:

Information technology	334,661	334,662	342,195	(7,533)
Human resources	242,552	242,552	158,945	83,607
City clerk	70,879	70,879	68,725	2,154
Managerial	311,433	321,432	299,385	22,047
Finance	303,671	322,084	292,094	29,990
General government	644,896	634,897	415,434	219,463
Development services	533,206	573,206	540,164	33,042
Custodial	116,604	116,604	106,705	9,899
Hotel room tax agreement	133,000	133,000	133,628	(628)
Non departmental	-	-	5,770	(5,770)
Total general government	<u>2,690,902</u>	<u>2,749,316</u>	<u>2,363,045</u>	<u>386,271</u>
Public safety and judiciary				
Police and court	4,054,892	4,054,891	3,845,803	209,088
Fire	4,426,182	4,426,182	4,507,423	(81,241)
Total public safety and judiciary	<u>8,481,074</u>	<u>8,481,073</u>	<u>8,353,226</u>	<u>127,847</u>
Cultural, parks, recreation, and promotion				
Library	327,352	327,352	284,054	43,298
Cemetery	168,489	168,489	148,722	19,767
Recreation	605,092	605,092	589,269	15,823
Senior Citizens	699,749	699,749	272,216	427,533
Total cultural, parks, recreation, and promotion	<u>1,800,682</u>	<u>1,800,682</u>	<u>1,294,261</u>	<u>506,421</u>
Capital outlay	-	-	341,047	(341,047)
Other financing uses				
Transfers to other funds	281,366	305,816	262,110	43,706
Contributions to CIEDA	400,000	400,000	400,000	-
Total other financing uses	<u>681,366</u>	<u>705,816</u>	<u>662,110</u>	<u>43,706</u>
Total charges to appropriations	<u>13,654,024</u>	<u>13,736,887</u>	<u>13,013,689</u>	<u>723,198</u>
Ending budgetary fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,295,631</u>	<u>\$ 4,295,631</u>

CITY OF CLAREMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
For the fiscal year ended June 30, 2015

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
SALES TAX STREET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to final Favorable (unfav)</u>
Beginning budgetary fund balance	\$ 2,409,197	\$ 3,137,107	\$ 12,172,964	\$ 9,035,857
Resources (inflows)				
Taxes				
Sales tax	3,600,000	3,600,000	3,668,876	68,876
Intergovernmental				
Gasoline excise tax	24,320	24,320	35,453	11,133
Commercial vehicle fee	155,000	155,000	144,136	(10,864)
Total intergovernmental	<u>179,320</u>	<u>179,320</u>	<u>179,589</u>	<u>269</u>
Other income				
Investment income	45,000	45,000	34,462	(10,538)
Miscellaneous income	-	-	238,844	238,844
Total other income	<u>45,000</u>	<u>45,000</u>	<u>273,306</u>	<u>228,306</u>
Amounts available for appropriation	<u>6,233,517</u>	<u>6,961,427</u>	<u>16,294,735</u>	<u>9,333,308</u>
Charges to appropriations (outflows)				
Personal services	687,140	687,140	690,599	(3,459)
Material and supplies	4,078,750	4,806,660	150,119	4,656,541
Other charges	258,575	258,575	212,138	46,437
Capital outlay	-	-	1,515,256	(1,515,256)
Overhead transfers	1,209,052	1,209,052	1,179,610	29,442
Total charges to appropriations	<u>6,233,517</u>	<u>6,961,427</u>	<u>3,747,722</u>	<u>3,213,705</u>
Ending budgetary fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,547,013</u>	<u>\$ 12,547,013</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
EXPO/WWTP SALES TAX FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to final Favorable (unfav)</u>
Beginning budgetary fund balance	\$ 2,409,197	\$ 3,137,107	\$ 3,955,950	\$ 818,843
Resources (inflows)				
Taxes				
Sales tax	3,600,000	3,600,000	3,668,876	68,876
Other income				
Investment income	-	-	-	-
Miscellaneous income	-	-	-	-
Total other income	-	-	-	-
Amounts available for appropriation	6,009,197	6,737,107	7,624,826	887,719
Charges to appropriations (outflows)				
Transfers out	2,998,405	2,998,405	2,983,799	14,606
Ending budgetary fund balance	\$ 3,010,792	\$ 3,738,702	\$ 4,641,027	\$ 902,325

**CITY OF CLAREMORE, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

CITY OF CLAREMORE
SCHEDULE OF CITY OF CLAREMORE'S SHARE OF NET PENSION LIABILITIES*
JUNE 30, 2015

	<u>2015</u>
<u>Oklahoma Police Pension and Retirement Plan</u>	
City's portion of net pension liability	0.6911%
City's proportionate share of the net pension liability	\$ (232,695)
City's covered-employee payroll	\$ 1,933,492
City's proportional share of the net pension liability as a percentage of its covered employee payroll	-12.035%
Plan fiduciary net position as a percentage of the total pension liability	101.53%
<u>Oklahoma Firefighters Pension and Retirement Plan</u>	
City's portion of net pension liability	0.9876%
City's proportionate share of the net pension liability	\$ 10,155,561
City's covered-employee payroll	\$ 2,636,429
City's proportional share of the net pension liability as a percentage of its covered employee payroll	385.20%
Plan fiduciary net position as a percentage of the total pension liability	68.12%
<u>Employee Retirement System of Claremore, Oklahoma (OMRF)</u>	
City's portion of net pension liability	100%
City's share of the net pension liability	\$ (650,127)
City's covered-employee payroll	\$ 5,230,443
City's proportional share of the net pension liability as a percentage of its covered employee payroll	-12.43%
Plan fiduciary net position as a percentage of the total pension liability	104.32%

*This information is reported for the cost sharing multiple employer plans and is as of 7/1/2014 (measurement date) GASB Statement No. 68 requires ten years of information to be reported in this table. However, until a full 10-year trend is compiled, the City will present information that is available.

**CITY OF CLAREMORE
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 JUNE 30, 2015**

	<u>2015</u>
<u>Oklahoma Police Pension and Retirement Plan</u>	
Statutorily required contribution	\$ 341,575
Contributions related to the statutorily required contributions (does not include State contributions)	341,575
Contribution (deficiency) excess	-
City's covered-employee payroll	\$ 2,627,500
Contributions as a percentage of covered-employee payroll	13%
<u>Oklahoma Firefighters Pension and Retirement Plan</u>	
Statutorily required contribution	\$ 588,543
Contributions related to the statutorily required contributions (does not include State contributions)	588,543
Contribution (deficiency) excess	-
City's covered-employee payroll	\$ 2,558,883
Contributions as a percentage of covered-employee payroll	23%
<u>Employee Retirement System of Claremore, Oklahoma (OMRF)</u>	
Statutorily required contribution	\$ 283,641
Contributions related to the statutorily required contributions	283,641
Contribution (deficiency) excess	-
City's covered-employee payroll	\$ 5,583,484
Contributions as a percentage of covered-employee payroll	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, 2015

SPECIAL REVENUE FUNDS

	Police Juvenile Fund	Drug Seizure Fund	Sales Tax Park	IRS Seizures Fund	Sales Tax Police	Sales Tax Fire	Animal Control Fund	Emergency Taxes	Cemetery Care Fund
ASSETS									
Cash	\$ 45,693	\$ 1,428	\$ 849,491	\$ 5,674	\$ 512,698	\$ 453,103	\$ 26,851	\$ 215,300	\$ 141,755
Prepaid Expenses	-	-	-	-	-	-	-	-	-
Investments	-	-	195,367	-	47,506	51,962	17,843	104,322	226,074
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
Total assets	<u>\$ 45,693</u>	<u>\$ 1,428</u>	<u>\$ 1,170,202</u>	<u>\$ 5,674</u>	<u>\$ 684,950</u>	<u>\$ 629,829</u>	<u>\$ 44,766</u>	<u>\$ 325,359</u>	<u>\$ 368,743</u>
LIABILITIES									
Accounts payable and accrued liabilities	\$ 2,548	\$ -	\$ 70,077	\$ -	\$ 50,590	\$ 30,805	\$ 6,441	\$ 15,895	\$ 889
Accrued compensated absences	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Total liabilities	<u>2,548</u>	<u>-</u>	<u>70,077</u>	<u>-</u>	<u>50,590</u>	<u>30,805</u>	<u>6,441</u>	<u>15,895</u>	<u>889</u>
FUND BALANCES									
Restricted	-	-	-	-	-	-	-	-	367,854
Committed	-	-	1,100,125	-	634,360	599,024	-	-	-
Assigned	43,145	1,428	-	5,674	-	-	38,325	309,464	-
Total fund balances	<u>43,145</u>	<u>1,428</u>	<u>1,100,125</u>	<u>5,674</u>	<u>634,360</u>	<u>599,024</u>	<u>38,325</u>	<u>309,464</u>	<u>367,854</u>
Total liabilities and fund balances	<u>\$ 45,693</u>	<u>\$ 1,428</u>	<u>\$ 1,170,202</u>	<u>\$ 5,674</u>	<u>\$ 684,950</u>	<u>\$ 629,829</u>	<u>\$ 44,766</u>	<u>\$ 325,359</u>	<u>\$ 368,743</u>

(CONTINUED)

CITY OF CLAREMORE, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	SPECIAL REVENUE FUNDS (CONT'D)			CAPITAL PROJECT FUNDS				Total Nonmajor Governmental Funds	
	(CONTINUED)			Capital Improvement Sales Tax	Airport Fund	CDBG Sewer Fund	John Carle Blvd Improvement Fund		Bicycle Trails Grant
	Emergency Management	Fleet Maintenance	Library Fund						
ASSETS									
Cash	\$ 15,401	\$ 295,240	\$ 65,985	\$ 622,729	\$ -	\$ -	\$ 80,193	\$ 274,669	\$ 3,606,210
Prepaid Expenses	-	-	5,178	76,098	-	-	-	-	81,276
Investments	-	-	-	-	-	-	-	-	643,074
Receivables:									
Due from other governments	-	-	-	249,109	-	-	-	-	628,086
Due from other funds	-	-	-	220	-	9,846	-	-	10,066
Grants	-	-	-	-	45,694	74,549	174,268	-	294,511
Accrued interest	-	-	-	-	-	-	-	-	2,600
Total assets	<u>\$ 15,401</u>	<u>\$ 295,240</u>	<u>\$ 71,163</u>	<u>\$ 948,156</u>	<u>\$ 45,694</u>	<u>\$ 84,395</u>	<u>\$ 254,461</u>	<u>\$ 274,669</u>	<u>\$ 5,265,823</u>
LIABILITIES									
Accounts payable and accrued liabilities	\$ -	\$ 52,192	\$ 3,787	\$ 287,939	\$ -	\$ 1,795	\$ 793	\$ 1,179	\$ 524,930
Accrued compensated absences	-	5,950	-	-	-	-	-	-	5,950
Due to other funds	-	-	-	-	45,694	-	-	-	45,694
Total liabilities	<u>-</u>	<u>58,142</u>	<u>3,787</u>	<u>287,939</u>	<u>45,694</u>	<u>1,795</u>	<u>793</u>	<u>1,179</u>	<u>576,574</u>
FUND BALANCES									
Restricted	-	-	-	-	-	-	-	-	367,854
Committed	-	-	-	660,217	-	-	-	-	2,993,726
Assigned	15,401	237,098	67,376	-	-	82,600	253,668	273,490	1,327,669
Total fund balances	<u>15,401</u>	<u>237,098</u>	<u>67,376</u>	<u>660,217</u>	<u>-</u>	<u>82,600</u>	<u>253,668</u>	<u>273,490</u>	<u>4,689,249</u>
Total liabilities and fund balances	<u>\$ 15,401</u>	<u>\$ 295,240</u>	<u>\$ 71,163</u>	<u>\$ 948,156</u>	<u>\$ 45,694</u>	<u>\$ 84,395</u>	<u>\$ 254,461</u>	<u>\$ 274,669</u>	<u>\$ 5,265,823</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, 2015

SPECIAL REVENUE FUNDS

	Police Juvenile Fund	Drug Seizure Fund	Sales Tax Park	IRS Seizures Fund	Sales Tax Police	Sales Tax Fire	Animal Control Fund	Emergency Taxes	Cemetery Care Fund
REVENUES									
Taxes	\$ -	\$ -	\$ 733,775	\$ -	\$ 733,775	\$ 733,775	\$ -	\$ 156,631	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	17,695	-	-	-	24,578	-	25,932
Fines and forfeitures	16,351	-	-	-	-	-	-	-	-
Investment income	-	-	2,295	-	559	611	210	1,230	2,656
Miscellaneous	-	-	11,045	2,250	34,736	2,831	3,318	-	-
Total revenues	<u>16,351</u>	<u>-</u>	<u>764,810</u>	<u>2,250</u>	<u>769,070</u>	<u>737,217</u>	<u>28,106</u>	<u>157,861</u>	<u>28,588</u>
EXPENDITURES									
General government	-	-	-	-	-	-	-	-	-
Public safety	16,690	-	-	-	257,334	196,906	39,650	120,330	-
Transportation	-	-	-	-	-	-	-	-	-
Cultural, Parks, Recreation	-	-	212,321	-	-	-	-	-	28,178
Fleet maintenance	-	-	-	-	-	-	-	-	-
Capital outlay	17,750	-	296,269	17,750	-	92,250	-	285,513	-
Total expenditures	<u>34,440</u>	<u>-</u>	<u>508,590</u>	<u>17,750</u>	<u>257,334</u>	<u>289,156</u>	<u>39,650</u>	<u>405,843</u>	<u>28,178</u>
OTHER FINANCING SOURCES (USES)									
Proceeds from debt issuance	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(180,482)	-	(393,660)	(446,117)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(180,482)</u>	<u>-</u>	<u>(393,660)</u>	<u>(446,117)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(18,089)	-	75,738	(15,500)	118,076	1,944	(11,544)	(247,982)	410
FUND BALANCES - BEGINNING	61,234	1,428	1,024,387	21,174	516,284	597,080	49,869	557,446	367,444
FUND BALANCES - ENDING	<u>\$ 43,145</u>	<u>\$ 1,428</u>	<u>\$ 1,100,125</u>	<u>\$ 5,674</u>	<u>\$ 634,360</u>	<u>\$ 599,024</u>	<u>\$ 38,325</u>	<u>\$ 309,464</u>	<u>\$ 367,854</u>

(CONTINUED)

CITY OF CLAREMORE, OKLAHOMA
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS (CONT'D)			CAPITAL PROJECT FUNDS				Total Nonmajor Governmental Funds	
	(CONTINUED)			Capital Improvement		CDBG	John Carle Blvd Improvement		Bicycle Trails Grant
	Emergency Management	Fleet Maintenance	Library Fund	Sales Tax	Airport Fund	Sewer Fund	Improvement Fund	Grant	
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ 1,467,550	\$ -	\$ -	\$ -	\$ -	\$ 3,825,506
Intergovernmental	12,500	-	19,497	-	45,692	4,015	458,006	-	539,710
Charges for services	-	-	21,606	-	-	-	-	-	89,811
Fines and forfeitures	-	-	-	-	-	-	-	-	16,351
Investment income	-	-	-	-	-	-	-	-	7,561
Miscellaneous	-	15,338	2,588	-	-	-	-	-	72,106
Total revenues	<u>12,500</u>	<u>15,338</u>	<u>43,691</u>	<u>1,467,550</u>	<u>45,692</u>	<u>4,015</u>	<u>458,006</u>	<u>-</u>	<u>4,551,045</u>
EXPENDITURES									
General government	-	-	-	243,865	-	6,241	6,837	-	256,943
Public safety	17,061	-	-	6,161	-	-	-	-	654,132
Transportation	-	-	-	-	45,694	-	-	-	45,694
Cultural, Parks, Recreation	-	-	37,740	46,688	-	-	-	-	324,927
Fleet maintenance	-	580,790	-	6,255	3,028	-	-	-	590,073
Capital outlay	-	-	-	1,092,822	-	-	197,501	23,119	2,022,974
Total expenditures	<u>17,061</u>	<u>580,790</u>	<u>37,740</u>	<u>1,395,791</u>	<u>48,722</u>	<u>6,241</u>	<u>204,338</u>	<u>23,119</u>	<u>3,894,743</u>
OTHER FINANCING SOURCES (USES)									
Proceeds from debt issuance	-	-	-	404,151	-	-	-	-	404,151
Transfers in	-	643,896	-	-	6,060	138,879	-	-	788,835
Transfers out	-	-	-	(920,684)	(3,030)	-	-	-	(1,943,973)
Total other financing sources (uses)	<u>-</u>	<u>643,896</u>	<u>-</u>	<u>(516,533)</u>	<u>3,030</u>	<u>138,879</u>	<u>-</u>	<u>-</u>	<u>(750,987)</u>
NET CHANGE IN FUND BALANCES	(4,561)	78,444	5,951	(444,774)	-	136,653	253,668	(23,119)	(94,685)
FUND BALANCES - BEGINNING	19,962	158,654	61,425	1,104,991	-	(54,053)	-	296,609	4,783,934
FUND BALANCES - ENDING	\$ 15,401	\$ 237,098	\$ 67,376	\$ 660,217	\$ -	\$ 82,600	\$ 253,668	\$ 273,490	\$ 4,689,249

**CITY OF CLAREMORE, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA# Number	Pass-through Identifying Number	Federal Expenditures
FEDERAL AWARDS:			
<u>US DEPARTMENT OF TRANSPORTATION</u>			
Airport Improvement Program	20.106	Direct	\$45,694
<u>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed through the Oklahoma Department of Commerce			
Community Development Block Grant	14.228	CDBG14	4,015
Community Development Block Grant	14.228	CDBG ED 10	176,481
Total US Department of Housing and Urban Development			180,496
<u>US DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through the Oklahoma Department of Emergency Management			
Emergency Management Performance Grant	97.042	EMPG 13	12,500
TOTAL FEDERAL AWARDS			\$238,690

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, 2015. 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, 2015**

	Electric	Water & Sewer
Gross Revenue Available for Debt Service:		
Electric system revenues (1)	\$ 30,218,311	\$ -
Water and sewer systems revenues (1)		5,855,922
Interest revenues (split evenly)	184,503	184,503
Sales tax revenues (2)	3,668,876	3,668,876
Total Gross Revenues Available	\$34,071,690	\$9,709,301
Electric system operating expenses (3)	19,658,422	2,994,010
Net Revenues Available for Debt Service	\$14,413,268	\$6,715,291
Average Annual Debt Service Requirements for Term:		
Claremore PWA Refunding Revenue Bonds, Series 2012	\$ 1,947,875	\$ -
Claremore PWA Cap Improvement Taxable Refunding Bonds, Series 2013A	1,039,625	-
Claremore PWA Electric System Refunding Revenue Bonds, Series 2013B	386,760	-
Claremore PWA Utility System Refunding Revenue Bonds, Series 2013C	445,320	-
CPWA Utility Revenue Note Series 2013B (4)	258,438	-
CPWA Sales Tax & Utility System Revenue Note, Series 2015	-	1,648,051
Total average annual Debt Service	\$ 4,078,018	\$ 1,648,051
Computed Coverage	3.53	4.07
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) Up to 50% of the Note Series 2013B debt service may be offset by incremental property taxes as specified by TIF #1

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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, 2015, 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 September 30, 2015.

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
September 30, 2015