

2014

CITY OF CLAREMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014



New Vision.
Clear Opportunities.

CITY OF CLAREMORE, OKLAHOMA
 ANNUAL FINANCIAL REPORT
 AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
 For the fiscal year ended June 30, 2014

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CITY OF CLAREMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
For the fiscal year ended June 30, 2014

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CITY OF CLAREMORE, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS
June 30, 2014

MAYOR AND CITY COUNCIL

| | |
|-----------------|----------------------|
| Bill Flanagan | Mayor |
| David McComb | Councilmember Ward 1 |
| Paula Watson | Councilmember Ward 1 |
| Don Purkey | Councilmember Ward 2 |
| Brian Callender | Councilmember Ward 2 |
| Buddy Robertson | Councilmember Ward 3 |
| Terry Willis | Councilmember Ward 3 |
| Mark Lepak | Councilmember Ward 4 |
| Will DeMier | Councilmember Ward 4 |

ADMINISTRATION

| | |
|-------------------|------------------------------|
| Jim Thomas | City Manager |
| Susy Collins | Director of Finance |
| Jason Crandall | Fire Marshall |
| Stan Brown | Chief of Police |
| Sherry Beach, MLS | Director, Library |
| Joe Kays | Director, Parks & Recreation |
| Daryl Golbek | Director, Public Works |
| Mitch Louderback | Director, Recreation Center |

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Claremore, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Claremore, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-13 and 51-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about

the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

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

Claremore, Oklahoma
March 10, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Claremore provides this discussion and analysis of the City of Claremore's financial performance as an overview of the city's financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the city's financial statements, which follow.

Financial Highlights

- Total net position of the city increased by \$1,094,739 or 1.1% from the prior year. This increase is largely due to increases in sales tax collections and utility service revenues.
- The city's governmental activities net position decreased by \$1,008,578 or 1.8% due primarily to the purchase of capital assets that were transferred to business-type activities.
- Net position of the business-type activities increased by \$2,103,317 or 5.2% due in part to lower net transfers to the City. In the business-type activities, charges for service revenues and expenses experienced a 2% and 4% increase, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements include not only the city and the Claremore Public Works Authority (CPWA) and Claremore Cultural Development Authority (CCDA) (both blended component units) which comprise the primary government, but also the Claremore Industrial and Economic Development Authority (CIEDA). This discretely presented component unit operates similar to private sector business, but has financial accountability to the city. The financial information for the component unit is reported separately from the financial information presented for the primary government. Complete financial statements of CIEDA, including its MD&A, may be obtained from its Board of Trustees, PO Box 249, Claremore, OK 74018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found immediately following this discussion and analysis on pages 15-16 of this report.

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

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

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

The City maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Sales Tax Street Fund, and EXPO/WWTP Sales Tax Fund, which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found immediately following the government-wide statements on pages 17-20.

Proprietary funds. These funds are used to report activities that operate like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The city uses one enterprise fund to account for the operations of its electric, water, sanitary sewer, and sanitation services and one fund to account for the operation of its recreation services. These funds are considered major proprietary funds for presentation purposes. The basic proprietary funds financial statements can be found immediately following the governmental funds financial statements on pages 21-23.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements, beginning on page 25.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the city's pension plan and the budgets for each major fund. A budgetary comparison statement has been provided for each major fund to demonstrate compliance with these budgets. Required supplementary information can be found immediately following the notes to the financial statements beginning on page 49.

Other Information. The combining statements referred to earlier are presented following the required supplementary information beginning on page 57.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Net position is the difference between total assets plus total deferred outflows of resources less total liabilities and deferred inflows of resources and is an indicator of the current fiscal health of the City. For the year ended June 30, 2014, the City's combined net position increased by \$1.1 million. The following table provides a summary of the city's net position:

**Summary of Net Position
(Table 1 - In millions)**

| | Governmental Activities | | Business Type Activities | | Total | | Total % Change |
|--------------------------------|-------------------------|---------|--------------------------|---------|---------|---------|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2013-2014 |
| Current and other assets | \$ 26.5 | \$ 25.8 | \$ 22.7 | \$ 22.8 | \$ 49.2 | \$ 48.6 | 1% |
| Capital assets | 30.0 | 32.2 | 67.9 | 68.8 | 97.9 | 101.0 | -3% |
| Total assets | 56.5 | 58.0 | 90.6 | 91.6 | 147.1 | 149.6 | -2% |
| Deferred outflows of resources | - | - | - | - | - | - | |
| Long-term debt outstanding | - | - | 44.5 | 47.6 | 44.5 | 47.6 | -7% |
| Other liabilities | 1.5 | 1.9 | 3.8 | 3.9 | 5.3 | 5.8 | -9% |
| Total liabilities | 1.5 | 1.9 | 48.3 | 51.5 | 49.8 | 53.4 | -7% |
| Net position | | | | | | | |
| Net investment in capital | 30.0 | 32.2 | 23.3 | 23.0 | 53.3 | 55.2 | -3% |
| Restricted | 0.4 | 0.4 | 12.3 | 11.4 | 12.7 | 11.8 | 8% |
| Unrestricted | 24.6 | 23.5 | 6.7 | 5.7 | 31.3 | 29.2 | 7% |
| Total net position | \$ 55.0 | \$ 56.1 | \$ 42.3 | \$ 40.1 | \$ 97.3 | \$ 96.2 | 1% |

The above numbers reflect an decrease of 1.8% for governmental activities net position and an increase of approximately 5.2% for business-type activities net position. The City's overall financial position improved during fiscal year 2014.

The City's governmental activities net position decreased by \$1.1 million. The primary reason for the decrease was due to an increase in transfers to the business type activities due to the purchase of capital assets.

The net position of our business type activities increased by \$2.1 million. The primary reasons for the increase were operational revenues exceeding expenses, a utility rate increase, and an increase in net transfers from the City.

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

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

| | Governmental Activities | | % Inc. (Dec.) | Business Type Activities | | % Inc. (Dec.) | Total | | Total % Change 2013-2014 |
|---|-------------------------|---------------|---------------|--------------------------|-----------------|---------------|---------------|---------------|--------------------------|
| | 2014 | 2013 | | 2014 | 2013 | | 2014 | 2013 | |
| <i>Revenues:</i> | | | | | | | | | |
| Program Revenues | | | | | | | | | |
| Charges for Services | \$ 0.6 | \$ 0.6 | 0% | \$ 35.9 | \$ 35.1 | 2% | \$ 36.5 | \$ 35.7 | 2% |
| Operating Grants and contributions | 1.0 | 1.0 | 0% | - | - | - | 1.0 | 1.0 | 0% |
| Capital Grants and contributions | 0.3 | - | - | - | - | - | 0.3 | - | - |
| General Revenues | | | | | | | | | |
| Sales and use taxes | 10.9 | 10.3 | 6% | - | 0.3 | - | 10.9 | 10.6 | 3% |
| Other taxes | 1.4 | 1.2 | 17% | - | - | - | 1.4 | 1.2 | 17% |
| Intergovernmental revenue | 0.6 | 0.4 | 50% | - | - | - | 0.6 | 0.4 | 50% |
| Other | (0.3) | 0.4 | -175% | 0.4 | 0.1 | - | 0.1 | 0.5 | -80% |
| Total revenues | <u>14.5</u> | <u>13.9</u> | 4% | <u>36.3</u> | <u>35.5</u> | 2% | <u>50.8</u> | <u>49.4</u> | 3% |
| <i>Expenses:</i> | | | | | | | | | |
| General government | 3.3 | 2.8 | 18% | - | - | - | 3.3 | 2.8 | 18% |
| Public safety and judiciary | 10.2 | 10.1 | 1% | - | - | - | 10.2 | 10.1 | 1% |
| Transportation | 2.5 | 2.4 | 4% | - | - | - | 2.5 | 2.4 | 4% |
| Culture, parks, recreation & promotion | 2.0 | 2.0 | 0% | - | - | - | 2.0 | 2.0 | 0% |
| Purchased electricity | - | - | - | 16.9 | 17.1 | -1% | 16.9 | 17.1 | -1% |
| Personnel services and benefits | - | - | - | 3.8 | 3.7 | 3% | 3.8 | 3.7 | 3% |
| Operations and maintenance | - | - | - | 5.9 | 4.1 | 44% | 5.9 | 4.1 | 44% |
| Depreciation | - | - | - | 2.6 | 2.7 | - | 2.6 | 2.7 | -4% |
| Interest | - | - | - | 1.5 | 1.9 | -21% | 1.5 | 1.9 | -21% |
| Total expenses | <u>18.0</u> | <u>17.3</u> | 4% | <u>30.7</u> | <u>29.5</u> | 4% | <u>48.7</u> | <u>46.8</u> | 4% |
| Increase in net position before transfers & extraordinary items | (3.5) | (3.4) | 3% | 5.6 | 6.0 | -7% | 2.1 | 2.6 | -19% |
| Transfers, net | 2.5 | 7.2 | 135% | (3.4) | (7.6) | -55% | (0.9) | (0.4) | 125% |
| Extraordinary items | - | - | - | (0.1) | (1.9) | -95% | (0.1) | (1.9) | -95% |
| Change in net position | <u>\$ (1.0)</u> | <u>\$ 3.8</u> | 138% | <u>\$ 2.1</u> | <u>\$ (3.5)</u> | -62% | <u>\$ 1.1</u> | <u>\$ 0.3</u> | 106% |

The results of 2014 were shaped largely by a continued slow but steady growth in the local economy. Total net position increased by 1% or \$1.1 million. Significant changes were related to:

Governmental Activities (see Table 2):

- Sales and use tax revenue increase 6% from the prior year.
- Governmental fund expenses increased 4% in part due to a write off of the book value of the library collection
- Net transfers decreased by \$4.7 million due primarily to capital acquisitions that were transferred to the Business-type Activities as well as the funding of an economic incentive through CIEDA related to a Tax Increment Financing arrangement with a manufacturer

Business-type Activities:

- The above table shows categorical comparisons although the Statement of Activities breaks out the revenue and expense by function (electric, water, wastewater, sanitation, etc.) This is the first year for the functional break out so comparative information was not available, but will be provided in subsequent years.
- Charges for services increased due in part to higher water rates that went into effect, somewhat offset by lower revenues from recreation services.
- Operations and maintenance expense was impacted by a cumulative bad debt charge off in the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities:

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

Governmental Activities
Table 3
(In Thousands)

| | Total Cost of Services | | % | Net (Expense) Revenue from Services | | % |
|----------------------------|---------------------------|------------------|-----|--|--------------------|-----|
| | 2014 | 2013 | | 2014 | 2013 | |
| | General government | \$ 2,840 | | \$ 2,296 | 24% | |
| Public safety and judicial | 10,077 | 9,050 | 11% | (8,705) | (8,740) | 0% |
| Transportation | 2,458 | 2,404 | 2% | (2,195) | (2,404) | -9% |
| Cultural, parks, recreatio | 2,028 | 2,050 | -1% | (1,855) | (1,894) | -2% |
| Fleet maintenance | 617 | 550 | 12% | (617) | (550) | 12% |
| | <u>\$ 18,020</u> | <u>\$ 16,350</u> | 10% | <u>\$ (16,035)</u> | <u>\$ (15,679)</u> | 2% |

Overall, the city's governmental activities' total costs increased 10% over last year and net costs increased by 2%. The explanations on the previous page account for the majority of increases in total costs of services as well as net costs of services in the governmental activities

Business-type Activities:

Overall, total cost of services for the city's business-type activities increased 3% from last year. The explanations for the major components of the increases are noted on the previous page. The net revenues reported an increase which was mainly caused by the rate increase in all areas.

Business-Type Activities
Table 4
(In Thousands)

| | Total Cost of Services | Net (Exp)Rev from Services |
|------------------------|---------------------------|-------------------------------|
| | 2014 | 2014 |
| Electric operations | \$ 19,682 | \$ 7,437 |
| Water operations | 4,747 | (1,126) |
| Wastewater operations | 2,278 | (434) |
| Solid waste operations | 1,859 | 77 |
| Recreation services | 2,193 | (812) |
| | <u>\$ 30,759</u> | <u>\$ 5,142</u> |

As discussed previously, the comparative information is not available from the prior year as this is the first year for a functional break out of this activity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's Funds

The General Fund is the city's primary operating fund and the source of day-to-day operations. The general fund is significantly reliant on transfers from the CPWA. The fund balance increased by \$770,410, or 21.9 percent from the prior year. This increase is attributed primarily to higher than expected use and franchise taxes as well as the cost sharing of a capital project from a local university.

General Fund Budgetary Highlights

The general fund budget was virtually unchanged from the original one approved in June 2013. General Fund actual expenditures were slightly below budgeted appropriations by \$35,653, due to primarily to lower spending than originally projected in the functional area of the of the police and judiciary, somewhat offset by higher non-departmental spending. Actual revenues were higher than budgeted by \$734,757 reflecting somewhat higher receipts than budgeted in most categories.

Capital Asset and Debt Administration

At the end of June 30, 2014, the city had \$54.6 million invested in capital assets including police and fire equipment, buildings, park facilities, streets and drainage systems, and electric, water, sewer infrastructure. Additions to capital assets included water treatment plant improvements, continued improvements at the industrial park and Expo building, road improvements, dump trucks and other vehicles, etc. Information on capital assets is located in Note 3.D.

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

| | Governmental Activities | | Business-type Activities | | Totals | | Total % Change |
|---------------------------------|--------------------------------|---------------|---------------------------------|----------------|----------------|----------------|-----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | |
| <i>Non-Depreciable Assets</i> | | | | | | | |
| Land | \$ 2.0 | \$ 2.0 | \$ 2.0 | \$ 2.0 | \$ 4.0 | \$ 4.0 | 0% |
| Construction-in-progress | 2.1 | 2.5 | 4.9 | 3.7 | 7.0 | 6.2 | 13% |
| <i>Depreciable Assets</i> | | | | | | | |
| Buildings | 11.4 | 11.7 | 23.6 | 23.4 | 35.0 | 35.1 | 0% |
| Equipment and furniture | 9.7 | 12.8 | 8.6 | 8.5 | 18.3 | 21.3 | -14% |
| Infrastructure | 49.4 | 49.1 | 68.8 | 69.0 | 118.2 | 118.1 | 0% |
| <i>Accumulated Depreciation</i> | (44.6) | (45.9) | (40.0) | (37.8) | (84.6) | (83.7) | 1% |
| Totals | \$ 30.0 | \$32.2 | \$ 67.9 | \$ 68.8 | \$ 97.9 | \$101.0 | -3% |

Debt Administration

At year-end, the city had \$19.3 million in outstanding notes, judgments, bonds and compensated absences. Additional debt information can be found in note 3.E.

These debts are further detailed below as follows:

Outstanding Debt
Table 6
(in millions)

| | Business-type Activities | | Total % Change |
|---------------|---------------------------------|----------------|-----------------------|
| | 2014 | 2013 | |
| Notes Payable | \$ 3.5 | \$ 3.9 | -10% |
| Revenue Bonds | 41.0 | 43.7 | -6% |
| Totals | \$ 44.5 | \$ 47.6 | -7% |

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budget

The City of Claremore expects to see a small growth in the economy in the next fiscal year due to the opening of new restaurants/retail and the completion of three new hotel facilities. The city anticipates that sales tax receipts for the next fiscal year will be essentially unchanged from the current year. Management will continue to strive for fiscal conservativeness while developing plans to expand the systems and operations needed to meet citizens' needs.

The fiscal year 2014-2015 government-wide budget of \$74.0 million is a decrease of 11.7% over the prior year primarily due to lower planned capital expenditures as well as the elimination of some of the intrafund activity from the budget.

Contacting the City's Financial Management

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

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BASIC FINANCIAL STATEMENTS

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

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

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

City of Claremore, Oklahoma
Statement of Net Position
June 30, 2014

| | Primary Government | | | Component Unit |
|---|----------------------|----------------------|----------------------|--|
| | Governmental | Business-Type | Total | Claremore Industrial and Economic Development Authority |
| | Activities | Activities | | |
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 15,226,593 | \$ 3,024,530 | \$ 18,251,123 | \$ 391,194 |
| Restricted - cash and cash equivalents | - | 3,461,871 | 3,461,871 | 42,092 |
| Accounts receivable, net | 2,837 | 4,684,264 | 4,687,101 | 15,864 |
| Interest receivable | 12,299 | - | 12,299 | - |
| Interest receivable - restricted | - | 39,064 | 39,064 | 11,600 |
| Prepaid Expenses | - | - | - | 31,371 |
| Inventory | 468 | 1,312,220 | 1,312,688 | 34,529 |
| Due from other governments | 2,327,528 | 18,995 | 2,346,523 | 98,384 |
| Due from related entities | 9,846 | - | 9,846 | 8,141 |
| Note receivable, current - restricted | - | 377,677 | 377,677 | 412,677 |
| Total current assets | <u>17,579,571</u> | <u>12,918,621</u> | <u>30,498,192</u> | <u>1,045,852</u> |
| Noncurrent Assets: | | | | |
| Investments | 8,964,774 | 506,113 | 9,470,887 | - |
| Restricted assets: | | | | |
| Investments | - | 6,214,481 | 6,214,481 | - |
| Note receivable, net of current portion | - | 3,102,323 | 3,102,323 | 3,417,323 |
| Capital assets: | | | | |
| Land and construction in progress | 4,054,901 | 6,893,168 | 10,948,069 | 3,841,107 |
| Depreciable buildings, property, and equipment, net | 25,972,248 | 60,962,105 | 86,934,353 | 5,599,341 |
| Total noncurrent assets | <u>38,991,923</u> | <u>77,678,190</u> | <u>116,670,113</u> | <u>12,857,771</u> |
| Total assets | <u>56,571,494</u> | <u>90,596,811</u> | <u>147,168,305</u> | <u>13,903,623</u> |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Accounts payable and accrued liabilities | 472,962 | 2,424,741 | 2,897,703 | 159,973 |
| Accrued interest payable | - | 227,328 | 227,328 | 16,041 |
| Accrued compensated absences | 1,060,449 | 202,089 | 1,262,538 | - |
| Due to related entities | - | 17,987 | 17,987 | - |
| Current portion of long-term obligations | - | 2,977,677 | 2,977,677 | 457,371 |
| Total current liabilities | <u>1,533,411</u> | <u>5,849,822</u> | <u>7,383,233</u> | <u>633,385</u> |
| Noncurrent liabilities: | | | | |
| Deposits subject to refund | - | 942,264 | 942,264 | - |
| Noncurrent portion of long-term obligations | - | 41,552,323 | 41,552,323 | 4,280,493 |
| Total non-current liabilities | <u>-</u> | <u>42,494,587</u> | <u>42,494,587</u> | <u>4,280,493</u> |
| Total liabilities | <u>1,533,411</u> | <u>48,344,409</u> | <u>49,877,820</u> | <u>4,913,878</u> |
| NET POSITION: | | | | |
| Net investment in capital assets | 30,027,149 | 23,325,273 | 53,352,422 | 8,112,584 |
| Restricted by: | | | | |
| Enabling legislation | 367,444 | 10,653,496 | 11,020,940 | - |
| External contracts | - | 1,604,981 | 1,604,981 | 350,000 |
| Unrestricted | 24,643,490 | 6,668,652 | 31,312,142 | 527,161 |
| Total net position | <u>\$ 55,038,083</u> | <u>\$ 42,252,402</u> | <u>\$ 97,290,485</u> | <u>\$ 8,989,745</u> |

See accompanying notes to the basic financial statements.

City of Claremore, Oklahoma
Statement of Activities
For the fiscal year ended June 30, 2014

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit CIEDA |
|---|----------------------|-------------------------|--|--|---|-----------------------------|----------------------|-------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | |
| | | | | | Governmental Activities | Business-Type Activities | | |
| Primary Government: | | | | | | | | |
| General government | \$ 2,840,342 | \$ 177,296 | \$ - | \$ - | \$ (2,663,046) | \$ - | \$ (2,663,046) | \$ - |
| Public safety and judiciary | 10,076,598 | 253,992 | 1,117,737 | - | (8,704,869) | - | (8,704,869) | - |
| Transportation | 2,458,437 | - | - | 263,676 | (2,194,761) | - | (2,194,761) | - |
| Cultural, parks, recreation and promotion | 2,028,324 | 122,744 | - | 50,745 | (1,854,835) | - | (1,854,835) | - |
| Fleet maintenance | 616,621 | - | - | - | (616,621) | - | (616,621) | - |
| Total governmental activities | <u>18,020,322</u> | <u>554,032</u> | <u>1,117,737</u> | <u>314,421</u> | <u>(16,034,132)</u> | <u>-</u> | <u>(16,034,132)</u> | <u>-</u> |
| Business-type activities: | | | | | | | | |
| Electric operations | 19,682,206 | 27,118,862 | - | - | - | 7,436,656 | 7,436,656 | - |
| Water operations | 4,747,374 | 3,621,635 | - | - | - | (1,125,739) | (1,125,739) | - |
| Wastewater operations | 2,277,559 | 1,843,714 | - | - | - | (433,845) | (433,845) | - |
| Solid waste operations | 1,858,848 | 1,935,714 | - | - | - | 76,866 | 76,866 | - |
| Recreation services | 2,193,196 | 1,381,618 | - | - | - | (811,578) | (811,578) | - |
| Total business-type activities | <u>30,759,183</u> | <u>35,901,543</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,142,360</u> | <u>5,142,360</u> | <u>-</u> |
| Total primary government | \$ 48,779,505 | \$ 36,455,575 | \$ 1,117,737 | \$ 314,421 | (16,034,132) | 5,142,360 | (10,891,772) | |
| Component Unit: | | | | | | | | |
| Economic development | \$ 269,013 | \$ 38,712 | \$ - | \$ - | | | | (230,301) |
| Airport | 658,023 | 450,557 | - | 378,098 | | | | 170,632 |
| Total component unit | <u>\$ 927,036</u> | <u>\$ 489,269</u> | <u>\$ -</u> | <u>\$ 378,098</u> | | | | <u>(59,669)</u> |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Sales and use taxes | | | | | 10,871,796 | - | 10,871,796 | - |
| Franchise and public service taxes | | | | | 1,439,227 | - | 1,439,227 | - |
| Intergovernmental revenue not restricted to specific programs | | | | | 618,800 | - | 618,800 | - |
| Investment income | | | | | 137,764 | 316,350 | 454,114 | 1,998 |
| Economic incentive - business recruitment and retention | | | | | - | - | - | (490,695) |
| Loan issuance costs | | | | | - | - | - | (36,600) |
| Miscellaneous | | | | | 73,975 | 89,510 | 163,485 | 8,150 |
| Gain (loss) on disposition of assets | | | | | (645,688) | 5,951 | (639,737) | - |
| Total general revenues | | | | | <u>12,495,874</u> | <u>411,811</u> | <u>12,907,685</u> | <u>(517,147)</u> |
| Change in net position before transfers, capital contributions, and extraordinary items | | | | | <u>(3,538,258)</u> | <u>5,554,171</u> | <u>2,015,913</u> | <u>(576,816)</u> |
| Change in accounting principle (Note 1.J) | | | | | - | (68,539) | (68,539) | - |
| Capital contributions | | | | | 28,772 | - | 28,772 | - |
| Transfers - Internal activity | | | | | 2,500,908 | (3,382,315) | (881,407) | 881,407 |
| Change in net position | | | | | <u>(1,008,578)</u> | <u>2,103,317</u> | <u>1,094,739</u> | <u>304,591</u> |
| Net position - beginning | | | | | <u>56,046,661</u> | <u>40,149,085</u> | <u>96,195,746</u> | <u>8,685,154</u> |
| Net position - ending | | | | | <u>\$ 55,038,083</u> | <u>\$ 42,252,402</u> | <u>\$ 97,290,485</u> | <u>\$ 8,989,745</u> |

See accompanying notes to the basic financial statements

City of Claremore, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2014

| | Sales Tax | | EXPO/WWTP | Other | Total |
|--|---------------------|----------------------|---------------------|---------------------|----------------------|
| | General | Street Fund | Sales Tax Fund | Governmental Funds | Governmental Funds |
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 4,652,195 | \$ 3,315,294 | \$ 3,350,198 | \$ 3,908,906 | \$ 15,226,593 |
| Investments | - | 8,327,512 | - | 637,262 | 8,964,774 |
| Receivables: | - | - | - | - | - |
| Due from other governments | 390,278 | 649,897 | 605,752 | 611,066 | 2,256,993 |
| Due from other funds | 133,199 | - | - | 9,846 | 143,045 |
| Grants | - | - | - | 70,535 | 70,535 |
| Accrued interest | - | 11,447 | - | 852 | 12,299 |
| Other receivables | 2,837 | - | - | - | 2,837 |
| Inventory | 468 | - | - | - | 468 |
| Total assets | <u>\$ 5,178,977</u> | <u>\$ 12,304,150</u> | <u>\$ 3,955,950</u> | <u>\$ 5,238,467</u> | <u>\$ 26,677,544</u> |
| LIABILITIES AND FUND BALANCES: | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 102,975 | \$ 63,087 | \$ - | \$ 306,900 | \$ 472,962 |
| Accrued compensated absences | 792,619 | 46,541 | - | 3,019 | 842,179 |
| Due to other funds | - | - | - | 133,199 | 133,199 |
| Total liabilities | <u>895,594</u> | <u>109,628</u> | <u>-</u> | <u>443,118</u> | <u>1,448,340</u> |
| Fund Balances: | | | | | |
| Nonspendable | 468 | - | - | - | 468 |
| Restricted | - | - | - | 367,444 | 367,444 |
| Unrestricted: | | | | | |
| Committed | 214,270 | 12,194,522 | 3,955,950 | 3,333,552 | 19,698,294 |
| Assigned | 441,420 | - | - | 1,148,406 | 1,589,826 |
| Unassigned | 3,627,225 | - | - | (54,053) | 3,573,172 |
| Total fund balances | <u>4,283,383</u> | <u>12,194,522</u> | <u>3,955,950</u> | <u>4,795,349</u> | <u>25,229,204</u> |
| Total liabilities and fund balances | <u>\$ 5,178,977</u> | <u>\$ 12,304,150</u> | <u>\$ 3,955,950</u> | <u>\$ 5,238,467</u> | <u>\$ 26,677,544</u> |

See accompanying notes to the basic financial statements

City of Claremore, Oklahoma
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

| | |
|---|----------------------|
| Fund balances of governmental funds | \$ 25,229,204 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of depreciation of \$44,572,520 | 30,027,149 |
| Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds: | |
| Accrued compensated absences (sick leave portion) | (218,270) |
| Net position of governmental activities | <u>\$ 55,038,083</u> |

City of Claremore, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2014

| | General | Sales Tax Street Fund | EXPO/WWTP Sales Tax Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------|--------------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes | \$ 1,240,425 | \$ 3,623,932 | \$ 3,623,932 | \$ 3,822,734 | \$ 12,311,023 |
| Intergovernmental | 1,676,115 | 179,176 | - | 195,667 | 2,050,958 |
| Licenses and permits | 165,268 | - | - | - | 165,268 |
| Charges for services | 57,298 | - | - | 77,474 | 134,772 |
| Fines and forfeitures | 245,215 | - | - | 8,777 | 253,992 |
| Investment income | 64,724 | 67,974 | - | 5,066 | 137,764 |
| Miscellaneous | 41,949 | 154 | - | 31,872 | 73,975 |
| Total Revenues | 3,490,994 | 3,871,236 | 3,623,932 | 4,141,590 | 15,127,752 |
| Expenditures: | | | | | |
| General government | 2,332,099 | - | - | 364,722 | 2,696,821 |
| Public safety and judiciary | 8,849,837 | - | - | 872,587 | 9,722,424 |
| Transportation | - | 1,204,116 | - | - | 1,204,116 |
| Cultural, parks, recreation and promotion | 1,388,108 | - | - | 382,756 | 1,770,864 |
| Fleet maintenance | - | - | - | 616,621 | 616,621 |
| Capital outlay | 263,676 | 1,391,804 | - | 1,052,674 | 2,708,154 |
| Total Expenditures | 12,833,720 | 2,595,920 | - | 3,289,360 | 18,719,000 |
| Excess (deficiency) of revenues over expenditures | (9,342,726) | 1,275,316 | 3,623,932 | 852,230 | (3,591,248) |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 11,269,802 | - | - | 679,646 | 11,949,448 |
| Transfers out | (1,156,666) | (1,112,308) | (2,928,966) | (1,966,839) | (7,164,779) |
| Total Other Financing Sources (Uses) | 10,113,136 | (1,112,308) | (2,928,966) | (1,287,193) | 4,784,669 |
| Net change in fund balances | 770,410 | 163,008 | 694,966 | (434,963) | 1,193,421 |
| Fund balances - beginning | 3,512,973 | 12,031,514 | 3,260,984 | 5,230,312 | 24,035,783 |
| Fund balances - ending | \$ 4,283,383 | \$ 12,194,522 | \$ 3,955,950 | \$ 4,795,349 | \$ 25,229,204 |

See accompanying notes to the basic financial statements

City of Claremore, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the fiscal year ended June 30, 2014

Net change in fund balances - total governmental funds \$1,193,421

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 purchases capitalized | 2,708,154 |
| Depreciation expense | (2,009,476) |
| | 698,678 |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

| | |
|------------------------|--------|
| Donated capital assets | 28,772 |
| | 28,772 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

| | |
|---------------------------------------|-------------|
| Loss on asset dispositions | (645,688) |
| Transfer of fixed assets to CPWA, net | (2,283,761) |
| | (2,929,449) |

Change in net position of governmental activities (\$1,008,578)

City of Claremore, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2014

| | Enterprise Funds | | |
|---|-------------------------|---------------------|----------------------|
| | CPWA | CCDA | Total |
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 2,391,502 | \$ 633,028 | \$ 3,024,530 |
| Accounts receivable, net | 4,672,898 | 11,366 | 4,684,264 |
| Due from other governments | 18,995 | - | 18,995 |
| Inventory | 1,312,220 | - | 1,312,220 |
| Restricted assets: | | | |
| Cash and cash equivalents | 3,316,839 | 145,032 | 3,461,871 |
| Interest receivable | 39,064 | - | 39,064 |
| Note receivable, current portion | 377,677 | - | 377,677 |
| Total current assets | <u>12,129,195</u> | <u>789,426</u> | <u>12,918,621</u> |
| Noncurrent Assets: | | | |
| Investments | 506,113 | - | 506,113 |
| Restricted assets: | | | |
| Investments | 6,214,481 | - | 6,214,481 |
| Note receivable, net of current portion | 3,102,323 | - | 3,102,323 |
| Land and construction in progress | 5,342,849 | 1,550,319 | 6,893,168 |
| Other capital assets, net | 50,689,031 | 10,273,074 | 60,962,105 |
| Total noncurrent assets | <u>65,854,797</u> | <u>11,823,393</u> | <u>77,678,190</u> |
| Total assets | <u>77,983,992</u> | <u>12,612,819</u> | <u>90,596,811</u> |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts payable and accrued expenses | 2,390,601 | 34,140 | 2,424,741 |
| Accrued interest payable | 222,925 | 4,403 | 227,328 |
| Accrued compensated absences | 155,176 | 46,913 | 202,089 |
| Due to related entities | 17,987 | - | 17,987 |
| Current portion of long term obligations | 2,072,677 | 905,000 | 2,977,677 |
| Total current liabilities | <u>4,859,366</u> | <u>990,456</u> | <u>5,849,822</u> |
| Noncurrent liabilities: | | | |
| Deposits subject to refund | 936,939 | 5,325 | 942,264 |
| Noncurrent portion of long-term obligations | 35,412,323 | 6,140,000 | 41,552,323 |
| Total noncurrent liabilities | <u>36,349,262</u> | <u>6,145,325</u> | <u>42,494,587</u> |
| Total liabilities | <u>41,208,628</u> | <u>7,135,781</u> | <u>48,344,409</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 18,546,880 | 4,778,393 | 23,325,273 |
| Restricted for: | | | |
| Debt service | 1,459,949 | 145,032 | 1,604,981 |
| Hospital trust fund | 10,653,496 | - | 10,653,496 |
| Unrestricted | 6,115,039 | 553,613 | 6,668,652 |
| Total net position | <u>\$ 36,775,364</u> | <u>\$ 5,477,038</u> | <u>\$ 42,252,402</u> |

See accompanying notes to the basic financial statements

City of Claremore, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2014

| | Enterprise Funds | | |
|---|----------------------|---------------------|----------------------|
| | CPWA | CCDA | Total |
| Operating revenues: | | | |
| Charges for services: | | | |
| Water charges | \$ 3,516,690 | \$ - | \$ 3,516,690 |
| Electricity charges | 27,013,916 | - | 27,013,916 |
| Sewer charges | 1,738,769 | | 1,738,769 |
| Sanitation charges | 1,830,769 | - | 1,830,769 |
| Recreation services | - | 997,449 | 997,449 |
| Rentals | - | 384,169 | 384,169 |
| Penalties | 419,781 | - | 419,781 |
| Other | 88,605 | 6,856 | 95,461 |
| Total operating revenues | <u>34,608,530</u> | <u>1,388,474</u> | <u>35,997,004</u> |
| Operating expenses: | | | |
| Purchased electricity | 16,889,396 | - | 16,889,396 |
| Personnel services and benefits | 2,886,608 | 912,700 | 3,799,308 |
| Operations and maintenance | 5,295,266 | 632,153 | 5,927,419 |
| Depreciation | 2,079,382 | 518,072 | 2,597,454 |
| Total operating expenses | <u>27,150,652</u> | <u>2,062,925</u> | <u>29,213,577</u> |
| Operating income (loss) | 7,457,878 | (674,451) | 6,783,427 |
| Non-operating revenues (expenses): | | | |
| Investment income | 313,343 | 3,007 | 316,350 |
| Interest expense and fiscal charges | (1,415,335) | (130,271) | (1,545,606) |
| Total non-operating revenues (expenses) | <u>(1,101,992)</u> | <u>(127,264)</u> | <u>(1,229,256)</u> |
| Net income(loss) before transfers and extraordinary item | 6,355,886 | (801,715) | 5,554,171 |
| Change in accounting principle (Note 1.J) | (68,539) | - | (68,539) |
| Transfers in | 4,886,840 | 1,560,737 | 6,447,577 |
| Transfers out | (9,829,892) | - | (9,829,892) |
| Change in net position | 1,344,295 | 759,022 | 2,103,317 |
| Net position - beginning | 35,431,069 | 4,718,016 | 40,149,085 |
| Net position - ending | <u>\$ 36,775,364</u> | <u>\$ 5,477,038</u> | <u>\$ 42,252,402</u> |

See accompanying notes to the basic financial statements

City of Claremore, Oklahoma
Statement Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2014

| | Enterprise Funds | | |
|---|---------------------|---------------------|---------------------|
| | CPWA | CCDA | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 34,346,454 | \$ 1,393,705 | \$ 35,740,159 |
| Payments to suppliers | (21,987,341) | (657,340) | (22,644,681) |
| Payments to or on behalf of employees | (2,907,808) | (906,565) | (3,814,373) |
| Receipts of customer deposits | 297,694 | 15,821 | 313,515 |
| Customer deposits refunded or applied | (267,198) | (10,496) | (277,694) |
| Net cash provided by operating activities | <u>9,481,801</u> | <u>(164,875)</u> | <u>9,316,926</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Transfers from other funds | 4,886,840 | 1,560,737 | 6,447,577 |
| Transfers to other funds | (9,821,751) | - | (9,821,751) |
| Net cash used in non-capital and related financing activities | <u>(4,934,911)</u> | <u>1,560,737</u> | <u>(3,374,174)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchases of capital assets | (1,363,892) | (240,662) | (1,604,554) |
| Principal paid on capital debt | (1,800,026) | (875,000) | (2,675,026) |
| Interest and fiscal agent fees paid on capital debt | (1,287,841) | (136,769) | (1,424,610) |
| Net cash used in capital and related financing activities | <u>(4,451,759)</u> | <u>(1,252,431)</u> | <u>(5,704,190)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | (3,914) | - | (3,914) |
| Interest and dividends | 313,343 | 3,007 | 316,350 |
| Net cash provided by (used in) investing activities | <u>309,429</u> | <u>3,007</u> | <u>312,436</u> |
| Net decrease in cash and cash equivalents | 404,560 | 146,438 | 550,998 |
| Balances - beginning of the year | <u>5,303,781</u> | <u>631,622</u> | <u>5,935,403</u> |
| Balances - end of the year | <u>\$ 5,708,341</u> | <u>\$ 778,060</u> | <u>\$ 6,486,401</u> |
| Reconciliation to the Statement of Net Position: | | | |
| Cash and cash equivalents | \$ 2,391,502 | \$ 633,028 | \$ 3,024,530 |
| Restricted cash and cash equivalents | 3,316,839 | 145,032 | 3,461,871 |
| Total cash and cash equivalents | <u>\$ 5,708,341</u> | <u>\$ 778,060</u> | <u>\$ 6,486,401</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ 7,457,878 | \$ (674,451) | \$ 6,783,427 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation expense | 2,079,382 | 518,072 | 2,597,454 |
| Loss on disposition of assets | - | - | - |
| Change in assets and liabilities: | | | |
| Decrease (increase) in receivables, net | (262,076) | 5,231 | (256,845) |
| Decrease in inventory | 347,549 | - | 347,549 |
| Decrease in accounts payable | (150,228) | (25,187) | (175,415) |
| Decrease in customer deposits payable | 30,496 | 5,325 | 35,821 |
| Decrease (increase) in accrued compensated absences | (21,200) | 6,135 | (15,065) |
| Net cash provided (used) by operating activities | <u>\$ 9,481,801</u> | <u>\$ (164,875)</u> | <u>\$ 9,316,926</u> |

See accompanying notes to the basic financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1.A. FINANCIAL REPORTING ENTITY

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

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

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

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

BLENDED COMPONENT UNITS

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

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

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

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

DISCRETELY PRESENTED COMPONENT UNIT

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

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

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

1.B. BASIS OF PRESENTATION

Government-Wide Financial Statements:

The statement of net position and statement of activities display information about the city as a whole. They include all financial activities of the reporting entity. Eliminations have been made to minimize the double reporting of transactions involving internal activities. Individual funds are not displayed in these statements. Instead, the statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements:

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

1. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
3. A fund not meeting the criteria of (a) and (b), however management has elected to report the fund as a major fund due to its significance to users of the financial statements.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

FUND TYPES AND MAJOR FUNDS:

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

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

PROPRIETARY FUND TYPES

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

COMPONENT UNIT

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements report using the "current financial resources" measurement focus and the modified accrual basis of accounting. Under the current financial resources focus, only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The city considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Sales and use taxes, franchise taxes, hotel/motel taxes, court fines and interest are considered susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recorded when due.

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

Cash and Cash Equivalents

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

Investments

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

Receivables

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

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

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

Inventories

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Capital Assets and Depreciation

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

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

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

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

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

Restricted Assets

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

Long-Term Debt

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

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

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

Compensated Absences

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

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

Equity Classifications

Government-Wide Financial Statements:

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

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

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

Fund Financial Statements:

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

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance.
- d. Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

1.E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The City levies a three-cent sales tax on taxable sales within the city. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The sales tax is recorded as revenue in the funds as follows:

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

Property Tax

Under State statutes, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. The City has not levied any property tax.

Pledge of Future Revenues

The city has pledged all revenues, funds, and accounts of the CPWA as security for repayment of the Claremore PWA Subordinated Capital Improvement 2005 Revenue Bonds, issued October 1, 2005 in the amount of \$1,000,000. Proceeds from the bonds provided financing for utility system improvements to the industrial park and facilities owned by the City. . The total principal and interest payable for the remainder of the life of this note is \$134,478. The note is payable from the above-mentioned utility net revenues.

The city has also pledged future net electric system revenues to repay the \$23,920,000 Utility System Refunding Revenue Bonds, Series 2012 which were issued on May 30, 2012 in order to refund the Bank of America Capital Corp. Lease Purchase Agreement dated October 18, 2007 which provided financing for acquiring, constructing, furnishing and equipping improvements to the wastewater treatment facilities owned by the City. The note is payable through 2025. The total principal and interest payable for the remainder of the life of this note is \$27,061,749. Debt service payments of \$1,948,900 for the current fiscal year were 16.4% of pledged revenues.

The city has pledged future net electric system and certain sales tax revenues to repay the \$8,680,000 Capital Improvement Refunding Revenue Bonds, Taxable Series 2013A which were issued on May 7, 2013 in order to refund the outstanding Capital Improvement Refunding Bonds, Taxable Series 2004B dated April 1, 2004 which were used to advance refund the Capital Improvement Revenue Refunding Bonds, Series 2000 and acquire and construct an exposition, park and recreational facility known as the Claremore expo Complex and to acquire, construct and equip waste water treatment facilities and other City capital improvements. The note is payable through 2021. The total principal and interest payable for the remainder of the life of this note is \$7,627,515. Debt service payments of \$1,005,818 for the current fiscal year were 8.4% of pledged revenues.

The city has also pledged future net electric system revenues to repay the \$5,035,000 Electric System Refunding Revenue Bonds, Series 2013B which were issued on June 7, 2013 in order to refund the outstanding Electric System Revenue Bonds, Series 2005, dated June 1, 2005 which were used to construct improvements to the electric system. The note is payable through 2030. The total principal and interest payable for the remainder of the life of this note is \$6,300,645. Debt service payments of \$374,241 for the current fiscal year were 3.1% of pledged revenues.

The city has also pledged future net electric system revenues to repay the \$8,005,000 Utility System Refunding Revenue Bonds, Series 2013C which were issued on June 7, 2013 in order to refund the outstanding Utility System Revenue Bonds,

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Series 2005, dated July 1, 2005 which were used to advance refund CPWA's \$9,710,000 Capital Improvement Revenue Refunding Bonds, Series 1998 which were issued to refund CPWA's outstanding Water and Sewer System Revenue Bonds, Series 1993, Dated October 1, 1993 and expend, enlarge and improve the water system and facilities owned by the City and leased to the Authority. The note is payable through 2035. The total principal and interest payable for the remainder of the life of this note is \$11,340,395. Debt service payments of \$410,548 for the current fiscal year were 3.4% of pledged revenues.

On January 18, 2011, CPWA entered into an Infrastructure Improvement Agreement with Quicktrip Corporation (QuikTrip) to reimburse up to \$500,000 of the cost of constructing public utility improvements to serve a new store location, payable at the rate of 66% of the verified sales taxes generated by the new store and paid to the City up to \$100,000 per year for seven years from the date of the store opening. The City recognizes the expense related to this agreement at the time the corresponding revenue is received. In the fiscal year ended June 30, 2014 and 2013, the City recognized \$45,026 and \$34,393, respectively, of expense related to this agreement which expires in 2019.

Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the City that are applicable to a future reporting period. At June 30, 2014, the City did not report any deferred outflows of resources.

Deferred Inflows of Resources

Deferred inflows are the acquisitions of net position by the City that are applicable to a future reporting period. At June 30, 2014, the City had no deferred inflow of resources.

Expenditures and Expenses

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

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

Fund Financial Statements:

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

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements:

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

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

1.G. USE OF ESTIMATES

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

1.H. NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL YEAR 2014

The City adopted several new accounting pronouncements during the year ended June 30, 2014 as follows:

Statement No. 69, *Government Combinations and Disposals of Government Operations* – GASB Statement No. 69 requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The City will only be required to adopt the provisions of GASB Statement No. 69 if it enters into a merger, acquisition, or transfer of operations.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* – GASB Statement No. 70 specifies information required to be disclosed by governments that extend or receive financial guarantees and recognize the likely financial effect of the transaction. The adoption of GASB No. 70 did not impact the City's fund balances, changes in fund balances, financial position, changes in financial position, cash flows, or its financial statement presentation.

1.I. NEW ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*
GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirement are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance was issued in November 2013. Although the City has not yet quantified the impact that GASB 68 will have on its financial statements, it believes that adoption could result in a significant decrease in its net position.

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

1.J. CHANGE IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2014, the City implemented the following changes in its accounting practices:

Fair Value of Investments

The City has recorded changes in the fair value of its investment securities that have actively traded markets, such as government backed securities, as required by GASB 31 *Accounting and Financial Reporting for Certain Investments and For External Investment Pools*. Previously, these investments were carried at original cost. The City has elected to recognize the full effect of an unrealized loss on investments of \$545,146 in its CPWA fund which reduces the net position of business-type activities.

Quick-trip Incentive Agreement

Previously, the City had recognized a note payable related to a pledge to pay 66% of sales tax generated by a new convenience store to the owner as partial compensation for the construction cost necessary to build the utility infrastructure to service the store. Since no note was issued related to this agreement, and the payment to the owner is contingent upon receipt of the corresponding tax revenue, management has elected to remove the note payable (\$465,606) at July 1, 2013 and recognize the expense annually as the amounts are paid to the owner. For additional information regarding this agreement, see note 3.B.

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.

2.A. DEFICIT FUND BALANCES OR NET POSITION

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). At June 30, 2014, the City reported a deficit fund balance in the CDBG Sewer Fund of \$54,053

2.B. DEPOSITS AND INVESTMENTS REQUIREMENTS

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitations, negotiable certificates of deposit, 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 Administration and debentures issued by the Federal Housing Administration, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c. and d.

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2014, the city and its public trusts, complied with the above investment restrictions.

2.C. DEBT RESTRICTIONS AND COVENANTS

Revenue Bond Debt

The bond indentures relating to the revenue bonds issued by the CPWA contain a number of financial restrictions or covenants. These include covenants requiring flow of funds through special accounts, required reserve account balances and revenue bond debt service coverage requirements. The CPWA complied with the requirements of the bond indentures in all material respects for the fiscal year ended June 30, 2014.

NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

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

3.A. DEPOSITS AND INVESTMENTS

The City's policies regarding deposits of cash and investments are discussed in Note 1.E.

Deposits

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

As of June 30, 2014, the City was no exposed to custodial credit risk as defined above.

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

As of June 30, 2014, the City's reporting entity had the following deposits and investments:

| Type | Fair Value | Credit Rating | Maturities in Years | | | |
|--|----------------------|---------------|----------------------|-----------------|---------------------|---------------------|
| | | | On Demand | Less than one | 1 - 5 | 6 - 10 |
| Demand deposits and cash on hand | \$ 20,753,535 | n/a | \$ 20,753,535 | \$ - | \$ - | \$ - |
| Money market fund - federal obligations | 957,350 | n/a | 957,350 | - | - | - |
| Certificates of deposit | 4,372,996 | n/a | - | 2,109 | 4,370,887 | - |
| Government backed securities | 11,314,481 | n/a | - | - | 3,000,000 | 8,314,481 |
| | <u>\$ 37,398,362</u> | | <u>\$ 21,710,885</u> | <u>\$ 2,109</u> | <u>\$ 7,370,887</u> | <u>\$ 8,314,481</u> |
| Reconciliation to Statement of net position: | | | | | | |
| Cash and cash equivalents | \$ 18,251,123 | | | | | |
| Restricted - cash and cash equivalents | 3,461,871 | | | | | |
| Investments | 9,470,887 | | | | | |
| Restricted - investments | 6,214,481 | | | | | |
| | <u>\$ 37,398,362</u> | | | | | |

Investments

The city does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. There is no limit on the amount it may invest in any one issuer. The city has no investment policy that limits its investment choices other than the limitation of State Statutes discussed in Note 2.B.

3.B. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of customer utilities receivable. Component unit accounts receivables consist of airport hangar and land rentals. Receivables detail at June 30, 2014, is as follows:

| | Business-Type Activities | Component Unit (CIEDA) |
|--------------------------------------|-----------------------------|---------------------------|
| Accounts Receivable | \$4,718,219 | \$15,864 |
| Allowance for uncollectible accounts | (33,955) | - |
| Net Accounts Receivable | <u>\$4,684,264</u> | <u>\$15,864</u> |

3.C. RESTRICTED ASSETS

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

3.D. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

| | Balance <u>July 1, 2013</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2014</u> |
|--|--------------------------------|---------------------|---------------------|---------------------------------|
| <i>Governmental Activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,015,065 | \$ - | \$ 16,345 | \$ 1,998,720 |
| Construction-in-progress | 2,546,187 | 1,889,541 | 2,379,547 | 2,056,181 |
| Total Capital assets not being depreciated | <u>4,561,252</u> | <u>1,889,541</u> | <u>2,395,892</u> | <u>4,054,901</u> |
| Depreciable assets | | | | |
| Buildings and improvements | 11,721,844 | 157,844 | 492,853 | 11,386,835 |
| Equipment and furniture | 12,765,442 | 370,637 | 3,417,994 | 9,718,085 |
| Infrastructure | 49,082,438 | 416,281 | 59,871 | 49,438,848 |
| Total depreciable assets | <u>73,569,724</u> | <u>944,762</u> | <u>3,970,718</u> | <u>70,543,768</u> |
| Less accumulated depreciation | <u>45,913,104</u> | <u>2,009,476</u> | <u>3,351,060</u> | <u>44,571,520</u> |
| Net depreciable assets | <u>27,656,620</u> | <u>(1,064,714)</u> | <u>619,658</u> | <u>25,972,248</u> |
| Governmental activities capital assets, net | <u>\$ 32,217,872</u> | <u>\$ 824,827</u> | <u>\$ 3,015,550</u> | <u>\$ 30,027,149</u> |
| <i>Business -type Activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,982,034 | \$ 40,150 | \$ 62,879 | \$ 1,959,305 |
| Construction-in-progress | 3,690,286 | 1,341,787 | 98,210 | 4,933,863 |
| Total Capital assets not being depreciated | <u>5,672,320</u> | <u>1,381,937</u> | <u>161,089</u> | <u>6,893,168</u> |
| Depreciable Assets: | | | | |
| Buildings and improvements | 23,414,145 | 172,265 | 5,874 | 23,580,536 |
| Equipment and furniture | 8,538,966 | 515,859 | 458,529 | 8,596,296 |
| Infrastructure | 69,008,026 | - | 193,454 | 68,814,572 |
| Total depreciable assets | <u>100,961,137</u> | <u>688,124</u> | <u>657,857</u> | <u>100,991,404</u> |
| Less accumulated depreciation | <u>37,785,283</u> | <u>2,597,454</u> | <u>353,438</u> | <u>40,029,299</u> |
| Net depreciable assets | <u>63,175,854</u> | <u>(1,909,330)</u> | <u>304,419</u> | <u>60,962,105</u> |
| Business-type activities capital assets, net | <u>\$ 68,848,174</u> | <u>\$ (527,393)</u> | <u>\$ 465,508</u> | <u>\$ 67,855,273</u> |
| <i>Component Unit (CIEDA):</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land and building held for development | \$ 2,108,601 | \$ 1,243,920 | \$ 490,695 | \$ 2,861,826 |
| Construction-in-progress | 3,292,145 | 1,578,290 | 3,891,154 | 979,281 |
| Total Capital assets not being depreciated | <u>5,400,746</u> | <u>2,822,210</u> | <u>4,381,849</u> | <u>3,841,107</u> |
| Depreciable Assets: | | | | |
| Buildings and improvements | 1,183,817 | 5,875 | - | 1,189,692 |
| Equipment and furniture | 415,196 | 4,600 | 15,740 | 404,056 |
| Infrastructure | 2,942,884 | 2,673,188 | - | 5,616,072 |
| Total depreciable assets | <u>4,541,897</u> | <u>2,683,663</u> | <u>15,740</u> | <u>7,209,820</u> |
| Less accumulated depreciation | <u>1,417,386</u> | <u>208,833</u> | <u>15,740</u> | <u>1,610,479</u> |
| Net depreciable assets | <u>3,124,511</u> | <u>2,474,830</u> | <u>-</u> | <u>5,599,341</u> |
| Component unit capital assets, net | <u>\$ 8,525,257</u> | <u>\$ 5,297,040</u> | <u>\$ 4,381,849</u> | <u>\$ 9,440,448</u> |

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

| | |
|---|--------------------|
| Primary Government: | |
| Governmental Activities: | |
| General government | \$143,521 |
| Public safety and judiciary | 354,174 |
| Culture, parks, and recreation | 257,560 |
| Transportation | <u>1,254,221</u> |
| Total depreciation expense - governmental activities | <u>\$2,009,476</u> |
| Business-Type Activities: | |
| Electric | \$333,139 |
| Water | 1,144,240 |
| Wastewater | 478,812 |
| Solid waste | 123,191 |
| Recreation | <u>518,072</u> |
| Total depreciation expense - business-type activities | <u>\$2,597,454</u> |
| Component Unit: | |
| CIEDA: | |
| Airport | \$208,833 |

3.E.TAX ANTICIPATION DEBT AND RECEIVABLES

In 2011, CIEDA proposed, and the City adopted, a resolution which declared the City's intent to create a "reinvestment area" pursuant to the provisions of the Oklahoma Local Development Act, Title 62, Section 850 of the Oklahoma Statutes. The resolution also directed the City's Local Development Act Review Committee to analyze the area and determine the potential of creating tax increment districts within the City. As of June 30, 2014, the following districts had been created:

TIF District #1 – Baker Hughes Increment District Project

The City created TIF District #1 on November 12, 2012. On February 8, 2013, the following notes were issued:

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

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

TIF District #2 – NXTGen Filterworks

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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

TIF District #3 – Promise Hotels

The City created TIF District #3 on November 1, 2013 for the purpose of constructing and equipping conference facilities adjacent to a hotel. As of June 30, 2014, no financial transactions related to this district had been completed. See note III.H for subsequent event activity.

TIF District #4 – AXH

On April 14, 2014, the City created TIF District #4 for the purposes of assisting a manufacturer in the purchase of a building located at the Claremore Industrial Park. The building had been purchased by CIEDA from Burgess Norton and CIEDA entered into a lease purchase agreement with AXH on December 1, 2013. As of June 30, 2014, no financial transaction related to this district had been completed. See note III.H for subsequent event activity.

Component Unit (CIEDA) - Changes in Tax Anticipation Receivables

| | Balance | | | Balance | Due within |
|-----------------------------------|----------------------|-------------------|-----------------|----------------------|-------------------|
| | June 30, 2013 | Advanced | Received | June 30, 2014 | One Year |
| TIF District #1 - Due From CPWA | \$ 3,480,000 | \$ - | \$ - | \$ 3,480,000 | \$ 377,677 |
| TIF District #2 - Due From NXTGEN | - | 350,000 | - | 350,000 | 35,000 |
| Total TIF receivable | <u>\$ 3,480,000</u> | <u>\$ 350,000</u> | <u>\$ -</u> | <u>\$ 3,830,000</u> | <u>\$ 412,677</u> |

3.F. LONG-TERM DEBT

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

Business-Type Activities:

As of June 30, 2014, the long-term debt payable from business-type activities resources consisted of the following:

Revenue Bonds:

Claremore PWA Subordinated Capital Improvement 2005 Revenue Bonds, original issue amount of \$1,000,000, secured by utility revenues, interest rate of 5.35%, and final maturity June 2015. Full outstanding amount is current. \$ 130,000

Claremore PWA Refunding Revenue Bonds, Series 2012, original issue amount of \$23,920,000, secured by electric system revenues, interest rate of 1.00%-4.00%, and final maturity June 2025.

Note was issued to refund the amount outstanding on the Bank of America Capital Corp. Lease Purchase Agreement dated October 18, 2007.

Current portion \$1,175,000, non-current portion \$20,130,000 \$21,305,000

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

0.50%-2.40%, and final maturity June 2021.

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

Current portion \$905,000, non-current portion \$6,140,000 \$ 7,045,000

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

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

Current portion \$225,000, non-current portion \$4,595,000 \$ 4,820,000

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

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

Current portion \$165,000, non-current portion \$7,585,000 \$ 7,750,000

Notes Payable:

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

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

Current portion \$377,677, non-current portion \$3,102,323 \$ 3,480,000

Total Long Term Debt outstanding – Business-type \$44,530,000

Current portion \$ 2,977,677

Non-current portion 41,552,323

Total Notes Payable \$44,530,000

Component Unit (CIEDA):

Notes payable:

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

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

Current portion \$23,599, non-current portion \$94,684 \$ 118,283

Note payable to the BancFirst, original issue amount of \$1,184,195, secured by a commercial building at the Claremore Industrial Park, variable interest rate currently 5.10%, and final maturity August 2028.

Note was issued to purchase a commercial building that is currently held for sale.

Current portion \$56,095, non-current portion \$1,083,486 \$ 1,139,581

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

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

Current portion \$188,839, non-current portion \$1,551,161 \$ 1,740,000

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

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

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discussed above.

| | |
|--|---------------------|
| Current portion \$188,838, non-current portion \$1,551,162 | \$ 1,740,000 |
| Total Long Term Debt outstanding – Component Unit | <u>\$ 4,737,864</u> |
| Current portion | \$ 457,371 |
| Non-current portion | <u>4,280,493</u> |
| Total Notes Payable | <u>\$ 4,737,864</u> |

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

| | Balance <u>July 1, 2013</u> | <u>Additions</u> | <u>Retirements</u> | Balance <u>June 30, 2014</u> | Amounts Due in <u>One Year</u> |
|---------------------------------------|--------------------------------|---------------------|---------------------|---------------------------------|-----------------------------------|
| Business Type Activities: | | | | | |
| Notes payable - related party | \$ 3,480,000 | \$ - | \$ - | \$ 3,480,000 | \$ 377,677 |
| Revenue bonds payable | 43,680,000 | - | 2,630,000 | 41,050,000 | 2,600,000 |
| Total Business Type Activities | <u>\$ 47,160,000</u> | <u>\$ -</u> | <u>\$ 2,630,000</u> | <u>\$ 44,530,000</u> | <u>\$ 2,977,677</u> |
| Component Unit - CIEDA: | | | | | |
| Tax anticipation note - related party | \$ 3,480,000 | \$ - | \$ - | \$ 3,480,000 | \$ 377,677 |
| Other notes payable | 142,481 | 1,184,195 | 68,812 | 1,257,864 | 79,694 |
| Total Component Unit - CIEDA | <u>\$ 3,622,481</u> | <u>\$ 1,184,195</u> | <u>\$ 68,812</u> | <u>\$ 4,737,864</u> | <u>\$ 457,371</u> |

Payment requirements to maturity:

| | Business Type Activities | | Component Unit (CIEDA) | |
|--------------|--------------------------|----------------------|------------------------|---------------------|
| | Bonds and Note Payable | | Notes Payable | |
| | Year Ending June 30, | Principal | Interest | Principal |
| 2015 | \$ 2,977,677 | \$ 1,488,423 | \$ 457,371 | \$ 210,619 |
| 2016 | 2,947,784 | 1,421,720 | 476,800 | 192,356 |
| 2017 | 3,148,495 | 1,351,735 | 497,068 | 172,358 |
| 2018 | 3,259,835 | 1,268,010 | 518,213 | 151,669 |
| 2019 | 3,366,829 | 1,178,883 | 525,783 | 130,206 |
| 2020-2024 | 18,544,380 | 4,420,268 | 1,835,925 | 452,350 |
| 2025-2029 | 6,785,000 | 1,172,623 | 426,704 | - |
| 2030-2034 | 2,560,000 | 425,285 | - | - |
| 2035-2036 | 940,000 | 37,600 | - | - |
| Total | <u>\$ 44,530,000</u> | <u>\$ 12,764,546</u> | <u>\$ 4,737,864</u> | <u>\$ 1,309,558</u> |

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

3.G. INTERFUND TRANSACTION AND BALANCES

Interfund transfers for the year ended June 30, 2014 were as follows:

| <u>Transfer from</u> | <u>Transfer to</u> | <u>Amount</u> | <u>Nature of Interfund Transfer</u> |
|-------------------------------|------------------------|----------------------|---|
| * General Fund | * CCDA | \$ 272,929 | General operations |
| * General Fund | * CCDA | 84,278 | Donations |
| Capital Improvement Sales Tax | * CPWA | 643,995 | Fixed asset acquisitions |
| Capital Improvement Sales Tax | * CCDA | 216,155 | Fixed asset acquisitions |
| * Expo/Rec Sales Tax Fund | * CCDA | 987,375 | Debt service |
| Expo/Rec Sales Tax Fund | * CPWA | 1,941,591 | Debt service |
| * CPWA | * General Fund | 8,916,382 | General operations |
| * CPWA | * General Fund | 896,017 | Shared overhead reimbursement |
| Sale Tax Fire | * General Fund | 440,454 | Shared overhead reimbursement |
| Sale Tax Park | * General Fund | 165,359 | Shared overhead reimbursement |
| Sales Tax Police | * General Fund | 418,928 | Shared overhead reimbursement |
| * Sales Tax Street | * General Fund | 1,112,308 | Shared overhead reimbursement |
| * General Fund | CIEDA (Component unit) | 799,459 | Airport management, economic incentives |
| Airport Fund | CIEDA (Component unit) | 81,948 | Fixed assets acquisitions |
| Governmental Funds | * CPWA | 2,301,254 | Fixed asset transfer |
| | | <u>\$ 19,278,432</u> | |

* Represents major fund

Reconciliation to Fund Financial Statements:

| | <u>Transfers in</u> | <u>Transfers out</u> | <u>Total</u> |
|---|----------------------|----------------------|------------------|
| Governmental Funds | \$ 11,949,448 | \$ 7,164,779 | \$ 4,784,669 |
| Proprietary Funds | 6,447,577 | 9,829,892 | (3,382,315) |
| Total funds | <u>18,397,025</u> | <u>16,994,671</u> | <u>1,402,354</u> |
| Fixed asset transfer to business-type from governmental activities, net | - | 2,283,761 | (2,283,761) |
| Total primary government | <u>18,397,025</u> | <u>19,278,432</u> | <u>(881,407)</u> |
| Component unit (CIEDA) | 881,407 | - | 881,407 |
| Total government wide | <u>\$ 19,278,432</u> | <u>\$ 19,278,432</u> | <u>\$ -</u> |

3.H. FUND BALANCES AND NET POSITION

Government Wide Financial Statements:

Net Position Restrictions at June 30, 2014 were as follows:

| <u>Fund</u> | <u>Restricted By</u> | <u>Amount</u> |
|-------------|---------------------------|----------------------|
| CPWA | Debt covenants - external | 1,459,949 |
| CPWA | Hospital Trust Agreement | 10,653,496 |
| CCDA | Debt covenants - external | 145,032 |
| | | <u>\$ 12,258,477</u> |

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Fund Level Financial Statements:

| | General Fund | Sales Tax Street Fund | EXPO/WWTP Sales Tax Fund | Other Governmental Fund | Total |
|--|-----------------|--------------------------|--------------------------------|-------------------------------|---------------|
| Fund Balance: | | | | | |
| Nonspendable: | | | | | |
| Inventory | \$ 468 | \$ - | \$ - | \$ - | \$ 468 |
| Restricted For: | | | | | |
| Cemetery | - | - | - | 367,444 | 367,444 |
| Committed For: | | | | | |
| Street improvements - city ordinance | - | 12,194,522 | - | - | 12,194,522 |
| Debt service - city ordinance | - | - | 3,955,950 | - | 3,955,950 |
| Park improvements -city ordinance | - | - | - | 1,024,387 | 1,024,387 |
| Police operations - city ordinance | - | - | - | 516,284 | 516,284 |
| Fire service - city ordinance | - | - | - | 597,080 | 597,080 |
| Capital improvement - city ordinance | - | - | - | 1,104,991 | 1,104,991 |
| Budgetary - special revenue - council resolution | - | - | - | 90,810 | 90,810 |
| Accrued leave - state constitution | 214,270 | - | - | - | 214,270 |
| Sub-total restricted | 214,270 | 12,194,522 | 3,955,950 | 3,333,552 | 19,698,294 |
| Assigned for: | | | | | |
| Budgetary - council resolution | 441,420 | - | - | - | 441,420 |
| Police and judiciary -council resolution | - | - | - | 110,475 | 110,475 |
| Emergency managment -council resolution | - | - | - | 577,410 | 577,410 |
| Fleet managment -council resolution | - | - | - | 150,792 | 150,792 |
| Library operations-council resolution | - | - | - | 62,146 | 62,146 |
| Park improvements -council resolution | - | - | - | 247,583 | 247,583 |
| Sub-total assigned | 441,420 | - | - | 1,148,406 | 1,589,826 |
| Unassigned: | 3,627,225 | - | - | (54,053) | 3,573,172 |
| TOTAL FUND BALANCE | \$ 4,283,383 | \$ 12,194,522 | \$ 3,955,950 | \$ 4,795,349 | \$ 25,229,204 |

NOTE 4. OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

The city participates in three employee pension systems as follows:

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

Oklahoma Police and Firefighter's Pension and Retirement Systems

Plan Description. The City of Claremore, as the employer, participates in two statewide cost-sharing multi-employer defined benefit plans on behalf of the policemen and firefighters. The plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. Both plans issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained as follows: Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd, Ste. 605, Oklahoma City, OK 73116-7335

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and/or the Oklahoma Firefighter's Pension and Retirement System, 4545 N. Lincoln Blvd., Ste. 265, Oklahoma City, OK 73105-3414.

Funding Policy. Plan members of the police pension plan are required to contribute 8 percent of their annual covered payroll, and the City of Claremore is required to contribute 13 percent of the annual covered payroll for police officers and 21 percent for firefighters which includes the member's required contribution. The contribution requirements of the plan member and the city are established by state statute and may be amended by the legislature. The state made on-behalf payments to the Police and Fire pension plans were \$251,923 and \$865,814, respectively. The city's contributions to each of the plans are listed below. The contributions are equal to the required contributions for each year, for each plan.

City contributions required by State statute:

| Fiscal <u>Year</u> | <u>Oklahoma Police Pension and Retirement System</u> | | <u>Oklahoma Firefighter's Pension and Retirement System</u> | |
|-----------------------|--|-----------------------------------|---|-----------------------------------|
| | <u>Required Contribution</u> | <u>Percentage Contributed</u> | <u>Required Contribution</u> | <u>Percentage Contributed</u> |
| 2013 | 316,934 | 100% | 565,480 | 100% |
| 2014 | 324,042 | 100% | 567,967 | 100% |

Oklahoma Municipal Retirement Plan (OMRF)

Plan Description. The City contributes to the City of Claremore and Claremore Improvement Authority Plan and Trust in the form of the Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer-defined benefit plan. The plan provides retirement and disability benefit and death benefits to full-time, non-uniformed employees of the City or Authority upon hire, if less than age 60 and their beneficiaries. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. Bank One of Oklahoma City acts as administrator and securities custodian. OMRF issues separate plan financial statements that includes required supplementary information that may be obtained by contacting the Oklahoma Municipal Retirement Fund, 100 N. Broadway, Oklahoma City, OK 73102.

Funding Policy. OMRF members are required to contribute an average of 2.25 – 6.0 percent of their annual covered payroll, depending on their date of hire. The city is required to contribute at an actuarially determined rate; the current rate is 5.08 percent of covered payroll. The plan does not allow for the employee to contribute more than the amount necessary to fund their defined benefit. The contribution requirements of plan members and the city are established and may be amended by the OMRF Board with approval of the City Council.

Annual Pension Cost. For fiscal year 2014 the city's annual pension cost of \$309,623 was equal to the city's required contributions. The General Fund, Sales Tax Street Fund, CPWA Fund, and CCDA Fund are used to liquidate their respective employee net pension obligations.

| <u>Three-Year Trend Information</u> | | | |
|-------------------------------------|--|--|---------------------------------------|
| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
| June 30, 2012 | \$551,851 | 100% | \$0 |
| June 30, 2013 | \$345,491 | 100% | \$0 |
| June 30, 2014 | \$309,623 | 100% | \$0 |

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

The required contribution was determined as part of the July 1, 2013, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at July 1, 2013 included (a) 7.5 percent investment rate of return, (b) projected salary increases range from 4.0 to 7.42 percent, (c) an inflation rate of 3%, and (d) no COLA. The actuarial value of the plan assets was determined using actuarial write up method. This method is used to reduce the effect of fluctuations in market value. The actuarial value of assets is equal to the prior year's value adjusted for cash flows and interest at the valuation rate. This amount is adjusted by a percentage of the difference between it and market. The plan's unfunded actuarial accrued liability is the difference between the actuarial liability and the actuarial value of plan assets. The amount (redetermined each year) is amortized over 30 years from the valuation date on a closed basis.

Funded Status and Funding Progress. As of January 1, 2014, the most recent actuarial valuation date, the plan was 93.7 percent funded. The actuarial accrued liability for benefits was \$15,227,658, and the actuarial value of assets was \$14,275,252, resulting in an unfunded actuarial accrued liability (UAAL) of \$952,406. The covered payroll (annual payroll of active employees covered by the plan) was \$5,106,415 and the ratio of the UAAL to the covered payroll at 18.7 percent. The unfunded actuarial accrued liabilities are being amortized as a level percentage of payroll over a closed period of thirty years (twenty-nine years remaining).

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

4.B. RISK MANAGEMENT

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

4.C. CONDUIT DEBT OBLIGATIONS

Component Unit (CIEDA)

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

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

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

The aggregate outstanding principal balance due on these notes was approximately \$35.9 million at June 30, 2014 as follows:

| | Maturity Date | Balance 6/30/2014 |
|-----------------------------|--------------------------|------------------------------|
| Northeast Technology Center | 6/20/2027 | \$ 7,743,412 |
| Claremore Public Schools #1 | 8/15/2017 | 3,393,640 |
| Claremore Public Schools #2 | 8/15/2018 | 14,900,859 |
| Sequoyah Public Schools | 8/15/2022 | 9,883,837 |
| | | \$ 35,921,748 |

4.D. COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Contingencies:

Grant Program Involvement

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

Litigation

The City is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the city.

While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City. This statutory taxing ability is not available to the city's public trusts (Authorities).

Subsequent Events

Claremore Public Works Authority:

On March 2, 2015, the CPWA Board authorized the issuance of Utility System and Sales Tax Revenue Note, Series 2015 in the aggregate principal amount of \$21,000,000 including the pledge of certain sales tax revenue.

When completed, both assets and liabilities are expected to increase by \$21,000,000.

Component Unit (CIEDA):

TIF District #3 – Promise Hotels

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

As a result of this transaction, both assets and liabilities increased by \$750,000.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

TIF District #4 - AXH

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

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

As a result of this transaction, both assets and liabilities decreased by approximately \$600,000.

Management has evaluated subsequent events through the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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

- Schedule of Funding Progress – OMRF Defined Benefit Retirement Plan
- Budgetary Comparison Schedules –
 - General Fund
 - Sales Tax Street Fund
 - EXPO/WWTP Sales Tax Fund
- Notes to RSI – Budgetary Comparison Schedules

PENSION PLAN FUNDING PROGRESS
Oklahoma Municipal Retirement Fund
Employee Retirement System of Claremore, Oklahoma

Defined Benefit Retirement Plan – Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age (2) | Unfunded (Overfunded) AAL (UAAL) | Funded Ratio | Covered Payroll (1) | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|---|-----------------|------------------------|---|
| January 1, 2005 | \$9,580,369 | \$11,190,158 | \$1,609,289 | 8506.0% | \$4,886,960 | 32.9% |
| January 1, 2006 | \$10,594,011 | \$12,058,629 | \$1,464,618 | 87.9% | \$5,491,507 | 26.7% |
| January 1, 2007 | \$11,306,187 | \$12,316,308 | \$1,010,121 | 91.8% | \$5,053,112 | 20.0% |
| January 1, 2008 | \$12,159,606 | \$12,724,107 | \$564,501 | 95.6% | \$5,344,208 | 10.6% |
| January 1, 2009 | \$11,823,029 | \$13,127,455 | \$1,304,426 | 90.1% | \$5,082,599 | 25.7% |
| January 1, 2010 | \$12,502,219 | \$14,175,791 | \$1,673,572 | 88.2% | \$4,838,539 | 34.6% |
| January 1, 2011 | \$12,551,715 | \$13,610,161 | \$1,058,446 | 92.2% | \$4,378,220 | 24.4% |
| January 1, 2012 | \$12,555,447 | \$13,804,673 | \$1,249,226 | 91.0% | \$4,288,972 | 29.1% |
| January 1, 2013 | \$13,301,236 | \$14,437,935 | \$1,136,699 | 92.1% | \$4,900,673 | 23.2% |
| January 1, 2014 | \$14,275,252 | \$15,227,658 | \$952,406 | 93.7% | \$5,106,415 | 18.7% |

Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year and not the actual covered payroll during the fiscal year.

- (1) The actuarial value of assets is related to market value, but smoothed to reduce the volatility of contribution requirements.

CITY OF CLAREMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
For the fiscal year ended June 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance to final Favorable (unfav)</u> |
|---|------------------------|---------------------|-------------------|--|
| Beginning budgetary fund balance | \$ - | \$ - | \$ 3,512,973 | \$ 3,512,973 |
| Resources (inflows) | | | | |
| Taxes | | | | |
| Use tax | 550,000 | 550,000 | 737,219 | 187,219 |
| Franchise tax | 360,000 | 360,000 | 503,206 | 143,206 |
| Total taxes | <u>910,000</u> | <u>910,000</u> | <u>1,240,425</u> | <u>330,425</u> |
| Intergovernmental | | | | |
| Alcoholic beverage tax | 100,000 | 100,000 | 109,550 | 9,550 |
| Tobacco tax | 165,540 | 165,540 | 134,407 | (31,133) |
| Grants and contributions* | - | - | 314,421 | 314,421 |
| Total intergovernmental | <u>265,540</u> | <u>265,540</u> | <u>558,378</u> | <u>292,838</u> |
| Licenses and permits | | | | |
| Occupational licenses | 8,900 | 8,900 | 18,035 | 9,135 |
| Construction Permits | 1,500 | 1,500 | 1,080 | (420) |
| Animal license | 2,000 | 2,000 | 6,630 | 4,630 |
| Inspection fees | 79,360 | 79,360 | 101,044 | 21,684 |
| Miscellaneous licenses and permits | 35,300 | 35,300 | 38,479 | 3,179 |
| Total licenses and permits | <u>127,060</u> | <u>127,060</u> | <u>165,268</u> | <u>38,208</u> |
| Charges for services | | | | |
| Ambulance | - | - | 685 | 685 |
| Plots and interment | 46,500 | 46,500 | 45,270 | (1,230) |
| Miscellaneous fees | 12,500 | 12,500 | 11,343 | (1,157) |
| Total charges for services | <u>59,000</u> | <u>59,000</u> | <u>57,298</u> | <u>(1,702)</u> |
| Fines and forfeitures | <u>213,700</u> | <u>213,700</u> | <u>245,215</u> | <u>31,515</u> |
| Other income | | | | |
| Investment income | 40,000 | 40,000 | 64,724 | 24,724 |
| Miscellaneous income | 23,200 | 23,200 | 41,949 | 18,749 |
| Total other income | <u>63,200</u> | <u>63,200</u> | <u>106,673</u> | <u>43,473</u> |
| Other financing sources | | | | |
| Overhead transfers | 2,353,420 | 2,353,420 | 2,353,420 | - |
| Transfers in | 8,916,382 | 8,916,382 | 8,916,382 | - |
| | <u>11,269,802</u> | <u>11,269,802</u> | <u>11,269,802</u> | <u>-</u> |
| Amounts available for appropriation | <u>12,908,302</u> | <u>12,908,302</u> | <u>17,156,032</u> | <u>4,247,730</u> |

(CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance to final Favorable (unfav)</u> |
|---|------------------------|---------------------|---------------------|--|
| (CONTINUED) | | | | |
| Charges to appropriations (outflows) | | | | |
| General government: | | | | |
| Information technology | 268,916 | 268,916 | 245,891 | 23,025 |
| Human resources | 268,309 | 268,309 | 246,542 | 21,767 |
| City clerk | 108,495 | 108,495 | 94,104 | 14,391 |
| Managerial | 303,600 | 303,600 | 345,248 | (41,648) |
| Finance | 291,383 | 291,383 | 296,852 | (5,469) |
| General government | 408,194 | 408,194 | 322,370 | 85,824 |
| Development services | 501,053 | 501,053 | 402,301 | 98,752 |
| Custodial | 120,736 | 120,736 | 115,593 | 5,143 |
| Hotel room tax agreement | - | - | 72,647 | (72,647) |
| Non departmental | - | - | 190,551 | (190,551) |
| Total general government | <u>2,270,686</u> | <u>2,270,686</u> | <u>2,332,099</u> | <u>(61,413)</u> |
| Public safety and judiciary | | | | |
| Police and court* | 3,873,155 | 3,873,155 | 3,649,337 | 223,818 |
| Fire* | 4,136,519 | 4,136,519 | 4,082,763 | 53,756 |
| Total public safety and judiciary | <u>8,009,674</u> | <u>8,009,674</u> | <u>7,732,100</u> | <u>277,574</u> |
| Cultural, parks, recreation, and promotion | | | | |
| Library | 317,098 | 317,098 | 310,434 | 6,664 |
| Cemetery | 142,625 | 142,625 | 140,344 | 2,281 |
| Recreation | 647,248 | 647,248 | 636,194 | 11,054 |
| Senior Citizens | 240,386 | 240,386 | 301,136 | (60,750) |
| Total cultural, parks, recreation, and promotion | <u>1,347,357</u> | <u>1,347,357</u> | <u>1,388,108</u> | <u>(40,751)</u> |
| Capital outlay | - | - | 263,676 | (263,676) |
| Other financing uses | | | | |
| Transfers to other funds | 499,085 | 499,085 | 357,207 | 141,878 |
| Contributions to CIEDA | 781,500 | 781,500 | 799,459 | (17,959) |
| Total other financing uses | <u>1,280,585</u> | <u>1,280,585</u> | <u>1,156,666</u> | <u>123,919</u> |
| Total charges to appropriations | <u>12,908,302</u> | <u>12,908,302</u> | <u>12,872,649</u> | <u>35,653</u> |
| Ending budgetary fund balance | \$ - | \$ - | \$ 4,283,383 | \$ 4,283,383 |

*On- behalf contributions from the state for police and firefighter pensions are not budgeted but are included in the general fund financial statements

Total for FY2014 included recognition of contribution of \$1,117,737 of which \$865,814 was for fire and \$251,923 was for police.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
SALES TAX STREET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance to final Favorable (unfav)</u> |
|--|--------------------------|--------------------------|-----------------------------|--|
| Beginning budgetary fund balance | \$ 10,695,511 | \$ 10,695,511 | \$ 12,031,514 | \$ 1,336,003 |
| Resources (inflows) | | | | |
| Taxes | | | | |
| Sales tax | 3,477,962 | 3,477,962 | 3,623,932 | 145,970 |
| Intergovernmental | | | | |
| Gasoline excise tax | 35,000 | 35,000 | 34,189 | (811) |
| Commercial vehicle fee | 131,500 | 131,500 | 144,987 | 13,487 |
| Total intergovernmental | <u>166,500</u> | <u>166,500</u> | <u>179,176</u> | <u>12,676</u> |
| Other income | | | | |
| Investment income | 45,000 | 45,000 | 67,974 | 22,974 |
| Miscellaneous income | - | - | 154 | 154 |
| Total other income | <u>45,000</u> | <u>45,000</u> | <u>68,128</u> | <u>23,128</u> |
| Amounts available for appropriation | <u>14,384,973</u> | <u>14,384,973</u> | <u>15,902,750</u> | <u>1,517,777</u> |
| Charges to appropriations (outflows) | | | | |
| Personal services | 642,912 | 642,912 | 598,842 | 44,070 |
| Material and supplies | 319,250 | 319,250 | 409,378 | (90,128) |
| Other charges | 300,802 | 300,802 | 195,896 | 104,906 |
| Capital outlay | 5,853,132 | 5,853,132 | 1,391,804 | 4,461,328 |
| Reserve funds | 4,611,569 | 4,611,569 | - | 4,611,569 |
| Transfer to CPWA | 1,545,000 | 1,545,000 | - | 1,545,000 |
| Overhead transfers | 1,112,308 | 1,112,308 | 1,112,308 | - |
| Total charges to appropriations | <u>14,384,973</u> | <u>14,384,973</u> | <u>3,708,228</u> | <u>10,676,745</u> |
| Ending budgetary fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,194,522</u> | <u>\$ 12,194,522</u> |

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
EXPO/WWTP SALES TAX FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

CITY OF CLAREMORE, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
EXPO/WWTP SALES TAX FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance to final Favorable (unfav)</u> |
|--|------------------------|---------------------|---------------------|--|
| Beginning budgetary fund balance | \$ 2,409,197 | \$ 3,137,107 | \$ 3,260,984 | \$ 123,877 |
| Resources (inflows) | | | | |
| Taxes | | | | |
| Sales tax | 2,998,405 | 2,998,405 | 3,623,932 | 625,527 |
| Other income | | | | |
| Investment income | - | - | - | - |
| Miscellaneous income | - | - | - | - |
| Total other income | - | - | - | - |
| Amounts available for appropriation | 5,407,602 | 6,135,512 | 6,884,916 | 749,404 |
| Charges to appropriations (outflows) | | | | |
| Transfers out | 2,998,405 | 2,998,405 | 2,928,966 | 69,439 |
| Ending budgetary fund balance | \$ 2,409,197 | \$ 3,137,107 | \$ 3,955,950 | \$ 818,843 |

**CITY OF CLAREMORE, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

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

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

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

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

Budgetary Accounting

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

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

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OTHER INFORMATION

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

Such statements and schedules include:

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

CITY OF CLAREMORE, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

SPECIAL REVENUE FUNDS

| | Police Juvenile Fund | Drug Seizure Fund | Sales Tax Park | IRS Seizures Fund | Sales Tax Police | Sales Tax Fire | Animal Control Fund | Emergency Taxes | Cemetery Care Fund |
|--|----------------------------|-------------------------|----------------------|-------------------------|------------------------|----------------------|---------------------------|--------------------|--------------------------|
| ASSETS | | | | | | | | | |
| Cash | \$ 62,099 | \$ 1,428 | \$ 748,376 | \$ 21,174 | \$ 375,196 | \$ 439,650 | \$ 34,338 | \$ 454,350 | \$ 145,892 |
| Investments | - | - | 193,602 | - | 47,077 | 51,493 | 17,682 | 103,376 | 224,032 |
| Receivables: | | | | | | | | | |
| Due from other governments | - | - | 121,150 | - | 121,150 | 121,150 | - | 5,315 | - |
| Due from other funds | - | - | - | - | - | - | - | - | - |
| Grants | - | - | - | - | - | - | - | - | - |
| Accrued interest | - | - | 260 | - | 62 | 69 | 23 | 138 | 300 |
| Total assets | \$ 62,099 | \$ 1,428 | \$ 1,063,388 | \$ 21,174 | \$ 543,485 | \$ 612,362 | \$ 52,043 | \$ 563,179 | \$ 370,224 |
| LIABILITIES | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 865 | \$ - | \$ 39,001 | \$ - | \$ 27,201 | \$ 15,282 | \$ 2,174 | \$ 5,731 | \$ 2,780 |
| Accrued compensated absences | - | - | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - | - | - | - |
| Total liabilities | 865 | - | 39,001 | - | 27,201 | 15,282 | 2,174 | 5,731 | 2,780 |
| FUND BALANCES | | | | | | | | | |
| Restricted | - | - | - | - | - | - | - | - | 367,444 |
| Committed | 8,000 | 1,000 | 1,024,387 | 1,775 | 516,284 | 597,080 | 12,455 | - | - |
| Assigned | 53,234 | 428 | - | 19,399 | - | - | 37,414 | 557,448 | - |
| Unassigned | - | - | - | - | - | - | - | - | - |
| Total fund balances | 61,234 | 1,428 | 1,024,387 | 21,174 | 516,284 | 597,080 | 49,869 | 557,448 | 367,444 |
| Total liabilities and fund balances | \$ 62,099 | \$ 1,428 | \$ 1,063,388 | \$ 21,174 | \$ 543,485 | \$ 612,362 | \$ 52,043 | \$ 563,179 | \$ 370,224 |

(CONTINUED)

CITY OF CLAREMORE, OKLAHOMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

| | SPECIAL REVENUE FUNDS (CONT'D) | | | CAPITAL PROJECTS FUNDS | | | Total Nonmajor Governmental Funds | |
|--|--------------------------------|----------------------|------------------|--|-----------------|-----------------------|--|----------------------------|
| | Emergency Management | Fleet Maintenance | Library Fund | Capital Improvement Sales Tax | Airport Fund | CDBG Sewer Fund | | Bicycle Trails Grant |
| ASSETS | | | | | | | | |
| Cash | \$ 19,962 | \$ 216,207 | \$ 63,202 | \$ 1,030,423 | \$ - | \$ - | \$ 296,609 | \$ 3,908,906 |
| Investments | - | - | - | - | - | - | - | 637,262 |
| Receivables: | | | | | | | | |
| Due from other governments | - | - | - | 242,301 | - | - | - | 611,066 |
| Due from other funds | - | - | - | - | - | 9,846 | - | 9,846 |
| Grants | - | - | - | - | - | 70,535 | - | 70,535 |
| Accrued interest | - | - | - | - | - | - | - | 852 |
| Total assets | <u>\$ 19,962</u> | <u>\$ 216,207</u> | <u>\$ 63,202</u> | <u>\$ 1,272,724</u> | <u>\$ -</u> | <u>\$ 80,381</u> | <u>\$ 296,609</u> | <u>\$ 5,238,467</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 43,842 | \$ 1,056 | \$ 167,733 | \$ - | \$ 1,235 | \$ - | \$ 306,900 |
| Accrued compensated absences | - | 3,019 | - | - | - | - | - | 3,019 |
| Due to other funds | - | - | - | - | - | 133,199 | - | 133,199 |
| Total liabilities | <u>-</u> | <u>46,861</u> | <u>1,056</u> | <u>167,733</u> | <u>-</u> | <u>134,434</u> | <u>-</u> | <u>443,118</u> |
| FUND BALANCES | | | | | | | | |
| Restricted | - | - | - | - | - | - | - | 367,444 |
| Committed | - | 18,554 | - | 1,104,991 | - | - | 49,026 | 3,333,552 |
| Assigned | 19,962 | 150,792 | 62,146 | - | - | - | 247,583 | 1,148,406 |
| Unassigned | - | - | - | - | - | (54,053) | - | (54,053) |
| Total fund balances | <u>19,962</u> | <u>169,346</u> | <u>62,146</u> | <u>1,104,991</u> | <u>-</u> | <u>(54,053)</u> | <u>296,609</u> | <u>4,795,349</u> |
| Total liabilities and fund balances | <u>\$ 19,962</u> | <u>\$ 216,207</u> | <u>\$ 63,202</u> | <u>\$ 1,272,724</u> | <u>\$ -</u> | <u>\$ 80,381</u> | <u>\$ 296,609</u> | <u>\$ 5,238,467</u> |

CITY OF CLAREMORE, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SPECIAL REVENUE FUNDS

| | Police Juvenile Fund | Drug Seizure Fund | Sales Tax Park | IRS Seizures Fund | Sales Tax Police | Sales Tax Fire | Animal Control Fund | Emergency Taxes | Cemetery Care Fund |
|---------------------------------------|----------------------------|-------------------------|----------------------|-------------------------|------------------------|----------------------|---------------------------|--------------------|--------------------------|
| REVENUES | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ 724,786 | \$ - | \$ 724,786 | \$ 724,786 | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - | - | 7,957 | - | 148,751 | - |
| Charges for services | - | - | 16,278 | - | - | - | 20,995 | - | 19,415 |
| Fines and forfeitures | 8,777 | - | - | - | - | - | - | - | - |
| Investment income | - | - | 1,539 | - | 374 | 409 | 141 | 822 | 1,781 |
| Miscellaneous | 100 | - | 9,948 | - | 7,199 | 4,239 | 9,386 | - | - |
| Total revenues | <u>8,877</u> | <u>-</u> | <u>752,551</u> | <u>-</u> | <u>732,359</u> | <u>737,391</u> | <u>30,522</u> | <u>149,573</u> | <u>21,196</u> |
| EXPENDITURES | | | | | | | | | |
| General government | - | - | - | - | - | - | - | - | - |
| Public safety | 3,539 | 700 | - | - | 211,832 | 167,327 | 38,080 | 303,409 | - |
| Transportation | - | - | - | - | - | - | - | - | - |
| Cultural, Parks, Recreation | - | - | 272,972 | - | - | - | - | - | 27,806 |
| Fleet maintenance | - | - | - | - | - | - | - | - | - |
| Capital outlay | - | - | 222,323 | - | - | - | - | - | - |
| Total expenditures | <u>3,539</u> | <u>700</u> | <u>495,295</u> | <u>-</u> | <u>211,832</u> | <u>167,327</u> | <u>38,080</u> | <u>303,409</u> | <u>27,806</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | (165,359) | - | (418,928) | (440,454) | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(165,359)</u> | <u>-</u> | <u>(418,928)</u> | <u>(440,454)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 5,338 | (700) | 91,897 | - | 101,599 | 129,610 | (7,558) | (153,836) | (6,610) |
| FUND BALANCES - BEGINNING | 55,896 | 2,128 | 932,490 | 21,174 | 414,685 | 467,470 | 57,427 | 711,284 | 374,054 |
| FUND BALANCES - ENDING | <u>\$ 61,234</u> | <u>\$ 1,428</u> | <u>\$ 1,024,387</u> | <u>\$ 21,174</u> | <u>\$ 516,284</u> | <u>\$ 597,080</u> | <u>\$ 49,869</u> | <u>\$ 557,448</u> | <u>\$ 367,444</u> |

(CONTINUED)

CITY OF CLAREMORE, OKLAHOMA
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | SPECIAL REVENUE FUNDS (CONT'D) | | | CAPITAL PROJECTS FUNDS | | | Total Nonmajor Governmental Funds | |
|---|--------------------------------|----------------------|------------------|--|-----------------|-----------------------|--|----------------------------|
| | Emergency Management | Fleet Maintenance | Library Fund | Capital Improvement Sales Tax | Airport Fund | CDBG Sewer Fund | | Bicycle Trails Grant |
| REVENUES | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 1,449,573 | \$ - | \$ 198,803 | \$ - | \$ 3,822,734 |
| Intergovernmental | 15,940 | - | 23,019 | - | - | - | - | 195,667 |
| Charges for services | - | - | 20,786 | - | - | - | - | 77,474 |
| Fines and forfeitures | - | - | - | - | - | - | - | 8,777 |
| Investment income | - | - | - | - | - | - | - | 5,066 |
| Miscellaneous | - | 1,000 | - | - | - | - | - | 31,872 |
| Total revenues | <u>15,940</u> | <u>1,000</u> | <u>43,805</u> | <u>1,449,573</u> | <u>-</u> | <u>198,803</u> | <u>-</u> | <u>4,141,590</u> |
| EXPENDITURES | | | | | | | | |
| General government | - | - | - | 364,685 | - | 37 | - | 364,722 |
| Public safety | 18,259 | - | - | 129,441 | - | - | - | 872,587 |
| Transportation | - | - | - | - | - | - | - | - |
| Cultural, Parks, Recreation | - | - | 42,972 | 39,006 | - | - | - | 382,756 |
| Fleet maintenance | - | 616,621 | - | - | - | - | - | 616,621 |
| Capital outlay | - | 32,451 | - | 545,081 | - | 252,819 | - | 1,052,674 |
| Total expenditures | <u>18,259</u> | <u>649,072</u> | <u>42,972</u> | <u>1,078,213</u> | <u>-</u> | <u>252,856</u> | <u>-</u> | <u>3,289,360</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | - | 679,646 | - | - | - | - | - | 679,646 |
| Transfers out | - | - | - | (860,150) | (81,948) | - | - | (1,966,839) |
| Total other financing sources (uses) | <u>-</u> | <u>679,646</u> | <u>-</u> | <u>(860,150)</u> | <u>(81,948)</u> | <u>-</u> | <u>-</u> | <u>(1,287,193)</u> |
| NET CHANGE IN FUND BALANCES | (2,319) | 31,574 | 833 | (488,790) | (81,948) | (54,053) | - | (434,963) |
| FUND BALANCES - BEGINNING | 22,281 | 137,772 | 61,313 | 1,593,781 | 81,948 | - | 296,609 | 5,230,312 |
| FUND BALANCES - ENDING | <u>\$ 19,962</u> | <u>\$ 169,346</u> | <u>\$ 62,146</u> | <u>\$ 1,104,991</u> | <u>\$ -</u> | <u>\$ (54,053)</u> | <u>\$ 296,609</u> | <u>\$ 4,795,349</u> |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| Federal Grantor/Pass Through Agency Grantor/Program Title | Federal CFDA# Number | Pass-through Identifying Number | Federal Expenditures |
|--|----------------------------|---------------------------------------|-------------------------|
| FEDERAL AWARDS: | | | |
| <u>US DEPARTMENT OF TRANSPORTATION</u> | | | |
| Airport Improvement Program | 20.106 | Direct | \$236,442 |
| <u>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | |
| Passed through the Oklahoma Department of Commerce | | | |
| Community Development Block Grant | 14.228 | CDBG12 | 71,384 |
| Community Development Block Grant | 14.228 | CDBG13 | 61,895 |
| Total US Department of Housing and Urban Development | | | 133,279 |
| <u>US DEPARTMENT OF HOMELAND SECURITY</u> | | | |
| Passed through the Oklahoma Department of Emergency Management | | | |
| Emergency Management Performance Grant | 97.042 | EMPG 13 | 10,000 |
| Hazard Mitigation Grant | 97.039 | | 44,000 |
| Homeland Security Grant Program | 97.067 | | 5,310 |
| Disaster Grant - Public Assistance | 97.036 | FEMA DR 1623 PW 252 | 482 |
| Total US Department of Homeland Security | | | 59,792 |
| TOTAL FEDERAL AWARDS | | | \$429,513 |

Note 1. Basis of Presentation

This schedule includes the federal grant activity of the City of Claremore, Oklahoma under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and No-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Claremore, Oklahoma, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Claremore, Oklahoma.

Note 2. Summary of Significant Accounting Policies

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

**CLAREMORE PUBLIC WORKS AUTHORITY
SCHEDULE OF REVENUE BOND DEBT SERVICE COVERAGE**

Gross Revenue Available for Debt Service:

| | |
|---|--------------------------------|
| Electric system revenues (1) | \$27,118,862 |
| Interest revenues | 316,350 |
| Sales tax revenues (2) | <u>3,623,932</u> |
| Total Gross Revenues Available | \$31,059,144 |
| Electric system operating expenses (3) | <u>19,153,259</u> |
| Net Revenues Available for Debt Service | <u><u>\$11,905,885</u></u> |

Average Annual Debt Service Requirements for Term:

| | |
|---|---------------------------|
| Claremore PWA Refunding Revenue Bonds, Series 2012 | \$1,947,250 |
| Claremore PWA Cap Improvement Taxable Refunding Bonds, Series 2013A | 1,029,255 |
| Claremore PWA Electric System Refunding Revenue Bonds, Series 2013B | 380,660 |
| Claremore PWA Utility System Refunding Revenue Bonds, Series 2013C | 380,548 |
| CPWA Utility Revenue Note Series 2013B (4) | <u>258,439</u> |
| Total average annual Debt Service | <u><u>\$3,996,152</u></u> |

Computed Coverage 2.98

Coverage Requirement - Revenue Bond Indentures 1.25

- (1) Operating revenues of the system per the bond indenture only include electric revenues
- (2) Sales tax revenues deposited to the EXPO/WWTP Sales Tax Fund are dedicated for debt service
- (3) Excludes depreciation.
- (4) Up to 50% of the Note Series 2013B debt service may be offset by incremental property taxes as specified by TIF #1

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Claremore, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Claremore, Oklahoma's basic financial statements and have issued my report thereon dated March 10, 2015.

Internal Control over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain matters related to internal control, which I have discussed with the City's management and presented in a separate letter for their review.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Claremore, Oklahoma's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Claremore, OK
March 10, 2015