CITY OF CLAREMORE, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2013

LANGLEY & LITTLEFIELD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
PRYOR, OKLAHOMA

CITY OF CLAREMORE
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JUNE 30, 2013

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LANGLEY & LITTLEFIELD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
108 NORTH ADAIR STREET, PRYOR, OK 74361
918-803-4868 OFFICE 918-803-4869 FAX

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremore (the City), State Oklahoma, as of and for the year ended June 30, 2013, 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremore, State Oklahoma, as of June 30, 2013, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 20 and 68 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an

essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Claremore, State of Oklahoma's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are 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, we 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 April 30, 2014, on our consideration of the City of Claremore, State of 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 City of Claremore, State of Oklahoma's internal control over financial reporting and compliance.

Langley & Littlefield, PLLC

LANGLEY & LITTLEFIELD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

APRIL 30, 2014

LANGLEY & LITTLEFIELD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
108 NORTH ADAIR STREET, PRYOR, OK 74361
918-803-4868 OFFICE 918-803-4869 FAX

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 the City of Claremore, State of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Claremore, State Oklahoma's basic financial statements and have issued our report thereon dated April 30, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, of the financial statements, we considered the City of Claremore, State 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 City of Claremore, State Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Claremore, State of Oklahoma's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider item 2013-1 described in the accompanying schedule of findings and responses to a be significant deficiency.

COMPLIANCE AND OTHER MATTERS

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

CITY OF CLAREMORE, STATE OKLAHOMA'S RESPONSE TO FINDINGS

City of Claremore, State of Oklahoma's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. City of Claremore, State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Langley & Littlefield, PLLC

LANGLEY & LITTLEFIELD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

APRIL 30, 2014

CITY OF CLAREMORE, OKLAHOMA
Management's Discussion and Analysis
(Unaudited)
June 30, 2013

This section of the City of Claremore's annual financial report provides readers with a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2013. It should be read in conjunction with the accompanying basic financial statements.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2013 were:

- The total net position of the City for its governmental and business-type activities exceeded its liabilities as of June 30, 2013 by $104,880,900 as reflected in Statement 1. This is an increase of $2,113,413 from 2012. All categories of net assets are summarized below:

	2013	2012
Invested in capital assets, net of related debt	$ 63,598,676	$ 62,016,818
Restricted for various purposes	11,865,448	14,764,542
Unrestricted	29,416,776	25,986,127
	$104,880,900	$102,767,487

- The City's Governmental Fund Balance as reflected in the "Balance Sheet" (Statement 3) is $24,035,783, which is an increase of $4,593,233 from 2012.

	2013	2012
General Fund	$ 3,512,973	$ 1,928,151
Street Sales Tax Fund	12,031,514	11,336 199
EXPO/WWTP Sales Tax Fund	3,260,984	1,110,408
Other Governmental Funds	5,230,312	5,067,792
	$ 24,035,783	$ 19,442,550

- The governmental net assets are $56,046,661 (Statement 1), which is an increase of $3,826,666 from 2012 as reflected in Statement 2. Of this amount, $23,450,232 is unrestricted, which is an increase of $4,637,690 from 2012 as shown in Table 1.

- The City's governmental capital assets (net of depreciation) are $32,217,882. This is a decrease of $724,551 from 2012. This decrease is due to depreciation exceeding additions by $678,585. Details are available in Note 3.F to the financial statements.

- During the year, the total revenues for the General Fund were $340,438 more than budgeted representing a 2.7% increase.

- The total expenditures of the General Fund were $1,192,427 less than planned under the final budget.

- The reasons for the $1,584,822 increase in the fund balance for the General Fund is summarized as follows:

Profit in final budget	$ 51,951
Positive variance in revenues	340,438
Positive variance in expenditures	1,192,427
Rounding	6
	$ 1,584,822

- All of the City's long-term debt is related to the acquisition of Proprietary Fund assets and are reflected on the Statement of Net Assets for Proprietary Funds. These are listed in Note 3.J to the Financial Statements.

  During the year the Claremore Public Works Authority refinanced bonds with a balance of $21,600,000.

  The new bonds, although resulting in an increase in total debt, will save the PWA and CCDA combined about $3,000,000 over the life of the bonds.

This discussion and analysis is intended to serve as an introduction to the City's *Basic Financial Statements.* The Basic Financial Statements contain three components: government-wide financial statements, fund financial statements (including component unit financial statements), and notes to the financial statements. In addition, this report contains *Required Supplementary Information*, comparing budgeted to actual figures for the three major funds, and a *Supplemental Information* section that presents *combining statements* for non-major governmental funds. The major features of these financial statements are summarized as follows:

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

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

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

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

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

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

Net Assets: As discussed earlier, net assets may serve as a useful indicator of a government's financial position. As of June 30, 2013, the City's net assets were $104,880.90. Table 1 provides a comparison summary of the City's governmental and business-type assets between June 30, 2012 and June 30, 2013.

$48,834,239 of the net assets were attributed to business type activities, which represents a $1,830,442 decrease from 2012. This decrease was due to expensing past and current year bond costs of $2,682,032, representing a change due to GASB 65.

At June 30, 2013 the City had $63,598,676 invested in a variety of capital assets net of related debt, including land, buildings, infrastructure, equipment, and construction in progress. This is an increase of $1,581,858 from June 30, 2012.

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

TABLE 1
NET POSITION
(In Thousands)
JUNE 30, 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and noncurrent assets	$ 25,756	$ 20,670	$ 9,126	$ 9,967	$ 34,882	$ 30,637
Capital and restricted assets	32,218	32,942	95,193	91,286	127,411	124,228
Total assets	57,974	53,612	104,319	101,253	162,293	154,865
Current liabilities	1,927	1,392	5,827	5,110	7,754	6,502
Non-current liabilities	--	--	49,658	45,596	49,658	45,596
Total liabilities	1,927	1,392	55,485	50,706	57,412	52,098
Net assets:						
Invested in Capital Assets, net of debt	32,218	32,942	31,381	29,074	63,599	62,016
Restricted for:						
Capital projects	379	465	--	1,929	379	2,394
Debt service	--	--	1,045	2,452	1,045	2,452
Hospital trust	--	--	10,442	9,918	10,442	9,918
Unrestricted	23,450	18,813	5,966	7,174	29,416	25,987
Total net position	$ 56,047	$52,220	$ 48,834	$ 50,547	$104,881	$102,767

Changes in Revenues and Expenditures:

Table 2 below presents a comparison of the City's 2012 and 2013 revenues and expenditures for Government and Business-type activities. Figures are form Statement 2, "Statement of Activities."

TABLE 2
Changes in Net Position
(In Thousands)
June 30, 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Program Revenues						
Charges for services	$ 612	$ 509	$ --	$ --	$ 612	$ 509
Operating grants & contributions	59	39	--	--	59	39
Capital grants & contributions	--	1,459	1,740	613	1,740	2,072
General revenues:						
Sales tax	10,278	9,774	345	563	10,623	10,337
Other taxes	1,578	1,613	--	--	1,578	1,613
Other general revenues	401	764	143	336	544	1,100
Total governmental revenues	12,928	14,158	2,228	1,512	15,156	15,670
Business-type revenues	--	--	35,613	36,461	35,613	36,461
Total revenues	12,928	14,158	37,841	37,973	50,769	52,131
Program expenses						
General government	2,846	2,743	--	--	2,846	2,743
Public safety	9,050	8,641	--	--	9,050	8,641
Street	2,404	2,596	--	--	2,404	2,596
Culture, parks, recreation & promotion	2,050	2,137	--	--	2,050	2,137
Total governmental expense	16,350	16,117	--	--	16,350	16,117
Business-type expenses	--	--	30,423	30,638	30,423	30,638
Total expenditures	16,350	16,117	30,423	30,638	46,773	46,755
Other financing sources (uses)						
Assets abandoned	--	(1,681)	--	--	--	(1,681)
Transfers in (out)	7,249	4,864	(7,249)	(4,864)	--	--
Total other financing sources and uses	7,249	3,183	(7,249)	(4,864)	--	(1,681
Net change in assets	3,827	1,224	169	2,471	3,996	3,695
Capital contributions	--	42	--	--	--	42
Extraordinary items	--	--	(1,882)	--	(1,882)	--
Net position - beginning	52,220	50,954	50,547	48,076	102,767	99,030
Net position - ending	$ 56,047	$ 52,220	$ 48,834	$ 50,547	$104,881	$102,767

Governmental Activities: Governmental activities had a $3,827,000 increase in net assets, whereas business-type activities had a $1,713,000 decrease in net assets, for a total increase of $2,114,000. Both have been previously discussed in this report.

Business-type activities: Business-type activities include the Municipal Utilities (CPWA); Expo, Recreation Center, (CCDA); and Claremore Industrial and Economic Development Authority. Details of each fund are in Statements 5, 6 and 7 of the Financial Statements.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

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

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

General Fund: The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved (designated and undesignated) fund balance of the General Fund is $3,512,973 constituting 100% of the fund balance, which is $1,584,822 more than fiscal year ended June 30, 2012. Management is aware of the increase in fund balance. The funding for the operations of the General Fund comes mostly from transfers from other funds, primarily the CPWA.

Sales Tax-Street Fund: The Sales Tax-Street Fund accounts for the monies received from the 1% sales tax that is restricted for the construction and maintenance of streets, alleys, and drainage system. At the end of the current fiscal year, the unreserved (designated and undesignated) fund balance of Sales Tax-Street Fund is $12,031,514, constituting 100% of the fund balance which is $695,315 greater than the fiscal year ending June 30, 2012. It increased due mainly to few street projects in the current year. Increased budgeted projects in fiscal year ending June 30, 2014 will result in a fund balance decrease.

Claremore Public Works Authority Fund: The Claremore Public Works Authority Fund accounts for the monies received and expended from providing utility services for the convenience of the City and its residents. At the end of the current fiscal year the CPWA net assets were $35,431,069, which is $3,081,384 less than the fiscal year ended June 30, 2012. This is due to a loss in the net position before extraordinary items of $1,534,566 plus bond costs and prior year adjustments of $1,546,818. Almost all of this is reflected in a decrease in cash and investments in restricted funds as a result of bond refinancing.

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

GENERAL FUND BUDGETARY

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

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

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

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

Generally, the City attempts to prepare a budget that will result in small positive increases in the fund balance. During the fiscal year ended June 30, 2013, most funds attained an increase in fund balance. Management expected a decrease in the four funds that did experience a decrease.

TABLE 3
CITY OF CLAREMORE OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
(BUDGET METHOD)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance Positive (Negative)
Revenue				
Taxes	$ 1,135,040	$ 1,135,040	$ 1,278,823	$ 143,783
All other revenues	428,180	428,180	624,835	196,655
Total revenues	$ 1,563,220	$ 1,563,220	$ 1,903,658	$ 340,438
Expenditures				
General government (1)	3,555,982	3,555,982	2,335,815	1,220,167
Public safety (2)	7,707,589	7,707,589	7,803,556	(95,967)
Cultural and recreation (3)	918,512	918,512	889,358	29,154
Cemetery	135,358	135,358	106,875	28,483
Total expenditures	12,317,441	12,317,441	11,135,604	1,181,837
Total excess (deficiency) of revenues over expenditures	(10,754,221)	(10,754,221)	(9,231,946)	1,522,275
Other financing sources (uses)				
Transfers in	11,244,101	11,244,101	11,244,101	--
Transfers out	(437,929)	(437,929)	(427,339)	10,590
Beginning fund balance	--	--	1,928,151	1,928,151
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ 51,951	$ 51,951	$ 3,512,967	$ 3,461,016

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

2. Includes Police and Fire

3. Include Parks and Library

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of related debt, as of June 30, 2013 is $63,598,676. Of this amount, $32,217,872 relates to governmental activities and $31,380,804 relates to business-type activities. A summary of the cost and depreciation balances and activity for the year is reflected in Note 3.F to the financial statements.

Long-term Debt

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

Government Structure, Local Economic Condition, and Outlook

The City of Claremore is the county seat and principal city of Rogers County, which is located in Northeast Oklahoma. The city has a unique blend of urban and rural lifestyles with low tax rates; covers a land area of 12.03 square miles; and had a population of 15,873 according to the 2000 census. The 2010 census places the population of Claremore at 18,581 with an estimated 18,867 in 2012. The population density of Claremore is 1302.6 persons per square mile. Claremore has been home to Will Rogers, Patti Page, Stuart Roosa, Helen Walton, Lynn Riggs, Blue Starr and the Garth Brooks family. Points of interest include the Will Rogers Memorial, Rogers State University, J.M. Davis Gun Museum, the Oklahoma Military Academy, Claremore Lake, Belvidere Mansion, and the Lynn Riggs Memorial. Recently, the Historical Society has begun renovating the old library which is leased from the City to house a collection of Claremore history.

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

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

As of June 30, 2013 the Mayor, council members, City Manager, City Clerk, City Treasurer, and City Attorney consisted of the following:

Mayor

Mickey Perry

Council Members

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

City Manager

James Thomas

City Clerk

Sarah Sharp

Treasurer

Kolker & Kolker, Inc., CPA's

City Attorney

Matt Ballard

Claremore continues to grow in population The population growth has been 9.6% since the 2000 census. Claremore's cost of living averages about 19% lower than the U. S. average. The varied economic base contributes to it having a lower unemployment rate than the national average. Current unemployment estimates are about 4 to 5% compared to the U. S. average of 7.%. Claremore's leading industries are education, health, and social services at 19%; manufacturing at 17%; government at 16%; and retail at 11%.

The largest employers for the City of Claremore include Baker-Hughes, Rogers State University, Claremore Public Schools, Claremore Regional Hospital, WalMart SuperCenter, Claremore Indian Health Services, AXH and Pelco Structural. During the 2012 - 2013 fiscal

year, Baker Hughes notified the City that they had plans to expand their facility here, which would increase the number of employees significantly. AXH also notified the City of their intentions to expand. Both these expansions required some additional infrastructure that the City, in conjunction with other entities, agreed to provide. The Baker Hughes expansion required an additional electric substation and the AXH expansion required some street construction/modifications. Other business expansions are in process and will be addressed below. During the 2012/2013 fiscal year, work began on John Carle Boulevard to accommodate the AXH plant expansion.

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

In November 2012, the City of Claremore hired a seasoned City Manager to bring management and financial stability to the community. James Thomas brought 25 years of professional city management experience to the City of Claremore. This action by the City Council will bring a business accountability and efficiency which has been ineffective in years past. The goal of the Mayor and the City Council was to bring a seasoned professional manager, giving stability to the administrative side of government regardless of the political environment surrounding elected officials.

Mr. Thomas developed, with the Mayor and City Council, a strategic plan in January, 2013 outlining five major initiatives discussing "Claremore Vision 20/20".

1. Hiring a City Planner, which would be a new position.
2. Transportation needs, specifically an east-west corridor connecting State Highway 20 and constructing a railroad underpass at Country Club and Route 66.
3. Addressing capital infrastructure needs, including a water treatment plant, storm water needs, streets and alleys and electric transmission lines.
4. Aggressively addressing economic development and tourism, business recruitment, both from an industrial and retail expansion opportunity.
5. Develop partnerships with RSU, The Claremore Industrial and Economic Development Authority, the Claremore Chamber of Commerce and the Cherokee Nation.

These initiatives have been the renaissance Claremore has witnessed in the City for the third and fourth quarters of fiscal year 2013.

The City has also addressed some revenue shortfalls going forward as they have increased water rates, which had not been adjusted since 2001. A storm water fee for impervious surfaces was implemented and sanitation disposal rates were raised. Electric rates charges were frozen with a rate reduction from GRDA. These financial decisions will help the profit/loss accounting side of the City operations.

The Oklahoma Plaza development, now the Claremore Plaza project which began in 2007 was met with major delays as the original developer underwent foreclosure proceedings. However we have seen some progress on the remaining 35 acre parcel with the announcement of an 80 room Hampton Inn, a hotel and the St. John Urgent Care Facility, along with 144 new apartments to be constructed in the Plaza area. The City has continued to commit dollars to make this project successful in partnering with Spirit Bank. As we have completed water, sewer and road improvements, the entire project has been platted and opened to the public for site preparation.

Major Initiatives

- Although plans for separation of the BNSF railroad throughout the entire city were continued throughout the 2011/2012 fiscal year, with the denial of the third Tiger Grant application, ODOT, the engineering firm and members of City Council held a Town Hall meeting to educate the general public about the project. Based partially on the response of the public, the separation project has been abandoned. At this point, City staff and ODOT are working on an option to build an underpass at Country Club and State Highway 66, which will continue on to connect to State Highway 20 west of Claremore.

  The City continues to promote economic development and has seen interest from developers interested in new hotel opportunities.

  For several years there has been a plan by ODOT to widen Highway 20 between the City of Claremore and Owasso. In 2013 - 2014, there is a possibility that a portion of this project will move forward. This project is tied to the Country Club underpass tying in to the Highway 20 road widening.

  The J.M. Davis widening project continued. Both the Industrial Boulevard Bridge and the Blue Starr Bridge were repaired during the 2012/2013 fiscal year.

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

- Construction of a new substation was completed in 2013 to accommodate the Baker-Hughes expansion. In Oklahoma, cities do not receive ad valorem property taxes unless they have issued general obligation bonds, which requires a vote of the people. To help finance the substation project, the City partnered with Claremore

Industrial and Economic Development Authority (CIEDA) and taxing entities such as the school districts, RSU, NETC, Health Department and others to establish an ad valorem TIF district and the substation was approved as the first project with completion in September 2013.

- During 2013, water levels at the Claremore Lake became dangerously low and the City replaced several pumps at the Oologah water distribution site. Several lift pumps and water mains were replaced. The City is currently designing a water treatment plant to upgrade water capacity from 4.1 MGPD to 8.5 MGPD. This will allow steady growth of both residential and industrial development well into 2040.

During 2013, the Series 2007 Lease Purchase bonds were refinanced at a lower interest rate that will bring the bond payments more in line with the sales tax revenues that make the bond payments.

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

During 2008/2009, the City entered into a contract between the Recreation Center and RSU for student memberships. This was facilitated by the closure of the City pool at Will Rogers Park and replacing it with better pedestrian access between the college and the Recreation Center. This agreement continued during the 2012/2013 fiscal year.

The Parks Department continued with improvements to the quality of the City Park systems including replacement of some unsafe playground equipment. Other parks projects included construction of the skate park and the addition of a second story and renovation to the concession stand at Pecan Park. Planning of Phase II of the Claremore Trail System was completed. Construction for Phase II of the Bicycle Trail System began during the 2009/2010 fiscal year and was completed during the 2012/2013 fiscal year. The City opened its first splash pad located at Wills Rogers Park, with other improvements to be made in the upcoming 2014 fiscal year.

During the 2012/2013 fiscal year, the process to fully integrate the financial system with human resources was completed. The financial system integration has also encompassed other areas such as fleet maintenance, inventory and fixed assets.

The City began disposing some surplus property, but also purchased a facility for renovation as a new Senior Citizen's Center, Fire Administration and Pelivan offices. The renovations are underway and completion is expected in December 2014.

The Police Department is implementing a computer aided dispatching system, a $500,000 capital investment, which will provided added management accountability to officers working throughout the City.

The Electric Department has started plans for energizing a new substation which will provide power for the Claremore Plaza Project. The Electric Department is also in the early stages of investigating the opportunities of implementing a "smart Grid" electric and water system which will provide efficiency and better accountability to the residents of Claremore.

Statement 1

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF NET ASSETS
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 14,266,276	$ 3,983,583	$ 18,249,859
Investments	9,115,374	502,090	9,617,464
Taxes receivable	2,107,689	--	2,107,689
Accounts receivable (net)	--	4,469,102	4,469,102
Grants receivable	84,121	57,638	141,759
Accounts receivable from intra-government	166,022	--	166,022
Prepaid expense	--	25,000	25,000
Inventory	--	69,180	69,180
Other assets	16,268	19,105	35,373
Total current assets	25,755,750	9,125,698	34,881,448
Noncurrent assets:			
Note receivable from PWA	--	3,480,000	3,480,000
Restricted assets:			
Cash, including time deposits	--	2,412,769	2,412,769
Investments	--	10,228,626	10,228,626
Interest receivable	--	39,064	39,064
Capital assets (net)	32,217,872	77,373,430	109,591,302
Inventory	--	1,659,769	1,659,769
Total noncurrent assets	32,217,872	95,193,658	127,411,530
Total assets	57,973,622	104,319,356	162,292,978
LIABILITIES			
Current liabilities			
Bank overdraft	79,426	--	79,426
Accounts payable and accrued expenses	928,481	2,659,964	3,588,445
Accrued interest	--	169	169
Notes payable, current portion	--	2,602,283	2,602,283
Payable to intra-government	--	166,023	166,023
Capitalized interest payable	--	180,944	180,944
Accrued compensated absences	919,054	217,154	1,136,208
Total current liabilities	1,926,961	5,826,537	7,753,498
Noncurrent liabilities:			
Customer deposits payable	--	906,443	906,443
Notes and bonds payable, long-term portion	--	48,645,805	48,645,805
Accrued interest - from restricted assets	--	106,332	106,332
Total noncurrent liabilities	--	49,658,580	49,658,580
Total liabilities	1,926,961	55,485,117	57,412,078
NET ASSETS			
Invested in capital assets, net of related debt	32,217,872	31,380,804	63,598,676
Restricted for:			
Capital projects	378,557	--	378,557
Debt service	--	1,045,020	1,045,020
Hospital Trust Fund	--	10,441,871	10,441,871
Assigned	19,937,259	--	19,937,259
Unassigned	3,512,973	--	3,512,973
Unrestricted	--	5,966,544	5,966,544
Total net position	$56,046,661	$48,834,239	$104,880,900

Statement 2

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities					
General government					
Information Technology	391,763	--	--	--	(391,763)
Human Resources	266,873	--	--	--	(266,873)
City Clerk	188,834	--	--	--	(188,834)
Managerial	508,141	--	--	--	(508,141)
Finance	278,111	--	--	--	(278,111)
Fleet Management	550,141	--	--	--	(550,141)
General Government	248,662	205,078	--	--	(43,584)
Development Services	278,593	--	--	--	(278,593)
Custodial	135,250	--	--	--	(135,250)
Total general government	2,846,368	205,078	--	--	(2,641,290)
Public safety and judiciary					
Police and Court	4,447,330	274,529	32,705	--	(4,140,096)
Fire	4,602,688	2,813	417	--	(4,599,458)
Total public safety and judiciary	9,050,018	277,342	33,122	--	(8,739,554)
Transportation					
Street	2,404,173	--	--	--	(2,404,173)
Cultural, parks and recreation					
Library	469,096	22,747	25,493	--	(420,856)
Cemetery	131,878	76,761	--	--	(55,117)
Recreation	1,194,843	30,414	150	--	(1,164,279)
Senior Citizens	253,702	--	--	--	(253,702)
Total cultural, parks and recreation	2,049,519	129,922	25,643	--	(1,893,954)
Total governmental activities	16,350,078	612,342	58,765	--	(15,678,971)

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Business-type activities:					
Utilities	27,133,027	33,676,017	--	--	6,542,990
Recreation & Community	2,481,366	1,455,735	--	--	(1,025,631)
Economic & Airport	808,775	481,276	--	1,740,366	1,412,867
Total business-type activities	30,423,168	35,613,028	--	1,740,366	6,930,226
Total	$46,773,246	$36,225,370	$ 58,765	$ 1,740,366	$(8,748,745)

CHANGES IN NET POSITION

	Governmental Activities	Business-type Activities	Total
Net (expense) /revenue	$(15,678,971)	$ 6,930,226	$(8,748,745)
General Revenues			
Taxes:			
Sales tax	10,277,780	345,000	10,622,780
Other taxes	1,168,892	--	1,168,892
Franchise taxes	409,462	--	409,462
Investment income	118,542	244,473	363,015
Miscellaneous	133,820	--	133,820
Transfers - internal activity	7,249,147	(7,249,147)	--
Sale of assets	52,206	(101,773)	(49,567)
Grants for enterprise funds	95,788	--	95,788
Total general revenues and transfers	19,505,637	(6,761,447)	12,744,190
Income before extraordinary items	3,826,666	168,779	3,995,445
Bond issuance costs	--	(1,217,859)	(1,217,859)
Change in net assets	3,826,666	(1,049,080)	2,777,586
Net position - beginning	52,219,995	50,547,492	102,767,487
Prior year adjustments	--	(664,173)	(664,173)
Net position - ending	$ 56,046,661	$ 48,834,239	$ 104,880,900

CITY OF CLAREMORE , OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 4,182,067	$ 3,007,220	$ 2,651,986	$ 4,425,003	$14,266,276
Cash in escrow	3,969	--	--	--	3,969
Investments	--	8,483,179	--	632,195	9,115,374
Taxes receivable	245,149	639,229	608,998	614,313	2,107,689
Receivable from other funds	--	--	--	--	--
Grants receivable	--	--	--	84,121	84,121
Accrued interest	--	11,447	--	852	12,299
Receivable from component unit	156,176	--	--	9,846	166,022
Total assets	$ 4,587,361	$12,141,075	$ 3,260,984	$ 5,766,330	$25,755,750
LIABILITIES					
Bank overdraft	--	--	--	79,426	79,426
Accounts payable	233,507	60,587	--	456,592	750,686
Accrued expenses	166,905	10,890	--	--	177,795
Accrued compensated absences	673,976	38,084	--	--	712,060
Payable to other funds	--	--	--	--	--
Total liabilities	1,074,388	109,561	--	536,018	1,719,967
FUND BALANCES					
Restricted for:					
Maintenance and acquisition of capital assets	--	--	--	378,557	378,557
Debt service	--	--	3,260,984	--	3,260,984
Assigned to:					
Special purposes	--	12,031,514	--	4,851,755	16,883,269
Unassigned	3,512,973	--	--	--	3,512,973
Total fund balance	$ 3,512,973	$12,031,514	$ 3,260,984	$ 5,230,312	$24,035,783
Total liabilities and fund balances	$ 4,587,361	$12,141,075	$ 3,260,984	$ 5,766,330	$25,755,750

CITY OF CLAREMORE , OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Total Governmental Funds
Fund balance of governmental funds	$ 24,035,783
Amounts reported for governmental activities in the Statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $39,202,669	32,217,872
The sick pay portion of accrued compensated absences does not require current financial resources.	(206,994)
Net position of governmental activities	$ 56,046,661

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Sales tax	$ --	$ 3,195,927	$ 3,540,927	$ 3,540,926	$10,277,780
Other taxes	864,350	166,846	--	137,696	1,168,892
Fines and forfeits	238,781	--	--	8,984	247,765
Licenses, permits and fees	201,061	--	--	--	201,061
Franchise taxes	409,462	--	--	--	409,462
Fees and services	60,386	--	--	72,816	133,202
Interest	50,126	62,856	--	5,561	118,543
Miscellaneous	79,492	102	--	84,839	164,433
Grants and contributions	--	--	--	154,553	154,553
Sale of assets	--	4,001	--	94,171	98,172
Total revenues	1,903,658	3,429,732	3,540,927	4,099,546	12,973,863
EXPENDITURES					
Current					
General government:					
Information Technology	213,974	--	--	--	213,974
Human Resources	238,680	--	--	--	238,680
City Clerk	186,058	--	--	--	186,058
Managerial	508,350	--	--	--	508,350
Finance	262,476	--	--	--	262,476
Fleet Management	--	--	--	505,814	505,814
General Government	171,449	--	--	--	171,449
Development Services	270,777	--	--	--	270,777
Custodial	110,446	--	--	--	110,446
Total general government	1,962,210	--	--	505,814	2,468,024
Public safety and judiciary:					
Police and Court	3,865,911	--	--	394,543	4,260,454
Fire	4,075,550	--	--	156,498	4,232,048
Total Public Safety and Judiciary	7,941,461	--	--	551,041	8,492,502
Transportation					
Street	--	958,513	--	--	958,513

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Cultural, Parks, Recreation and Promotion					
Library	283,238	--	--	22,728	305,966
Cemetery	106,875	--	--	15,219	122,094
Recreation	606,120	--	--	246,151	852,271
Senior Citizens	235,700	--	--	--	235,700
Total Cultural, Parks, Recreation and Promotion	1,231,933	--	--	284,098	1,516,031
Capital outlay	--	1,191,076	--	1,003,631	2,194,707
Total expenditures	11,135,604	2,149,589	--	2,344,584	15,629,777
Excess (deficiency) of revenues over expenditures	(9,231,946)	1,280,143	3,540,927	1,754,962	(2,655,914)
Other financing sources (uses)					
Transfers in	11,244,101	--	--	689,492	11,933,593
Transfers out	(427,333)	(584,828)	(1,390,351)	(2,281,934)	(4,684,446)
Total other financing sources (uses)	10,816,768	(584,828)	(1,390,351)	(1,592,442)	7,249,147
Net change in fund balances	1,584,822	695,315	2,150,576	162,520	4,593,233
Fund balances - beginning	1,928,151	11,336,199	1,110,408	5,067,792	19,442,550
Fund balances - ending	$ 3,512,973	$ 12,031,514	$ 3,260,984	$ 5,230,312	$ 24,035,783

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

Reconciliation of the change in fund balances - total government funds to the change in net assets of governmental activities	
Net change in fund balances - total governmental funds	$ 4,593,233
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchase capitalized	1,781,759
Depreciation expense	(2,460,344)
Capital assets sold and abandoned	(45,966)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(42,016)
Change in net position of governmental activities	$ 3,826,666

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds			
	Claremore Industrial and Economic Development Authority	Claremore Cultural Development Authority	Claremore Public Works Authority	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 230,156	$ 502,628	$ 3,250,799	$ 3,983,583
Cash investments	--	--	502,090	502,090
Accounts receivable	41,683	16,597	4,410,822	4,469,102
Other assets	--	--	19,105	19,105
Prepaid expenses	25,000	--	--	25,000
Inventory	69,180	--	--	69,180
Grants receivable	57,638	--	--	57,638
Total current assets	423,657	519,225	8,182,816	9,125,698
Noncurrent assets:				
Restricted assets				
Note receivable from CPWA	3,480,000	--	--	3,480,000
Cash	230,793	128,994	2,052,982	2,412,769
Investments	--	--	10,228,626	10,228,626
Interest receivable	--	--	39,064	39,064
Capital assets (net)	8,525,257	12,100,803	56,747,370	77,373,430
Inventory	--	--	1,659,769	1,659,769
Total noncurrent assets	12,236,050	12,229,797	70,727,811	95,193,658
Total assets	$12,659,707	$12,749,022	$78,910,627	$104,319,356
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	14,782	59,327	2,585,855	2,659,964
Accrued interest	169	--	--	169
Accrued compensated absences	--	40,778	176,376	217,154
Due related entities	156,177	--	9,846	166,023
Capitalized interest payable	180,944	--	--	180,944
Current portion of long term debt	22,283	875,000	1,705,000	2,602,283
Total current liabilities	374,355	975,105	4,477,077	5,826,537
Non-current liabilities				
Notes and bonds payable, less current portion	3,600,198	7,045,000	38,000,607	48,645,805
Payable from restricted assets				
Accrued interest	--	10,901	95,431	106,332
Utility deposits	--	--	906,443	906,443
Total non-current liabilities	3,600,198	7,055,901	39,002,481	49,658,580
Total liabilities	3,974,553	8,031,006	43,479,558	55,485,117
NET POSITION				
Investment in capital assets, net of related debt	8,382,776	4,216,265	18,781,763	31,380,804
Restricted:				
Reserved for debt retirement	50,000	118,093	876,927	1,045,020
Hospital Trust Fund		--	10,441,871	10,441,871
Unrestricted	252,378	383,658	5,330,508	5,966,544
Total net assets	$ 8,685,154	$ 4,718,016	$35,431,069	$48,834,239

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds			
	CIEDA	CCDA	CPWA	Total
Operating revenues				
Utility charges	$ --	$ --	$ 33,197,839	$ 33,197,839
Rentals	98,641	378,218	--	476,859
Penalties	--	--	397,014	397,014
Miscellaneous	4,350	--	81,164	85,514
Service income	24,771	1,077,517	--	1,102,288
Fuel sales	353,514	--	--	353,514
Total operating revenues	481,276	1,455,735	33,676,017	35,613,028
Operating expenses				
Cost of fuel sales	292,208	--	--	292,208
Purchased utilities	--	--	17,085,122	17,085,122
Personnel services and benefits	127,749	912,276	2,779,451	3,819,476
Operating expenses	243,579	636,161	3,474,166	4,353,906
Bad debts expense	--	--	96,770	96,770
Depreciation expense	136,363	512,929	2,215,538	2,864,830
Total operating expense	799,899	2,061,366	25,651,047	28,512,312
Net operating income (loss)	(318,623)	(605,631)	8,024,970	7,100,716
Nonoperating revenue (expense)				
Gain (loss) on assets	--	1,944	(103,717)	(101,773)
Investment income	2,709	10,879	230,885	244,473
Interest expense	(8 876)	(420,000)	(1,481,980)	(1,910,856)
Total nonoperating revenue (expenses)	(6,167)	(407,177)	(1,354,812)	(1,768,156)
Net income (loss) before contributions, grants and transfers	(324,790)	(1,012,808)	6,670,158	5,332,560
Operating transfers in (out)	364,708	935,869	(8,549,724)	(7,249,147)
Sales tax	--	--	345,000	345,000
Grants	1,740,366	--	--	1,740,366
Change in net position before extraordinary items	1,780,284	(76,939)	(1,534,566)	168,779
Bond Costs	--	(161,094)	(1,056,765)	(1,217,859)
Net position - beginning of year	6,887,061	5,147,978	38,512,453	50,547,492
Previous years adjustments	17,809	(191,929)	(490,053)	(664,173)
Net position - end of year	$ 8,685,154	$ 4,718,016	$ 35,431,069	$ 48,834,239

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	CIEDA	CCDA	CPWA	Total
Cash flows from operating activities				
Receipts from customers	$ 458,968	$ 1,448,009	$ 33,904,765	$ 35,811,742
Payments to suppliers	(517,364)	(594,887)	(20,855,070)	(21,967,321)
Payments to employees and benefits	(127,749)	(913,285)	(2,730,928)	(3,771,962)
Net cash provided (used) by operating activities	(186,145)	(60,163)	10,318,767	10,072,459
Cash flows from noncapital financing activities				
Transfers received (to) governmental funds	506,504	756,871	(8,630,320)	(7,366,945)
Grants received	1,743,203	--	--	1,743,203
Net cash provided (used) by nonoperating activities	2,249,707	756,871	(8,630,320)	(5,623,742)
Cash flows from capital and related financing activities				
Purchase of capital assets	(2,211,672)	(370,351)	(4,038,016)	(6,620,039)
Principal paid on long-term debt	(38,125)	(7,860,000)	(16,099,393)	(23,997,518)
Interest paid on long-term debt	(9,083)	(444,798)	(1,668,565)	(2,122,446)
Proceeds from sale of capital assets	--	--	33,411	33,411
Bond refinancing and issued	--	7,920,000	17,780,000	25,700,000
Proceeds from tax increment financing	52,071	--	--	52,071
Net cash provided (used) for capital and related financing activities	(2,206,809)	(755,149)	(3,992,563)	(6,954,521)
Cash flows from investing activities				
Interest received from investments	2,709	10,789	251,029	264,527
(Increase) decrease in investments	456,649	--	(370,547)	86,102
Net cash provided (used) from investing activities	459,358	10,789	(119,518)	350,629
Net increase (decrease) in cash and cash equivalents	316,111	(47,652)	(2,423,634)	(2,155,175)
Cash balance, beginning of year	144,838	679,274	7,727,415	8,551,527
Cash balance, end of year	$ 460,949	$ 631,622	$ 5,303,781	$ 6,396,352
Cash consists of:				
Current assets	$ 230,156	$ 502,628	$ 3,250,799	$ 3,983,583
Restricted assets	230,793	128,994	2,052,982	2,412,769
	$ 460,949	$ 631,622	$ 5,303,781	$ 6,396,352

CITY OF CLAREMORE , OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	CIEDA	CCDA	CPWA	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	$(318,623)	$(605,631)	$ 7,881,809	$ 6,957,555
Depreciation	136,363	512,929	2,215,538	2,864,830
(Increase) decrease in:				
Prepaid expenses	6,120	--	--	6,120
Inventory	(13,826)	--	--	(13,826)
Accounts receivable	(22,308)	(7,726)	(19,482)	(49,516)
Accounts payable and accrued expenses	26,129	40,265	240,902	307,296
Net cash provided (used) by operating activities	$(186,145)	$(60,163)	$10,318,767	$ 10,072,459

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

1.A. INTRODUCTION

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

1.B. FINANCIAL REPORTING ENTITY

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

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

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

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

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

1.C. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

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

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

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

The funds of the City are described below:

Governmental Fund Types:

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

Proprietary Fund Types:

Enterprise Funds

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

Major and Non major Funds

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

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

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

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

1.D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

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

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

Basis of Accounting

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

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

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

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

1.E. ASSETS, LIABILITIES AND EQUITY

Cash and Investments

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

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

Interfund Receivables and Payables

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

Receivables

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

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

Inventory

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

Fixed Assets

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

Government-wide statements

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

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

The capitalization policy of the City is as follows:

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

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

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

Fund Financial Statements

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

Restricted Assets

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

Long-term Debt

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

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

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

Compensated Absences

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

Equity Classifications

Government-wide Statements

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

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

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

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

d. Assigned - Fund balance for specific purposes

e. Unassigned - Fund balance that has not been assigned

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

Fund Statements

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

1.F. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The City levies a three-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is designated thirty-three and a third percent (33 1/3%) for street improvements, thirty-three and a third percent (33 1/3%) for the maintenance, construction and repayment of long-term debt of the Expo/Rec Center and Wastewater Plant, thirteen and a third (13 1/3%) for capital improvements and maintenance, six and two-thirds percent (6 2/3%) for the parks and recreation department, six and two-thirds percent (6 2/3%) for police operations, and six and two-thirds percent (6 2/3%) for fire operations. However, beginning with sales tax receipts in September 2012, the 1 cent sales tax for street improvements can be shared with the Claremore Public Works Authority in amounts or percentages set by the City Council, which may vary by year. Sales taxes collected by the state in June and July (which represent sales for May and June) and received by the City in July and August have been accrued and are included under the caption

"Due from Other Governments". The sales tax for street improvements is permanent. The sales tax for the Expo/Rec Center and Wastewater Plant is set to expire in 2034. The other 1 cent sales tax expires July 1, 2014.

Cigarette, Tobacco and Tobacco Products Tax

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

Use Tax

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

Operating Revenues and Expenses

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

Capital Contributions

The capital contributions consist of the following:

Water and sewer line extensions by a business valued at $733,603 by the City Engineer less a $500,000 note to the business	$ 233,603
Tax increment financing	1,600,000
	$1,833,603

Expenditures/Expenses

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

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

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

Proprietary Fund - By Operating and Nonoperating

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

Interfund Transfers

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

2.A. FUND ACCOUNTING REQUIREMENTS

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

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

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

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

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

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

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

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

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

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

Public trusts created under O. S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2013, the City and its public trusts complied, in all material respects, with these investment restrictions.

2.C. REVENUE RESTRICTIONS

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

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

For the year ended June 30, 2013, the City complied, in all material respects, with these revenue restrictions.

2.D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Article 10, Sections 26 and 27, for the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10% of net assessed valuation. For the year ended June 30, 2013, the City had no general obligation debt.

Other Long-term Debt

Except as noted in the preceding paragraph, as required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. For the year ended June 30, 2013, the City incurred no such indebtedness.

Notes Payable

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

2.E. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Title 11, Section 17-211, of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund (excluding public trusts). The City of Claremore complied with this statute in all material respects for the year ended June 30, 2013.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

3.A. CASH AND INVESTMENTS

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

	Cash and Cash Equivalents	Investments
Current assets		
Cash and Certificates of Deposit	$18,249,857	$ 9,617,464
Restricted assets		
Cash and Certificates of Deposit	$ 2,412,769	
Investments	--	10,228,626
	$ 2,412,769	$10,228,626

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

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

3.B. RESTRICTED ASSETS

The restricted assets as of June 30, 2013 are as follows:

	Cash	Investments	Interest Receivable
Claremore Community Development Authority			
Debt Retirement	$ 128,994	$ --	$ --
Total CCDA	128,994	--	--

	Cash	Investments	Interest Receivable
Claremore Industrial and Economic Development Authority			
Debt Retirement	230,793	--	--
Total CIEDA	230,793	--	--
Claremore Public Works Authority			
Utility Deposits	1,273,778	--	--
Constructions Funds	104,969	--	677
Debt Retirement	448,951	--	--
Hospital Trust Fund	225,284	10,228,626	38,387
Total CPWA	2,052,982	10,228,626	39,064
Grand Totals	$2,412,769	$10,228,626	$ 39,064

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

3.C. ACCOUNTS RECEIVABLE

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

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

3.D. NON-CURRENT TAXES RECEIVABLE

The non-current asset of taxes receivable consists of property tax. One-half of the $3,480,000 note is to be paid from future property taxes due to tax increment financing.

3.E. NOTES RECEIVABLE - CIEDA

Notes receivable from CPWA represent the ""Utility Revenue Note Series 2013 B" in the original amount of $3,480,000, dated January 1, 2013, secured by a mortgage security interest in certain property owned by the Claremore Public Works Authority pursuant to a finance assistance agreement dated January 1, 2013 between the Claremore Industrial and Economic Development Authority and the Claremore Public Works Authority. The finance assistant agreement outlines the provisions of the use of funds received by the Claremore Public Works Authority in conjunction with the City of Claremore's adoption of Ordinance No. 2012-16 creating the "Increment District Number One, City of Claremore, Oklahoma", also known as the "Baker Hughes Increment District". The note accrues interest at 4% with interest only payments due June 1, 2013 and 2014 and interest and principal payments due beginning June 1, 2015. The interest payments due June 1, 2013 and 2014 are being held in trust by the Claremore Industrial and Economic Development Authority, pursuant to the finance and assistance discussed previously reported as "capitalized interest" at June 30, 2013. The future principal and interest payments are as follows:

June 1	
2015	$377,676.85
2016	392,783.95
2017	408,495.30
2018	424,835.10
2019	441,828.50
2020	459,501.65
2021	477,881.70

3.F. NOTES RECEIVABLE - CPWA

Notes receivable from CIEDA represent the "2013 Series A and 2013 Series B Tax Apportionment/Utility Revenue Notes" in the original amounts of $1,740,000, dated February 8, 2013. The note is secured by a mortgage security interest in certain property pursuant to a finance assistance agreement dated January 1, 2013 between the Claremore Industrial and Economic Development Authority and the Claremore Public Works Authority. The finance assistance agreement outlines the provisions of the use of funds received by the Claremore Industrial and Economic Development Authority in conjunction with the City of Claremore's adoption of Ordinance No. 2012-16 creating the "Increment District Number One, City of Claremore Oklahoma", also known as the "Baker Hughes Increment District". The notes accrue interest at 4% with interest only payments due June 1, 2013 and 2014 and interest and principal payments due beginning June 1, 2015. The interest payments due June 1, 20134 and 2014 are being held in trust, pursuant to the finance and assistance discussed previously. The future principal and interest payments are as follows:

Series 2013 A		Series 2013 B	
June 1	Amount	June 1	Amount
2015	188,838.43	2015	188,838.43
2016	196,391.98	2016	196,391.98
2017	204,247.65	2017	204,247.65
2018	212,417.55	2018	212,417.55
2019	220,914.25	2019	220,914.25
2020	229,750.83	2020	229,750.83
2021	238,940.85	2021	238,940.85

3.G. CAPITAL ASSETS

Capital asset activity **for governmental activities for the year ended June 30,** 2013, was as follows:

	Governmental				
Class	Beginning Balance July 1, 2012	Additions	Deletions	Transfers	Ending Balance June 30, 2013
Land and improvements	$ 2,015,065	$ --	$ --	$ --	$ 2,015,065
Infrastructure	49,031,687	50,751	--	--	49,082,438
Buildings	11,793,850	8,904	(80,910)	--	11,721,844
Equipment and furniture	12,458,156	547,201	(239,915)	--	12,765,442
Construction in progress	1,371,284	1,174,903	--	--	2,546,187
Accumulated depreciation	(43,727,619)	(2,460,344)	274,859	--	(45,913,104)
	$ 32,942,423	$(678,585)	$(45,966)	$ --	$ 32,217,872

Capital asset activity for non-governmental activities for the year ended June 30, 2013, was as follows:

Class	Beginning Balance July 1, 2012	Additions	Deletions	Adjustments	Ending Balance June 30, 2013
Land and improvements	$ 4,026,539	$ 156,098	$ --	$ --	$ 4,182,637
Infrastructure	71,217,306	500,000	--	--	71,717,306
Buildings	24,182,983	322,977	--	--	24,505,960
Equipment and furniture	8,494,156	823,680	(363,675)	--	8,954,161
Construction in progress	2,228,091	4,754,341	--	--	6,982,432
Accumulated depreciation	(36,632,446)	(2,864,830)	228,016	66,591	(39,202,669)
	$ 73,516,629	$ 3,692,266	$(135,659)	$ 66,591	$ 77,139,827

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

Functional Category	Amount
General Government	$ 101,968
Public Safety	471,554
Public Works	1,445,160
Culture and Recreation	441,662
Total	$2,460,344

3.H. UNAMORTIZED LOAN COSTS, AMORTIZATION

The City and its component units elected to adopt GASB 65 for the year ended June 30, 2013. Accordingly, all unamortized loan costs at June 30, 2012 was written off. Additionally, all loan costs for the year ended June 30, 2013 were expensed.

3.I. INVENTORY

Inventory consists of utility materials and supplies that will be expensed when used for repairs and/or capitalized when used for improvements. The CPWA maintains such inventories for ordinary and emergency repairs and improvements. Several large dollar items of inventory was overlooked in prior years. Accordingly, an increase of $850,000 is reflected as a previous year adjustment.

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

3.J. ACCOUNTS PAYABLE

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

3.K. LONG-TERM DEBT

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

The following is a summary of the long-term debt transactions for the year ended June 30, 2013:

Debt outstanding, July 1, 2012	$ 46,065,606
Additions	27,440,000
Retirements	(23,997,518)
Debt outstanding, June 30, 2013	$ 49,508,088

The provisions of such debt at June 30, 2013 are as follows:

	Total Debt	Due Within One Year
Debt of the Claremore Public Works Authority:		
Capital improvement subordinated revenue bonds, series 2005, of $1,000,000, maturing June 1, 2015, with interest of $5.35% and varying amounts of principal annually. Debt service on bonds to be provided by utility revenue of the CPWA	$250,000	$120,000
Utility system refunding revenue bonds, Series 2013C dated June 6, 2013, maturing July 1, 2035 with interest ranging from 2.5% to 4.0% and a true interest of 3.76%. Payable in various amounts of principal annually. Debt service to be provided by utility revenue and investment income	8,005,000	165,000
Electric system refunding revenue bonds, Series 2013B dated June 1, 2013 in the original amount of $5,035,000 maturing June 1, 2030 with a true interest cost of 3.39%. Payable in varying amounts of principal. Debt service on bonds to be provided by electric revenues	5,035,000	215,000
Utility system refunding revenue bonds, series 2013 of $23,920,000, maturing June 1, 2025 with varying interest rates with a true interest rate of 3.3899% and varying amounts of principal. Secured by electric revenues and the electric system paid from these and refunded bonds, to be paid by the 1/2 cent sales tax transferred from the EXPO/WWTP sales tax fund	22,470,000	1,165,000
Utility system tax increment financing note dated February 8, 2013 in the original amount of $1,740,000. Interest payable annually at 4% with annual payments of principal of $258,438 beginning June 1, 2015. Payable from utility revenues secured by real property. Matures June 1, 2022	3,480,000	--

	Total Debt	Due Within One Year
Noninterest bearing note payment based upon 66% of City sales tax paid by Quik Trip to the City through June 30, 2019, not to exceed the principal sum of $500,000. For utility improvements paid to the City	465,607	40,000
Total Claremore Public Works Authority Debt	39,705,607	1,705,000
Debt of the Claremore Community Development Authority:		
Capital improvement revenue refunding bonds, taxable series 2013A dated April 25, 2013 in the original amount of $8,680,000 with interest from 0.5% to 2.40% and a true interest rate of 2.09% payable in varying amounts of principal annually. Debt service on bonds to be provided by the EXPO/ WWTP Sales Tax Fund. Matures June 1, 2021	7,920,000	875,000
Debt of the Claremore Industrial and Economic Development Authority:		
2013A		
Utility system tax increment financing note dated February 8, 2013 in the original amount of $1,740,000. Interest payable annually at 4% with annual payments of principal of $258,438 beginning June 1, 2015. Payable from utility revenues secured by real property. Matures June 1, 2022	1,740,000	--
2013B		
Utility system tax increment financing note dated February 8, 2013 in the original amount of $1,740,000. Interest payable annually at 4% with annual payments of principal of $258,438 beginning June 1, 2015. Payable from utility revenues secured by real property. Matures June 1, 2022	1,740,000	--

	Total Debt	Due Within One Year
The Authority executed a note payable to Oklahoma Industrial Finance Authority on December 22, 2003 in the amount of $300,000 bearing interest at 5.75% per annum, payable in 180 monthly installments of $2,491.23 and maturing January 22, 2019. The note is secured by airport buildings and fuel facilities.	142,482	22,284
Total Claremore Industrial and Economic Development Authority	$ 3,622,482	$ 22,284
Totals - Long Term Debt	49,508,089	$2,602,284
Less: Current Portion	2,602,284	
Long-term Portion	$46,905,805	

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

	Claremore Public Works Authority		Expo/WWTP Sales Tax Fund		Claremore Industrial and Economic Development Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
Year Ending June 30, 2014	540,000	522,636	2,040,000	914,718	22,283	146,991
Year Ending June 30, 2015	786,439	506,035	2,080,000	896,505	401,276	145,676
Year Ending June 30, 2016	693,993	475,526	2,135,000	858,080	417,776	128,995
Year Ending June 30, 2017	821,849	446,671	2,200,000	816,975	434,964	111,809
Year Ending June 30, 2018	850,019	416,501	2,275,000	765,270	452,864	93,906

	Claremore Public Works Authority		Expo/WWTP Sales Tax Fund		Claremore Industrial and Economic Development Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
5 Years Ending June 30, 2023	3,995,705	1,717,695	13,280,000	2,665,740	1,893,319	191,627
5 Years Ending June 30, 2028	3,430,000	1,150,375	6,380,000	336,878		
5 Years Ending June 30, 2033	2,845,000	496,090				
3 Years Ending June 30, 2036	1,405,000	56,400				

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

Non-Commitment Debt

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

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

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

3.L. ACCRUED COMPENSATED ABSENCES

City employees are entitled to certain compensated absences based on their length of employment. This liability is reflected in the balance sheet of the proprietary funds. Additionally, the full amount of the accrual is included in the Street and Drainage Special Revenue Fund, as that fund appears to have sufficient expendable available financial resources to liquidate the obligation. The accrued compensated absences for the Governmental Funds total $919,054 and is reported on the Statement of Activities. $712,060 of this amount is included in the Fund Financial Statements. The difference of $206,994 represents sick pay that does not require current financial resources.

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

As of June 30, 2013, interfund receivables and payables which resulted from various interfund transactions were as follows:

	Due From Other Funds	Due to Other Funds
General Fund	$156,176	$ --
CIEDA	--	156,176
CPWA	90,442	--
CIEDA	--	90,442
CDBG Sewer	9,846	--
CPWA	--	9,846
	$256,464	$256,464

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

Operating transfers during the year consisted of the following:

From		To	
Fund	Amount	Fund	Amount
General Fund	235,666	CCDA	235,666
General Fund	191,667	CIEDA	191,667
Sales Tax Street	479,391	General Fund	479,391
EXPO/WWTP Sales Tax	556,484	CCDA	556,484
EXPO/WWTP Sales Tax	833,867	CPWA	833,867
Sales Tax Park	157,521	General Fund	157,521
Sales Tax Police	272,008	General Fund	272,008
Sales Tax Fire	390,818	General Fund	390,818
Capital Improvement Sales Tax	108,333	CIEDA	108,333
Capital Improvement Sales Tax	143,719	CPWA	143,719
Airport Fund	64,708	CIEDA	64,708
CDBG Sewer	127,853	CPWA	127,853
Capital Improvement Sales Tax	742,857	CPWA	742,857
CPWA	9,944,361	General Fund	9,944,361
Sales Tax Park	101,094	FLEET Management	101,094
Sales Tax Police	118,955	FLEET Management	118,955

From		To	
Fund	**Amount**	**Fund**	**Amount**
Sales Tax Fire	54,070	FLEET Management	54,070
Sales Tax Street	105,437	FLEET Management	105,437
CPWA	300,090	FLEET Management	300,090
CPWA	9,846	CDBG Sewer	9,846

Previous Years Adjustments

Previous years adjustments consist of the following:

	CIEDA	CCDA	CPWA
Write off previous years bond costs in accordance with GASB 65	$(2,191)	$(191,928)	$(2,031,502)
Write off bond reofferring premium in accordance with GASB 65 --	--	--	600,058
Inventory adjustment	--	--	875,000
Depreciation adjustment	--	--	66,391
Prepaid expense adjustment	20,000	--	--
	$ 17,809	(191,928)	(490,053)

NOTE 4. OTHER NOTES

4.A EMPLOYEE PENSIONS

I. The Oklahoma Firefighters Pension and Retirement System:

A. *Plan Description*

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

All firemen, except those under 18 years of age and an employee who was hired after reaching age 45 unless he or she has prior service and will have completed twenty years of service by age 65 are eligible and must participate in the State PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after accumulating 20 years of service with the City or another entity covered by the State PERS. Benefits vest after 10 years of service. Employees who retire with 20 or more years of service are entitled to pension payments beginning at age 50. The benefit for full-time fireman is 2.5% of the average of the final 30 months salary times the years of service, with a maximum of 30 years. The benefit for volunteer fireman is $5.33 per month times the years of service, with a maximum of 30 years.

Pension provisions include deferred allowances whereby a firefighter may terminate with the City after accumulating 10 years of service but not before reaching the age of 50. The firefighter is entitled to all pension benefits upon reaching the age of 50 or by the time he would have completed 20 years of service, whichever is later. Pension provisions include death and disability benefits, whereby the disabled firefighter or surviving spouse is entitled to receive the same as a normal retirement with 20 years of service.
The City's current-year covered payroll and its total current-year payroll for full-time employees is $2,692,759. Contributions and benefits for volunteer fireman are not based on payroll.

B. *Contributions Required and Made*

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

Total contributions made during fiscal year 2013 amounted to $565,480. Total contributions are allocated between the Municipality and the state. The contribution amounts for municipalities are set by State statutes. Therefore, the remainder of required contributions must be made by the State.

C. *Funding Status and Progress*

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

Total unfunded pension benefit obligation of the State PERS as of July 1, 2013, was as follows:

Total pension benefit obligations	$3,081,900,000
Net assets available for pension benefits, at market	1,811,700,000
Unfunded pension benefit obligation	$1,270,200,000

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 2013. Net assets available to pay pension benefits were valued as of the same date.

The City's 2013 required contribution to the State PERS represents less than one tenth of 1% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

D. *Related Party Investments*

During the fiscal year and as of June 30, 2013, the Oklahoma Firefighter Pension and Retirement System held no securities issued by the City of other related parties.

II Oklahoma Police Pension and Retirement System

A. *Plan Description*

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

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

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

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

B. *Contributions Required and Made*

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

Total contributions made in the current year amounted to $316,934. Total contributions are allocated between the Municipalities and the State. The contribution amounts for the Municipalities are set by State statutes. Therefore, the remainder of required contributions must be made by the State.

C. *Funding Status and Progress*

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

Total unfunded pension benefit obligation of the State PERS as of June 30, 2013, was as follows:

Total pension benefit obligations	$2,131,200,000
Net assets available for pension benefits, at market	1,902,600,000
Unfunded pension benefit obligation	$ 228,600,000

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 2013. Net assets available to pay pension benefits were valued as of the same date.

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

D. *Related Party Investments*

During the fiscal year and as of June 30, 2013, the Oklahoma Police Pension and Retirement System held no securities issued by the City.

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

III. Oklahoma Municipal Retirement Fund

A. Plan Description

All full-time non-uniformed employees of the City participate in the Oklahoma Municipal Retirement Fund (OMRF), which is an agent multiple-employer plan. The OMRF is a system by which City governments and municipally owned hospitals in Oklahoma are authorized by law to pool funds to provide for the retirement of their employees. The OMRF issues a separate stand-alone report for the City of Claremore. The overall operations of the fund are supervised by a nine member board of trustees elected by the participating municipalities. JP Morgan acts as administrator and securities custodian. All full-time employees who are hired before age 60 are mandated to participate in the Fund. The City's total payroll was $10,460,869 for the year ended June 30, 2013, and the City's payroll for employees covered by the plan was $5,245,938.

The number of Fund participants by category is as follows:

Terminated members entitled to, but not yet receiving benefits	14
Retirees and beneficiaries currently receiving benefits	42
Fully vested employees	55
Non-vested employees	84
Total	195

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

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

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

C. *Actuarially Determined Contributions Requirements and Contributions Made*

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

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

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

Schedule of employer contributions:

Fiscal Year	Annual Required Contribution	Annual Actual Contribution	Percentage Contributed
2006	$737,329	$737,329	100%
2007	685,083	685,083	100%
2008	579,033	579,033	100%
2009	667,304	677,304	100%
2010	555,526	555,526	100%
2011	617,378	677,378	100%
2012	551,851	551,844	100%
2013	345,491	345,491	100%

D. *Schedule of Fund Progress*

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
1/1/04	$8,292,013	$10,263,213	$1,971,200	80.8%	5,704,380	34.6%
1/1/05	8,928,327	10,664,503	1,736,176	83.7%	5,244,108	33.1%
1/1/06	9,580,869	11,190,158	1,609,289	85.6%	4,886,960	32.9%
1/1/07	10,594,011	12,258,629	1,464,618	87.9%	5,491,507	26.7%
1/1/08	11,306,187	12,316,308	1,010,121	91.8%	5,503,112	20.0%
1/1/09	11,823,029	13,127,455	1,304,426	90.1%	5,082,599	25.7%
1/1/10	12,502,219	14,175,791	1,673,572	88.2%	4,838,539	34.6%
1/1/11	12,551,715	13,610,161	1,058,446	92.2%	4,378,220	24.2%
1/1/12	12,555,447	13,804,673	1,249,226	91.0%	4,288,972	29.11%
1/1/13	13,301,263	14,437,935	1,136,699	92.1%	4,900,673	23.26%

4.B. RISK MANAGEMENT

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

4.C. PENDING LITIGATION

The City is the defendant in three different lawsuits.

The first is the alleged violation of the Oklahoma Open Records Act by the Claremore Police Department. Although initially ruled in favor of the City by a judge, this ruling was overturned by the Oklahoma Supreme Court. Plaintiffs will be entitled to their reasonable attorney fees and are claiming approximately $75,000 in fees.

A plaintiff disputes her termination pursuant to the provisions of the collective bargaining agreement between the City and the Fraternal Order of Police, of which the plaintiff was a member. It is anticipated that the lawsuit will be dismissed and that an arbitration agreement will be reached.

A plaintiff has filed a lawsuit for wrongful termination alleging discrimination. The City believes it has meritorious defenses to the plaintiff's claim.

4.D. SUBSEQUENT EVENTS

In August, 2013, CIEDA purchased a building and 10 acres for a net purchase price of $1,225,000. This resulted in a note payable in the amount of $1,184,195 payable in monthly payments of $9,409.55, including a 5% adjustable rate of interest for 15 years.

Assets at June 30, 2013 affected by this transaction are as follows:

1. Restricted cash of $50,000 was applied as a credit.
2. Work in progress (Burgess Norton Building) of $55,188 will be added to the cost.

REQUIRED SUPPLEMENTARY INFORMATION

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

Budgetary Comparison Schedules - General Fund and Street and Drainage Fund

CITY OF CLAREMORE , OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY METHOD)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Beginning fund balance	$ --	$ --	$ 1,928,151	$ 1,928,151
Resources (inflows)				
Nontax revenues				
Licenses and permits	110,280	110,280	201,061	90,781
Charges for services	55,200	55,200	60,386	5,186
Interest income	24,700	24,700	50,126	25,426
Fines and costs	221,000	221,000	238,781	17,781
Miscellaneous	17,000	17,000	74,481	57,481
Total nontax	428,180	428,180	624,835	196,655
Taxes				
Hotel/Motel	1,000	1,000	5,965	4,965
Use tax	514,000	514,000	590,372	76,372
ONG franchise	156,000	156,000	182,430	26,430
Telephone and cable franchise	197,000	197,000	229,307	32,307
Inspection fees	7,000	7,000	25,315	18,315
Total taxes	875,000	875,000	1,033,389	158,389
Intergovernmental				
Alcohol beverage tax	100,000	100,000	106,194	6,194
Cigarette tax	132,950	132,950	116,320	(16,630)
Tobacco tax	17,590	17,590	17,909	319
Interest on delinquent county tax	9,500	9,500	5,011	(4,489)
Total Intergovernmental	260,040	260,040	245,434	(14,606)
Operating transfers				
Transfers In	11,244,101	11,244,101	11,244,101	(--)
Total operating transfers	11,244,101	11,244,101	11,244,101	(--)
Total revenues	12,807,321	12,807,321	13,147,759	340,438
Total available for appropriation	$12,807,321	$12,807,321	$15,075,910	$ 2,268,589

CITY OF CLAREMORE , OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY METHOD)
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Changes to Appropriation (outflows)				
Managerial	$ 447,239	$ 504,239	$ 508,350	$(4,111)
Information Tech.	215,676	215,676	213,974	1,702
City Clerk	208,980	208,980	186,058	22,922
Municipal Court	142,520	142,520	137,905	4,615
Finance	271,790	271,790	262,476	9,314
Human Resources	265,381	265,381	238,680	26,701
Police	3,705,460	3,705,460	3,728,006	(22,546)
Fire	4,002,129	4,002,129	4,075,550	(73,421)
Development Services	291,196	291,196	270,777	20,419
Park	624,867	624,867	606,120	18,747
Library	293,645	293,645	283,238	10,407
Cemetery	135,358	135,358	106,875	28,483
General Government	159,237	160,437	171,449	(11,012)
Custodial	131,117	131,117	110,446	20,671
Senior Citizens	230,139	230,139	235,700	(5,561)
Non-departmental	1,192,707	1,134,507	--	1,134,507
Transfers out	437,929	437,929	427,339	10,590
Total charges to appropriations	12,755,370	12,755,370	11,562,943	1,192,427
Ending Budgetary Fund Balance	$ 51,951	$ 51,951	$ 3,512,967	$ 3,461,016

CITY OF CLAREMORE , OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY METHOD)
STREET AND ALLEY FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Beginning fund balance	$ 9,318,416	$ 9,318,416	$11,336,199	$ 2,017,783
Resources (Inflows)				
Interest income	45,000	45,000	62,856	17,856
Sales tax	3,020,663	3,020,663	3,195,927	175,264
Other taxes	166,500	166,500	166,846	346
Miscellaneous	--	--	4,103	4,103
Total revenues	3,232,163	3,232,163	3,429,732	197,569
Total available for appropriation	12,550,579	12,550,579	14,765,931	2,215,352
Charges to Appropriations (Outflows)				
Personal services	601,348	601,348	614,606	(13,258)
Materials and supplies	166,150	166,150	135,208	30,942
Other charges	431,938	431,938	208,699	223,239
Capital outlay	5,497,000	5,497,000	1,191,076	4,305,924
O/H transfers	584,828	584,828	584,828	--
Total Charges to Appropriations	7,281,264	7,281,264	2,734,417	4,546,847
Ending Budgetary Fund Balances	$ 5,269,315	$ 5,269,315	$12,031,514	$ 6,762,199

CITY OF CLAREMORE , OKLAHOMA
BUDGETARY COMPARISON SCHEDULE
(BUDGETARY METHOD)
EXPO/WWTP SALES TAX FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Beginning fund balance	$ 332,199	$ 332,199	$ 1,110,408	$ 778,209
Resources (Inflows)				
Interest	--	--	--	--
Taxes				
Sales tax	3,398,660	3,398,660	3,540,927	142,267
Total revenues	3,398,660	3,398,660	3,540,927	142,267
Total available for appropriation	3,730,859	3,730,859	4,651,335	920,476
Charges to Appropriations (Outflows)				
Transfers to debt retirement	3,523,385	3,523,385	1,390,351	2,133,034
Total Charges to Appropriations	3,523,385	3,523,385	1,390,351	2,133,034
Ending Budgetary Fund Balances	$ 207,474	$ 207,474	$ 3,260,984	$ 3,053,510

OTHER SUPPLEMENTARY INFORMATION

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

Such statements and schedules include:

- Combining Statements - Nonmajor governmental funds

CITY OF CLAREMORE, OKLAHOMA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	SPECIAL REVENUE FUNDS									
	Police Juvenile Fund	Drug Seizure Fund	Sales Tax Park	IRS Seizures Fund	Sales Tax Police	Sales Tax Fire	Animal Control Fund	Emergency Taxes	Cemetery Care Fund	Emergency Management
ASSETS										
Cash	$57,047	$2,128	$773,939	$21,174	$276,286	$301,954	$45,139	$609,293	$153,497	$23,071
Investments	--	--	192,063	--	46,703	51,016	17,541	102,621	222,251	--
Grants receivable	--	--	--	--	--	--	--	--	--	--
Taxes receivable	--	--	121,800	--	121,800	121,800	--	5,314	--	--
Accrued interest	--	--	260	--	62	69	23	138	300	--
Receivable from component unit	--	--	--	--	--	--	--	--	--	--
Total assets	$57,047	$2,128	$1,088,062	$21,174	$444,851	$474,839	$62,703	$717,366	$376,048	$23,071
LIABILITIES										
Bank overdraft	--	--	--	--	--	--	--	--	--	--
Accounts payable	1,151	--	155,572	--	30,166	7,369	5,276	6,082	1,994	790
Payable to other funds	--	--	--	--	--	--	--	--	--	--
Total liabilities	1,151	--	155,572	--	30,166	7,369	5,276	6,082	1,994	790
FUND BALANCES										
Restricted for capital outlay	--	--	--	--	--	--	--	--	--	--
Assigned	55,896	2,128	932,490	21,174	414,685	467,470	57,427	711,284	374,054	22,281
Total fund balances	55,896	2,128	932,490	21,174	414,685	467,470	57,427	711,284	374,054	22,281
Total liabilities and fund balances	$57,047	$2,128	$1,088,062	$21,174	$444,851	$474,839	$62,703	$717,366	$376,048	$23,071

FLEET Maintenance	Library Fund	Capital Improvement Sales Tax	Special Revenues Fund Total	CAPITAL PROJECTS Airport Fund	CDBG SEWER Fund	Bicycle Trails Grant	Capital Projects Funds Total	Total Non-major Governmental Funds
$178,143	$67,504	$1,550,858	$4,060,033	$68,361	$ --	$296,609	$364,970	$4,425,003
--	--	--	632,195	--	--	--	--	632,195
--	--	--	--	13,587	70,534	--	84,121	84,121
--	--	243,599	614,313	--	--	--	--	614,313
--	--	--	852	--	--	--	--	852
--	--	--	--	--	9,846	--	9,846	9,846
$178,143	$67,504	$1,794,457	$5,307,393	$81,948	$80,380	$296,609	$458,937	$5,766,330
--	--	--	--	--	79,426	--	79,426	79,426
40,371	6,191	200,676	455,638	--	954	--	954	456,592
--	--	--	--	--	--	--	--	--
40,371	6,191	200,676	455,638	--	80,380	--	80,380	536,018
--	--	--	--	81,948	--	296,609	378,557	378,557
137,772	61,313	1,593,781	4,851,755	--	--	--	--	4,851,755
137,772	61,313	1,593,781	4,851,755	81,948	--	296,609	378,557	5,230,312
$178,143	$67,504	$1,794,457	$5,307,393	$81,948	$80,380	$296,609	$458,937	$5,766,330

CITY OF CLAREMORE, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	SPECIAL REVENUE FUNDS									
	Police Juvenile Fund	Drug Seizure Fund	Sales Tax Park	IRS Seizures Fund	Sales Tax Police	Sales Tax Fire	Animal Control Fund	Emergency Taxes	Cemetery Care Fund	Emergency Management
REVENUES										
Sales tax	$ --	$ --	$708,185	$ --	$708,185	$708,185	$ --	$ --	$ --	$ --
Other taxes	--	--	--	--	--	--	--	137,696	--	--
Grants/contributions	255	--	150	--	9,627	417	18,258	--	--	4,565
Interest	--	--	2,282	--	348	381	130	764	1,656	--
Fees and services	--	--	--	--	--	--	26,764	--	23,305	--
Fines & forfeits	8,984	--	--	--	--	--	--	--	--	--
Sale of assets	--		5,123	--	4,330	--	3,053	--	755	--
Miscellaneous	--	1,139	30,414	--	22,704	4,484	--	1,522	--	--
Total revenues	9,239	1,139	746,154	--	745,194	713,467	48,205	139,982	25,716	4,565
Expenditures										
Current										
FLEET Maintenance	--	--	--	--	--	--	--	--	--	--
Library	--	--	--	--	--	--	--	--	--	--
Recreation	--	--	246,151	--	--	--	--	--	--	--
Police & Court	5,077	--	--	701	243,563	--	53,602	79,411	--	12,189
Fire	--	--	--	--	--	156,498	--	--	--	--
Cemetery	--	--	--	--	--	--	--	--	15,219	--
Debt service										
Principal	--	--	--	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--	--	--	--
Capital outlay	--	--	234,718	--	4,119	--	--	--	11,428	4,202
Total expenditures	5,077	--	480,869	701	247,682	156,498	53,602	79,411	26,647	16,391
Excess (deficiency) of revenues over expenditures	4,162	1,139	265,285	(701)	497,512	556,969	(5,397)	60,571	(931)	(11,826)
Other Financing Sources/Uses										
Transfers in	--	--	--	--	--	--	--	--	--	--
Transfers out	--	--	(258,615)	--	(390,963)	(444,888)	--	--	--	--
Total other Financing sources and uses	--	--	(258,615)	--	(390,963)	(444,888)	--	--	--	--
Net change in fund balance	4,162	1,139	6,670	(701)	106,549	112,081	(5,397)	60,571	(931)	(11,826)
Fund balance, beginning	51,734	989	925,820	21,875	308,136	355,389	62,824	650,713	374,985	34,107
Fund balance, ending	$55,896	$2,128	$932,490	$21,174	$414,685	$467,470	$57,427	$711,284	$374,054	$22,281

				CAPITAL PROJECTS				
FLEET Maintenance	Library Fund	Capital Improvement Sales Tax	Special Revenues Fund Total	Airport Fund	CDBG Sewer Fund	Bicycle Trails Grant	Capital Projects Funds Total	Total Non-major Governmental Funds
$ --	$ --	$1,416,371	$3,540,926	$ --	$ --	$ --	$ --	$3,540,926
--	--	--	137,696	--	--	--	--	137,696
--	25,493	--	58,765	30,077	65,711	--	95,788	154,553
--	--	--	5,561	--	--	--	--	5,561
--	22,747	--	72,816	--	--	--	--	72,816
--	--	--	8,984	--	--	--	--	8,984
--	--	80,910	94,171	--	--	--	--	94,171
6,971	--	17,151	84,385	--	454	--	454	84,839
6,971	48,240	1,514,432	4,003,304	30,077	66,165	--	96,242	4,099,546
505,814	--	--	505,814	--	--	--	--	505,814
--	22,728	--	22,728	--	--	--	--	22,728
--	--	--	246,151	--	--	--	--	246,151
--	--	--	394,543	--	--	--	--	394,543
--	--	--	156,498	--	--	--	--	156,498
--	--	--	15,219	--	--	--	--	15,219
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
43,031	21,851	684,282	1,003,631	--	--	--	--	1,003,631
548,845	44,579	684,282	2,344,584	--	--	--	--	2,344,584
(541,874)	3,661	830,150	1,658,720	30,077	66,165	--	96,242	1,754,962
679,646	--	--	679,646	--	9,846	--	9,846	689,492
--	--	(994,907)	(2,089,373)	(64,708)	(127,853)	--	(192,561)	(2,281,934)
679,646	--	(994,907)	(1,409,727)	(64,708)	(118,007)	--	(182,715)	(1,592,442)
137,772	3,661	(164,757)	248,993	(34,631)	(51,842)	--	(86,473)	162,520
--	57,652	1,758,538	4,602,762	116,579	51,842	296,609	465,030	
$137,772	$61,313	$1,593,781	$4,851,755	$81,948	$ --	$296,609	$378,557	$162,520

City of Claremore, Ok
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program or Clustor Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DIRECT PROGRAMS			
US Department of Commerce			
Economic Development Administration	11.307	n/a	$ 1,525,218
US Department of Transportation			
Federal Aviation Administration	20.106	n/a	14,490
US Department of Transportation			
Federal Aviation Administration	20.106	n/a	7,794
TOTAL DIRECT PROGRAMS			1,547,502
PASS THROUGH PROGRAMS			
U.S. Department of Homeland Security			
Hazard Mitigation Grant Program			
Oklahoma Emergency Management	97.042	EMPG 13	8,750
US Department of Housing and Urban Development			
Stimulus Energy Efficient Community Block Grant			
Oklahoma Department of Commerce	14.228	14836 CDBG 11	61,523
Oklahoma Department of Commerce	14.228	15244 CDBG 12	4,188
Oklahoma Department of Commerce	14.228	14434 CDBG ED 10	320,412
TOTAL PASS THROUGH PROGRAMS			394,873
TOTAL EXPENDITURE OF FEDERAL AWARDS			$ 1,942,374

See accompanying notes to schedule of expenditures of federal awards.

Note A-Basis of Presentation

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

Note B-Airport Improvement Project-Runway Obstruction Removal and Apron Rehabilitation

The City was reimbursed $289,329 by the Federal Aviation Administration for $496,318 in expenditures in Airport Improvements to the Runway and Apron at the Claremore Regional Airport.

Note E-Traffic Synchronization Project

The City of Claremore, Oklahoma was reimbursed by Federal Highway Administration through the Oklahoma Department of Transportation $376,946.74 for $641,768.65 in expenditures by the City for traffic signal improvements.

Note F-Sanitary Sewer

The City was reimbursed $66,286 by the Office of Community Planning and Development for $132,572 in expenditures for upgrades to the Sanitary Sewer system.

LANGLEY & LITTLEFIELD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
6757 NORTH 431, PRYOR, OK 74361
918-803-4868 OFFICE 918-803-4869 FAX

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? __x__ yes ___ no
- Significant deficiencies identified? __x__ yes _____ none reported

Noncompliance material to financial statements noted? _____ yes ___x__ no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
11.307	U.S. Department of Commerce
20.106	Federal Aviation Administration
14.228	U.S. Department of Homeland Security
97.042	U.S. Department of Energy

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

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

Section II—Financial Statement Findings

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

1) 2013-1

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

None

Section III—Federal Award Findings and Questioned Costs

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

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

LANGLEY & LITTLEFIELD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
108 NORTH ADAIR STREET, PRYOR, OK 74361
918-803-4868 OFFICE 918-803-4869 FAX

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

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

COMPLIANCE

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Claremore's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Claremore's compliance with those requirements.

In our opinion, the City of Claremore, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

INTERNAL CONTROL OVER COMPLIANCE

Management of the City of Claremore is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Claremore's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Claremore's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a

type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Langley & Littlefield, PLLC

LANGLEY & LITTLEFIELD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

APRIL 30, 2014

LANGLEY & LITTLEFIELD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
6757 NORTH 431, PRYOR, OK 74361
918-803-4868 OFFICE 918-803-4869 FAX

SCHEDULE OF FINDINGS AND RESPONSES - CURRENT YEAR

2013-1 Inventory

Criteria or specific requirement: Management is responsible for the oversight and protection of City's assets.

Condition: During the current year, it was discovered management was not utilizing proper control procedures over inventory assets.

Context: The City has not been keeping proper inventory of items maintained by the Public Works Department. During interviews with management, it was discovered management was not utilizing proper inventory procedures, and that inventory would need to be completely accounted for and new control system put into place.

Effect: The City is exposed to risks of embezzlement and other costs associated with the mismanagement of inventory.

Cause: The City has had numerous changes and in management, and inventory control procedures have not had proper oversight.

Recommendation: The City should continue with its plans to implement proper control procedures over inventory based on the size and complexity of the City's inventory department.

Responses by Management: The City has plans to address these issues in the future.

SCHEDULE OF FINDINGS AND RESPONSES - PRIOR YEAR

2012-1

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

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

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

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

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

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

Update: There were no instances of non compliance noted while performing current year audit procedures.

2009-1 Fixed Asset Records

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

Condition: Inventory of fixed assets has not been performed.

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

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

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

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

Corrective Action Update: The City is in the process of performing inventory procedures and will continue to perform those procedures in future periods.