

CITY OF CLAREMORE, OKLAHOMA

ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018



CITY OF CLAREMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
For the fiscal year ended June 30, 2018

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

June 30, 2018

MAYOR AND CITY COUNCIL

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

ADMINISTRATION

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



**HINKLE &
COMPANY**
Strategic PC
Business Advisors

Independent Auditors' Report

City Council
City of Claremore
Claremore, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Claremore as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the City of Claremore'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 this financial statement 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.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Claremore as of June 30, 2018 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.

Emphasis of a Matter

As described in Note 3.H to the financial statements, The City of Claremore restated its beginning net position in the government-wide financial statements to reflect the effects of a change in accrued payroll and implementation of GASB. 75 related to OPEB at year end 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12 and pension information will be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements of the City of Claremore taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Hill & Company, PC

Tulsa, Oklahoma
December 14, 2018



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, 2018. We encourage readers to consider this information in conjunction with the city's financial statements, which follow.

Financial Highlights

- Total net position of the city increased by \$7,619,785 or 7.1% from the prior year, which is slightly higher than the 6.1% increase reported in the prior year due to additional capital grant revenues.
- The city's governmental activities net position increased by \$4,210,640 or 7.9% which was higher than the 4.3% increase reported in the fiscal year ended June 30, 2017. The additional increase may be attributed to higher capital grant receipts for airport infrastructure as well as lower general government expense, somewhat offset by higher police and fire expense.
- Net position of the business-type activities increased by \$3,409,145 or 6.3%, which was slightly lower than the 8.0% increase reported in the prior year as utility margins remained essentially flat.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Net position is the difference between total assets plus total deferred outflows of resources less total liabilities and deferred inflows of resources and is an indicator of the current fiscal health of the City. For the year ended June 30, 2018, the City's combined net position increased by \$6.4 million. The following table provides a summary of the city's net position:

Summary of Net Position

(Table 1 - In millions)

	Governmental Activities		Business Type Activities		Total		Total % Change
	2018	2017*	2018	2017*	2018	2017*	2017-2018
Current and other assets	\$ 33.3	\$ 31.6	\$ 29.0	\$ 30.7	\$ 62.3	\$ 62.3	0%
Capital assets	41.8	37.5	84.7	83.0	126.5	120.5	5%
Total assets	75.1	69.1	113.7	113.7	188.8	182.8	3%
Deferred outflows of resources	5.6	5.2	0.7	0.7	6.3	5.9	7%
Long-term debt outstanding	0.8	0.4	50.1	54.6	50.9	55.0	-7%
Other liabilities	18.4	18.3	6.0	5.2	24.4	23.5	4%
Total liabilities	19.2	18.7	56.1	59.8	75.3	78.5	-4%
Deferred inflows of resources	3.4	1.7	0.6	0.3	4.0	2.0	100%
Net position							
Net investment in capital	41.0	37.1	37.5	33.1	78.5	70.2	12%
Restricted	0.2	0.3	11.0	12.0	11.2	12.3	-9%
Unrestricted	16.9	16.5	9.2	9.2	26.1	25.7	2%
Total net position	\$ 58.1	\$ 53.9	\$ 57.7	\$ 54.3	\$ 115.8	\$ 108.2	7%

* Restated

The table above reflects an increase of 7.8% for governmental activities net position and an increase of approximately 6.3% for business-type activities. The City's overall financial position improved during fiscal year 2018.

The City's governmental activities net position increased by \$4.3 million, primarily due to the receipt of capital grant and dedicated sales tax revenues for which the revenues are recognized but the expenditure is capitalized.

The net position of the City's business type activities increased by \$3.4 million, which was slightly lower than last year primarily due to capital contributions from the Cherokee Nation in the prior year; general operations were essentially flat when compared to the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

	Governmental Activities		% Inc. (Dec.)	Business Type Activities		% Inc. (Dec.)	Total		Total % Change
	2018	2017		2018	2017		2018	2017	2017-2018
<i>Revenues:</i>									
Program revenues									
Charges for services	\$ 0.6	\$ 0.6	0%	\$ 39.9	\$ 39.4	1%	\$ 40.5	\$ 40.0	1%
Operating grants and contributions	12	10	20%	-	-	-	12	10	20%
Capital grants and contributions	19	0.8	138%	0.3	-	-	2.2	0.8	175%
General revenues									
Sales and use taxes	12.0	11.9	1%	-	-	-	12.0	11.9	1%
Other taxes	0.8	0.7	14%	-	-	-	0.8	0.7	14%
Intergovernmental revenue	0.5	0.4	25%	-	-	-	0.5	0.4	25%
Other	0.4	0.6	-33%	0.2	0.2	0%	0.6	0.8	-25%
Total revenues	<u>17.4</u>	<u>16.0</u>	9%	<u>40.4</u>	<u>39.6</u>	2%	<u>57.8</u>	<u>55.6</u>	4%
<i>Expenses:</i>									
General government	3.3	4.0	-18%	-	-	-	3.3	4.0	-18%
Public safety and judiciary	10.8	10.7	1%	-	-	-	10.8	10.7	1%
Transportation	2.7	2.4	13%	-	-	-	2.7	2.4	13%
Culture, parks, recreation & promotion	2.2	2.1	5%	-	-	-	2.2	2.1	5%
Electric operations	-	-	-	19.8	19.8	0%	19.8	19.8	0%
Water operations	-	-	-	2.8	2.6	8%	2.8	2.6	8%
Wastewater operations	-	-	-	4.3	4.3	0%	4.3	4.3	0%
Solid waste operations	-	-	-	1.7	1.6	6%	1.7	1.6	6%
Recreation services	-	-	-	2.3	2.3	0%	2.3	2.3	0%
Total expenses	<u>19.0</u>	<u>19.2</u>	-1%	<u>30.9</u>	<u>30.6</u>	1%	<u>49.9</u>	<u>49.8</u>	0%
Increase in net position before transfers & extraordinary items	(16)	(3.2)	-50%	9.5	9.0	6%	7.9	5.8	36%
Transfers, net	5.8	5.5	5%	(6.1)	(5.9)	3%	(0.3)	(0.4)	-25%
Capital contributions	-	-	-	-	0.9	-	-	0.9	-
Change in net position	<u>\$ 4.2</u>	<u>\$ 2.3</u>	83%	<u>\$ 3.4</u>	<u>\$ 4.0</u>	-15%	<u>\$ 7.6</u>	<u>\$ 6.3</u>	21%

The results of 2018 were shaped largely by a local economy enjoying a continued slightly upward trajectory. Total net position increased by 7.0% or \$7.6 million. Significant changes were related to:

Governmental Activities:

- Capital grants for airport infrastructure improvements, hazard mitigation in a flood-prone zone, and sidewalk improvements.
- Governmental activities expenses decreased slightly as higher police and fire expenses were more than offset by lower general government expenses.

Business-type Activities:

- Charges for services increased 1%, reflecting slightly improved volumes.
- Operations and maintenance expense was higher slightly higher as well, in concert with the higher sales volume.

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		%
	2018	2017		2018	2017	
General government	\$ 2,706	\$ 3,337	-19%	\$ (2,515)	\$ (3,148)	-20%
Public safety and judiciary	10,752	10,773	0%	(9,277)	(9,406)	-1%
Transportation	2,696	2,382	13%	(830)	(1,543)	-46%
Cultural, parks, recreation	2,166	2,126	2%	(1,976)	(2,057)	-4%
Fleet maintenance	670	609	10%	(670)	(609)	10%
	<u>\$ 18,990</u>	<u>\$ 19,227</u>	-1%	<u>\$ (15,268)</u>	<u>\$ (16,763)</u>	-9%

Overall, the city's governmental activities' total costs decreased 1% over last year and net costs decreased by 9%.

Business-type Activities:

Overall, total cost of services for the city's business-type activities increased 1% from last year.

Business-Type Activities						
Table 4						
(In Thousands)						
	Total Cost of Services		%	Net (Expense) Revenue from Services		%
	2018	2017		2018	2017	
Electric operations	\$ 19,793	\$ 19,742	0%	\$ 10,052	\$ 9,102	10%
Water operations	2,815	2,639	7%	2,070	2,351	-12%
Wastewater operations	4,340	4,302	1%	(2,260)	(2,114)	7%
Solid waste operations	1,692	1,605	5%	558	487	15%
Recreation services	2,299	2,291	0%	(1,148)	(1,021)	12%
	<u>\$ 30,939</u>	<u>\$ 30,579</u>	1%	<u>\$ 9,272</u>	<u>\$ 8,805</u>	5%

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 \$67,682, or 1.2 percent from the prior year.

General Fund Budgetary Highlights

The general fund budget was virtually unchanged from the original one approved in June 2017. General Fund actual expenditures were below budgeted appropriations by \$940,480, partially due to the reclassification of workers compensation fees as transfers to other funds to follow the payroll activity as well as no contingency spending during the year. Actual revenues were higher than budgeted by \$500,550, reflecting higher use tax and investment revenues.

Capital Asset and Debt Administration

At the end of June 30, 2018, the City had \$126.5 million invested in capital assets including police and fire equipment, buildings, park facilities, streets and drainage systems, and electric, water, and sewer infrastructure. Additions to capital assets included the purchase of land, easements, water treatment plant improvements, airport runway improvements, a park splash pad, and the purchase of several vehicles. 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
	2018	2017	2018	2017	2018	2017	
<i>Non-Depreciable Assets</i>							
Land	\$ 3.4	\$ 3.2	\$ 2.1	\$ 2.1	\$ 5.5	\$ 5.3	4%
Construction-in-progress	5.9	1.6	21.8	18.7	27.7	20.3	36%
<i>Depreciable Assets</i>							
Buildings	13.7	13.3	24.5	24.5	38.2	37.8	1%
Equipment and furniture	12.4	12.3	11.0	10.0	23.4	22.3	5%
Infrastructure	59.5	58.8	75.9	75.4	135.4	134.2	1%
<i>Accumulated Depreciation</i>	(53.1)	(51.7)	(50.6)	(47.7)	(103.7)	(99.4)	4%
Totals	\$ 41.8	\$ 37.5	\$84.7	\$83.0	\$126.5	\$120.5	5%

Debt Administration

At year-end, the city had \$50.9 million in outstanding notes, bonds and capital leases. Additional debt information can be found in note 3.F.

These debts are further detailed below as follows:

Outstanding Debt
Table 6
(in millions)

	Governmental Activities		Business-type Activities		Total		Total %
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Notes Payable	\$ -	\$ -	\$ 19.8	\$ 21.4	\$ 19.8	\$ 21.4	-7%
Revenue Bonds	-	-	30.3	33.2	30.3	33.2	-9%
Capital Leases	0.8	0.4	-	-	0.8	0.4	100%
Totals	\$ 0.8	\$ 0.4	\$ 50.1	\$ 54.6	\$ 50.9	\$ 55.0	-7%

Economic Factors and Next Year's Budget

The City of Claremore expects the economy to slightly improve in the next year, permitting the absorption of a 2% cost in electricity with no anticipated corresponding increase in electric rates. Management will continue to strive for fiscal conservativeness while developing plans to improve the systems and operations needed to meet citizens' needs.

The fiscal year 2018-2019 government-wide budget of \$96.3 million is an increase of 12.8% over the prior year primarily due to increased capital spending for roads, a detention pond, a solid waste transfer station, and a flood mitigation project largely financed by grant funds. Personnel costs are expected to increase due to a 3% COLA adjustment, higher health insurance costs, and enhanced retirement benefits for non-union employees.

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 Executive Manager of Finance and Budget, City of Claremore, 104 S. Muskogee Ave., Claremore, OK 74017 or phone (918) 341-1325.

BASIC FINANCIAL STATEMENTS

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

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

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

City of Claremore, Oklahoma
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental	Business-Type		Claremore
	Activities	Activities	Total	Industrial and Economic Development Authority
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 10,463,713	\$ 4,905,542	\$ 15,369,255	\$ 637,956
Cash and cash equivalents - restricted	-	7,124,308	7,124,308	945,156
Accounts receivable, net	240,196	5,491,324	5,731,520	12,447
Interest receivable	17,424	6,481	23,905	-
Interest receivable - restricted	-	-	-	7,670
Other receivable	-	-	-	-
Prepaid expenses	92,580	5,286	97,866	-
Inventory	32,558	1,554,794	1,587,352	48,388
Due from other governments	2,886,579	296,230	3,182,809	-
Due from related entities	-	-	-	83,203
Note receivable, current - restricted	-	424,835	424,835	561,835
Total current assets	13,733,050	19,808,800	33,541,850	2,296,655
Noncurrent Assets:				
Investments	19,587,730	529,710	20,117,440	-
Restricted assets:				
Investments	-	6,850,028	6,850,028	-
Note receivable, net of current portion	-	1,876,209	1,876,209	2,602,522
Capital assets:				
Land and construction in progress	9,322,131	23,941,069	33,263,200	2,723,430
Depreciable buildings, property, and equipment, net	32,435,169	60,725,821	93,160,990	2,162,920
Total noncurrent assets	61,345,030	93,922,837	155,267,867	7,488,872
Total assets	75,078,080	113,731,637	188,809,717	9,785,527
DEFERRED OUTFLOWS OF RESOURCES:				
Related to defined benefit pension and OPEB plans	5,647,086	669,108	6,316,194	46,234
LIABILITIES:				
Current Liabilities:				
Accounts payable and accrued liabilities	2,365,806	4,170,179	6,535,985	11,655
Accrued interest payable	-	343,886	343,886	11,692
Due to related entities	19,961	63,282	83,243	-
Current portion of long-term debt	215,359	4,579,835	4,795,194	592,944
Total current liabilities	2,601,126	9,157,182	11,758,308	616,291
Noncurrent liabilities:				
Deposits subject to refund	-	983,796	983,796	-
Net pension liability (asset)	12,422,289	(11,310)	12,410,979	201
Other post employment benefits liability	2,502,476	196,336	2,698,812	8,536
Accrued compensated absences	1,079,160	209,321	1,288,481	-
Noncurrent portion of long-term debt	587,961	45,561,209	46,149,170	2,738,209
Total non-current liabilities	16,591,886	46,939,352	63,531,238	2,746,946
Total liabilities	19,193,012	56,096,534	75,289,546	3,363,237
DEFERRED INFLOWS OF RESOURCES:				
Related to employee benefit plans	3,406,163	575,486	3,981,649	38,946
NET POSITION:				
Net investment in capital assets	40,953,980	37,475,406	78,429,386	4,869,241
Restricted by:				
Enabling legislation	244,436	9,768,510	10,012,946	-
External contracts	-	1,251,316	1,251,316	814,585
Unrestricted	16,927,575	9,233,493	26,161,068	745,752
Total net position	\$ 58,125,991	\$ 57,728,725	\$ 115,854,716	\$ 6,429,578

See accompanying notes to the basic financial statements.

City of Claremore, Oklahoma
Statement of Activities
For the fiscal year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Unit
					Governmental Activities	Business-Type Activities		CIEDA
Primary Government:								
General government	\$ 2,706,252	\$ 191,068	\$ -	\$ -	\$ (2,515,184)	\$ -	\$ (2,515,184)	\$ -
Public safety and judiciary	10,752,134	350,725	1,124,871	-	(9,276,538)	-	(9,276,538)	-
Transportation	2,696,363	-	-	1,866,800	(829,563)	-	(829,563)	-
Cultural, parks, recreation and promotion	2,165,565	96,702	18,164	73,744	(1,976,955)	-	(1,976,955)	-
Fleet maintenance	669,962	-	-	-	(669,962)	-	(669,962)	-
Total governmental activities	18,990,276	638,495	1,143,035	1,940,544	(15,268,202)	-	(15,268,202)	-
Business-type activities:								
Electric operations	19,792,821	29,845,275	-	-	-	10,052,454	10,052,454	-
Water operations	2,814,540	4,884,187	-	-	-	2,069,647	2,069,647	-
Wastewater operations	4,340,338	2,080,267	-	-	-	(2,260,071)	(2,260,071)	-
Solid waste operations	1,691,664	1,944,846	-	304,950	-	558,132	558,132	-
Recreation services	2,299,212	1,150,865	-	-	-	(1,148,347)	(1,148,347)	-
Total business-type activities	30,938,575	39,905,440	-	304,950	-	9,271,815	9,271,815	-
Total primary government	\$ 49,928,851	\$ 40,543,935	\$ 1,143,035	\$ 2,245,494	(15,268,202)	9,271,815	(5,996,387)	
Component Unit:								
Economic development	\$ 746,154	\$ 332,206	\$ -	\$ -				(413,948)
Airport	495,571	463,046	-	-				(32,525)
Total component unit	\$ 1,241,725	\$ 795,252	\$ -	\$ -				(446,473)
General revenues:								
Taxes:								
Sales and use taxes					12,036,996	-	12,036,996	-
Franchise and public service taxes					787,096	-	787,096	-
Property tax, net					14,580		14,580	544,768
Intergovernmental revenue not restricted to specific programs					459,567	-	459,567	-
Investment income					283,711	97,965	381,676	10,283
Miscellaneous					252,795	160,534	413,329	-
Loss on disposition of assets					(150,524)	-	(150,524)	-
Total general revenues					13,684,221	258,499	13,942,720	555,051
Change in net position before transfers, capital contributions, and extraordinary items					(1,583,981)	9,530,314	7,946,333	108,578
Capital contributions					-	-	-	-
Transfers - Internal activity					5,794,621	(6,121,169)	(326,548)	326,548
Change in net position					4,210,640	3,409,145	7,619,785	435,126
Net position - beginning (restated)					53,915,351	54,319,580	108,234,931	5,994,452
Net position - ending					\$ 58,125,991	\$ 57,728,725	\$ 115,854,716	\$ 6,429,578

See accompanying notes to the basic financial statements

City of Claremore, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2018

	SPECIAL REVENUE FUNDS				
	General	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 2,105,690	\$ 963,198	\$ 3,059,723	\$ 4,335,102	10,463,713
Prepaid expenses	75,947	2,187	-	14,446	92,580
Inventory	20,766	11,792	-	-	32,558
Investments	4,092,603	11,813,311	3,033,425	648,391	19,587,730
Receivables:					
Court receivables	240,196	-	-	-	240,196
Due from other governments	318,702	718,087	688,479	693,795	2,419,063
Grants	-	-	-	467,516	467,516
Accrued interest	1,732	14,632	-	1,060	17,424
Total assets	<u>\$ 6,855,636</u>	<u>\$ 13,523,207</u>	<u>\$ 6,781,627</u>	<u>\$ 6,160,310</u>	<u>33,320,780</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 133,310	\$ 1,072,528	\$ -	\$ 587,722	1,793,560
Unearned revenue	143,057	-	-	-	143,057
Claims reserve	572,246	-	-	-	572,246
Due to component unit	19,961	-	-	-	19,961
Total liabilities	<u>868,574</u>	<u>1,072,528</u>	<u>-</u>	<u>587,722</u>	<u>2,528,824</u>
Fund Balances:					
Nonspendable	20,766	11,792	-	244,436	276,994
Unrestricted:					
Committed	1,079,160	12,438,887	6,781,627	4,071,009	24,370,683
Assigned	1,459,331	-	-	1,257,143	2,716,474
Unassigned	3,427,805	-	-	-	3,427,805
Total fund balances	<u>5,987,062</u>	<u>12,450,679</u>	<u>6,781,627</u>	<u>5,572,588</u>	<u>30,791,956</u>
Total liabilities and fund balances	<u>\$ 6,855,636</u>	<u>\$ 13,523,207</u>	<u>\$ 6,781,627</u>	<u>\$ 6,160,310</u>	<u>33,320,780</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, 2018

Fund balances of governmental funds	\$	30,791,956
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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 \$53,127,282		41,757,300
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Certain long-term assets are not available to pay for current fund liabilities and, therefore, are not reported in the funds:		
Court fines receivable		143,057

Some liabilities, including pension obligations, are applicable to future periods and, therefore, are not reported in the funds:		
Accrued compensated absences		(1,079,160)
Net pension liability (measurement date is June 30, 2017)		(12,422,289)
Other post employment benefit liability (OPEB)		(2,502,476)
Long term debt		(803,320)

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions and OPEB		5,647,086
Deferred inflows of resources related to pensions and OPEB		(3,406,163)

Net position of governmental activities	\$	58,125,991
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City of Claremore, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2018

	General	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,418,044	\$ 3,746,774	\$ 3,746,774	\$ 3,927,080	\$ 12,838,672
Intergovernmental	280,164	179,404	-	1,973,708	2,433,276
Licenses and permits	169,836	-	-	-	169,836
Charges for services	76,591	-	-	89,584	166,175
Fines and forfeitures	285,239	-	-	11,374	296,613
Investment income	142,041	102,937	33,425	5,306	283,709
Miscellaneous	65,689	236,329	-	72,004	374,022
Total Revenues	2,437,604	4,265,444	3,780,199	6,079,056	16,562,303
Expenditures:					
General government	2,474,767	-	-	123,689	2,598,456
Public safety and judiciary	8,540,163	-	-	714,194	9,254,357
Transportation	-	1,192,778	-	485,906	1,678,684
Cultural, parks, recreation and promotion	1,382,009	-	-	671,524	2,053,533
Capital outlay	78,607	3,543,729	-	3,435,801	7,058,137
Debt service:					
Principal retirement	-	-	-	202,260	202,260
Interest and fiscal charges	-	-	-	8,379	8,379
Total Expenditures	12,475,546	4,736,507	-	5,641,753	22,853,806
Excess (deficiency) of revenues over expenditures	(10,037,942)	(471,063)	3,780,199	437,303	(6,291,503)
Other Financing Sources (Uses):					
Proceeds from debt issuance	-	-	-	600,625	600,625
Transfers in	11,694,004	99,305	-	880,543	12,673,852
Transfers out	(1,588,380)	(694,478)	(3,044,225)	(1,539,722)	(6,866,805)
Total Other Financing Sources (Uses)	10,105,624	(595,173)	(3,044,225)	(58,554)	6,407,672
Net change in fund balances	67,682	(1,066,236)	735,974	378,749	116,169
Fund balances - beginning	5,919,380	13,516,915	6,045,653	5,193,839	30,675,787
Fund balances - ending	\$ 5,987,062	\$ 12,450,679	\$ 6,781,627	\$ 5,572,588	\$ 30,791,956

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, 2018

Net change in fund balances - total governmental funds	\$	116,169
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the as:

Capital asset purchases capitalized		7,058,137
Depreciation expense		(2,467,794)
Capital assets sold, salvaged, or transferred		(256,115)

Revenues in the Statement of Activities that do not provide current financial resources		
Court receivables expected to collect after the availability period (60 days)		143,057

Repayment of debt principal is an expenditure in the governmental funds, and debt issuance is considered an other financing source, but repayment reduces long-term liabilities in the Statement of Net Position:		
Principal payments on long term debt		202,260

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in		
Accrued compensated absences		171,458
Other post employment benefits		(146,287)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:		
Employer pension contributions		(1,091,373)
Cost of benefits earned net of employee and State contributions		481,128

Change in net position of governmental activities	\$	4,210,640
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See accompanying notes to the basic financial statements

City of Claremore, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2018

	CPWA	CCDA	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 4,226,636	\$ 678,906	\$ 4,905,542
Accounts receivable, net	5,484,108	7,216	5,491,324
Due from other governments	296,230	-	296,230
Prepaid expense	1,326	3,960	5,286
Inventory	1,554,794	-	1,554,794
Restricted assets:			
Cash and cash equivalents	7,124,308	-	7,124,308
Interest receivable	6,481	-	6,481
Note receivable, current portion	424,835	-	424,835
Total current assets	<u>19,118,718</u>	<u>690,082</u>	<u>19,808,800</u>
Noncurrent Assets:			
Investments	529,710	-	529,710
Restricted assets:			
Investments	6,850,028	-	6,850,028
Note receivable, net of current portion	1,876,209	-	1,876,209
Land and construction in progress	22,501,141	1,439,928	23,941,069
Other capital assets, net	51,348,839	9,376,982	60,725,821
Total noncurrent assets	<u>83,105,927</u>	<u>10,816,910</u>	<u>93,922,837</u>
Total assets	<u>102,224,645</u>	<u>11,506,992</u>	<u>113,731,637</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to defined benefit pension plan	<u>556,512</u>	<u>112,596</u>	<u>669,108</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued expenses	4,122,167	48,012	4,170,179
Accrued interest payable	343,886	-	343,886
Due to related entities	63,282	-	63,282
Current portion of long term obligations	4,579,835	-	4,579,835
Total current liabilities	<u>9,109,170</u>	<u>48,012</u>	<u>9,157,182</u>
Noncurrent liabilities:			
Deposits subject to refund	978,055	5,741	983,796
Net pension liability (asset)	5,629	(16,939)	(11,310)
Other post employment benefits liability	153,655	42,681	196,336
Accrued compensated absences	160,891	48,430	209,321
Noncurrent portion of long-term obligations	45,561,209	-	45,561,209
Total noncurrent liabilities	<u>46,859,439</u>	<u>79,913</u>	<u>46,939,352</u>
Total liabilities	<u>55,968,609</u>	<u>127,925</u>	<u>56,096,534</u>
DEFERRED INFLOWS OF RESOURCES:			
Related to employee plans	<u>466,715</u>	<u>108,771</u>	<u>575,486</u>
NET POSITION:			
Net investment in capital assets	26,658,496	10,816,910	37,475,406
Restricted for:			
Debt service	1,251,316	-	1,251,316
Hospital trust fund	9,768,510	-	9,768,510
Unrestricted	8,667,511	565,982	9,233,493
Total net position	<u>\$ 46,345,833</u>	<u>\$ 11,382,892</u>	<u>\$ 57,728,725</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, 2018

	Enterprise Funds		
	CPWA	CCDA	Total
Operating revenues:			
Charges for services:			
Electricity charges	\$ 29,845,275	\$ -	\$ 29,845,275
Water charges	4,884,187	-	4,884,187
Sewer and storm water charges	2,080,267	-	2,080,267
Sanitation charges	1,944,846	-	1,944,846
Recreation services	-	745,612	745,612
Rentals	-	405,253	405,253
Penalties and fees	108,238	-	108,238
Other	2,587	49,709	52,296
Total operating revenues	38,865,400	1,200,574	40,065,974
Operating expenses:			
Electric	19,097,803	-	19,097,803
Water	1,842,555	-	1,842,555
Sewer	1,976,857	-	1,976,857
Sanitation	1,437,674	-	1,437,674
Recreation	-	1,731,923	1,731,923
Depreciation	2,638,808	567,289	3,206,097
Total operating expenses	26,993,697	2,299,212	29,292,909
Operating income (loss)	11,871,703	(1,098,638)	10,773,065
Non-operating revenues (expenses):			
Investment income	91,279	6,686	97,965
Grant revenue	304,950	-	304,950
Interest expense and fiscal charges	(1,645,666)	-	(1,645,666)
Total non-operating revenues (expenses)	(1,249,437)	6,686	(1,242,751)
Net income(loss) before transfers	10,622,266	(1,091,952)	9,530,314
Transfers in	4,288,031	601,804	4,889,835
Transfers out	(11,011,004)	-	(11,011,004)
Change in net position	3,899,293	(490,148)	3,409,145
Net position - beginning*	42,446,540	11,873,040	54,319,580
Net position - ending	\$ 46,345,833	\$ 11,382,892	\$ 57,728,725

*Restated for implementation of GASB 75

City of Claremore, Oklahoma
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2018

	CPWA	CCDA	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 38,231,949	\$ 1,208,898	\$ 39,440,847
Payments to suppliers	(20,170,697)	(755,184)	(20,925,881)
Payments to or on behalf of employees	(3,262,988)	(1,029,394)	(4,292,382)
Receipts of customer deposits	267,225	19,173	286,398
Customer deposits refunded or applied	(237,655)	(27,230)	(264,885)
Net cash provided by (used in) operating activities	14,827,834	(583,737)	14,244,097
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	399,737	601,804	1,001,541
Transfers to other funds	(11,035,786)	-	(11,035,786)
Net cash provided by (used in) non-capital and related financing activities	(10,636,049)	601,804	(10,034,245)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Grant receipts	27,601	-	27,601
Purchases of capital assets	(4,597,221)	(260,387)	(4,857,608)
Principal paid on capital debt	(4,030,000)	-	(4,030,000)
Interest and fiscal agent fees paid on capital debt	(1,677,312)	-	(1,677,312)
Transfers from other funds	3,371,417	-	3,371,417
Net cash used in capital and related financing activities	(6,905,515)	(260,387)	(7,165,902)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	338,088	-	338,088
Note principal and interest payments from related party	516,877	-	516,877
Interest and dividends	91,279	6,686	97,965
Net cash provided by investing activities	946,244	6,686	952,930
Net decrease in cash and cash equivalents	(1,767,486)	(235,634)	(2,003,120)
Balances - beginning of the year	13,118,430	914,540	14,032,970
Balances - end of the year	\$ 11,350,944	\$ 678,906	\$ 12,029,850
Reconciliation to the Statement of Net Position:			
Cash and cash equivalents	\$ 4,226,636	\$ 678,906	\$ 4,905,542
Restricted cash and cash equivalents	7,124,308	-	7,124,308
Total cash and cash equivalents	\$ 11,350,944	\$ 678,906	\$ 12,029,850
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 11,871,703	\$ (1,098,638)	\$ 10,773,065
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	2,638,808	567,290	3,206,098
Change in assets, liabilities, and deferrals:			
Decrease (increase) in receivables, net	(633,451)	8,324	(625,127)
Increase in inventory	(241,649)	-	(241,649)
Decrease (Increase) in prepaid expense	(554)	1,573	1,019
Increase (decrease) in accounts payable	1,151,842	(55,210)	1,096,632
Increase (decrease) in customer deposits payable	29,570	(8,057)	21,513
Increase in accrued compensated absences	36,062	9,355	45,417
Decrease in carrying values of employee benefit plans	(24,497)	(8,374)	(32,871)
Net cash provided by (used in) operating activities	\$ 14,827,834	\$ (583,737)	\$ 14,244,097

See accompanying notes to the basic financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1.A. FINANCIAL REPORTING ENTITY

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

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

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

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

BLENDED COMPONENT UNITS

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

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

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

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

DISCRETELY PRESENTED COMPONENT UNIT

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

1.B. BASIS OF PRESENTATION

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

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

FUND TYPES AND MAJOR FUNDS:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

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

Capital Project Funds

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

PROPRIETARY FUND TYPES

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

COMPONENT UNIT

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The government-wide financial statements and the proprietary fund statements report using the *economic resources* measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in Net Position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Cash and Cash Equivalents

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

Investments

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

Receivables

Material 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.

Capital Assets and Depreciation

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

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

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

Restricted Assets

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

Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the City that are applicable to a future reporting period. At June 30, 2018, the City reported deferred outflows of resources related to its defined benefit pension plans.

Long-Term Debt

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

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

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

Deferred Inflows of Resources

Deferred inflows are the acquisitions of net position by the City that are applicable to a future reporting period. At June 30, 2018, the City reported deferred inflows of resources related to its defined benefit pension plans.

Compensated Absences

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Pensions

The City participates in three employee pension systems as follows:

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

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

Equity Classifications

Government-Wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

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

1.E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

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

- One third is designated for street improvements and is recorded in the Sales Tax Street Fund. This sales tax is permanent (1% of taxable sales).
- One 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, 2020 (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 yearend and received by the City after year end has been accrued and is included under the caption *Due From Other Governments* because they represent taxes on sales occurring during the reporting period.

Property Tax

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

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

Pledged Revenue

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

principal and interest payable for the remainder of the life of this note is \$19,268,175. Debt service payments of \$1,949,700 for the current fiscal year were 13.4% of pledged net revenues.

The city has pledged future net electric system and certain sales tax revenues to repay the \$8,680,000 Capital Improvement Refunding Revenue Bonds, Taxable Series 2013A which were issued on May 7, 2013 in order to refund the outstanding Capital Improvement Refunding Bonds, Taxable Series 2004B dated April 1, 2004 which were used to advance refund the Capital Improvement Revenue Refunding Bonds, Series 2000 and acquire and construct an exposition, park and recreational facility known as the Claremore expo Complex and to acquire, construct and equip waste water treatment facilities and other City capital improvements. The note is payable through 2021. The total principal and interest payable for the remainder of the life of this note is \$3,394,440. Debt service payments of \$1,106,570 for the current fiscal year were 7.6% of pledged net revenues.

The city has also pledged future net electric system revenues to repay the \$5,035,000 Electric System Refunding Revenue Bonds, Series 2013B which were issued on June 7, 2013 in order to refund the outstanding Electric System Revenue Bonds, Series 2005, dated June 1, 2005 which were used to construct improvements to the electric system. The note is payable through 2030. The total principal and interest payable for the remainder of the life of this note is \$4,735,005. Debt service payments of \$396,870 for the current fiscal year were 2.7% of pledged net revenues.

The city also pledged future net electric system revenues to repay the \$8,005,000 Utility System Refunding Revenue Bonds, Series 2013C which were issued on June 7, 2013 in order to refund the outstanding Utility System Revenue Bonds, Series 2005, dated July 1, 2005 which were used to advance refund CPWA's \$9,710,000 Capital Improvement Revenue Refunding Bonds, Series 1998 which were issued to refund CPWA's outstanding Water and Sewer System Revenue Bonds, Series 1993, Dated October 1, 1993 and expend, enlarge and improve the water system and facilities owned by the City and leased to the Authority. The note is payable through 2035. The total principal and interest payable for the remainder of the life of this note is \$9,371,915. Debt service payments of \$528,872 for the current fiscal year were 2.9% of pledged net revenues.

The city has pledged net revenues from the water and sewer systems and the 1% sales tax levied and reported in the Sales Tax Street Fund to repay the \$21,000,000 Utility System and Sales Tax Revenue Note, Series 2015 which were issued on March 10, 2015 to RCB Bank, which will be used for expansion and renovation of the water treatment plant. The note is payable through March, 2030 with the first payment coming due on September 1, 2015 in the amount of \$818,353. The total principal and interest payable for the remainder of the life of this note is \$20,516,630. Debt service payments of \$1,672,013 for the current fiscal year were 24.1% of pledged net revenues.

Expenditures and Expenses

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

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

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

Fund Financial Statements:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements:

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

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

1.G. USE OF ESTIMATES

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

1.H. NEW ACCOUNTING PRONOUNCEMENTS ADOPTED IN FISCAL YEAR 2018

The City adopted new accounting pronouncements during the year ended June 30, 2018 as follows:

Statement No. 86, *Certain Debt Extinguishment Issues* - The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. There was no effect on the current financial presentation as a result of this implementation.

Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*
The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph

NOTES TO THE BASIC FINANCIAL STATEMENTS

53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. There was no effect on the current financial presentation as a result of this implementation.

Statement No. 81 – Irrevocable Split-Interest Agreements - The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. There was no effect on the current financial presentation as a result of this implementation; the City is not currently a beneficiary of any split-interest agreements.

Statement No. 82 - Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The recommendations have been incorporated in the notes to the basic financial statements.

Statement No. 85, Omnibus 2017 - The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The recommendations related to OPEB disclosures are reflected in the notes to the basic financial statements.

Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements - The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. As a result of the implementation of this standard, the City is no longer capitalizing interest related to long-term construction projects for business activities.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

2.A. DEFICIT FUND BALANCES OR NET POSITION

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

2.B. DEPOSITS AND INVESTMENTS REQUIREMENTS

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

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

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

Public trusts created under O.S. Title 60, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2018, the city and its public trusts, complied with the above investment restrictions.

2.C. DEBT RESTRICTIONS AND COVENANTS

Revenue Bond Debt

The bond indentures relating to the revenue bond issued by the CPWA contain a number of financial restrictions or covenants. These include covenants requiring flow of funds through special accounts, required reserve account balances and revenue bond debt service coverage requirements. The CPWA complied with the requirements of the bond indentures in all material respects for the fiscal year ended June 30, 2018.

NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

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

3.A. DEPOSITS AND INVESTMENTS

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

Deposits

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

As of June 30, 2018, the City was not exposed to custodial credit risk as defined above.

Total bank deposits of \$1,583,112 of the discretely presented component unit were either insured with Federal Deposit Insurance Corporation Insurance or collateralized.

As of June 30, 2018, the City's reporting entity had the following deposits and investments:

Type	Fair Value	Credit Rating	Maturities in Years		
			On Demand	Less than one	1 - 5
Demand deposits and cash on hand	\$ 17,611,519	n/a	\$ 17,611,519	\$ -	\$ -
Money market fund - federal obligations	4,882,044	AAA	4,882,044	-	-
Certificates of deposit	14,076,624	n/a	-	6,062,823	8,013,801
US Treasury securities	12,620,844	n/a	-	5,909,801	6,711,043
	<u>\$ 49,191,031</u>		<u>\$ 22,493,563</u>	<u>\$ 11,972,624</u>	<u>\$ 14,724,844</u>
Reconciliation to Statement of net position:					
Cash and cash equivalents	\$ 15,369,255				
Restricted - cash and cash equivalents	7,124,308				
Investments	20,117,440				
Restricted - investments	6,580,028				
	<u>\$ 49,191,031</u>				

Investments

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

3.B. ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consists of court receivables, business-type activities consists of customer utilities receivable. Component unit accounts receivable consists of airport hangar and land rentals. Receivables detail at June 30, 2018, is as follows:

	Governmental Activities	Business-Type Activities	Component Unit (CIEDA)
Accounts Receivable	\$444,749	\$7,785,022	\$12,447
Allowance for uncollectible accounts	(204,553)	(2,293,698)	(-)
Net Accounts Receivable	<u>\$240,196</u>	<u>\$5,491,324</u>	<u>\$12,447</u>

3.C. RESTRICTED ASSETS

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

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3.D. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 3,237,466	\$ 164,120	\$ -	\$ 3,401,586
Construction-in-progress	1,635,190	4,843,893	558,538	5,920,545
Total Capital assets not being depreciated	<u>4,872,656</u>	<u>5,008,013</u>	<u>558,538</u>	<u>9,322,131</u>
Depreciable assets				
Buildings and improvements	13,279,540	383,391	-	13,662,931
Equipment and furniture	12,296,200	1,284,471	1,220,436	12,360,235
Infrastructure	58,774,670	930,153	165,538	59,539,285
Total depreciable assets	<u>84,350,410</u>	<u>2,598,015</u>	<u>1,385,974</u>	<u>85,562,451</u>
Less accumulated depreciation	<u>51,699,994</u>	<u>2,467,794</u>	<u>1,040,506</u>	<u>53,127,282</u>
Net depreciable assets	<u>32,650,416</u>	<u>130,221</u>	<u>345,468</u>	<u>32,435,169</u>
Governmental activities capital assets, net	<u>\$ 37,523,072</u>	<u>\$ 5,138,234</u>	<u>\$ 904,006</u>	<u>\$ 41,757,300</u>
<i>Business -type Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 2,142,092	\$ -	\$ -	\$ 2,142,092
Construction-in-progress	18,674,170	3,124,807	-	21,798,977
Total Capital assets not being depreciated	<u>20,816,262</u>	<u>3,124,807</u>	<u>-</u>	<u>23,941,069</u>
Depreciable Assets:				
Buildings and improvements	24,463,742	42,318	-	24,506,060
Equipment and furniture	9,977,829	1,303,671	307,613	10,973,887
Infrastructure	75,462,826	386,811	-	75,849,637
Total depreciable assets	<u>109,904,397</u>	<u>1,732,800</u>	<u>307,613</u>	<u>111,329,584</u>
Less accumulated depreciation	<u>47,705,279</u>	<u>3,206,097</u>	<u>307,613</u>	<u>50,603,763</u>
Net depreciable assets	<u>62,199,118</u>	<u>(1,473,297)</u>	<u>-</u>	<u>60,725,821</u>
Business-type activities capital assets, net	<u>\$ 83,015,380</u>	<u>\$ 1,651,510</u>	<u>\$ -</u>	<u>\$ 84,666,890</u>
<i>Component Unit (CIEDA):</i>				
Capital assets not being depreciated:				
Land and building held for development	\$ 2,567,517	\$ 155,913	\$ -	\$ 2,723,430
Total Capital assets not being depreciated	<u>2,567,517</u>	<u>155,913</u>	<u>-</u>	<u>2,723,430</u>
Depreciable Assets:				
Buildings and improvements	1,213,347	-	-	1,213,347
Equipment and furniture	403,416	24,583	-	427,999
Infrastructure	2,045,837	-	-	2,045,837
Total depreciable assets	<u>3,662,600</u>	<u>24,583</u>	<u>-</u>	<u>3,687,183</u>
Less accumulated depreciation	<u>1,392,992</u>	<u>131,271</u>	<u>-</u>	<u>1,524,263</u>
Net depreciable assets	<u>2,269,608</u>	<u>(106,688)</u>	<u>-</u>	<u>2,162,920</u>
Component unit capital assets, net	<u>\$ 4,837,125</u>	<u>\$ 49,225</u>	<u>\$ -</u>	<u>\$ 4,886,350</u>

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

Primary Government:

Governmental Activities:

General government	\$145,167
Public safety and judiciary	495,371
Culture, parks, and recreation	312,182
Transportation	<u>1,515,074</u>
Total depreciation expense - governmental activities	<u>\$2,467,794</u>

Business-Type Activities:

Electric	\$582,875
Water	348,596
Wastewater	1,453,347
Solid waste	253,990
Recreation	<u>567,289</u>
Total depreciation expense - business-type activities	<u>\$3,206,097</u>

Discretely Presented Component Unit:

CIEDA:

Airport	\$ 37,920
Railroad spur	<u>68,768</u>
Total depreciation expense – component unit	<u>\$106,688</u>

3.E.TAX ANTICIPATION RECEIVABLES

In 2011, CIEDA proposed, and the City adopted, a resolution which declared the City's intent to create a "reinvestment area" pursuant to the provisions of the Oklahoma Local Development Act, Title 62, Section 850 of the Oklahoma Statutes. The resolution also directed the City's Local Development Act Review Committee to analyze the area and determine the potential of creating tax increment districts within the City. As of June 30, 2018, the following districts had been created:

TIF District #1 –Baker Hughes Increment District Project

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

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

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

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

TIF District #2 – NXTGen Filterworks

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

On August 8, 2013 the City provided funding to CIEDA in order to provide development financing assistance in exchange for a \$350,000 note issued by NXTGen Filterworks 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. NXTGen Filterworks (now NXTNano, LLC) can receive offsets of the annual payment by meeting certain employment benchmarks. The TIF District was created in order to reimburse CIEDA and the City for the cost of the financing assistance.

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

In the March, 2017, NXTNano, PLLC began making payments as scheduled and received \$14,020 in employment credit offsets.

On February 7, 2018, delinquent ad valorem taxes due from NXTGen Filterworks for ad valorem taxes on the real property that were levied in 2017 and 2018 were deemed uncollectible. Consequently, the advalorem taxes of \$50,275 that had been accrued in fiscal year were expensed in the current year.

TIF District #3 – Promise Hotels

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

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

TIF District #4 – AXH

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

On December 1, 2014, the sale to AXH Real Estate was closed and the BancFirst note paid off. CIEDA financed the balance needed to pay off the BancFirst building note by issuing a new note to BancFirst in the amount of \$500,000,

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with a plan to amortize the note with incremental property taxes received related to Tax Increment Financing (TIF) District #4.

Changes in Tax Anticipation Receivables

	Balance			Balance	Due within
	June 30, 2017	Advanced	Received	June 30, 2018	One Year
TIF District #1 - Due From CPWA	\$ 2,709,539	\$ -	\$ 408,495	\$ 2,301,044	\$ 424,835
TIF District #2 - Due From NXTNano	340,063	-	36,750	303,313	35,000
TIF District #3 - Due From RH Hospitality, LLC	657,000	-	97,000	560,000	102,000
Total TIF receivable	<u>\$ 3,706,602</u>	<u>\$ -</u>	<u>\$ 542,245</u>	<u>\$ 3,164,357</u>	<u>\$ 561,835</u>

3.F. LONG-TERM DEBT

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

Governmental Activities

As of June 30, 2018, the long-term debt payable from governmental activities resources consisted of the following:

Capital Leases:

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

Current amount is \$100,294, non-current portion \$102,401 \$ 202,695

Equipment lease payable to RCB Bank, original issue amount of \$600,625, secured by a fire pumper truck, nominal annual rate of 2.15%, with final maturity of November 2022.

Current amount is \$115,065, non-current portion \$485,560 600,625

Total long-term debt payable from governmental resources \$ 803,320

Business-Type Activities:

As of June 30, 2018, the long-term debt payable from business-type activities resources consisted of the following:

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

Current portion \$1,325,000, non-current portion \$15,090,000 \$16,415,000

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

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

Current portion \$1,035,000, non-current portion \$2,210,000 3,245,000

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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 \$275,000, non-current portion \$3,545,000 3,820,000

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 \$290,000, non-current portion \$6,550,000 6,840,000

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 \$424,835, non-current portion \$1,876,209 2,301,044

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

Current portion \$1,230,000, non-current portion \$16,290,000 17,520,000

Total Long Term Debt outstanding – Business-type \$50,141,044

Current portion \$ 4,579,835

Non-current portion 45,561,209

Total Long Term Debt outstanding – Business-type \$50,141,044

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.

All is current \$ 17,109

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 \$212,418, non-current portion \$938,104 1,150,522

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

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

Current portion \$212,418, non-current portion \$938,104 1,150,522

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

Note was issued to BancFirst defray the cost of providing economic development financing to AXH Air-coolers, Inc.

Current portion \$49,000, non-current portion \$404,000 453,000

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

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

Current portion \$102,000, non-current portion \$458,000 560,000

Total Long Term Debt outstanding – Component Unit \$ 3,331,153

Current portion \$ 592,945

Non-current portion 2,738,208

Total Notes Payable \$ 3,331,153

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Amounts Due in One Year
Governmental Activities:					
Capital lease payable	\$ 404,955	\$ 600,625	\$ 202,260	\$ 803,320	\$ 215,359
Total Governmental Activities	<u>\$ 404,955</u>	<u>\$ 600,625</u>	<u>\$ 202,260</u>	<u>\$ 803,320</u>	<u>\$ 215,359</u>
Business Type Activities:					
Notes payable	\$ 21,424,539	\$ -	\$ 1,603,495	\$ 19,821,044	\$ 1,654,835
Revenue bonds payable	33,155,000	-	2,835,000	30,320,000	2,925,000
Total Business Type Activities	<u>\$ 54,579,539</u>	<u>\$ -</u>	<u>\$ 4,438,495</u>	<u>\$ 50,141,044</u>	<u>\$ 4,579,835</u>
Component Unit - CIEDA:					
Tax anticipation notes	\$ 3,866,539	\$ -	\$ 552,495	\$ 3,314,044	\$ 575,835
Other notes payable	42,991	-	25,882	17,109	17,109
Total Component Unit - CIEDA	<u>\$ 3,909,530</u>	<u>\$ -</u>	<u>\$ 578,377</u>	<u>\$ 3,331,153</u>	<u>\$ 592,944</u>

Payment requirements to maturity:

Year Ending June 30,	Governmental Activities		Business Type Activities		Component Unit (CIEDA)	
	Capital Lease Payable		Bonds and Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	215,359	\$ 17,182	4,579,835	1,594,858	592,944	139,649
2020	219,942	12,600	4,751,828	1,455,401	601,828	115,306
2021	120,071	7,920	4,919,502	1,310,136	642,502	90,194
2022	122,654	5,336	5,337,882	1,158,833	670,882	63,289
2023	125,294	2,696	5,521,997	972,341	682,997	35,182
2024-2028	-	-	17,410,000	2,506,610	140000	10,070
2029-2033	-	-	6,215,000	646,826	-	-
2034-2038	-	-	1,405,000	84,500	-	-
Total	<u>\$ 803,320</u>	<u>\$ 45,734</u>	<u>\$ 50,141,044</u>	<u>\$ 9,729,505</u>	<u>\$ 3,331,153</u>	<u>\$ 453,690</u>

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3.G. INTERFUND TRANSACTION AND BALANCES

Interfund transfers for the year ended June 30, 2018 were as follows:

Transfer from	Transfer to	Amount	Nature of Interfund Transfer
* General Fund	* CCDA	\$ 226,027	General operations
* General Fund	* CCDA	78,126	Donations
* General Fund	* CCDA	179,399	Hotel room tax agreement
* General Fund	* CPWA, CCDA, Sales Tax Street	393,497	Workers compensation subsidy
Capital Improvement Sales Tax	* CPWA	428,027	Fixed asset acquisitions
Capital Improvement Sales Tax	* CCDA	103,023	Fixed asset acquisitions
* Expo/Rec Sales Tax Fund	* CPWA	3,044,224	Debt service
* General Fund	* Airport Fund	64,669	Airport infrastructure project
* CPWA	* General Fund	9,750,000	General operations
* CPWA	* General Fund	928,202	Shared overhead reimbursement
Sale Tax Fire	* General Fund	446,328	Shared overhead reimbursement
Sale Tax Park	* General Fund	174,562	Shared overhead reimbursement
Sales Tax Police	* General Fund	373,783	Shared overhead reimbursement
* Sales Tax Street	* General Fund	662,430	Shared overhead reimbursement
Cemetery Care Fund	* General Fund	14,000	Shared overhead reimbursement
* Sales Tax Street	* CPWA	32,048	Fixed asset acquisitions
* General Fund	CIEDA (Component unit)	550,000	Airport management, economic incentives
* General Fund	CIEDA (Component unit)	96,662	Incremental hotel and sales tax (TIF3)
* CPWA	CIEDA (Component unit)	196,763	Incremental utility revenue (TIF1)
CIEDA (Component Unit)	* CPWA	516,877	TIF Baker Hughes - Hospital Trust payment
* CPWA	CDBG	136,040	Grant project
* CPWA	Governmental activities	12,426	Fixed asset transfer (non-cash)
		<u>\$ 18,407,113</u>	

* Represents major fund

Reconciliation to Fund Financial Statements:

	Transfers in	Transfers out	Total
Governmental Funds	\$ 12,673,852	\$ 6,866,805	\$ 5,807,047
Proprietary Funds	4,889,835	11,011,004	(6,121,169)
Total funds	17,563,687	17,877,809	(314,122)
Fixed asset transfer to business-type from governmental activities, net	-	12,426	(12,426)
Total primary government	17,563,687	17,890,235	(326,548)
Component unit (CIEDA)	843,426	516,878	326,548
Total government wide	<u>\$ 18,407,113</u>	<u>\$ 18,407,113</u>	<u>\$ -</u>

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3.H. FUND BALANCES AND NET POSITION

Government Wide Financial Statements:

Net Position Restrictions at June 30, 2018 were as follows:

Fund	Restricted By	Amount
Cemetery Care Fund	State statute	244,436
CPWA	Debt covenants - external	1,251,316
CPWA	Hospital Trust Agreement	9,768,510
		<u>\$ 11,264,262</u>

Fund Level Financial Statements:

	General Fund	Sales Tax Street Fund	EXPO/WWTP Sales Tax Fund	Other Governmental Fund	Total
Fund Balance:					
Nonspendable:					
Inventory	\$ 20,766	\$ 11,792	\$ -	\$ -	\$ 32,558
Restricted For:					
Cemetery	-	-	-	244,436	244,436
Committed For:					
Street improvements - city ordinance	-	12,438,887	-	-	12,438,887
Debt service - city ordinance	-	-	6,781,627	-	6,781,627
Park improvements -city ordinance	-			1,094,221	1,094,221
Police operations - city ordinance	-			716,868	716,868
Fire service - city ordinance	-			495,291	495,291
Capital improvement - city ordinance	-	-	-	1,764,629	1,764,629
Accrued leave - state constitution	1,079,160				1,079,160
Sub-total restricted	1,079,160	12,438,887	6,781,627	4,071,009	24,370,683
Assigned for:					
Budgetary - council resolution	1,459,331	-	-	-	1,459,331
Police and judiciary -council resolution				57,022	57,022
Emergency managment -council resolution				456,233	456,233
Fleet managment -council resolution				321,205	321,205
Library operations-council resolution				72,049	72,049
Capital improvements -council resolution	-	-	-	350,634	350,634
Sub-total assigned	1,459,331	-	-	1,257,143	2,716,474
Unassigned:	3,427,805	-	-	-	3,427,805
TOTAL FUND BALANCE	\$ 5,987,062	\$ 12,450,679	\$ 6,781,627	\$ 5,572,588	\$ 30,791,956

NOTES TO THE BASIC FINANCIAL STATEMENTS

Prior Period Restatement

Net position was restated as follows:

	Fund Level					Government-wide Level	
	Governmental Funds			Proprietary Funds		Governmental Activities	Business-Type Activities
	General	Sales Tax Street Fund	Fleet Maintenance	CCDA	CPWA		
Beginning fund balance/net position as previously reported at June 30, 2017:	\$ 5,577,780	\$ 13,477,565	\$ 395,385	\$ 11,907,452	\$ 42,498,230	\$ 55,943,495	\$ 54,405,682
Prior period adjustment:							
Implementation of GASB 75							
Recognition of an OPEB liability	-	-	-	(42,556)	(153,204)	(2,495,104)	(195,760)
Recognition of an OPEB deferred outflow	-	-	-	-	5,795	76,995	5,795
Payroll accrual correction	341,600	39,350	9,015	8,144	95,719	389,965	103,863
Fund Balance/Net position as restated July 1, 2017	\$ 5,919,380	\$ 13,516,915	\$ 404,400	\$ 11,873,040	\$ 42,446,540	\$ 53,915,351	\$ 54,319,580

NOTE 4. OTHER NOTES

4.A. DEFINED BENEFIT PENSION PLANS

The City participates in three employee pension systems as follows:

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

Plan Descriptions

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

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

The Oklahoma Firefighters Pension Retirement System is administrator of the Oklahoma Firefighters Pension and Retirement Plan (OFPRS). The System is a part of the State financial reporting entity, which is combined with other similar funds to comprise the fiduciary pension trust funds of the State. Responsibility for administration of the OFPRS is assigned to the Oklahoma Firefighters Pension and Retirement System Board of Trustees comprised of thirteen members including the five members of the Board of Trustees of the Oklahoma State Firefighters Association, one

NOTES TO THE BASIC FINANCIAL STATEMENTS

member of the Professional Firefighters Associations, one member of the Oklahoma State Retired Firefighters Association, one member each appointed by the Oklahoma House and Senate, two members appointed by the Oklahoma Municipal League, and the State Insurance Commissioner or designee.

The overall operations of the OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. JPMorgan Chase Bank ("JPMorgan") acts as securities custodian. The Fund utilizes mutual funds, collective trust funds of banks and trust companies, or separate accounts specifically tailored for the Fund by investment advisors. At July 1, 2017, the City's OMRF plan had 144 active participants, 41 retired participants in payment status, 6 survivors in payment status, 7 disabled participants, and 21 deferred vested former employees.

Plan Benefits

All three plans provide defined retirement benefits based on the members final average compensation, age, and term of services. In addition, the retirement programs provide for benefits upon disability and to survivors upon the death of eligible members. Benefits are established and amended by state statute for the OPPRS and OFRS and by the City Council for the OMRF. Retirement provisions for each plan are as follows:

OPPRS

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

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

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

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

OFPRS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

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

OMRF

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

Member and Employer Contributions

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

OPPRS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

OPFRS

Required employer contribution levels are 14% of applicable earnings and firefighters contribute 9%, however, the City contributes the firefighters' contribution as well, bringing the total City employer contribution to 23% of covered payroll. In addition, member cities contribute \$60 for each volunteer firefighter. The Oklahoma Legislature has the authority to establish and amend contribution amounts. The State of Oklahoma, a non-employer contributing entity, presently allocates 36% of the insurance premium tax collected from various types of insurance policies to the Plan. The State of Oklahoma may also appropriate additional funds annually as needed to pay current costs and to amortize the unfunded actuarial present value of accumulated plan benefits. No such appropriations were received during the year ended June 30, 2017.

OMRF

Employee contribution rates are set by ordinance by the City Council at 6% for employees hired before 7/1/2010 and 2.25% for employees hired after 7/1/2010. Since employee contributions are set by ordinance, the employer contributions are determined to be the amount to meet the Plan's actuarial requirements. The actuarial report prepared 7/1/2017 set the employer contribution rate at 5.08% and 4.79% of covered payroll for the fiscal year ended June 30, 2017 and 2018, respectively. OMRF participating employees include employees of the City's governmental activities, business-type activities, and CIEDA, a discretely presented component unit. Total employer contributions in the fiscal year ended June 30, 2017 from all sources totaled \$254,129 which equals the actuarially determined amount based on a covered payroll of \$5,927,200.

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

At June 30, 2018, the City of Claremore reported a liability for its proportionate share of the net pension liability for the OFPRS and OPFRS. The OMRF Plan reported a net pension asset. The net pension liability (asset) for all three plans was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of the net pension liability was based on the City's share of contributions in the respective pension plan relative to the total contributions of all participating OPFRS or OFPRS Plan employers, since the plans are cost sharing-multiple employer type plans. At June 30, 2017, the City's proportionate share was 0.6660 percent of the total OPFRS plan and 0.9962 percent of the total OFPRS plan. Since the OMRF is an agent multiple employer plan, the net pension liability (asset) is determined for the City's plan alone.

CITY OF CLAREMORE, OKLAHOMA
ANNUAL FINANCIAL REPORT
AND ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
For the fiscal year ended June 30, 2018

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2018, the City recognized pension expense of \$362,902 and \$1,301,558 for the OPPRS and OFPRS plans, respectively and \$135,032 for the OMRF plan. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to the three defined benefit pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPPRS		
Difference between expected and actual plan experience	\$ 2,573	\$ 309,692
Net difference between projected and actual earnings on pension plan investments	1,000,060	618,523
Contributions subsequent to the measurement date	338,030	-
OFPRS		
Difference between expected and actual plan experience	1,673,714	-
Net difference between projected and actual earnings on pension plan investments	1,116,586	1,465,738
Contributions subsequent to the measurement date	617,110	-
OMRF		
Difference between expected and actual plan experience	-	649,635
Changes in assumptions	369,655	-
Net difference between projected and actual earnings on pension plan investments	907,781	826,718
Contributions subsequent to the measurement date	254,129	
	<u>\$ 6,279,638</u>	<u>\$ 3,870,306</u>
Reconciliation to the Statement of Net Position:		
Governmental activities	\$ 5,647,086	\$ 3,406,163
Business-type activities	669,108	575,486
Discretely presented component unit (CIEDA)	46,234	38,946
Subtract OPEB (to reconcile, see Note 4B)	(82,790)	(150,289)
Total pension related	<u>\$ 6,279,638</u>	<u>\$ 3,870,306</u>

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018 as follows: \$1,107,498 for governmental activities, \$94,630 for business-type activities, and \$7,141 for CIEDA, a discretely presented component unit.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2017 is 5.72 years for the OPPRS and 6.23 years for the OFPRS.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

Year ended June 30:

2018	\$ (32,767)
2019	\$ 804,073
2020	\$ 441,267
2021	\$ (317,024)
2022	\$ 241,794
Thereafter	\$ 62,720

Actuarial Assumptions

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

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The most recent experience study for OPPRS and OFPRS considered actual System experience for the period July, 2007 through June 30, 2012. The last Analysis of Demographic Experience of the OMRF considered Fund experience for the years 2007-2011. Total Pension Liability for both Plans as of June 30, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

The long-term expected rate of return on pension plan investments for all plans was determined using the building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to

NOTES TO THE BASIC FINANCIAL STATEMENTS

produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major class included in each pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	OPPRS	OFPRS	OMRF		
	LT Expected Real Return	LT Expected Real Return	Target	LT Expected Real Return	Weighted Return
Domestic equity	5.16%	7.72%	35%	5.8%-6.4%	1.45%-0.64%
International equity	8.61%	9.70%	20%	6.20%	1.24%
Other equity	8.23%		10%	5.00%	0.50%
Domestic fixed income	3.27%	4.38%	30%	2.30%	0.69%
Global fixed income	3.27%				
Real estate	4.97%	6.96%	5%	4.60%	0.23%
Other assets	2.42%	5.75%			
				Total	4.75%
				Inflation	2.75%
					7.50%

Target weighting by class:

Total fixed income target	25%	10%-30%	30%
Total equity target	60%	45% - 65%	65%
Total other assets target	15%	5%-28%	5%

Discount Rate

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

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

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2017 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2017 and the City's report ending date of June 30, 2018 that would have had a significant impact on the net pension asset. The following table reports the components of changes in net pension asset for the OMRF plan:

NOTES TO THE BASIC FINANCIAL STATEMENTS

CHANGES IN NET PENSION LIABILITY (OMRF PLAN)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 7/1/2016	<u>\$ 16,558,335</u>	<u>\$ 15,857,377</u>	<u>\$ 700,958</u>
Changes for the Year:			
Service cost	416,087		416,087
Interest cost	1,247,790		1,247,790
Difference between expected and actual experience	(578,646)		(578,646)
Assumption changes	459,160		459,160
Contributions - Employer		281,445	(281,445)
Contributions - Employee		233,785	(233,785)
Net investment income		1,934,393	(1,934,393)
Benefit payments, including refunds of employee contributions	(933,036)	(933,036)	-
Administrative expense		(34,814)	34,814
Net changes	<u>611,355</u>	<u>1,481,773</u>	<u>(870,418)</u>
Balance at 7/1/2017	<u>\$ 17,169,690</u>	<u>\$ 17,339,150</u>	<u>\$ (169,460)</u>

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

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

City of Claremore's Net Pension Liability (Asset)			
	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Discount rate used >			
Cost sharing plans - proportionate share:			
Oklahoma Police Pension and Retirement	\$ 1,731,394	\$ 51,225	\$ (1,367,924)
Oklahoma Firefighters Pension and Retirement	16,436,762	12,529,415	9,218,033
Total net pension liability - cost sharing plans	<u>18,168,156</u>	<u>12,580,640</u>	<u>7,850,109</u>
Agent plan - "stand alone" determination:			
Oklahoma Municipal Retirement System	2,059,539	(169,460)	(1,988,618)
Total - All City of Claremore's Plans	<u>\$ 20,227,695</u>	<u>\$ 12,411,180</u>	<u>\$ 5,861,491</u>
Reconciliation to Statement of Net Position:			
Governmental activities		\$ 12,422,289	
Business-type activities		(11,310)	
Discretely presented component unit (CIEDA)		201	
Total net pension liability		<u>\$ 12,411,180</u>	

NOTES TO THE BASIC FINANCIAL STATEMENTS

Pension plan fiduciary net position

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

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

Payables to the pension plans

At June 30, 2018 the City reported no payables to the defined benefit pension plans for legally required employer contributions.

4.B. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Postemployment Health Insurance Implicit Rate Subsidy Plan

Plan description - The City offers post-employment benefit (OPEB) options for medical and RX, insurance benefits for retired employees and their dependents under the age of 65 that elect to make required premium benefit payments on a monthly basis. The plan is a single-employer defined benefit OPEB plan. The benefits are provided through a substantive plan in which retired employees and dependents under the age of 65 may continue on their medical plan through the City. A substantive plan is one in which the plan terms are understood by the employer and the plan members. This understanding is based on communications between the employer and plan member and the historical pattern of practice with regard to the sharing of benefit costs. All of the City's employees may become eligible for those post-retirement benefits if they are retired members of the Oklahoma Police Pension and Retirement System, Oklahoma Firefighter's Pension and Retirement System, or the City of Claremore Retirement Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided - The Plan covers all current retirees of the City who elected postretirement medical coverage through the City Health Plan and future retired employees of the City fully insured health plan. In accordance with administrative policy, the benefit levels are the same as those afforded to active employees; this creates an implicit rate subsidy. The benefits offered by the City to retirees include health and RX benefits. The retiree retains coverage with the City, by making an election within 30 days of termination of service and have 10+ years of creditable service with the City.

The amount of benefit payments during fiscal year June 30, 2018 were \$82,790.

Employees Covered by Benefit Terms

Active Employees	225
Inactive not yet receiving benefits	0
Inactive or beneficiaries receiving benefits	<u>17</u>
Total	<u>242</u>

Total OPEB Liability – The total OPEB liability was determined based on an alternative measurement method valuation performed as of June 30, 2017 which is also the measurement date.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Actuarial Assumptions- The total OPEB liability in the June 30, 2017 valuation, was determined using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Cost Method
- Discount Rate – 3.58% based on the 20 year municipal bond yield
- Retirement Age – Civilians - 55 with 7 years of service, Police and Fire 20 years of service
- Medical Trend Rates

<u>Year</u>	<u>Rate</u>
2017	6.09%
2018	6.05%
2019	6.02%
2020	5.99%
2025	5.86%
2030	5.99%
2035	5.87%
2040	5.33%
2045+	5.15%

Changes in Total OPEB Liability–

	Total OPEB Liability
Balances at Beginning of Year	\$ 2,699,374
Changes for the Year:	
Service cost	183,075
Interest expense	80,015
Change in assumptions	(172,326)
Benefits paid	(82,790)
Net Changes	<u>7,974</u>
Balances End of Year	<u>\$ 2,707,348</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the City recognized OPEB expense of (\$857). At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 150,289
City Contributions subsequent to the measurement date	82,790	-
Total	<u>\$ 82,790</u>	<u>\$ 150,289</u>

Amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

NOTES TO THE BASIC FINANCIAL STATEMENTS

Year Ended June 30:	
2019	\$ (22,037)
2020	(22,037)
2021	(22,037)
2022	(22,037)
2023	(22,037)
Thereafter	(40,104)
	<u>\$ (150,289)</u>

Sensitivity of the City's total OPEB liability to changes in the discount rate- The following presents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Employers' total OPEB liability \$	3,302,510	\$ 2,707,348	\$ 2,247,118

Sensitivity of the City's OPEB liability to changes in the healthcare cost trend rates - The following presents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.09 percent decreasing to 3.876 percent) or 1-percentage-point higher (7.09 percent decreasing to 5.87 percent) than the current healthcare cost trend rates:

	1% Decrease (5.12% decreasing to 3.87%)	Current Discount Rate (6.12 % decreasing to 4.87%)	1% Increase (7.12% decreasing to 5.87%)
Employers' total OPEB liability \$	2,262,646	\$ 2,707,348	\$ 3,266,777

4.C. TAX ABATEMENTS

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

RC Hospitality, LLC (the Developer) received rebated sales and hotel tax credits during 2018 that offset a portion of the payments due related to a development financing note issued to CIEDA on December 29, 2014. The agreement is for a maximum of 10 years from the effective date of the establishment of the Promise Hotel Increment District (TIF District #3). As part of the agreement, the Developer has constructed an 80-room hotel and conference center. The credit offsets are calculated as the amount of additional incremental sales and hotel tax revenue, over the established base, that is generated within the Promise Hotel Increment District. In the event that credits exceed the amount necessary to amortize the note, CIEDA retains the excess to be applied against the subsequent note payment.

On January 18, 2011, CPWA entered into an Infrastructure Improvement Agreement with Quicktrip Corporation (QuikTrip) to reimburse up to \$500,000 of the cost of constructing public utility improvements to serve a new store location, payable at the rate of 66% of the verified sales taxes generated by the new store and paid to the City up to \$100,000 per year for seven years from the date of the store opening. The City recognizes the expense related to this agreement at the time the

NOTES TO THE BASIC FINANCIAL STATEMENTS

corresponding revenue is received. In the fiscal year ended June 30, 2018, CPWA recognized \$50,303 of expense related to this agreement which expires in 2019.

4.D. CONDUIT DEBT OBLIGATIONS

Component Unit (CIEDA)

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

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

The aggregate outstanding principal balance due on these notes was approximately \$12.3 million at June 30, 2018 as follows:

	Maturity Date	Balance 6/30/2018
Northeast Technology Center	6/20/2027	\$ 7,100,989
Claremore Public Schools #2	8/15/2018	5,197,320
		\$ 12,298,309

4.E. RISK MANAGEMENT

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

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

The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirement of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. For the self-insured worker's compensation program, changes in the claims liability for the City from July 1, 2016 (inception) through June 30, 2018 are as follows:

NOTES TO THE BASIC FINANCIAL STATEMENTS

Claims liability analysis:

Claims liability, July 1, 2017 (inception)	\$ --
Claims and changes in estimates	202,194
Claim payments	(129,358)
Claims liability, June 30, 2017	<u>72,836</u>
Claims and changes in estimates	169,847
Claim payments	(166,540)
Claim liability, June 30, 2018	<u>\$ 76,143</u>

Assets available to pay claims at June 30, 2018 **\$ 572,246**

Because the year ended June 30, 2018 is the second year for the City to assume the risk of loss for workers compensation, the claims incurred but not reported has been estimated as the amount necessary to bring the total expense to the level the City previously incurred for insured coverage. This has resulted in the establishment of a reserve for incurred but not reported claims of \$496,103, or total claims reserve of \$572,246 including reported claims. The City has purchased reinsurance for individual claims more than \$750,000 for electric utility workers and \$500,000 for all others.

4.F. 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

On July 20, 2018, CIEDA issued a note payable to BankFirst in the amount of \$1,111,500 at an annual interest rate of 5.25% to purchase a commercial building. Monthly payments consist of interest only until February 2019 at which time the note will be amortized at a monthly payment rate of \$7,412. CIEDA has identified a tenant for the building and expects rent income to cover all costs of ownership including amortizing the debt.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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

- Budgetary Comparison Schedules –
 - General Fund
 - Sales Tax Street Fund
 - EXPO/WWTP Sales Tax Fund
- Notes to RSI – Budgetary Comparison Schedules
- Schedule of City of Claremore's Share of Net Pension Liability
- Schedule of Employer Contributions
- Schedule of Changes in Net OPEB Liability and Related Ratios

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance to final Favorable (unfav)
Beginning budgetary fund balance	\$ 1,342,348	\$ 1,342,348	\$ 5,577,780	\$ 4,235,432
Resources (inflows)				
Taxes				
Use tax	615,000	615,000	796,673	181,673
Franchise tax	578,000	578,000	621,371	43,371
Total taxes	<u>1,193,000</u>	<u>1,193,000</u>	<u>1,418,044</u>	<u>225,044</u>
Intergovernmental				
Alcoholic beverage tax	120,000	120,000	154,431	34,431
Tobacco tax	130,000	130,000	125,733	(4,267)
Total intergovernmental	<u>250,000</u>	<u>250,000</u>	<u>280,164</u>	<u>30,164</u>
Licenses and permits				
Occupational licenses	2,500	2,500	2,490	(10)
Construction Permits	51,800	51,800	88,153	36,353
Animal license	4,400	4,400	6,675	2,275
Inspection fees	21,000	21,000	16,269	(4,731)
Miscellaneous licenses and permits	45,550	45,550	56,249	10,699
Total licenses and permits	<u>125,250</u>	<u>125,250</u>	<u>169,836</u>	<u>44,586</u>
Charges for services				
Ambulance	500	500	420	(80)
Plots and interment	47,500	47,500	54,938	7,438
Miscellaneous fees	10,000	10,000	21,233	11,233
Total charges for services	<u>58,000</u>	<u>58,000</u>	<u>76,591</u>	<u>18,591</u>
Fines and forfeitures	<u>224,500</u>	<u>224,500</u>	<u>285,239</u>	<u>60,739</u>
Other income				
Investment income	45,000	45,000	142,041	97,041
Miscellaneous income	41,300	41,300	65,689	24,389
Total other income	<u>86,300</u>	<u>86,300</u>	<u>207,730</u>	<u>121,430</u>
Other financing sources				
Gain on sale of assets	-	-	-	-
Overhead transfers	1,944,008	1,944,008	1,944,004	(4)
Transfers in	9,750,000	9,750,000	9,750,000	-
	<u>11,694,008</u>	<u>11,694,008</u>	<u>11,694,004</u>	<u>(4)</u>
Amounts available for appropriation	<u>14,973,406</u>	<u>14,973,406</u>	<u>19,709,388</u>	<u>4,735,982</u>

(CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(CONTINUED)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to final Favorable (unfav)</u>
Charges to appropriations (outflows)				
General government:				
Information technology	401,101	401,101	405,809	(4,708)
Human resources	208,615	208,615	183,774	24,841
City clerk	117,736	117,736	113,404	4,332
Managerial	350,672	350,672	350,672	-
Finance	340,320	340,320	264,506	75,814
General government	962,740	962,740	314,502	648,238
Development services	515,266	515,266	489,887	25,379
Engineering	263,807	263,807	246,448	17,359
Custodial	119,276	119,276	105,765	13,511
Non departmental	250,000	250,000	-	250,000
Total general government	<u>3,529,533</u>	<u>3,529,533</u>	<u>2,474,767</u>	<u>1,054,766</u>
Public safety and judiciary				
Police and court	4,212,931	4,212,931	3,942,075	270,856
Fire	4,466,107	4,466,107	4,598,088	(131,981)
Total public safety and judiciary	<u>8,679,038</u>	<u>8,679,038</u>	<u>8,540,163</u>	<u>138,875</u>
Cultural, parks, recreation, and promotion				
Library	347,959	347,959	324,508	23,451
Cemetery	142,615	142,615	129,141	13,474
Recreation	644,618	644,618	622,358	22,260
Senior Citizens	328,226	328,226	306,002	22,224
Total cultural, parks, recreation, and promotion	<u>1,463,418</u>	<u>1,463,418</u>	<u>1,382,009</u>	<u>81,409</u>
Capital outlay	-	-	78,607	(78,607)
Other financing uses				
Transfers to other funds	468,191	468,191	762,318	(294,127)
Hotel room tax agreement	202,375	202,375	179,399	22,976
Contributions to CIEDA	630,851	630,851	646,663	(15,812)
Total other financing uses	<u>1,301,417</u>	<u>1,301,417</u>	<u>1,588,380</u>	<u>(286,963)</u>
Total charges to appropriations	<u>14,973,406</u>	<u>14,973,406</u>	<u>14,063,926</u>	<u>909,480</u>
Ending budgetary fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,645,462</u>	<u>\$ 5,645,462</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
SALES TAX STREET FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance to final Favorable (unfav)
Beginning budgetary fund balance	\$ 8,896,021	\$ 8,896,021	\$ 13,477,565	\$ 4,581,544
Resources (inflows)				
Taxes				
Sales tax	3,600,000	3,600,000	3,746,774	146,774
Intergovernmental				
Gasoline excise tax	30,000	30,000	35,364	5,364
Commercial vehicle fee	140,000	140,000	144,040	4,040
Miscellaneous	-	-	236,329	236,329
Total intergovernmental	<u>170,000</u>	<u>170,000</u>	<u>415,733</u>	<u>245,733</u>
Other income				
Investment income	56,000	56,000	102,937	46,937
Transfer in	-	-	99,305	99,305
Total other income	<u>56,000</u>	<u>56,000</u>	<u>202,242</u>	<u>146,242</u>
Amounts available for appropriation	<u>12,722,021</u>	<u>12,722,021</u>	<u>17,842,314</u>	<u>5,120,293</u>
Charges to appropriations (outflows)				
Personal services	765,733	765,733	777,944	(12,211)
Material and supplies	1,508,012	1,508,012	414,834	1,093,178
Capital outlay	9,785,946	9,785,946	3,543,729	6,242,217
Transfer to CPWA	-	-	32,048	(32,048)
Overhead transfers	662,330	662,330	662,430	(100)
Total charges to appropriations	<u>12,722,021</u>	<u>12,722,021</u>	<u>5,430,985</u>	<u>7,291,036</u>
Ending budgetary fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,411,329</u>	<u>\$ 12,411,329</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
EXPO/WWTP SALES TAX FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance to final Favorable (unfav)
Beginning budgetary fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,045,653</u>	<u>\$ 6,045,653</u>
Resources (inflows)				
Taxes				
Sales tax	3,600,000	3,600,000	3,746,774	146,774
Other income				
Investment income	-	-	33,425	33,425
Amounts available for appropriation	<u>3,600,000</u>	<u>3,600,000</u>	<u>9,825,852</u>	<u>6,225,852</u>
Charges to appropriations (outflows)				
Reserve funds	549,730	549,730	-	549,730
Transfers out	3,050,270	3,050,270	3,044,225	6,045
Total charges to appropriations	<u>3,600,000</u>	<u>3,600,000</u>	<u>3,044,225</u>	<u>555,775</u>
Ending budgetary fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,781,627</u>	<u>\$ 6,781,627</u>

**CITY OF CLAREMORE, OKLAHOMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

BUDGETARY ACCOUNTING AND CONTROL

Budget Law

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

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

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

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

Budgetary Accounting

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CLAREMORE
SCHEDULE OF CITY OF CLAREMORE'S SHARE OF NET PENSION LIABILITIES*
JUNE 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Oklahoma Police Pension and Retirement Plan</u>				
City's portion of net pension liability	0.6660%	0.6799%	0.7120%	0.6911%
City's proportionate share of the net pension liability	\$ 51,225	\$ 1,041,153	\$ 29,030	\$ (232,695)
City's covered-employee payroll	\$ 1,985,885	\$ 2,004,941	\$ 2,012,431	\$ 1,933,492
City's proportional share of the net pension liability as a percentage of its covered employee payroll	2.579%	51.929%	1.443%	-12.035%
Plan fiduciary net position as a percentage of the total pension liability	99.68%	93.50%	99.82%	101.53%
<u>Oklahoma Firefighters Pension and Retirement Plan</u>				
City's portion of net pension liability	0.9962%	1.0032%	1.0257%	0.9876%
City's proportionate share of the net pension liability	\$ 12,529,415	\$ 12,256,138	\$ 10,887,371	\$ 10,155,561
City's covered-employee payroll	\$ 2,638,707	\$ 2,806,136	\$ 2,802,586	\$ 2,636,429
City's proportional share of the net pension liability as a percentage of its covered employee payroll	474.83%	436.76%	388.48%	385.20%
Plan fiduciary net position as a percentage of the total pension liability	66.61%	64.87%	68.27%	68.12%
<u>Employee Retirement System of Claremore, Oklahoma (OMRF)</u>				
City's portion of net pension liability	100%	100%	100%	100%
City's net pension liability (asset)	\$ (169,460)	\$ 700,958	\$ (152,767)	\$ (650,127)
City's covered-employee payroll	\$ 5,927,200	\$ 5,600,491	\$ 5,452,954	\$ 5,230,443
City's proportional share of the net pension liability as a percentage of its covered employee payroll	-2.86%	12.52%	-2.80%	-12.43%
Plan fiduciary net position as a percentage of the total pension liability	100.99%	95.77%	100.97%	104.32%

GASB Statement No. 68 requires ten years of information to be reported in this table. However, until a full 10-year trend is compiled, the City will present information that is available.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CLAREMORE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Oklahoma Police Pension and Retirement Plan</u>				
Statutorily required contribution	\$ 338,030	\$ 356,470	\$ 340,840	\$ 342,113
Contributions related to the statutorily required contributions (does not include State contributions)	338,030	356,470	340,840	342,113
Contribution (deficiency) excess	-	-	-	-
City's covered-employee payroll	\$ 1,988,412	\$ 2,096,882	\$ 2,004,941	\$ 2,012,431
Contributions as a percentage of covered-employee payroll	17%	17%	17%	17%
<u>Oklahoma Firefighters Pension and Retirement Plan</u>				
Statutorily required contribution	\$ 617,110	\$ 617,625	\$ 645,411	\$ 644,595
Contributions related to the statutorily required contributions (does not include State contributions)	617,110	617,625	645,411	644,595
Contribution (deficiency) excess	-	-	-	-
City's covered-employee payroll	\$ 2,683,087	\$ 2,685,326	\$ 2,806,136	\$ 2,802,586
Contributions as a percentage of covered-employee payroll	23%	23%	23%	23%
<u>Employee Retirement System of Claremore, Oklahoma (OMRF)</u>				
Statutorily required contribution	\$ 254,129	\$ 281,445	\$ 268,264	\$ 277,010
Contributions related to the statutorily required contributions	254,129	281,445	268,264	277,010
Contribution (deficiency) excess	-	-	-	-
City's covered-employee payroll	\$ 5,609,912	\$ 5,927,200	\$ 5,600,491	\$ 5,452,954
Contributions as a percentage of covered-employee payroll	4.53%	4.75%	4.79%	5.08%

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CLAREMORE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Postretirement Medical Plan

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 183,075
Interest	80,015
Changes in assumptions (discount rate)	(172,326)
Expected net benefit payments	<u>(82,790)</u>
Net change in total OPEB liability	7,974
 Balances at Beginning of Year	 <u>2,699,374</u>
Balances End of Year	<u>\$ 2,707,348</u>
 Covered employee payroll	 \$ 11,332,000
 Net OPEB liability as a percentage of covered- employee payroll	 23.89%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available

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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, 2018

	SPECIAL REVENUE FUNDS								
	Police Juvenile Fund	Drug Seizure Fund	Sales Tax Park	IRS Seizures Fund	Sales Tax Police	Sales Tax Fire	Animal Control Fund	Emergency Taxes	Cemetery Care Fund
ASSETS									
Cash	\$ 52,504	\$ 113	\$ 790,037	\$ 654	\$ 539,301	\$ 320,206	\$ 5,242	\$ 316,804	\$ 13,503
Prepaid Expenses	-	-	40	-	10,413	1,260	-	-	-
Investments	-	-	202,604	-	49,266	53,887	-	108,186	234,448
Receivables:									
Due from other governments	-	-	137,696	-	137,696	137,696	-	5,315	-
Grants	-	-	-	-	3,560	-	-	-	-
Accrued interest	-	-	331	-	81	88	-	177	383
Total assets	<u>\$ 52,504</u>	<u>\$ 113</u>	<u>\$ 1,130,708</u>	<u>\$ 654</u>	<u>\$ 740,317</u>	<u>\$ 513,137</u>	<u>\$ 5,242</u>	<u>\$ 430,482</u>	<u>\$ 248,334</u>
LIABILITIES									
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,487</u>	<u>\$ -</u>	<u>\$ 23,449</u>	<u>\$ 17,846</u>	<u>\$ 1,491</u>	<u>\$ 1,777</u>	<u>\$ 3,898</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>36,487</u>	<u>-</u>	<u>23,449</u>	<u>17,846</u>	<u>1,491</u>	<u>1,777</u>	<u>3,898</u>
FUND BALANCES									
Restricted	-	-	-	-	-	-	-	-	244,436
Committed	-	-	1,094,221	-	716,868	495,291	-	-	-
Assigned	<u>52,504</u>	<u>113</u>	<u>-</u>	<u>654</u>	<u>-</u>	<u>-</u>	<u>3,751</u>	<u>428,705</u>	<u>-</u>
Total fund balances	<u>52,504</u>	<u>113</u>	<u>1,094,221</u>	<u>654</u>	<u>716,868</u>	<u>495,291</u>	<u>3,751</u>	<u>428,705</u>	<u>244,436</u>
Total liabilities and fund balances	<u>\$ 52,504</u>	<u>\$ 113</u>	<u>\$ 1,130,708</u>	<u>\$ 654</u>	<u>\$ 740,317</u>	<u>\$ 513,137</u>	<u>\$ 5,242</u>	<u>\$ 430,482</u>	<u>\$ 248,334</u>

(CONTINUED)

CITY OF CLAREMORE, OKLAHOMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	SPECIAL REVENUE FUNDS (CONT'D)			CAPITAL PROJECT FUNDS			DEBT SERVICE	Total
	(CONTINUED)			Capital			FUND	Nonmajor
	Emergency	Fleet	Library	Improvement	Airport	CDBG	Bicycle	Governmental
	Management	Maintenance	Fund	Sales	Fund	Sewer	Trails	Funds
				Tax		Fund	Grant	
ASSETS								
Cash	\$ 29,697	\$ 332,899	\$ 73,953	\$ 1,548,338	\$ 14,926	\$ 72,405	\$ 208,140	\$ 4,335,102
Prepaid Expenses	-	-	2,233	500	-	-	-	14,446
Investments	-	-	-	-	-	-	-	648,391
Receivables:								
Due from other governments	-	-	-	275,392	-	-	-	693,795
Grants	-	-	-	-	463,956	-	-	467,516
Accrued interest	-	-	-	-	-	-	-	1,060
Total assets	<u>\$ 29,697</u>	<u>\$ 332,899</u>	<u>\$ 76,186</u>	<u>\$ 1,824,230</u>	<u>\$ 478,882</u>	<u>\$ 72,405</u>	<u>\$ 208,140</u>	<u>\$ 6,160,310</u>
LIABILITIES								
Accounts payable and accrued								
liabilities	\$ 2,169	\$ 11,694	\$ 4,137	\$ 59,601	\$ 407,062	\$ 1,731	\$ -	\$ 587,722
Total liabilities	<u>2,169</u>	<u>11,694</u>	<u>4,137</u>	<u>59,601</u>	<u>407,062</u>	<u>1,731</u>	<u>-</u>	<u>587,722</u>
FUND BALANCES								
Restricted	-	-	-	-	-	-	-	244,436
Committed	-	-	-	1,764,629	-	-	-	4,071,009
Assigned	27,528	321,205	72,049	-	71,820	70,674	208,140	1,257,143
Total fund balances	<u>27,528</u>	<u>321,205</u>	<u>72,049</u>	<u>1,764,629</u>	<u>71,820</u>	<u>70,674</u>	<u>208,140</u>	<u>5,572,588</u>
Total liabilities and								
fund balances	<u>\$ 29,697</u>	<u>\$ 332,899</u>	<u>\$ 76,186</u>	<u>\$ 1,824,230</u>	<u>\$ 478,882</u>	<u>\$ 72,405</u>	<u>\$ 208,140</u>	<u>\$ 6,160,310</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, 2018

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	\$ -	\$ -	\$ 749,355	\$ -	\$ 749,355	\$ 749,355	\$ -	\$ 165,725	\$ -
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	13,114	-	11,786	-	22,921	-	23,545
Fines and forfeitures	11,374	-	-	-	-	-	-	-	-
Investment income	-	-	1,659	-	404	442	-	884	1,917
Miscellaneous	25	-	14,293	644	50,461	1,129	4,533	-	-
Total revenues	<u>11,399</u>	<u>-</u>	<u>778,421</u>	<u>644</u>	<u>812,006</u>	<u>750,926</u>	<u>27,454</u>	<u>166,609</u>	<u>25,462</u>
EXPENDITURES									
General government	-	-	-	-	-	-	-	-	-
Public safety	6,263	529	-	500	260,942	232,730	34,384	107,532	-
Cultural, Parks, Recreation	-	-	377,975	-	-	-	-	-	22,903
Fleet maintenance	-	-	-	-	-	-	-	-	-
Debt service									
Principal	-	-	-	-	104,028	98,232	-	-	-
Interest	-	-	-	-	2,060	6,319	-	-	-
Capital outlay	-	-	229,575	-	49,970	600,625	-	-	77,321
Total expenditures	<u>6,263</u>	<u>529</u>	<u>607,550</u>	<u>500</u>	<u>417,000</u>	<u>937,906</u>	<u>34,384</u>	<u>107,532</u>	<u>100,224</u>
OTHER FINANCING SOURCES (USES)									
Proceeds from debt issuance	-	-	-	-	-	600,625	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	(174,562)	-	(373,783)	(446,328)	-	-	(14,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(174,562)</u>	<u>-</u>	<u>(373,783)</u>	<u>154,297</u>	<u>-</u>	<u>-</u>	<u>(14,000)</u>
NET CHANGE IN FUND BALANCES	5,136	(529)	(3,691)	144	21,223	(32,683)	(6,930)	59,077	(88,762)
FUND BALANCES - BEGINNING	47,368	642	1,097,912	510	695,645	527,974	10,681	369,628	333,198
FUND BALANCES - ENDING	<u>\$ 52,504</u>	<u>\$ 113</u>	<u>\$ 1,094,221</u>	<u>\$ 654</u>	<u>\$ 716,868</u>	<u>\$ 495,291</u>	<u>\$ 3,751</u>	<u>\$ 428,705</u>	<u>\$ 244,436</u>

CITY OF CLAREMORE, OKLAHOMA
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS (CONT'D)			CAPITAL PROJECT FUNDS				DEBT SERVICE FUND	Total Nonmajor Governmental Funds
	(CONTINUED)			Capital Improvement Sales Tax	Airport Fund	CDBG Sewer Fund	Bicycle Trails Grant	Sinking Fund	
	Emergency Management	Fleet Maintenance	Library Fund						
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ 1,498,710	\$ -	\$ -	\$ -	\$ 14,580	\$ 3,927,080
Intergovernmental	15,000	-	18,164	-	1,866,800	73,744	-	-	1,973,708
Charges for services	-	-	18,218	-	-	-	-	-	89,584
Fines and forfeitures	-	-	-	-	-	-	-	-	11,374
Investment income	-	-	-	-	-	-	-	-	5,306
Miscellaneous	-	399	520	-	-	-	-	-	72,004
Total revenues	15,000	399	36,902	1,498,710	1,866,800	73,744	-	14,580	6,079,056
EXPENDITURES									
General government	-	-	-	101,619	-	7,490	-	14,580	123,689
Public safety	5,510	-	-	65,804	-	-	-	-	714,194
Cultural, Parks, Recreation	-	-	31,883	53,145	-	-	-	-	485,906
Fleet maintenance	-	665,601	-	5,923	-	-	-	-	671,524
Debt service									
Principal	-	-	-	-	-	-	-	-	202,260
Interest	-	-	-	-	-	-	-	-	8,379
Capital outlay	-	97,827	-	317,599	1,915,382	147,502	-	-	3,435,801
Total expenditures	5,510	763,428	31,883	544,090	1,915,382	154,992	-	14,580	5,641,753
OTHER FINANCING SOURCES (USES)									
Proceeds from debt issuance	-	-	-	-	-	-	-	-	600,625
Transfers in	-	679,834	-	-	64,669	136,040	-	-	880,543
Transfers out	-	-	-	(531,049)	-	-	-	-	(1,539,722)
Total other financing sources (uses)	-	679,834	-	(531,049)	64,669	136,040	-	-	(58,554)
NET CHANGE IN FUND BALANCES	9,490	(83,195)	5,019	423,571	16,087	54,792	-	-	378,749
FUND BALANCES - BEGINNING	18,038	404,400	67,030	1,341,058	55,733	15,882	208,140	-	5,193,839
FUND BALANCES - ENDING	\$ 27,528	\$ 321,205	\$ 72,049	\$ 1,764,629	\$ 71,820	\$ 70,674	\$ 208,140	\$ -	\$ 5,572,588

OTHER INFORMATION

**CITY OF CLAREMORE, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA# Number	Pass-through Identifying Number	Federal Expenditures
FEDERAL AWARDS:			
<u>U. S. DEPARTMENT OF JUSTICE:</u>			
Bulletproof Vest Partnership Program	16.607	Direct	\$3,560
<u>US DEPARTMENT OF TRANSPORTATION</u>			
Airport Improvement Program	20.106	Direct	1,719,794
<u>US DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through the Oklahoma Department of Emergency Management			
Hazard Mitigation Grant	97.039	OK-DR-4222 Project #37	304,950
Emergency Management Performance Grant	97.042	EMPG 17	7,500
Emergency Management Performance Grant	97.042	EMPG 18	7,500
Total US Department of Homeland Security			319,950
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
Passed through the Oklahoma Department of Commerce:			
Community Development Block Grant	14.228	16751 CDBG 16	\$73,744
TOTAL FEDERAL AWARDS			\$2,117,048

NOTES TO THE SCHEDULED OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

This schedule includes the federal grant activity of the City of Claremore, Oklahoma under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of the City of Claremore, Oklahoma, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Claremore, Oklahoma.

Note 2. Summary of Significant Accounting Policies

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

OTHER INFORMATION

**CLAREMORE PUBLIC WORKS AUTHORITY
SCHEDULE OF REVENUE BOND AND NOTE COVERAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Electric</u>	<u>Water & Sewer</u>
Gross Revenue Available for Debt Service:		
Electric system revenues (1)	\$ 29,845,275	\$ -
Water and sewer systems revenues (1)		6,964,454
Investment income (split evenly)	45,640	45,640
Sales tax revenues (2)	<u>3,746,774</u>	<u>3,746,774</u>
Total Gross Revenues Available	\$33,637,689	\$10,756,868
System operating expenses (3)	<u>19,097,803</u>	<u>3,819,412</u>
Net revenues available for debt service	<u><u>\$14,539,886</u></u>	<u><u>\$6,937,456</u></u>
Average Annual Debt Service Requirements for Term:		
Claremore PWA Refunding Revenue Bonds, Series 2012	\$ 1,949,700	\$ -
Claremore PWA Cap Improvement Taxable Refunding Bonds, Series 2013A	1,106,570	-
Claremore PWA Electric System Refunding Revenue Bonds, Series 2013B	396,870	-
Claremore PWA Utility System Refunding Revenue Bonds, Series 2013C	528,872	-
CPWA Utility Revenue Note Series 2013B (4)	516,877	-
CPWA Sales Tax & Utility System Revenue Note, Series 2015	-	1,672,013
Total average annual debt service	<u><u>\$ 4,498,889</u></u>	<u><u>\$ 1,672,013</u></u>
Computed Coverage	<u><u>3.23</u></u>	<u><u>4.15</u></u>
Coverage Requirement - Revenue Bond and Note Indentures	<u><u>1.25</u></u>	<u><u>1.25</u></u>

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

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

(3) Excludes depreciation.

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



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of the Financial
Statements Performed in Accordance with
Government Auditing Standards**

City Council
City of Claremore
Claremore, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Claremore, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Association of South Central Oklahoma Governments basic financial statements and have issued our report thereon dated December 14, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2018-001 and 2018-002.

Compliance and Other Matters

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

Purpose of this Report

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

Hill & Company, PC

Tulsa, Oklahoma
December 14, 2018





Independent Auditors' Report on Compliance for Each Major Federal Program: Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

City Council
City of Claremore
Claremore, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Claremore's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the City of Claremore's major federal programs for the year ended June 30, 2018. City of Claremore's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Claremore's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the City of Claremore is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Claremore's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the City of Claremore as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 14, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hill & Company, PC

Tulsa, Oklahoma
December 14, 2018



City of Claremore
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section II--Findings Required to be Reported in Accordance with Government Auditing Standards

Finding 2018-001

Criteria: In accordance with the Generally Accepted Auditing Standards (GAAS), the organization should have adequate design and implementation of controls over the preparation of the financial statements being audited such that the financial statements are fairly presented in conformity with generally accepted accounting principles.

Condition: Accrued payroll was improperly accounted for due to a misunderstanding of the City's policy regarding payroll and timing of payroll.

Effect: Accrued payroll was overstated by approximately \$493,000.

Cause: A misunderstanding of payroll policy as it relates to timing of payments and services earned.

Recommendation: We recommend that management review the policies and procedures regarding payroll to ensure that all accrued payroll is properly accounted for.

Views of the responsible officials and planned corrective actions: The City manager and accounting department agree with this finding.

Name of contact person: Suzan Maloy, Executive Manager of Budget and Finance

Corrective Action:

The client is in discussion with the City's attorney to best address the correction of pay period.

City of Claremore
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section II--Findings Required to be Reported in Accordance with Government Auditing Standards (Continued)

Finding 2018-002

Criteria: Based on review of Article 10 Section 15 and 17 of the Oklahoma Constitution, the City may not make payments for services not yet rendered.

Condition: Our understanding of the timing of payroll payments and services performed of the City could be in violation of State Law.

Effect: The client could be liable for legal ramifications for not being in accordance with state law. Furthermore, the client could be losing money due to overpayment to an employee that terminates employment after payroll has processed.

Cause: A misunderstanding of payroll policy as it relates to timing of payments and services earned.

Recommendation: We recommend that management review its policies and procedures associated with payroll to ensure that they are in compliance with all laws and regulations.

Views of the responsible officials and planned corrective actions: The City manager and accounting department agree with this finding.

Name of contact person: Suzan Maloy, Executive Manager of Budget and Finance

Corrective Action:

The client is in discussion with the City's attorney to best address the correction of pay period.

Section III--Findings Required to be Reported in Accordance with the Uniform Guidance

None to report for the June 30, 2018 period.

City of Claremore
Summary Schedule of Prior Audit Findings
June 30, 2018

Findings Required to be Reported by Government Auditing Standards

No prior year findings to report.

Findings Required to be Reported in Accordance with the Uniform Guidance

No prior year findings to report.