



The City of

Durant, Oklahoma

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

As of and for the Fiscal Year Ended
June 30, 2013



THE CITY OF DURANT, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

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**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Durant, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Durant, Oklahoma (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, 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.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, in fiscal year 2013 the City adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity*:

Omnibus – an Amendment of GASB Statements No. 14 and No. 34, GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

March 21, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Durant's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2013, the City's total net position decreased by \$395,353 or 0.4% from the prior year.
- During the year, the City's expenses for governmental activities were \$22,024,807 and were funded by program revenues of \$4,312,067 and further funded with taxes and other general revenues that totaled \$19,602,392.
- In the City's business-type activities, such as utilities, total program revenues exceeded expenses by \$240,537.
- For budgetary reporting purposes, the General Fund reported revenues less than estimates by \$45,252 or 0.4%, while expenditures were under the final appropriations by \$2,134,282 or 15.5%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Durant (the "City") and its component units using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for each of the three categories of activities, governmental, business-type, and discretely-presented component units. The government-wide financial statements present the complete financial picture of the City's reporting entity from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net position and changes in them from the prior year. You can think of the City's net position – the difference between assets, deferred outflows, liabilities, and deferred inflows – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

Unaudited

The Statement of Net Position and the Statement of Activities divide the City into three categories:

- **Governmental activities** -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities** -- For certain activities, the City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, wastewater, sanitation, airport and federal building activities are reported here.
- **Discretely-presented component units** – These account for activities of the City's reporting entity that do not meet the criteria for blending. The City's discretely-presented component units report industrial development activities and public works projects.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

Governmental funds -- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements. In fact, the City's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

Unaudited

**CITY OF DURANT, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2013**

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

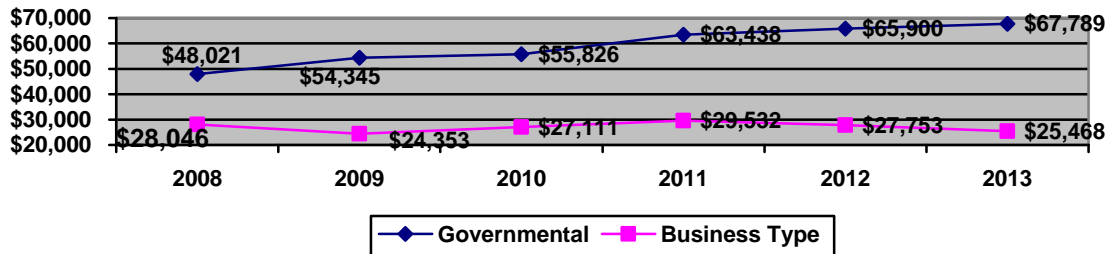
The City's combined net position decreased from \$93,652,554 to \$93,257,201 between fiscal years 2012 and 2013. Looking at the net position of governmental and business-type activities separately, governmental activities increased \$1,889,652, while business-type activities decreased \$2,285,005.

**Table 1
Net Assets**

	Governmental Activities		% Inc. Dec.	Business-type Activities		% Inc. Dec.	Total Primary Government		% Inc. Dec.
	2013	2012		2013	(Restated) 2012		2013	(Restated) 2012	
Assets:									
Current and other assets	\$ 15,114,382	\$ 16,284,518	-7%	\$ 6,417,970	\$ 9,921,670	-35%	\$ 21,532,352	\$ 26,206,188	-18%
Capital assets, net	56,854,358	54,798,320	4%	53,381,961	54,124,166	-1%	110,236,319	108,922,486	1%
Total assets	71,968,740	71,082,838	1%	59,799,931	64,045,836	-7%	131,768,671	135,128,674	-2%
Deferred Outflows of Resources:									
Deferred amount on refunding	-	-	N/A	129,682	-	N/A	129,682	-	N/A
Liabilities:									
Long-term debt	1,879,900	2,151,104	-13%	33,716,741	35,338,139	-5%	35,596,641	37,489,243	-5%
OPEB obligation	373,547	284,023	32%	100,571	76,468	32%	474,118	360,491	32%
Other liabilities	1,925,794	2,747,864	-30%	644,599	878,522	-27%	2,570,393	3,626,386	-29%
Total liabilities	4,179,241	5,182,991	-19%	34,461,911	36,293,129	-5%	38,641,152	41,476,120	-7%
Net Position:									
Net investment in capital assets	56,103,986	53,716,648	4%	25,042,774	26,550,877	-6%	81,146,760	80,267,525	1%
Restricted	6,920,742	7,027,626	-2%	406,465	816,106	-50%	7,327,207	7,843,732	-7%
Unrestricted	4,764,771	5,155,573	-8%	18,463	385,724	-95%	4,783,234	5,541,297	-14%
Total net position	\$ 67,789,499	\$ 65,899,847	3%	\$25,467,702	\$27,752,707	-8%	\$93,257,201	\$93,652,554	0%

Net position of the City's governmental activities increased 3 percent to approximately \$67.8 million. However, \$63,024,728 of that net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net position amounted to \$4,764,771 at the end of this year. Net position of the business-type activities decreased 8 percent to approximately \$25.5 million. \$25,449,239 of this net position is restricted for debt service or is invested in capital assets. Consequently, unrestricted net position amounted to \$18,463 at the end of the year.

**Total Net Position at Year End
(in 000's)**



Unaudited

**CITY OF DURANT, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2013**

Changes in Net Position

For the year ended June 30, 2013, net position of the primary government changed as follows:

**Table 2
Changes in Net Position**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2013	2012		2013	(Restated) 2012		2013	(Restated) 2012	
Revenues:									
Program revenues:									
Charges for services	\$ 958,748	\$ 895,946	7%	\$ 10,486,078	\$ 10,607,540	-1%	\$ 11,444,826	\$ 11,503,486	-1%
Operating grants/contributions	1,264,959	1,033,878	22%	-	-	-	1,264,959	1,033,878	22%
Capital grants/contributions	2,088,360	945,008	121%	951,031	3,095,360	-69%	3,039,391	4,040,368	-25%
General revenues:									
Sales and use taxes	14,365,333	14,189,109	1%	-	-	-	14,365,333	14,189,109	1%
Other taxes	1,095,000	1,112,307	-2%	-	-	-	1,095,000	1,112,307	-2%
Other general revenue	1,270,811	794,751	60%	345,706	419,781	-18%	1,616,517	1,214,532	33%
Total revenues	<u>21,043,211</u>	<u>18,970,999</u>	11%	<u>11,782,815</u>	<u>14,122,681</u>	-17%	<u>32,826,026</u>	<u>33,093,680</u>	-1%
Program expenses:									
General government	4,703,024	4,695,120	0%	-	-	-	4,703,024	4,695,120	0%
Public safety	9,214,057	8,901,863	4%	-	-	-	9,214,057	8,901,863	4%
Public works	3,061,810	2,986,598	3%	-	-	-	3,061,810	2,986,598	3%
Culture and recreation	2,752,105	2,572,127	7%	-	-	-	2,752,105	2,572,127	7%
Cemetery	188,101	186,601	1%	-	-	-	188,101	186,601	1%
Industrial dev. (payment to DIA)	520,000	918,050	-43%	760,868	736,007	3%	1,280,868	1,654,057	-23%
Community dev. (payment to DCFA)	1,556,020	1,521,952	2%	-	-	-	1,556,020	1,521,952	2%
Interest on long-term debt	29,690	37,738	-21%	328,479	329,571	0%	358,169	367,309	-2%
Water	-	-	-	3,047,564	2,759,222	10%	3,047,564	2,759,222	10%
Sewer	-	-	-	2,901,782	2,684,548	8%	2,901,782	2,684,548	8%
Sanitation	-	-	-	2,822,995	2,432,994	16%	2,822,995	2,432,994	16%
Airport	-	-	-	1,330,577	1,061,933	25%	1,330,577	1,061,933	25%
Federal building	-	-	-	4,307	29,328	-85%	4,307	29,328	-85%
Total expenses	<u>22,024,807</u>	<u>21,820,049</u>	1%	<u>11,196,572</u>	<u>10,033,603</u>	12%	<u>33,221,379</u>	<u>31,853,652</u>	4%
Excess (deficiency) before transfers	(981,596)	(2,849,050)	-66%	586,243	4,089,078	-86%	(395,353)	1,240,028	-132%
Transfers	2,871,248	5,310,816	-46%	(2,871,248)	(5,310,816)	46%	-	-	-
Increase (decrease) in net position	<u>\$ 1,889,652</u>	<u>\$ 2,461,766</u>	-23%	<u>\$ (2,285,005)</u>	<u>\$ (1,221,738)</u>	87%	<u>\$ (395,353)</u>	<u>\$ 1,240,028</u>	-132%

The City's governmental activities' increase in net position of \$1,889,652 represents a 23% decrease in the change in net position from the prior year. The business-type activities' decrease in net position of \$2,285,005 represents a 87% decrease in the change in net position from the prior year.

Some of the greater differences as noted in Table 1 and 2 are explained as follows:

- Current and other assets of the business-type activities decreased by 35% due to a decrease in cash and cash equivalents related to the 2007, 2009A&B, and 2010 Revenue Notes (current year spending of construction accounts), along with the closing of the 3 OWRB reserve accounts that were refunded with the issue of the 2012A Revenue notes.
- OPEB obligation in both the governmental activities and business-type activities increased by 30% due to the City not funding the obligation as it is incurred.
- Other liabilities of the governmental activities decreased by 30% due to a decrease in accounts payable and retainage payable of approximately \$603,000 and \$257,455, respectively, related to a capital project.

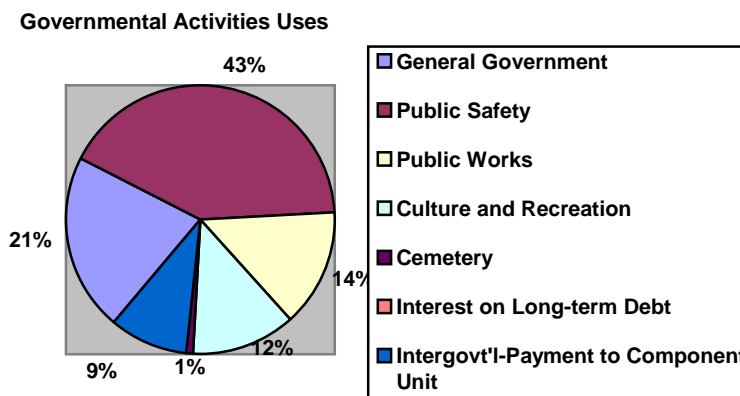
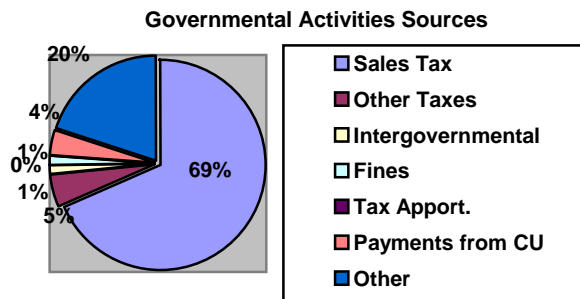
Unaudited

- Governmental activities capital grants and contributions increased 121% due to the increase in grants from the Oklahoma Department of Transportation.
- Business-type activities capital grants and contributions decreased 69% due to the decrease in grants from the Federal Aviation Administration.
- Governmental activities other general revenues increased 60% due to the increase in payments received from component unit of approximately \$478,000.
- Transfers changed significantly due to a large reimbursement of note financing in the prior year from the Durant City Utilities Authority to the Capital Improvement Fund in the amount of \$4,826,918 as compared to current year of \$1,571,234. In addition, sales tax revenue that was transferred from the 1% Sales Tax Revenue Fund to business-type activities decreased from the prior year by approximately \$860,000.

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 or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended June 30, 2013, the City’s governmental activities were funded as follows:



Unaudited

**CITY OF DURANT, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2013**

For the year ended June 30, 2013, total expenses for governmental activities amounted to \$22,024,807. Of these total expenses, taxpayers and other general revenues funded \$19,602,392, while those directly benefiting from the program funded \$3,353,319 from grants and other contributions and \$958,748 from charges for services.

Net Cost of Durant's Governmental Activities

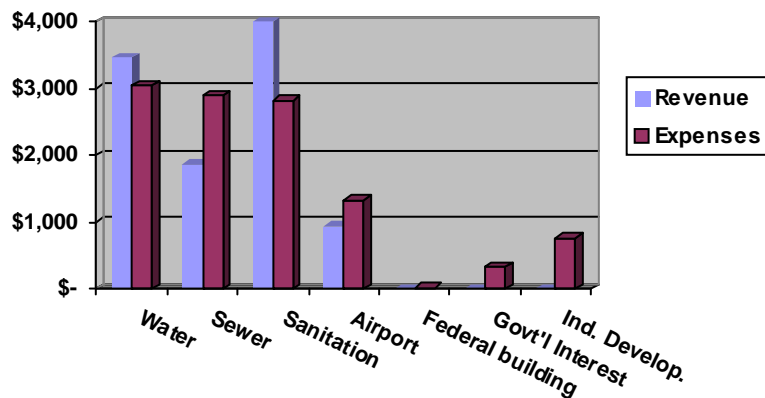
	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	2013	2012	2013-2012	2013	2012	2013-2012
General government	\$4,703,024	\$4,695,120	0.2%	(\$4,072,789)	(\$4,409,281)	-7.6%
Public safety	9,214,057	8,901,863	3.5%	(7,592,904)	(7,426,889)	2.2%
Public works	3,061,810	2,986,598	2.5%	(1,448,648)	(2,700,996)	-46.4%
Culture and recreation	2,752,105	2,572,127	7.0%	(2,369,060)	(1,801,423)	31.5%
Cemetery	188,101	186,601	0.8%	(123,629)	(128,888)	-4.1%
Industrial development - payments to DIA	520,000	918,050	-43.4%	(520,000)	(918,050)	-43.4%
Community development - payments to DCFA	1,556,020	1,521,952	2.2%	(1,556,020)	(1,521,952)	2.2%
Interest on long-term debt	29,690	37,738	-21.3%	(29,690)	(37,738)	-21.3%
Total	\$22,024,807	\$21,820,049	0.9%	(\$17,712,740)	(\$18,945,217)	-6.5%

Business-type Activities

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net revenues of \$240,537 for the year ended June 30, 2013.
- All individual activities reported net revenues for the year ended June 30, 2013, with the exception of sewer, federal building, governmental interest on long-term debt and industrial development (payment to DIA) which reported net expenses of \$967,194, \$4,307, \$328,479 and \$760,868 respectively.

**Business-Type Activities Revenue and Expense
(in 000's)**



Unaudited

A FINANCIAL ANALYSIS OF THE CITY’S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$12,173,607 or a 2.2% increase from the prior year. The enterprise funds reported net position of \$25,605,522 or a 7.6% decrease from 2012.

Other fund highlights include:

- For the year ended June 30, 2013, the General Fund’s total fund balance decreased by \$219,332 or 7.5%.
- The Capital Improvement Fund’s total fund balance increased by \$1,246,882 due to a decrease in capital project expenditures in the current year.

General Fund Budgetary Highlights

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues below final estimates by \$45,252 or a 0.4% negative variance. General Fund actual budgetary basis expenditures were under final appropriations by \$2,134,282 or a 15.5% positive variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the City had \$110,236,319 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below).

	Primary Government Capital Assets (Net of accumulated depreciation)					
	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$5,181,512	\$5,050,512	\$1,724,994	\$1,724,994	\$6,906,506	\$6,775,506
Buildings	20,127,292	19,920,733	17,377,497	18,481,694	37,504,789	38,402,427
Improvements	1,047,816	698,817	673,936	889,814	1,721,752	1,588,631
Machinery & equipment	5,299,570	5,633,710	2,270,241	2,327,438	7,569,811	7,961,148
Infrastructure	24,356,040	22,432,715	30,688,327	23,282,430	55,044,367	45,715,145
Construction in progress	842,128	1,061,833	646,966	7,417,796	1,489,094	8,479,629
Totals	<u>\$56,854,358</u>	<u>\$54,798,320</u>	<u>\$53,381,961</u>	<u>\$54,124,166</u>	<u>\$110,236,319</u>	<u>\$108,922,486</u>

This year’s more significant capital asset additions are discussed below.

- The City placed in service a splash pad at Lloyd Plyler park totaling \$182,503.
- The City placed in service a DWRD maintenance building at library totaling \$161,171.
- The City placed in service the South 9th widening and water/sewer relocated project totaling \$1,200,070.
- The City placed in service the Highway 69/75 exit ramp project totaling \$1,490,215.
- The City placed in service the GSA/FBI remodel project totaling \$317,221.
- The City placed in service the old police station remodel project totaling \$280,455.
- The City placed in service the Eagle Suspension rail spur project totaling \$493,436.

Unaudited

**CITY OF DURANT, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2013**

- The City placed in service the Airport Parallel Taxiway project totaling \$7,153,673.
- The City placed in service the Airport Hangar Access project totaling \$501,333.
- The City placed in service the WTP Clarifier System project totaling \$436,000.

See Note 5 to the financial statements for more detail information on the City's capital assets and changes therein.

Long- Term Debt

At year-end, the City had \$35,596,641 in long-term debt outstanding which represents a \$1,892,602 or 5.0% decrease from the prior year. The City's changes in long-term debt by type of debt are as follows:

	Primary Government Long-Term Debt						Total Percentage Change
	Governmental		Business-Type		Total		
	<u>Activities</u>		<u>Activities</u>		<u>Activities</u>		
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013-2012</u>
Capital lease obligations	\$744,780	\$1,070,488	-	-	\$744,780	\$1,070,488	-30.4%
Notes payable	5,592	11,184	\$32,591,786	\$34,328,137	32,597,378	34,339,321	-5.1%
Landfill closure liability	-	-	459,942	393,575	459,942	393,575	16.9%
Meter deposit liability	-	-	363,640	339,409	363,640	339,409	7.1%
Accrued comp absences	1,129,528	1,069,432	301,373	277,018	1,430,901	1,346,450	6.3%
Totals	<u>\$1,879,900</u>	<u>\$2,151,104</u>	<u>\$33,716,741</u>	<u>\$35,338,139</u>	<u>\$35,596,641</u>	<u>\$37,489,243</u>	-5.0%

For the year ended June 30, 2013, the following significant long-term debt transactions occurred:

- The DCUA issued 2 new notes payable for a Chevrolet truck for water department and the 2012A Utility System and Sales Tax Revenue Note, which refunded 3 previously issued OWRB loans.
- One new capital lease was approved by the City for a John Deere backhoe.

See Note 6 to the financial statements for more detail information on the City's long-term debt and changes therein.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Unemployment Rates –To date, the most current Employment Securities Commission Research Analysis Data is posted for August 2013. The United States Unemployment Rate for August 2013 is 7.3%. The State of Oklahoma Unemployment Rate for August 2013 is 5.3%. The Durant/Bryan County Unemployment Rate for August 2013 is 4.4%. The Durant/Bryan County twelve month unemployment average for August 2012 – July 2013 is 4.7%. Bryan County posted their number of employed workforce at 18,984 for August 2013.

Durant City Sales Tax Collection – Sales tax collections in fiscal year 2012-2013 increased over the previous fiscal year by 2.24%. The City of Durant saw sales tax collections at a historical high for Fiscal Year 2012-2013. Year-to-date sales tax collections for Fiscal Year 2013-2014 (June 2013– October 2013) reflects an increase of 4.26% over the same period in Fiscal Year 2012-2013.

Unaudited

The 2010 United States Census listed the City of Durant as having a population of 15,856. This is a 17.0% increase over the 2000 United States Census population for Durant of 13,549. The 2010 United States Census listed Bryan County as having a population of 42,416. This is a 16.1% increase over the 2000 United States Census population for Bryan County of 36,534. The 2010 United States Census listed the State of Oklahoma as having a population of 3,751,351. This is an 8.7% increase over the 2000 United States Census population for the State of Oklahoma of 3,450,654. In summary, Durant's rate of growth for 2000 – 2010 was double the State of Oklahoma according to the 2010 United States Census Data for Population Growth.

Projects Completed In The Current Fiscal Year

Eagle Suspensions Rail Spur Expansion – Eagle Suspensions relocated to Durant from Canada six years ago. They are the leading and largest leaf spring manufacturer in North America. They currently have 160 employees and are preparing to add 40 new jobs in the next two years. In 2011, the City of Durant applied for a \$500,000 Community Development Block Grant to extend the existing rail spur to assist in supporting Eagle Suspensions' increased volume of rail car traffic inbound from the northern steel mills. This second rail spur expansion was completed in 2012 with the installation of the third rail spur line between the former Hale Halsell Building and Eagle Suspensions. Eagle Suspensions has invested over \$5 Million Dollars in new equipment in its Durant facility in the last two years.

PharmcareOK of Durant – PharmcareOK of Durant provides packaging, labeling and distribution of pharmaceutical health care products in a six state region. PharmCare Oklahoma purchased an industrial building in the Durant Regional Airport Industrial Park. The company invested \$750,000 in the facility and increased their employee base starting the first year with 21 employees and will grow the workforce to a total of 52 employees by the end of the third year of operation. PharmcareOK of Durant, Inc., received a Durant Industrial Authority job creation loan of \$520,000 to support the creation of 52 new pharmaceutical and healthcare jobs in their new facility. Construction of the new PharmcareOK of Durant facility is complete and opened for business in December 2012. PharmcareOK of Durant is the first Durant business to qualify for and participate in the Small Quality Jobs Incentive Program through the Oklahoma Department of Commerce.

Sterling III Pipeline, LLC 16" Liquid Pipeline Construction began on March 23, 2013 for the 16" Natural Gas Liquids (NGL) Sterling III Pipeline, L.L.C. ONEOK. Construction began at the Red River and travelled north through Durant in March and April 2013. A right-of-way easement on Durant Industrial Authority West Industrial Park property was granted to ONEOK Partners. The Durant Industrial Authority received \$200,200 for the Pipeline Right-of-Way Property Easement.

ONEOK/Oklahoma Natural Gas (ONG) 6" Natural Gas Pipeline - The 6" plastic service pipeline was installed in the Durant Industrial Authority West Industrial Park in 2012. The 6" plastic pipeline will service all new building activities in our industrial park and also provided natural gas to the Cummins Construction Asphalt Plant. The asphalt plant was a large consumer of natural gas in heating the asphalt road material for the new US70 South Durant Bypass Project, Widening and Overlay of South 9th Street and the Southbound US69/75 Exit Ramp at University Boulevard (three local highway projects in 2012).

Southbound US 69/75 Exit Ramp at University Boulevard – The City of Durant, Durant Industrial Authority and the Oklahoma Department of Transportation jointly funded this community street and city economic development improvement project. The Durant Industrial Authority funded this US69/75 Southbound Exit Ramp at University Boulevard in the amount of \$515,020 for the City of Durant. Relocation of the utility lines occurred in October, 2012. Construction work began in February, 2013.

South Ninth Street – US 69 Business Route Widening and Overlay – The Durant Industrial Authority contributed \$564,720.44 in 2012 and \$279,669.44 in 2013 on behalf of the City of Durant to the Oklahoma Department of Transportation for this \$1.2 Million Dollar Street Project Investment for our community.

LaQuinta Inn & Suites – Construction of the new LaQuinta Inn & Suites at 417 Criswell Drive began in March 2012. The 69 room, 4 story hotel is the first facility built in the State of Oklahoma using the 2012 LaQuinta Inn & Suites architectural design and new color scheme. The total project investment is over \$4 Million Dollars and will create up to 30 new jobs. The grand opening was held in October, 2013.

Stuteville Chevrolet of Durant – Eric Stuteville and Glenn Thompson were selected by the General Motors Corporation in March 2012 to open a new Durant Chevrolet dealership in October 2013. This project was a \$5 Million Dollar investment and will create 40-45 new jobs which would include administration, auto sales, vehicle maintenance and service. The groundbreaking ceremony was held in October, 2012 and site work began in November 2012. The grand opening was held in October, 2013.

The Tile Shop Distribution Center - The Tile Shop has 64 retail stores in 20 states and has four distribution centers. The new Durant Tile Shop Distribution Center is their only distribution center that will be served by rail. The Tile Shop buys their tile, stone, and ceramic products direct from over twenty countries around the world and manufactures their own setting and maintenance products for sale in their retail stores. The demolition and new construction started on Monday, January 21, 2013 in the former Hale Halsell facility. The 150,000 square foot distribution center opened for business in April 2013.

Hibbett Sports – Hibbett Sports has over 800 stores in 29 states and is headquartered in Birmingham, Alabama. The Durant Hibbett Sports is located in the Briarwood Shopping Center at 909 West Main Street and opened its doors for business in February 2013.

Rue21 – Rue21 has nearly 1,000 stores in 47 states and is headquartered in Warrendale, Pennsylvania. The Durant Rue21 is located in the Briarwood Shopping Center at 915 West Main Street and opened its doors for business in February 2013.

Projects In Process For Upcoming Fiscal Year

Keystone XL TransCanada Pipeline Project – Jim Prescott, Public Relations for Keystone Pipeline System for TransCanada, has visited our office on numerous occasions over the past three years. Mr. Prescott has asked us to support the Keystone XL TransCanada Pipeline Project from a community economic development standpoint. We have helped Mr. Prescott schedule several public meetings to inform our business community and citizens of the significance of this major national crude oil pipeline project that will be constructed east of Durant. The economic impact for our city has been very significant. The pipeline was placed on the Bryan County Ad Valorem Tax Rolls as a personal property ad valorem tax contributor. Keystone XL is a critical energy infrastructure project consisting of a 36” crude oil pipeline spanning 1,661 miles from Northern Canada to the gulf coast refineries in South Texas. This \$7.6 Billion Dollar pipeline project reached our community in January 2013 and is scheduled to be fully complete and operational in January 2015. TransCanada will inject billions of private-sector dollars into the economy, creating more than 20,000 direct jobs and 118,000 spin off jobs during construction. Once in operation, Keystone XL will contribute an additional \$5.2 billion in property taxes to communities along the route during the operating life of the pipeline.

Hitchcock Distributing - Mr. Hitchcock and I continue to work together in planning a possible new site for the expansion of his beer distribution center. Mr. Hitchcock is working with an architectural and engineering firm that designs refrigerated distribution centers for his products. I have met with project consultants Gene Schwartz from St. Louis, Missouri, and Tex Burrows from Temple, Texas, multiple times and provided them with information concerning industrial park land and incentive programs available for the new refrigerated distribution center project. The total project investment will be \$4 Million Dollars for this 2014 project.

The Tile Shop Distribution Center – The Tile Shop Distribution Center has already outgrown its facility and been forced to store excess floor tile inventory in their parking lot. The Tile Shop has obtained permission from the City of Durant to erect a 100’ by 400’ industrial steel frame and canvas tent to cover and protect their excess floor tile inventory from outside elements. The Tile Shop is considering the purchase of adjoining industrial property for future expansion in 2014-2015.

The Tile Shop Grout Manufacturing Facility - The engineering, building and design of The Tile Shop Grout Manufacturing Facility is complete and construction began in August 2013. This new 40,000 square foot grout manufacturing facility is operational as of November 18, 2013 and will create an additional 20-25 jobs.

Economic Development Administration Grant for New Million Gallon Water Tower and Infrastructure for North Durant and Southeastern Oklahoma State University –The Southern Oklahoma Development Association applied for and Durant received a \$950,000 Economic Development Administration Grant. The grant funds will be applied towards the construction of a new million gallon water tower and infrastructure to service North Durant and Southeastern Oklahoma State University. This total project is a \$4.5 Million Dollar investment for our community.

Unaudited

Discount Tire & Service – Construction of the new Discount Tire & Service Center began in April 2013 and is located at 501 Westside Drive. This 7,000 square foot discount tire and service center is scheduled to open its doors for business in January 2014. The business will employ eight staff members.

New Industrial Road – Waldron Drive - Durant Regional Airport – The City of Durant has submitted their application for a Community Development Block Grant in the amount of \$500,000 to improve infrastructure on Waldron Drive based upon the 52 jobs created at PharmcareOK of Durant with this investment of \$750,000.

Southeastern Materials, LLC. – Southeastern Materials, LLC., purchased a twenty acre site in the Durant Industrial Authority East Industrial Park in September 2013. The project is an asphalt manufacturing plant and construction of an office complex and maintenance building. In October 2013, Southeastern Materials, LLC. installed two tin horns and gravel entranceways, and some site gravel necessary to relocate the asphalt manufacturing plant on to the property. A water meter has also been installed at the site. Relocation of the asphalt manufacturing plant will begin in November 2013. The City of Durant has made application to the Oklahoma Department of Commerce for a \$1 Million Dollar Community Development Block Grant to rebuild Country Club Road to an industrial access road for this 50-job facility.

International House of Pancakes Restaurant – Construction of the International House of Pancakes Restaurant began in August 2013 and the grand opening will be in late December 2013. The new restaurant will employ 25 to 30 employees this year.

Khan's Fire Restaurant – Demolition work began in September 2013 on the former Braums Restaurant on First Avenue for a Khan's Fire Restaurant. The restaurant will be open for business in December 2013. Khan's Fire Restaurant will employ 15-20 employees.

GAMCO/Bohrick Expansion – GAMCO/Bohrick will be manufacturing two new product lines and adding 15-20 new employees in 2013-2014. The company will make an equipment investment of \$300,000 - \$400,000 for these new jobs in Durant.

McDonalds – The owners of the McDonald's franchise announced in November 2013 that they will be demolishing the current facility on West Main Street and constructing a new McDonald's facility on the same site. The new McDonalds will have additional seating, a dual drive through lane, and an indoor playground. Demolition will begin in January 15, 2014 and is scheduled to be completed in April 2014.

Aldi – Aldi completed the purchase of 2.1 acres of commercial real estate property in November 2013. Aldi is a global discount supermarket chain headquartered in Germany. This is a 2014 project and the total investment will be \$2.5 Million Dollars for this 17,500 square foot retail food store. They will have a workforce of 10 – 12 staff members.

Unaudited

Genessee Wyoming Railroad New Employee Office is located on Fifth Street in Durant. They will add nine new staff members in the Durant office and provide 24 hour service five days per week for the local rail industrial companies.

Heart and Medical Center Office Complex - Construction began in September 2013 on the new Heart and Medical Center Office Complex on University Boulevard. Drs. Khetpal recruited two physicians from Canada specializing in internal medicine to staff this new facility. Our office was asked to write letters of support for each of the physician candidates. We provided contact information for engineering and design companies with expertise in medical clinic design. I was able to present contact information for three firms from the Dallas/Ft. Worth metroplex area that had meetings with the Khetpals.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City'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 Durant City Manager by phone at (580) 931-6605, or the Durant City Treasurer at (580) 931-6651, or by mail at City of Durant, P.O. Box 578, Durant, Oklahoma 74702-0578.

Unaudited

**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Statement of Net Position– June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Durant Industrial Authority	Durant Community Facilities Authority
ASSETS:					
Cash and cash equivalents	\$7,829,065	\$5,340,056	\$13,169,121	\$228,668	\$981,617
Investments	3,758,710	7,864	3,766,574	1,564,886	-
Accounts receivable, net of allowance	-	1,619,249	1,619,249	-	-
Franchise tax receivable	107,685	-	107,685	-	-
Court fine receivable, net of allowance	22,257	-	22,257	-	-
Internal balances	549,199	(549,199)	-	-	-
Due to/from component unit	177,691	-	177,691	-	(177,691)
Due from other governments	2,362,245	-	2,362,245	-	-
Notes receivable	242,496	-	242,496	2,154,683	-
Other receivables	65,034	-	65,034	-	-
Capital assets:					
Land and construction in progress	6,023,640	2,371,960	8,395,600	1,779,392	266,000
Other capital assets, net of depreciation	50,830,718	51,010,001	101,840,719	10,582	-
Total assets	71,968,740	59,799,931	131,768,671	5,738,211	1,069,926
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred amount on refunding	-	129,682	129,682	-	1,283,218
LIABILITIES:					
Accounts payable	912,138	251,143	1,163,281	3,608	12
Accrued payroll liabilities	468,185	93,868	562,053	9,129	-
Accrued interest payable	-	299,588	299,588	661	65,614
Due to other governments	1,880	-	1,880	-	-
Claims liability	536,491	-	536,491	-	-
Unearned revenue	7,100	-	7,100	-	-
Long-term liabilities:					
Due within one year	525,287	2,611,015	3,136,302	120,979	1,020,426
Due in more than one year	1,354,613	31,105,726	32,460,339	1,555,051	13,262,342
OPEB obligation	373,547	100,571	474,118	4,789	-
Total liabilities	4,179,241	34,461,911	38,641,152	1,694,217	14,348,394
NET POSITION:					
Net investment in capital assets	56,103,986	25,042,774	81,146,760	1,357,486	266,000
Restricted	6,920,742	406,465	7,327,207	-	-
Unrestricted (deficit)	4,764,771	18,463	4,783,234	2,686,508	(12,261,250)
Total net position	\$67,789,499	\$25,467,702	\$93,257,201	\$4,043,994	(\$11,995,250)

See accompanying notes to the basic financial statements.

CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Statement of Activities –Year Ended June 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Durant Industrial Authority	Durant Community Facilities Authority
					Governmental Activities	Business-Type Activities	Total		
Primary Government:									
Governmental activities:									
General government	\$4,703,024	\$293,233	\$206,002	\$131,000	(\$4,072,789)	-	(\$4,072,789)	-	-
Public safety	9,214,057	366,686	875,618	378,849	(7,592,904)	-	(7,592,904)	-	-
Public works	3,061,810	-	143,393	1,469,769	(1,448,648)	-	(1,448,648)	-	-
Culture and recreation	2,752,105	237,429	36,874	108,742	(2,369,060)	-	(2,369,060)	-	-
Cemetery	188,101	61,400	3,072	-	(123,629)	-	(123,629)	-	-
Industrial development (Payment to DIA)	520,000	-	-	-	(520,000)	-	(520,000)	-	-
Community development (Payment to DCFA)	1,556,020	-	-	-	(1,556,020)	-	(1,556,020)	-	-
Interest on long-term debt	29,690	-	-	-	(29,690)	-	(29,690)	-	-
Total governmental activities	22,024,807	958,748	1,264,959	2,088,360	(17,712,740)	-	(17,712,740)	-	-
Business-type activities:									
Water	3,047,564	3,464,817	-	158,973	-	\$576,226	576,226	-	-
Sewer	2,901,782	1,860,634	-	73,954	-	(967,194)	(967,194)	-	-
Sanitation	2,822,995	4,224,921	-	-	-	1,401,926	1,401,926	-	-
Airport	1,330,577	935,706	-	718,104	-	323,233	323,233	-	-
Federal building	4,307	-	-	-	-	(4,307)	(4,307)	-	-
Governmental interest on long-term debt	328,479	-	-	-	-	(328,479)	(328,479)	-	-
Industrial development (Payment to DIA)	760,868	-	-	-	-	(760,868)	(760,868)	-	-
Total business-type activities	11,196,572	10,486,078	-	951,031	-	240,537	240,537	-	-
Total primary government	\$33,221,379	\$11,444,826	\$1,264,959	\$3,039,391	(17,712,740)	240,537	(17,472,203)	-	-
Component Units:									
Industrial development	\$1,439,079	-	-	\$461,708	-	-	-	(\$977,371)	-
Community development	738,293	-	-	-	-	-	-	-	(\$738,293)
Total component units	\$2,177,372	-	-	\$461,708	-	-	-	(977,371)	(738,293)
General revenues:									
Taxes:									
Sales and use taxes					14,365,333	-	14,365,333	-	-
Franchise and public service taxes					799,288	-	799,288	-	-
E-911 taxes					295,712	-	295,712	-	-
Intergovernmental revenue not restricted to specific programs					280,058	-	280,058	-	-
Investment income					26,630	19,018	45,648	1,597	1,581
Miscellaneous					173,081	170,324	343,405	564,872	-
Payments received from primary government					-	-	-	1,280,868	1,556,020
Payments received from component unit					791,042	156,364	947,406	-	-
Transfers - Internal activity					2,871,248	(2,871,248)	-	-	-
Total general revenues and transfers					19,602,392	(2,525,542)	17,076,850	1,847,337	1,557,601
Change in net position					1,889,652	(2,285,005)	(395,353)	869,966	819,308
Net position (deficit) - beginning, restated					65,899,847	27,752,707	93,652,554	3,174,028	(12,814,558)
Net position (deficit) - ending					\$67,789,499	\$25,467,702	\$93,257,201	\$4,043,994	(\$11,995,250)

See accompanying notes to the basic financial statements.

**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013**

Governmental Funds Balance Sheet - June 30, 2013

	Special Revenue Funds			Capital Project Funds			Other Governmental Funds	Total Governmental Funds
	General	1/4% Economic Development Fund	5/8% Sales Tax Education Fund	Capital Improvement Fund	1% Sales Tax Revenue Fund	DWRF Community Center & Library Fund		
ASSETS:								
Cash and cash equivalents	\$1,533,932	\$3,065,357	\$14	\$1,794,226	\$20,880	\$241,838	\$298,593	\$6,954,840
Investments	699,842	1,400,480	6	1,092,893	9,539	-	169,073	3,371,833
Receivables:								
Due from other funds	1,490	-	-	411,379	-	-	2,638	415,507
Due from component unit	-	-	-	177,691	-	-	-	177,691
Due from other governments	1,020,699	104,505	275,874	248,281	418,021	-	294,865	2,362,245
Notes receivable	-	-	-	242,496	-	-	-	242,496
Franchise tax receivable	107,685	-	-	-	-	-	-	107,685
Court fines receivable, net	22,257	-	-	-	-	-	-	22,257
Other receivables	14,052	-	-	-	-	1,130	49,852	65,034
Total assets	\$3,399,957	\$4,570,342	\$275,894	\$3,966,966	\$448,440	\$242,968	\$815,021	\$13,719,588
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:								
Liabilities:								
Accounts payable	\$203,131	-	-	\$585,839	-	-	\$116,326	\$905,296
Accrued payroll liabilities	441,542	-	-	-	-	-	22,222	463,764
Due to other funds	2,638	-	-	-	-	-	1,490	4,128
Due to other governments	1,880	-	-	-	-	-	-	1,880
Unearned revenue	7,100	-	-	-	-	-	-	7,100
Total liabilities	656,291	-	-	585,839	-	-	140,038	1,382,168
Deferred Inflows of Resources								
Deferred revenue	36,423	-	-	127,390	-	-	-	163,813
Fund Balances:								
Restricted	-	\$4,314,032	\$275,873	1,427,448	\$447,542	\$1,900	453,947	6,920,742
Assigned	1,785,081	256,310	21	1,826,289	898	241,068	221,036	4,330,703
Unassigned	922,162	-	-	-	-	-	-	922,162
Total fund balances	2,707,243	4,570,342	275,894	3,253,737	448,440	242,968	674,983	12,173,607
Total liabilities, deferred inflows and fund balances	\$3,399,957	\$4,570,342	\$275,894	\$3,966,966	\$448,440	\$242,968	\$815,021	\$13,719,588

See accompanying notes to the basic financial statements.

CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2013

Governmental Funds Statement of Changes in Fund Balances – Year Ended June 30, 2013

	Special Revenue Funds			Capital Project Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	1/4% Economic Development Fund	5/8% Sales Tax Education Fund	Capital Improvement Fund	1% Sales Tax Revenue Fund	DWRF Community Center & Library Fund		
Revenues:								
Taxes	\$7,634,916	\$782,502	\$2,052,190	-	\$3,130,009	-	\$1,860,716	\$15,460,333
Intergovernmental	1,372,795	-	-	\$2,779,065	-	-	739,377	4,891,237
Charges for services	284,622	-	-	-	-	-	92,734	377,356
Licenses and permits	268,425	-	-	-	-	-	-	268,425
Fines and forfeitures	276,419	-	-	-	-	-	-	276,419
Investment income	3,776	7,057	21	12,134	112	\$274	933	24,307
Miscellaneous:								
Reimbursements	18,768	-	-	171,940	-	-	-	190,708
Donations	500	-	-	10,000	-	-	-	10,500
Other	141,370	-	-	39,095	-	-	3,450	183,915
Total Revenues	10,001,591	789,559	2,052,211	3,012,234	3,130,121	274	2,697,210	21,683,200
Expenditures:								
Current:								
General government	2,179,216	-	2,037,861	-	-	-	181,144	4,398,221
Public safety	7,520,502	-	-	-	-	-	753,037	8,273,539
Public works	1,418,703	-	-	-	-	-	-	1,418,703
Culture and recreation	1,869,395	-	-	-	-	-	1,894	1,871,289
Cemetery	141,075	-	-	-	-	-	-	141,075
Capital outlay	5,625	-	-	5,682,926	-	292,995	804,667	6,786,213
Debt service:								
Principal retirement	5,592	-	-	440,081	-	-	-	445,673
Interest and fiscal charges	-	-	-	29,455	-	-	-	29,455
Total Expenditures	13,140,108	-	2,037,861	6,152,462	-	292,995	1,740,742	23,364,168
Excess (deficiency) of revenues over expenditures	(3,138,517)	789,559	14,350	(3,140,228)	3,130,121	(292,721)	956,468	(1,680,968)
Other Financing Sources (Uses):								
Transfers in	2,903,745	-	-	4,555,544	-	80,000	488,836	8,028,125
Transfers out	(36,448)	(844,390)	-	(410,822)	(3,152,096)	-	(5,276)	(4,449,032)
Transfers from component unit	51,888	151,001	-	126,445	-	-	-	329,334
Transfers to component unit	-	(520,000)	-	-	-	-	(1,556,020)	(2,076,020)
Proceeds from issuance of debt	-	-	-	115,943	-	-	-	115,943
Total Other Financing Sources (Uses)	2,919,185	(1,213,389)	-	4,387,110	(3,152,096)	80,000	(1,072,460)	1,948,350
Net change in fund balances	(219,332)	(423,830)	14,350	1,246,882	(21,975)	(212,721)	(115,992)	267,382
Fund balances - beginning	2,926,575	4,994,172	261,544	2,006,855	470,415	455,689	790,975	11,906,225
Fund balances - ending	\$2,707,243	\$4,570,342	\$275,894	\$3,253,737	\$448,440	\$242,968	\$674,983	\$12,173,607

See accompanying notes to the basic financial statements.

CITY OF DURANT, OKLAHOMA
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Fund Balance – Net Position:

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

Total fund balances - governmental funds	\$12,173,607
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 accumulated depreciation of \$65,515,795.	<u>56,840,378</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Grants receivable	135,053
Court fines receivable	<u>28,760</u>
	<u>163,813</u>
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the net position of the internal service fund is included in governmental activities in the Statement of Net Position.	
Net position of the Internal Service Funds	716,596
Internal service fund interfund balance resulting from net revenues reported in business-type activities	<u>137,820</u>
	<u>854,416</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Capital lease obligations	(741,552)
Notes payable	(5,592)
OPEB obligation	(373,547)
Accrued compensated absences	<u>(1,122,024)</u>
	<u>(2,242,715)</u>
Net position of governmental activities	<u><u>\$67,789,499</u></u>

See accompanying notes to the basic financial statements

**CITY OF DURANT, OKLAHOMA
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Changes in Fund Balances - Net Position Reconciliation:

Net change in fund balances - total governmental funds \$267,382

Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital assets transferred from other funds	3,698
Capital assets transferred to other funds	(2,619)
Capital assets donated	171,000
Capital asset purchases capitalized	4,799,629
Capital assets disposed	(30,452)
Depreciation expense	<u>(2,892,451)</u>
	<u>2,048,805</u>

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

Change in deferred revenue	<u>(191,615)</u>
	<u>(191,615)</u>

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Debt proceeds received	(115,943)
Debt principal payments	445,673
	<u>329,730</u>

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

Change in OPEB obligations	(89,524)
Change in accrued compensated absences	(59,443)
	<u>(148,967)</u>

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the change in net position of the internal service fund is included in governmental activities in the Statement of Net Position.

Total change in net position of the internal service funds	(595,099)
Net revenues (expenses) of internal service fund reported in business-type activities	179,416
	<u>(415,683)</u>

Change in net position of governmental activities \$1,889,652

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

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Proprietary Funds Statement of Net Position - June 30, 2013

	Enterprise Funds				Internal Service Funds
	Utilities Authority Fund	Airport Authority Fund	Non-Major Federal Building Fund	Total	
	Fund	Fund	Fund		
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$550	-	\$17,214	\$17,764	\$874,225
Restricted cash and cash equivalents	5,236,985	\$85,307	-	5,322,292	-
Investments	-	-	7,864	7,864	386,877
Accounts receivable, net of allowance	1,548,485	70,764	-	1,619,249	-
Total current assets	<u>6,786,020</u>	<u>156,071</u>	<u>25,078</u>	<u>6,967,169</u>	<u>1,261,102</u>
Noncurrent Assets:					
Capital assets:					
Land and other non-depreciable assets	2,312,530	59,430	-	2,371,960	-
Other capital assets, net of depreciation	39,968,349	11,025,045	16,607	51,010,001	13,980
Total noncurrent assets	<u>42,280,879</u>	<u>11,084,475</u>	<u>16,607</u>	<u>53,381,961</u>	<u>13,980</u>
Total assets	<u>49,066,899</u>	<u>11,240,546</u>	<u>41,685</u>	<u>60,349,130</u>	<u>1,275,082</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred amount on refunding	129,682	-	-	129,682	-
LIABILITIES:					
Current Liabilities:					
Accounts payable	239,791	11,267	85	251,143	6,842
Accrued payroll liabilities	91,962	1,906	-	93,868	4,421
Due to other funds	402,979	8,400	-	411,379	-
Accrued interest payable	297,500	2,088	-	299,588	-
Estimated liability for claims	-	-	-	-	536,491
Current Portion of:					
Meter deposit liability	72,728	-	-	72,728	-
Capital lease payable	-	-	-	-	1,663
Notes payable	2,413,869	71,284	-	2,485,153	-
Landfill closure liability	22,997	-	-	22,997	-
Accrued compensated absences	30,002	135	-	30,137	750
Total current liabilities	<u>3,571,828</u>	<u>95,080</u>	<u>85</u>	<u>3,666,993</u>	<u>550,167</u>
Noncurrent liabilities:					
Meter deposit liability	290,912	-	-	290,912	-
Capital lease payable	-	-	-	-	1,565
Notes payable	29,986,295	120,338	-	30,106,633	-
Landfill closure liability	436,945	-	-	436,945	-
OPEB obligation	100,571	-	-	100,571	-
Accrued compensated absences	270,017	1,219	-	271,236	6,754
Total noncurrent liabilities	<u>31,084,740</u>	<u>121,557</u>	<u>-</u>	<u>31,206,297</u>	<u>8,319</u>
Total liabilities	<u>34,656,568</u>	<u>216,637</u>	<u>85</u>	<u>34,873,290</u>	<u>558,486</u>
NET POSITION:					
Net investment in capital assets	14,065,131	10,961,036	16,607	25,042,774	10,752
Restricted for debt service	391,429	15,036	-	406,465	-
Unrestricted	83,453	47,837	24,993	156,283	705,844
Total net position	<u>\$14,540,013</u>	<u>\$11,023,909</u>	<u>\$41,600</u>	<u>\$25,605,522</u>	<u>\$716,596</u>
Total net position of enterprise funds				\$25,605,522	
Amounts reported for business-type activities in the Statement of Net Position are different because:					
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. An interfund receivable or payable has been recorded in the business-type activities for its share of the net income or the loss of the internal service funds.					
Net position of the Internal Service Funds				(137,820)	
Net position of business-type activities				<u>\$25,467,702</u>	

See accompanying notes to the basic financial statements.

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Proprietary Funds Statement of Changes in Net Position - Year Ended June 30, 2013

	Enterprise Funds				Internal Service Funds
	Utilities Authority	Airport Authority	Non-Major Federal Building	Total	
	Fund	Fund	Fund		
Operating Revenues:					
Charges for services:					
Water charges	\$3,218,158	-	-	\$3,218,158	-
Sewer charges	1,744,992	-	-	1,744,992	-
Water and sewer taps	208,250	-	-	208,250	-
Penalties	113,037	-	-	113,037	-
Non-payment fees	117,394	-	-	117,394	-
Sanitation charges	3,735,792	-	-	3,735,792	-
Landfill gate fees	168,887	-	-	168,887	-
Lab tests	22,590	-	-	22,590	-
Airport	-	\$935,706	-	935,706	-
Rentals	61,185	-	-	61,185	-
Transfer station fees	209,545	-	-	209,545	-
Recyclable products	11,727	-	-	11,727	-
Self insurance charges	-	-	-	-	\$2,290,635
Miscellaneous	98,693	10,446	-	109,139	938,825
Total operating revenues	<u>9,710,250</u>	<u>946,152</u>	<u>-</u>	<u>10,656,402</u>	<u>3,229,460</u>
Operating Expenses:					
Public works administration	143,031	-	-	143,031	-
Utility billing	274,206	-	-	274,206	-
Water/sewer line maintenance	992,237	-	-	992,237	-
Water treatment plant	872,443	-	-	872,443	-
Wastewater treatment	689,744	-	-	689,744	-
Collection - solid waste	1,143,765	-	-	1,143,765	-
General government	210,342	-	-	210,342	-
Lake Durant	34,732	-	-	34,732	-
Disposal - solid waste	1,074,241	-	-	1,074,241	-
Airport	-	892,394	-	892,394	-
Federal building	-	-	\$3,898	3,898	-
Claims expense	-	-	-	-	3,822,761
Depreciation expense	2,039,754	295,960	409	2,336,123	4,753
Total operating expenses	<u>7,474,495</u>	<u>1,188,354</u>	<u>4,307</u>	<u>8,667,156</u>	<u>3,827,514</u>
Operating income (loss)	2,235,755	(242,202)	(4,307)	1,989,246	(598,054)
Non-Operating Revenues (Expenses):					
Investment income	18,625	264	129	19,018	2,323
Gain (Loss) on sale of capital assets	(1,079)	-	-	(1,079)	-
Debt issuance costs	(130,792)	-	-	(130,792)	-
Interest expense and fiscal charges	(1,402,315)	(17,703)	-	(1,420,018)	(235)
Total non-operating revenues (expenses)	<u>(1,515,561)</u>	<u>(17,439)</u>	<u>129</u>	<u>(1,532,871)</u>	<u>2,088</u>
Net income (loss) before contributions and transfers	720,194	(259,641)	(4,178)	456,375	(595,966)
Capital contributions	912,150	710,350	-	1,622,500	-
Transfers in	1,342,049	-	-	1,342,049	867
Transfers out	(4,818,456)	(3,553)	(100,000)	(4,922,009)	-
Transfers from component unit	156,364	-	-	156,364	-
Transfers to component unit	(760,868)	-	-	(760,868)	-
Change in net position	(2,448,567)	447,156	(104,178)	(2,105,589)	(595,099)
Total net position - beginning, restated	16,988,580	10,576,753	145,778	27,711,111	1,311,695
Total net position - ending	<u>\$14,540,013</u>	<u>\$11,023,909</u>	<u>\$41,600</u>	<u>\$25,605,522</u>	<u>\$716,596</u>
Change in net position - enterprise funds				(\$2,105,589)	
Amounts reported for business-type activities in the Statement of Activities are different because:					
Internal service funds are used by management to charge the costs of certain activities, such as insurance,					
to individual funds. An interfund receivable or payable to has been recorded in the business-type activities for					
its share of the net income or loss of the internal service funds.					
Change in net position of the Internal Service Fund					
(179,416)					
Change in net position of the business-type activities					
<u>(\$2,285,005)</u>					

See accompanying notes to the basic financial statements.

**CITY OF DURANT, OKLAHOMA
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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2013

	Enterprise Funds			Total	Internal Service Funds
	Utilities Authority Fund	Airport Authority Fund	Non-Major Federal Building Fund		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$9,601,303	971,436	-	\$10,572,739	-
Payments to suppliers	(2,569,935)	(885,839)	(4,287)	(3,460,061)	(\$3,691,549)
Payments to employees	(2,882,854)	(47,833)	-	(2,930,687)	(107,964)
Receipts of customer meter deposits	149,059	-	-	149,059	-
Customer meter deposits refunded or applied	(124,828)	-	-	(124,828)	-
Other receipts (payments)	179,854	8,400	-	188,254	3,229,878
Net Cash Provided by (Used in) Operating Activities	<u>4,352,599</u>	<u>46,164</u>	<u>(4,287)</u>	<u>4,394,476</u>	<u>(569,635)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	1,342,049	-	-	1,342,049	867
Transfers to other funds	(4,817,589)	(3,553)	(100,000)	(4,921,142)	-
Transfers from component unit	156,364	-	-	156,364	-
Transfers to component unit	(760,868)	-	-	(760,868)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(4,080,044)</u>	<u>(3,553)</u>	<u>(100,000)</u>	<u>(4,183,597)</u>	<u>867</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(6,265)	-	-	(6,265)	(11,986)
Expense of previous construction in progress	32,900	-	-	32,900	-
Proceeds from issuance of capital debt	7,541,988	-	-	7,541,988	-
Payment of debt issuance costs	(130,792)	-	-	(130,792)	-
Payment to escrow for refunding of debt	(6,944,658)	-	-	(6,944,658)	-
Principal paid on capital debt	(2,408,766)	(64,573)	-	(2,473,339)	(1,570)
Interest and fiscal charges paid on capital debt	(1,450,981)	(18,443)	-	(1,469,424)	(235)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(3,366,574)</u>	<u>(83,016)</u>	<u>-</u>	<u>(3,449,590)</u>	<u>(13,791)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of investments	34,968	10,065	30,999	76,032	158,610
Interest and dividends	18,625	264	129	19,018	2,323
Net Cash Provided by Investing Activities	<u>53,593</u>	<u>10,329</u>	<u>31,128</u>	<u>95,050</u>	<u>160,933</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(3,040,426)</u>	<u>(30,076)</u>	<u>(73,159)</u>	<u>(3,143,661)</u>	<u>(421,626)</u>
Balances - beginning of the year	<u>8,277,961</u>	<u>115,383</u>	<u>90,373</u>	<u>8,483,717</u>	<u>1,295,851</u>
Balances - end of the year	<u>\$5,237,535</u>	<u>\$85,307</u>	<u>\$17,214</u>	<u>\$5,340,056</u>	<u>\$874,225</u>
Reconciliation to Statement of Net Position:					
Cash and cash equivalents	\$550	-	\$17,214	\$17,764	\$874,225
Current restricted cash and cash equivalents	5,236,985	\$85,307	-	5,322,292	-
Total Cash and Cash Equivalents	<u>\$5,237,535</u>	<u>\$85,307</u>	<u>\$17,214</u>	<u>\$5,340,056</u>	<u>\$874,225</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$2,235,755	(\$242,202)	(\$4,307)	\$1,989,246	(\$598,054)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	2,039,754	295,960	409	2,336,123	4,753
Change in assets and liabilities:					
Receivables	(108,947)	25,284	-	(83,663)	418
Accounts payable	(148,756)	(41,983)	(389)	(191,128)	(10,012)
Accrued payroll liabilities	16,286	302	-	16,588	1,255
Due to other funds	179,854	8,400	-	188,254	-
Estimated liability for claims	-	-	-	-	31,352
Landfill closure liability	66,367	-	-	66,367	-
Meter deposit liability	24,231	-	-	24,231	-
OPEB obligation	24,103	-	-	24,103	-
Accrued compensated absences	23,952	403	-	24,355	653
Net Cash Provided by (Used in) Operating Activities	<u>\$4,352,599</u>	<u>\$46,164</u>	<u>(\$4,287)</u>	<u>\$4,394,476</u>	<u>(569,635)</u>
Noncash activities:					
Contributed capital assets received	<u>\$912,150</u>	<u>\$710,350</u>	<u>-</u>	<u>\$1,622,500</u>	<u>-</u>

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity", as amended by Statement 61, and includes all component units for which the City is financially accountable.

The City's financial reporting entity includes the primary government (City of Durant), the blended component units, and the discretely presented component units as follows.

The City of Durant – that operates the public safety, culture and recreation, streets and public works, cemetery, and administrative activities

The City of Durant is a Council/Manager form of government with a population of approximately 14,780 located in Bryan County in southeastern Oklahoma. The City is governed by a five-member council and operates under state law and City ordinances through the three branches of democratic government:

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, culture and recreation, cemetery, streets and public works.

Blended Component Units [City Council serves as governing body (trustees)]:

The Durant City Utilities Authority – that operates the water, sewer, and sanitation facilities of the City

The Durant Library Authority – that operates to promote, own, construct, lease and finance charitable, scientific, literary or educational facilities or purposes

The Durant Airport Authority – that operates to develop, construct, plan, establish, install, and enlarge, improve, maintain, equip, operate, control and regulate air transportation facilities

Discretely Presented Component Units [Separate governing body (trustees) from the City Council]:

The Durant Industrial Authority – that operates to finance, operate, construct and administer any public works improvements or facilities on behalf of the City

Durant Community Facilities Authority – that operates to promote and develop public works projects or facilities, recreation and/or tourism, and educational opportunities.

Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. 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 which 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.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used. In accordance with the economic resources measurement focus, all assets and liabilities, both current and noncurrent are reported, along with any related deferred outflows and deferred inflows.

Program revenues within the Statement of Activities are derived directly from each activity or from parties outside of the City's taxpayers. The City has the following program revenues in each activity:

- Public Safety – Fire, Police, Animal Control, Court, and Civil Emergency Management – fines and forfeitures, fire run charges, restricted operating grants and restricted capital grants
- Public works –Streets and City Garage – commercial vehicle and gasoline excise tax shared by the State, sidewalk and street repair fees, capital grants
- Cemetery – cemetery openings/closings and interments, operating grants
- Culture and recreation – swimming pool fees, library fees, multi-sports complex fees, operating and capital grants
- General Government – license and permits, mowing fees, reports and copy fees, digital mapping fees, operating and capital grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Funds:

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds.

Special Revenue Funds:

- 1/4 % Sales Tax Economic Development - accounts for one-quarter cent sales tax restricted for economic development.
- 5/8 % Sales Tax Education Fund - accounts for five-eighths cent sales tax restricted for Durant Public Schools for education capital projects.

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Capital Project Funds:

- 1% Sales Tax Revenue Fund - accounts for revenues received from the third-penny city sales tax, earmarked for capital improvements and related debt service.
- Capital Improvement Fund - accounts for capital expenditures of all departments, in all funds. Receives transfers from other funds as its main revenue source.
- DWRF Community Center & Library Fund – accounts for donation revenue for community center & library project.

Aggregated Non-Major Funds (reported as Other Governmental Funds):

Special Revenue Funds:

- Special 911 Tax Fund - accounts for the revenues received from the emergency service fees on telephone bills. Funds are used to pay monthly service charges for the enhanced 911 system. Remaining funds may be used for other emergency communications needs.
- R.L Williams Library Fund - accounts for revenues received from library fines, copies, memorials, etc. Funds are used for operations of the library.
- Drug Enforcement Fund - accounts for revenues received by police department from a proportionate distribution of funds related to property received from drug forfeitures. Funds are expended for purposes of surveillance, communications and related expenditures.
- Durant Library Authority - Title 60 public trust which accounts for library grant from SODA for architectural assessment of new library building.
- HOME/FEMA Grant Fund - accounts for HOME/FEMA Grant funds in accordance with state and federal program guidelines.
- 1/4 % Sales Tax M.S. Fund - accounts for one-quarter cent sales tax restricted for transfer to DCFA for multi-sports complex.
- 1/4 % Sales Tax SOSU Fund - accounts for one-quarter cent sales tax restricted for transfer to DCFA for SOSU capital projects.

Capital Project Funds:

- Cemetery Care Fund - accounts for the transfer of 12.5% of revenue from cemetery lot sales and interment fees, which, with the exception of interest earnings, may only be used to purchase additional land and for major capital improvements to the cemetery. Interest earnings in the fund are transferred to Cemetery Operations Account, which is combined with the General Fund for report purposes.
- CDBG Fund - accounts for Community Development Block Grant funds in accordance with state and federal program guidelines.

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The governmental funds are reported on the modified accrual basis of accounting and current financial resources measurement focus. On the modified accrual basis of accounting revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus at the government-wide level.

The General Fund, 1% Sales Tax Revenue Fund, Capital Improvement Fund, 1/4% Sales Tax Economic Development Fund, 5/8% Sales Tax Education Fund, and DWRF Community Center & Library Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds.

Proprietary Funds:

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include 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-type activities provided within the government. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's enterprise funds are the Durant City Utilities Authority, Durant Airport Authority and Federal Building Fund. The City's internal service funds include the Employee Health Fund, Worker's Compensation Fund, and the Info Tech Service Fund.

The Durant City Utilities Authority Fund and the Durant Airport Authority Fund are considered major funds and are therefore displayed in separate columns. The Federal Building Fund is considered a non-major fund and is reported under a separate column entitled Non-Major.

3. Cash, Cash Equivalents, Deposits and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less. Revenue bond and promissory note trust account investments in open-ended mutual fund shares are also considered cash equivalents and are reported at the funds' current share prices.

Investments consist of non-negotiable certificates of deposit whose original maturity term exceeds three months and mutual funds. These non-negotiable certificates of deposit are carried at cost. Marketable investments are carried at fair value.

The City of Durant is governed by the deposit and investment limitations of state law. The deposits and investments held at June 30, 2013 are as follows:

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Deposits and Investments

PRIMARY GOVERNMENT:

<u>Type of Deposits and Investments</u>	<u>Maturities</u>	<u>Carrying Value</u>
Demand deposits		\$7,017,588
Time deposit	08/12/13	461,282
Time deposit	07/15/13	465,252
Time deposit	07/07/13	1,020,724
Time deposit	07/07/13	286,732
Time deposit	09/21/13	1,024,676
Time deposit	12/03/13	463,546
Time deposit	02/04/14	44,362
Cash on hand		2,705
	<u>Credit Rating</u>	
Mutual Funds - First United Money Market	n/a	6,148,828
Total		<u><u>\$16,935,695</u></u>
Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 13,169,121
Investments		3,766,574
		<u><u>\$ 16,935,695</u></u>

-

COMPONENT UNITS:

Durant Industrial Authority:

<u>Type of Deposits and Investments</u>	<u>Maturities</u>	<u>Carrying Value</u>
Demand deposits		\$ 228,668
Time deposit	8/26/2013	238,771
Time deposit	8/12/2013	104,473
Time deposit	8/12/2013	543,192
Time deposit	8/12/2013	678,450
		<u><u>\$ 1,793,554</u></u>
Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 228,668
Investments		1,564,886
		<u><u>\$ 1,793,554</u></u>

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Durant Community Facilities Authority:		Carrying
<u>Type of Deposits and Investments</u>		<u>Value</u>
Demand deposits		\$ 712,137
	Credit	
	Rating	
Mutual Funds - Goldman Sachs Financial Sq Trsy Oblig	AAAm	269,480
Total		<u>\$ 981,617</u>
Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 981,617
		<u>\$ 981,617</u>

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City’s name.

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. As of June 30, 2013, the City’s deposits were fully collateralized.

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City’s only investments are in open ended mutual funds.

Investment Credit Risk – The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in:

- 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.
- 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.

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Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

Restricted Cash and Investments - The amounts reported as restricted assets of the Enterprise Funds on the statement of net position are comprised of amounts held by the Durant City Utilities Authority and Durant Airport Authority for utility deposits (refunded upon termination of service or applied to final bill) and amounts held by the trustee bank related to debt activity. The restricted assets as of June 30, 2013 are as follows:

	<u>Current Cash and cash Equivalents</u>
Utility Deposits	\$ 363,640
OWRB Accounts (DCUA):	
Utility Authority Bond Account	(1,190,176)
2009A Principal Account	90,791
2009A Interest Account	100,533
2009A Construction Account	75,274
2009B Principal Account	29,425
2009B Interest Account	35,914
2009B Construction Account	128,663
2010 Note Proceeds Account	1,100
2010 Principal Account	36,783
2010 Interest Account	40,677
2010 Construction Account	3,289,664
2012A Principal Account	150,038
2012A Interest Account	44,082
2012A Construction Account	1,442,053
2006 Interest Account	3,338
2006 Principal Account	10,648
2007 Revenue Account	4,474
2007 Project Account	437,838
2007 Principal Account	73,831
2007 Interest Account	68,395
First United Accounts (DAA):	
Interest Account	4,032
Principal Account	13,092
Construction Account	68,183
 Total Restricted Assets	 <u><u>\$ 5,322,292</u></u>

4. Accounts Receivable

	Receivable	Allowance for Bad Debts	Net Receivable
Governmental Activities:			
Court Fines Receivable	<u>\$ 222,574</u>	<u>\$ (200,317)</u>	<u>\$ 22,257</u>
Business-Type Activities:			
Airport Receivables	<u>\$ 70,764</u>	<u>\$ -</u>	<u>\$ 70,764</u>
Utility Receivables	<u>\$ 1,563,937</u>	<u>\$ (15,452)</u>	<u>\$ 1,548,485</u>

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5. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$5,000 is used to report capital assets with the exception of buildings and infrastructure assets which have a threshold of \$25,000. Capital assets are reported at actual or estimated historical cost. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, bridges, drainage systems and traffic signal systems were not capitalized. Infrastructure assets acquired since that date are recorded at cost. Donated capital assets are recorded at their fair value at the date of donation. For the year ended June 30, 2013, capital assets balances changed as follows:

Primary Government:

	Balance at July 1, 2012	Additions and Transfers	Disposals and Transfers	Balance at June 30, 2013
Governmental activities:				
Non-depreciable:				
Land	\$ 5,050,512	\$ 131,000	\$ -	\$ 5,181,512
Construction-in-progress	1,061,833	2,700,900	(2,920,605)	842,128
Total non-depreciable assets at historical cost	<u>6,112,345</u>	<u>2,831,900</u>	<u>(2,920,605)</u>	<u>6,023,640</u>
Depreciable:				
Buildings	22,779,878	791,346	-	23,571,224
Improvements	2,373,401	411,553	-	2,784,954
Machinery and equipment	11,009,535	649,772	(157,999)	11,501,308
Infrastructure	75,149,295	3,339,732	-	78,489,027
Total depreciable assets at historical cost	<u>111,312,109</u>	<u>5,192,403</u>	<u>(157,999)</u>	<u>116,346,513</u>
Less accumulated depreciation				
Buildings	(2,859,145)	(584,787)	-	(3,443,932)
Improvements	(1,674,584)	(62,554)	-	(1,737,138)
Machinery and equipment	(5,375,825)	(932,840)	106,927	(6,201,738)
Infrastructure	(52,716,580)	(1,416,407)	-	(54,132,987)
Total accumulated depreciation	<u>(62,626,134)</u>	<u>(2,996,588)</u>	<u>106,927</u>	<u>(65,515,795)</u>
Net depreciable assets	<u>48,685,975</u>	<u>2,195,815</u>	<u>(51,072)</u>	<u>50,830,718</u>
Governmental activities capital assets, net	<u>\$ 54,798,320</u>	<u>\$ 5,027,715</u>	<u>\$ (2,971,677)</u>	<u>\$ 56,854,358</u>
Business-type activities:				
Non-depreciable:				
Land	\$ 1,724,994	\$ -	\$ -	\$ 1,724,994
Construction-in-progress	7,417,796	427,664	(7,198,494)	646,966
Total non-depreciable assets at historical cost	<u>9,142,790</u>	<u>427,664</u>	<u>(7,198,494)</u>	<u>2,371,960</u>
Depreciable:				
Buildings	32,222,019	-	-	32,222,019
Improvements	7,742,842	-	-	7,742,842
Machinery and equipment	8,801,122	315,689	(93,950)	9,022,861
Utility property and improvements	34,605,304	8,091,006	-	42,696,310
Total depreciable assets at historical cost	<u>83,371,287</u>	<u>8,406,695</u>	<u>(93,950)</u>	<u>91,684,032</u>
Less accumulated depreciation				
Buildings	(13,740,325)	(1,104,197)	-	(14,844,522)
Improvements	(6,853,028)	(215,878)	-	(7,068,906)
Machinery and equipment	(6,473,684)	(370,940)	92,004	(6,752,620)
Utility property and improvements	(11,322,874)	(685,109)	-	(12,007,983)
Total accumulated depreciation	<u>(38,389,911)</u>	<u>(2,376,124)</u>	<u>92,004</u>	<u>(40,674,031)</u>
Net depreciable assets	<u>44,981,376</u>	<u>6,030,571</u>	<u>(1,946)</u>	<u>51,010,001</u>
Business-type capital assets, net	<u>\$ 54,124,166</u>	<u>\$ 6,458,235</u>	<u>\$ (7,200,440)</u>	<u>\$ 53,381,961</u>

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Component Units:

	Balance at July 1, 2012	Additions and Transfers	Deductions and Transfers	Balance at June 30, 2013
COMPONENT UNITS:				
Durant Industrial Authority:				
Non-depreciable:				
Land	\$1,779,392	-	\$0	\$1,779,392
Total non-depreciable assets at historical cost	<u>1,779,392</u>	<u>-</u>	<u>-</u>	<u>1,779,392</u>
Depreciable:				
Machinery and equipment	34,631	-	-	34,631
Total depreciable assets at historical cost	<u>34,631</u>	<u>-</u>	<u>-</u>	<u>34,631</u>
Less accumulated depreciation				
Machinery and equipment	(18,277)	(5,772)	-	(24,049)
Total accumulated depreciation	<u>(18,277)</u>	<u>(5,772)</u>	<u>-</u>	<u>(24,049)</u>
Net depreciable assets	<u>16,354</u>	<u>(5,772)</u>	<u>-</u>	<u>10,582</u>
Durant Industrial Authority capital assets, net	<u>\$1,795,746</u>	<u>(\$5,772)</u>	<u>-</u>	<u>\$1,789,974</u>
Durant Community Facilities Authority:				
Non-depreciable:				
Land	\$266,000	-	-	\$266,000
Durant Community Facilities Authority capital assets, net	<u>\$266,000</u>	<u>-</u>	<u>-</u>	<u>\$266,000</u>

Depreciation:

Depreciable capital assets are depreciated on a straight-line basis over useful lives. The range of estimated useful lives by type of asset is as follows: Buildings 20-40 years, Improvements other than buildings 20-50 years, Machinery and equipment 5-15 years, and Infrastructure 30-40 years.

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:

General government	\$ 118,231
Public safety	559,302
Public works	1,473,294
Culture and recreation	707,372
Cemetery	34,252
Total depreciation	<u>\$ 2,892,451</u>

Business-Type Activities:

Water	\$ 778,930
Sewer	1,099,499
Sanitation	161,325
Airport	295,960
Federal building	409
Total depreciation	<u>\$ 2,336,123</u>

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6. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2013, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>	<u>Amounts Due Within a Year</u>
Governmental Activities:					
Capital Lease Obligations	\$1,070,488	\$115,943	\$441,651	\$744,780	\$406,743
Notes Payable	11,184	-	5,592	5,592	5,592
Accrued Compensated Absences	<u>1,069,432</u>	<u>167,039</u>	<u>106,943</u>	<u>1,129,528</u>	<u>112,952</u>
Total Governmental Activities	<u>\$2,151,104</u>	<u>\$282,982</u>	<u>\$554,186</u>	<u>\$1,879,900</u>	<u>\$525,287</u>
Business-type Activities:					
Notes Payable	\$34,328,137	\$7,541,988	\$9,278,339	\$32,591,786	\$2,485,153
Landfill Closure Liability	393,575	66,367	-	459,942	22,997
Meter Deposit Liability	339,409	149,059	124,828	363,640	72,728
Accrued Compensated Absences	<u>277,018</u>	<u>52,057</u>	<u>27,702</u>	<u>301,373</u>	<u>30,137</u>
Total Business-Type Activities	<u>\$35,338,139</u>	<u>\$7,809,471</u>	<u>\$9,430,869</u>	<u>\$33,716,741</u>	<u>\$2,611,015</u>
Component Unit Debt:					
Durant Industrial Authority:					
Notes Payable	\$1,764,922	-	\$107,550	\$1,657,372	\$119,113
Accrued Compensated Absences	<u>20,449</u>	<u>\$254</u>	<u>2,045</u>	<u>18,658</u>	<u>1,866</u>
Total Durant Industrial Authority	<u>1,785,371</u>	<u>254</u>	<u>109,595</u>	<u>1,676,030</u>	<u>120,979</u>
Durant Community Facilities Authority:					
Notes Payable	\$1,253,854	-	\$101,086	\$1,152,768	\$105,426
Revenue Bonds Payable	<u>14,115,000</u>	<u>-</u>	<u>985,000</u>	<u>13,130,000</u>	<u>915,000</u>
Total Durant Community Facilities Authority	<u>15,368,854</u>	<u>-</u>	<u>1,086,086</u>	<u>14,282,768</u>	<u>1,020,426</u>
Total Component Unit Debt	<u>\$17,154,225</u>	<u>\$254</u>	<u>\$1,195,681</u>	<u>\$15,958,798</u>	<u>\$1,141,405</u>

Governmental activities long-term debt:

Capital Lease Obligations:

\$183,603 capital lease with First United Bank for 6 police vehicles, payable in monthly installments of \$5,324, final payment due May 20, 2014, with interest at 2.79%	\$58,045
\$298,410 capital lease with Landmark Bank for a pumper truck, payable in monthly installments of \$4,173, final payment due September 20, 2014, with interest at 3.25%	60,407
\$202,370 capital lease with Vision Bank for DMSC field lighting, payable in monthly installments of \$2,145, final payment due March 20, 2018, with interest at 4.91%	91,339
\$300,000 capital lease with Landmark Bank for Storm Siren System, payable in monthly installments of \$5,497, final payment due April 15, 2014, with interest at 3.79%	54,156
\$6,400 capital lease with IKON Office Solutions for City Hall copier, payable in monthly installments of \$150, final payment due May 12, 2015, with interest at 5.75%	3,228

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\$144,601 capital lease with Landmark Bank for 4 police vehicles, payable in monthly installments of \$4,215, final payment due May 20, 2015, with interest at 3.204%	93,899
\$38,974 capital lease with Vision Bank for a tractor and brush hog, payable in monthly installments of \$1,151, final payment due October 13, 2014, with interest at 3.95%	17,901
\$69,309 capital lease with First United Bank for 3 street vehicles, payable in monthly installments of \$2,001, final payment due November 22, 2014, with interest at 2.50%	33,392
\$144,123 capital lease with First United Bank for 3 parks/general vehicles, payable in monthly installments of \$4,234, final payment due May 20, 2015, with interest at 2.90%	92,957
\$145,847 capital lease with First United Bank for 2 park tractors, payable in monthly installments of \$4,239, final payment due March 20, 2015, with interest at 2.90%	86,667
\$17,169 capital lease with First United Bank for a field groomer, payable in monthly installments of \$499, final payment due March 20, 2015, with interest at 2.90%	10,193
\$61,537 capital lease with First United Bank for a forklift, payable in monthly installments of \$1,112, final payment due September 20, 2016, with interest at 3.249%	41,200
\$115,943 capital lease with First United Bank for a backhoe, payable in monthly installments of \$2,080, final payment due October 20, 2017, with interest at 2.89%	<u>101,396</u>
Total Capital Lease Obligations	<u>\$744,780</u>
Current portion	\$406,743
Non-current portion	<u>338,037</u>
Total Capital Lease Obligations	<u>\$744,780</u>

Notes Payable:

10283 CDBG ED 01 Note Payable with Oklahoma Department of Commerce dated January 14, 2003, original amount of \$61,000 with an annual interest rate of 0%, due in monthly installments of \$508 beginning July 1, 2004, final installment due June 1, 2014	\$5,592
Current portion	\$5,592
Non-current portion	-
Total Notes Payable	<u>\$5,592</u>

Accrued Compensated Absences:

Accrued compensated absences reported in the governmental activities are comprised of accrued vacation, holiday and compensatory time leave.

Current portion	\$112,952
Non-current portion	<u>1,016,576</u>
Total Accrued Compensated Absences	<u>\$1,129,528</u>

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Business-type activities long-term debt:

Notes Payable:

Note Payable to Oklahoma Water Resources Board dated March 25, 2003, original amount of \$4,127,524 with an annual interest rate of 0%, admin fee of 0.5%, due in semi-annual principal installments each March 15 and September 15 of \$114,653 beginning September 15, 2003, final installment due March 15, 2021	\$1,834,455
Note Payable to Oklahoma Water Resources Board dated March 10, 2004, original amount of \$6,792,000 with an annual interest rate of 3.5%, due in semi-annual installments each March 15 and September 15 of \$278,284 beginning September 15, 2006, final installment due March 15, 2021.	3,856,295
Note Payable to Oklahoma Water Resources Board dated April 16, 2004, original amount of \$2,131,976 with an annual interest rate of 0%, admin fee of 0.5%, due in semi-annual principal installments each March 15 and September 15 of \$62,705 beginning September 15, 2004, final installment due March 15, 2021	1,003,172
Note Payable to First United Bank dated November 1, 2005, original amount of \$595,000 with an annual interest rate of 6.9%, due in semi-annual installments of \$41,514, final installment due November 1, 2015	191,622
Sales Tax & Utility Revenue Note to First United Trust Bank dated August 28, 2007, original amount of \$5,610,000 with an annual interest rate of 4.490%, due in semi-annual installments with principal ranging from \$80,000 to \$215,000, final installment due September 1, 2027	4,535,000
Sales Tax & Utility Revenue Note to Bank of America dated September 11, 2006, original amount of \$1,505,000 with an annual interest rate of 4.095%, due in monthly installments with principal ranging from \$7,400 to \$13,700, final installment due June 15, 2018	738,500
Sales Tax & Utility Revenue Note to First United Trust Bank dated September 1, 2009, original amount of \$6,000,000 with an annual interest rate of 4.45%, due in semi-annual installments with principal ranging from \$90,000 to \$225,000, final installment due September 1, 2029	5,315,000
Sales Tax & Utility Revenue Note to First United Trust Bank dated September 1, 2009, original amount of \$2,000,000 with an annual interest rate of 4.589%, due in semi-annual installments with principal ranging from \$25,000 to \$75,000, final installment due September 1, 2029	1,775,000
Sales Tax & Utility Revenue Note to First United Trust Bank dated November 1, 2010, original amount of \$6,000,000 with an annual interest rate of 3.95%, due in semi-annual installments with principal ranging from \$100,000 to \$215,000, final installment due November 1, 2030	5,475,000
Note Payable to Landmark Bank for sanitation truck dated May 30, 2012, original amount of \$291,814 with an annual interest rate of 3.012%, due in monthly installments of \$5,241, final installment due May 20, 2017	232,074
Note Payable to First United Bank for a brushloader dated August 15, 2011, original amount of \$126,017 with an annual interest rate of 3.249%, due in monthly installments of \$2,279, final installment due August 20, 2016	82,303

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Note Payable to First Texoma National Bank for a water truck dated August 14, 2012, original amount of \$41,988 with an annual interest rate of 2.667%, due in monthly installments of \$1,216, final installment due August 14, 2015 30,665

Sales Tax & Utility Revenue Note to First United Trust Bank dated December 20, 2012, original amount of \$7,500,000 with an annual interest rate of 2.35%, due in semi-annual installments with principal ranging from \$300,000 to \$495,000, final installment due October 1, 2021 7,500,000

Note Payable to Vision Bank for 2 vehicles dated March 1, 2012, original amount of \$39,974 with an annual interest rate of 3.29%, due in monthly installments of \$1,169, final installment due March 1, 2015 22,700

Total Notes Payable \$32,591,786

Current portion \$2,485,153

Non-current portion 30,106,633

Total Notes Payable \$32,591,786

Accrued Compensated Absences:

Accrued compensated absences reported in the business-type activities are comprised of accrued vacation, holiday and compensatory time leave.

Current portion \$30,137

Non-current portion 271,236

Total Accrued Compensated Absences \$301,373

Meter Deposit Liability:

Meter deposit liability reported in the business-type activities:

Current portion \$72,728

Non-current portion 290,912

Total Meter Deposit Liability \$363,640

Landfill Closure Liability:

Landfill closure liability reported in the business-type activities:

Current portion \$22,997

Non-current portion 436,945

Total Landfill Closure Liability \$459,942

Component Unit long-term debt:

Notes Payable (DIA):

Notes payable of the Durant Industrial Authority to ODOC dated February 23, 2000, original amount of \$300,000 with an annual interest rate of 0%, due in monthly installments of \$1,250, final installment due February 1, 2023. \$142,500

Notes payable of the Durant Industrial Authority to ODOC dated April 29, 2004, original amount of \$400,000 with an annual interest rate of 0%, due in monthly installments of \$1,667, final installment due January 1, 2025. 228,333

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Notes payable of the Durant Industrial Authority to ODOC dated May 8, 2003, original amount of \$500,000 with an annual interest rate of 0%, due in monthly installments of \$2,083, final installment due January 1, 2024.	260,416
Notes payable of the Durant Industrial Authority to John and Cheryl Jackson dated February 20, 2003, for land, original amount of \$700,000 with an annual interest rate of 5.5%, due in monthly installments of \$4,815, final installment due February 20, 2023.	432,488
Notes payable of the Durant Industrial Authority to ODOC dated August 25, 2006, original amount of \$400,000 with an annual interest rate of 0%, due in monthly installments of \$1,667, final installment due December 1, 2026.	310,333
Notes payable of the Durant Industrial Authority to ODOC dated November 8, 2006, original amount of \$399,956 with an annual interest rate of 0%, due in monthly installments of \$1,666, final installment due September 1, 2027.	<u>283,302</u>
	<u>\$1,657,372</u>
Current portion	\$119,113
Non-current portion	<u>1,538,259</u>
Total Notes Payable	<u>\$1,657,372</u>

Notes Payable (DCFA):

Sales Tax Revenue Note (of DCFA) to First United Bank dated February 1, 2007, original amount of \$1,275,000 with an annual interest rate of 5.6%, due in monthly installments of \$9,099, final installment due October 30, 2024. Final draw-downs equal \$1,085,320.	\$911,469
Notes payable of the Durant Community Facilities Authority to City of Durant dated September 2, 2008, original amount of \$235,430 with an annual interest rate of 0%, due in monthly installments of \$1,962, final installment due September 2, 2018.	123,987
Notes payable of the Durant Community Facilities Authority to City of Durant dated September 2, 2008, original amount of \$222,320 with an annual interest rate of 4.91%, due in monthly installments of \$2,348, final installment due September 2, 2018.	<u>117,312</u>
	<u>\$1,152,768</u>
Current portion	\$105,426
Non-current portion	<u>1,047,342</u>
Total Notes Payable	<u>\$1,152,768</u>

Revenue Bonds Payable (DCFA):

Refunding revenue bonds payable of the Durant Community Facilities Authority dated December 22, 2011, original amount of \$14,115,000 with an annual interest rate of 3.1%, due in semi-annual principal installments each May 1 and November 1 ranging from \$350,000 to \$735,000 beginning November 1, 2012, final installment due November 1, 2024	<u>\$13,130,000</u>
Current portion	\$915,000
Non-current portion	<u>12,215,000</u>
Total Revenue Bonds Payable	<u>\$13,130,000</u>

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Accrued Compensated Absences (DIA):

Accrued compensated absences reported in the component unit activities are comprised of accrued vacation, holiday and compensatory time leave.

Current portion	\$1,866
Non-current portion	<u>16,792</u>
Total Accrued Compensated Absences	<u>\$18,658</u>

Long-term debt service requirements to maturity:

Governmental Activities

Year Ending June 30,	Capital Lease Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2014	406,743	18,992	5,592	-
2015	218,647	7,773	-	-
2016	60,598	3,446	-	-
2017	50,578	1,201	-	-
2018	8,214	106	-	-
Total	\$ 744,780	\$ 31,518	\$ 5,592	\$ -

Business-Type Activities

Year Ending June 30,	Notes Payable	
	Principal	Interest
2014	2,485,153	1,105,009
2015	2,755,087	1,024,631
2016	2,771,313	938,915
2017	2,772,443	854,148
2018	2,804,799	770,152
2019-2023	10,997,991	2,632,143
2024-2028	6,085,000	1,143,459
2029-2031	1,920,000	103,295
Total	\$ 32,591,786	\$ 8,571,752

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<u>Year Ending June 30,</u>	Component Units	
	Durant Industrial Authority	
	Notes Payable	
	Principal	Interest
2014	119,113	22,917
2015	131,581	20,950
2016	138,908	18,872
2017	141,103	16,677
2018	143,422	14,359
2019-2023	729,838	32,301
2024-2028	222,074	-
2029-2030	31,333	-
Total	<u>\$ 1,657,372</u>	<u>\$ 126,076</u>

<u>Year Ending June 30,</u>	Durant Community Facilities Authority			
	Notes Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
	2014	105,426	55,482	915,000
2015	110,013	50,897	895,000	371,767
2016	114,740	46,168	935,000	343,868
2017	119,970	40,939	980,000	314,495
2018	115,923	35,591	1,040,000	283,728
2019-2023	445,748	106,458	6,195,000	888,227
2024-2025	140,948	5,792	2,170,000	67,735
Total	<u>\$ 1,152,768</u>	<u>\$ 341,327</u>	<u>\$ 13,130,000</u>	<u>\$ 2,669,410</u>

Advance Refunding:

On December 20, 2012, the City issued \$7.5 million Series 2012A Utility System and Sales Tax Revenue Refunding Note with an interest rate of 2.35% to refund \$6,805,000 of outstanding 2001, 2003B and 2004B Series OWRB Promissory Notes, with average interest rates of 3.395% each. The net proceeds of \$5,927,078 (after payment of \$130,792 of issuance costs, \$2,130 of other service fees, and the establishment of a \$1,440,000 project account) plus an additional \$1,280,505 of 2001, 2003B and 2004B Series fund monies were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2001, 2003B, and 2004B Series OWRB notes. As a result, these notes are considered to be defeased and the liability for those notes has been removed from the government-wide statement of net position and the proprietary funds Statement of Net Position.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$139,658. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2020 using the straight line method. The City completed the refunding to reduce its total debt service payments over the next eight years by \$1,444,894 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$1,391,876.

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Defeased Bonds Outstanding:

The City, through its various public trusts, has in substance defeased an outstanding bond issue by placing deposits in irrevocable trusts, escrow accounts, for the purchase of U.S. Government Securities to pay principal and interest on the refunded bonds as they are due and payable. For financial reporting purposes, both the defeased bonds outstanding and the escrowed securities have been excluded from the financial statements. At year end, the remaining outstanding defeased debt issue was as follows:

2004 Series Sales Tax Revenue Bonds (DCFA) – Defeased	\$13,100,000
2001 Series OWRB Promissory Note – Defeased	\$939,600
2003B Series OWRB Promissory Note – Defeased	\$3,810,000
2004B Series OWRB Promissory Note – Defeased	\$2,055,400

Landfill Closure Liability:

State and federal laws and regulations require the City to place a final cover on its construction and demolition landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for eight years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these costs as an operating expense of the Utilities Authority in each fiscal year. The current period expense amount is based upon the amount of landfill capacity used as of each fiscal year end.

The \$459,942 reported as accrued landfill closure cost liability at June 30, 2013, represents the cumulative amount of such costs reported to date based on the use of 57.58% of the estimated capacity of the landfill. The Authority will recognize the remaining estimated costs of closure and post-closure care in the amount of \$338,908 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2013. The Authority expects to close the landfill in the year 2027 and actual costs may be higher or lower at that time due to inflation, changes in technology or changes in regulations.

The City has qualified under the Department of Environmental Quality (DEQ) financial assurance test relating to these future closure and post-closure care costs, whereby the City's overall financial condition and other submitted information serves as evidence of the City's ability to pay for the closure and post-closure care costs when the landfill is actually closed. As such, the City is not required to fund an escrow trust account for these costs.

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged three cents (or 69%) of future sales tax revenues and net utility revenues to repay the \$6,000,000 of the 2010 Sales Tax and Utility Revenue Note, \$6,000,000 of the 2009A Sales Tax and Utility Revenue Note, \$2,000,000 of the 2009B Sales Tax and Utility Revenue Note, \$5,610,000 of the 2007 Sales Tax Revenue Note, \$1,505,000 of the Series 2006 Sales Tax and Utility Revenue Note, \$4,127,524 of the 2003A OWRB BF Note, \$2,131,976 of the 2004 OWRB ORF, \$6,792,000 of the 2004 OWRB DW, and \$7,500,000 of the 2012A Utility System and Sales Tax Note. Proceeds from the notes provided for the purchase or construction of capital assets. The notes are payable from pledged sales tax revenues and net utility revenues. The notes are payable through 2030, 2029, 2029, 2027, 2018, 2021, 2021, 2021, and 2022, respectively. The total principal and interest payable for the remainder of the life of these notes are \$40,563,941. Pledged sales taxes in the current year were \$9,336,119 and net utility revenues were \$2,086,327. Maximum annual debt service payments of \$3,739,497 for the applicable debt were 33% of pledged sales taxes and net utility revenues.

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Sales Tax Revenue Pledge – Component Unit (DCFA) – The City has pledged one-half cent of future sales tax revenues to repay the \$14,115,000 of the 2011 Refunding Sales Tax Revenue Bonds, the \$1,275,000 of the 2007 Sales Tax Revenue Note, the \$235,430 of the Note Payable to the City for paving, and the \$222,320 of the Note Payable to the City for lighting. Proceeds from the notes provided for the purchase or construction of capital assets. The notes are payable from pledged sales tax revenue. The notes are payable through 2024, 2025, 2018, and 2018, respectively. The total principal and interest for the remainder of the life of these notes are \$17,293,505. Pledged sales taxes received in the current year were \$1,556,020. Current annual debt service payments of \$1,573,632 for the applicable debt were 101% of pledged and transferred sales taxes.

Debt Service Coverage Requirement:

The OWRB debt agreements require that Net Revenues Available for Debt Service must equal 125% of the maximum annual debt service on all DUA parity debt. The 2007 Sales Tax Revenue Note requires coverage to meet 125% of average annual debt service, while the 2010 Sales Tax & Utility Revenue Note requires coverage to meet 100% of annual debt service. Since the OWRB debt requires a greater restriction, all calculations will not be presented. The actual coverage was met as follows:

Gross Revenue Available for Debt Service:	
Charges for services	\$5,284,437
Investment income	18,625
Sales tax pledged (3 cents)	9,336,119
Total Gross Revenues Available	14,639,181
Operating Expenses:	
Operations	3,216,735
Total Operating Expenses	3,216,735
Net Revenues Available for Debt Service	\$11,422,446
Debt Service Requirements:	
Maximum annual debt service on all DUA parity debt	\$3,563,807
Computed Coverage	321%
Coverage Requirement	125%

The above gross revenue and operating expenses include only water and sewer operations of the Utility Authority, excluding depreciation and amortization.

7. Net Position and Fund Balances

Net Position:

Net position as reported in the government-wide and proprietary fund financial statements is displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets and related accounts, 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 improvements of those assets.

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- b. *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 and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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 position are available.

Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spend 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 place on the use of resources 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.
- c. Committed – includes 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. The City currently reports no committed fund balance. Public trusts reported as governmental funds use a resolution as their highest level of decision-making authority.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

Proprietary fund equity is classified the same as in the government-wide statements.

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The following tables show the fund balance classifications as shown on the Governmental Funds Balance Sheet and Proprietary Funds Statement of Net Position:

	General Fund	1/4% Economic Development Fund	5/8% Sales Tax Education Fund	Capital Improvement Fund	1% Sales Tax Revenue Fund	DWRF Community Center & Library Fund	Other Governmental Funds	Total
Fund Balance:								
Restricted For:								
Economic development	-	\$4,314,032	-	-	-	-	-	\$4,314,032
Education	-	-	\$275,873	-	-	-	-	275,873
Capital improvements and debt service	-	-	-	\$1,427,448	\$447,542	-	-	1,874,990
Cemetery	-	-	-	-	-	-	\$180,376	180,376
Capital projects - grants	-	-	-	-	-	-	79	79
Multi-sports complex	-	-	-	-	-	-	106,091	106,091
SOSU capital projects	-	-	-	-	-	-	106,091	106,091
Public safety	-	-	-	-	-	-	9,054	9,054
Community center & library	-	-	-	-	-	\$1,900	-	1,900
Library	-	-	-	-	-	-	52,256	52,256
Sub-total Restricted	-	4,314,032	275,873	1,427,448	447,542	1,900	453,947	6,920,742
Assigned to:								
Economic development	-	256,310	-	-	-	-	-	256,310
Capital improvements and debt service	-	-	-	1,826,289	898	-	-	1,827,187
Public safety	-	-	-	-	-	-	134	134
Community center & library	-	-	-	-	-	241,068	-	241,068
Library	-	-	-	-	-	-	1,396	1,396
Education	-	-	21	-	-	-	-	21
Insurance	\$104,684	-	-	-	-	-	-	104,684
Christmas lighting	349	-	-	-	-	-	-	349
Beautification	31,245	-	-	-	-	-	-	31,245
Cemetery	12,337	-	-	-	-	-	2,051	14,388
Capital projects - grants	-	-	-	-	-	-	278	278
E911 services	-	-	-	-	-	-	217,177	217,177
Budget balancing purposes	1,636,466	-	-	-	-	-	-	1,636,466
Sub-total Assigned	1,785,081	256,310	21	1,826,289	898	241,068	221,036	4,330,703
Unassigned	922,162	-	-	-	-	-	-	922,162
Total Fund Balance	\$ 2,707,243	\$ 4,570,342	\$ 275,894	\$ 3,253,737	\$ 448,440	\$ 242,968	\$ 674,983	\$ 12,173,607

Enterprise Funds:

Net position restricted for debt service in the Enterprise Funds as of June 30, 2013, consisted of the following:

Enterprise Funds:	
2009A Trust Accounts	\$191,324
2009B Trust Accounts	65,339
2010 Trust Accounts	77,460
2006 Trust Accounts	13,986
2007 Trust Accounts	146,700
2012A Trust Accounts	194,120
DAA Trust Accounts	17,124
Restricted per bond indenture	<u>\$706,053</u>
Less: Accrued interest payable	<u>(299,588)</u>
Total Restricted for Debt Service	<u><u>\$406,465</u></u>

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Restricted Net Position – Governmental Activities

The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

Fund	Restricted By	Amount
1/4% Economic Development Fund	Enabling legislation	\$ 4,314,032
5/8% Sales Tax Education Fund	Enabling legislation	275,873
1% Sales Tax Revenue Fund	Enabling legislation	447,542
1/4% Sales Tax M.S. Fund	Enabling legislation	106,091
1/4% Sales Tax SOSU Fund	Enabling legislation	106,091
Capital Improvement Fund	Enabling legislation	1,427,448
DWRF Community Center & Library Fund	External parties	1,900
R.L. Williams Library Fund	External parties	52,256
CDBG Fund	External parties	79
Drug Enforcement Fund	State statutes and/or debt indentures	9,054
Cemetery Care Fund	State statutes and/or debt indentures	180,376
		6,920,742

Prior Period Adjustments

Beginning net position was restated as of June 30, 2013, as follows:

	Fund Level		Government-Wide
	DCUA	DAA	Business-Type Activities
Beginning net position, as previously reported	\$17,537,895	\$10,584,753	\$28,310,022
Removal of unamortized bond issue costs per GASB Statement 65	(549,315)	(8,000)	(557,315)
Beginning net position, restated	\$16,988,580	\$10,576,753	\$27,752,707

	Government-Wide Component Units	
	DIA	DCFA
Beginning net position, as previously reported	\$3,164,768	(\$12,588,010)
Removal of unamortized bond issue costs per GASB Statement 65	-	(226,548)
Overstatement of deferred revenue	9,260	
Beginning net position, restated	\$3,174,028	(\$12,814,558)

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8. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statements of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2013 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	Capital Improvement	\$27,789	Capital purchase
General Fund	HOME/FEMA Grant Fund	900	Reimbursement of grant expense
General Fund	Cemetery Care Fund	7,759	Statutory transfer (12.5%)
1/4% Economic Development Fund	Capital Improvement	844,390	Capital projects
1% Sales Tax Revenue Fund	Capital Improvement	2,070,143	Capital projects/debt service
1% Sales Tax Revenue Fund	Durant City Utilities Authority	1,081,953	Sales tax transfer
Capital Improvement Fund	CDBG Fund	150,726	Reimbursement of expenses
Capital Improvement Fund	Durant City Utilities Authority	260,096	Debt payments
Special 911 Tax Fund	General Fund	4,276	Operational subsidy
Cemetery Care Fund	General Fund	1,000	Cemetery annual interest
Federal Building Fund	General Fund	100,000	Operational subsidy
Durant Airport Authority Fund	General Fund	3,553	Reimbursement of expenses
Durant City Utilities Authority	General Fund	2,324,528	Sales tax transfer
Durant City Utilities Authority	Special 911 Tax Fund	329,451	Operational subsidy
Durant City Utilities Authority	Capital Improvement	1,571,234	Reimbursement of Note financing
Durant City Utilities Authority	Capital Improvement	41,988	Debt proceeds to reimburse capital
Durant City Utilities Authority	DWRF Com Ctr & Lib Fund	80,000	Maintenance reserve
Durant City Utilities Authority	Info Tech Service Fund	867	Capital purchase
Durant City Utilities Authority	General Fund	349,605	Operational subsidy
Durant City Utilities Authority	General Fund	120,783	Reimbursement of expenses
		\$9,371,041	

Reconciliation to fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$8,028,125	(\$4,449,032)	\$3,579,093
Enterprise Funds	1,342,049	(4,922,009)	(3,579,960)
Internal Service Funds	867	-	867
Total	\$9,371,041	(\$9,371,041)	-

Reconciliation to statement of activities:

	<u>Governmental</u>	<u>Business-Type</u>
Net transfers	\$3,579,093	(\$3,579,960)
Internal service fund activity	867	-
Reclassification of capital asset activity	(1,622,500)	1,622,500
Reclassification of activities at the govt-wide statements	913,788	(913,788)
Total Transfers - Internal Activity	\$2,871,248	(\$2,871,248)

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Interfund Balances:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
E911 Fund	General Fund	\$ 1,490	Deposit of county 911 taxes to wrong fund
General Fund	E911 Fund	2,500	Service fees posted to wrong account
Cemetery Care Fund	General Fund	138	Transfer not yet made for 12.5% of cemetery revenues
Durant City Utilities Authority	Capital Improvement Fund	402,979	Negative share of pooled cash
Durant Airport Authority	Capital Improvement Fund	8,400	Negative share of pooled cash
Total		<u>\$ 415,507</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Internal Service Funds Reconciliation</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 415,507	\$ (4,128)	\$ 137,820	\$ 549,199
Proprietary Funds	-	(411,379)	(137,820)	(549,199)
Total	<u>\$ 415,507</u>	<u>\$ (415,507)</u>	<u>\$ -</u>	<u>\$ -</u>

9. Sales and Property Tax

Sales Tax:

The City levies a 4.375 cent sales tax on each dollar of taxable sales of which is recorded as follows:

- 2 cents recorded as revenue within the General Fund then transferred to the Durant City Utilities Authority as required by resolution for operations. Any unused portion is transferred back to the General Fund.
- 1 cent recorded as revenue within the 1% Sales Tax Revenue Fund then transferred to the Durant City Utilities Authority as required by bond indenture for debt service. Any unused portion is transferred back to the 1% Sales Tax Revenue Fund.
- 1/4 cent recorded as revenue within the 1/4 % Sales Tax Economic Development Fund to be used for economic development.
- 1/4 cent recorded as revenue within the 1/4 % Sales Tax M.S. Fund to be transferred to the Durant Community Facilities Authority for debt service.
- 1/4 cent recorded as revenue within the 1/4 % Sales Tax S.O.S.U. Fund to be transferred to the Durant Community Facilities Authority for debt service.
- 5/8 cent recorded as revenue within the 5/8% Sales Tax Education Fund to be used for Durant Public Schools for education capital projects.

Property Tax:

The City presently levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the City.

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for general liability and physical property and being self-insured for workers compensation and health and life. For workers compensation, the City has a third-party administrator for the claims process. Mutual Assurance

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Administrators “MAA” and the City signed an agreement for these services, effective July 1, 2008. For health and life, the City has a third-party administrator for the claims process. Claims up to \$35,000 per individual are self-funded with stop-loss insurance up to \$965,000 per person. Management believes such insurance coverage is sufficient to preclude any significant losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Claims Liability Analysis – Internal Service Funds:

The claims liabilities related to the risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standards No. 5, 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. Such accrued losses include an estimated liability for incurred but not reported claims based on past historical experience.

For the risk management internal service self-insurance funds, changes in the estimated claims liability for the City from July 1, 2010, to June 30, 2013, are as follows:

	Employee Health	Worker's Compensation	Total Internal Service
Claims liability, July 1, 2010	\$246,661	\$41,022	\$287,683
Claims incurred and changes in estimates	1,850,743	410,507	2,261,250
Claims paid	<u>(1,819,158)</u>	<u>(422,651)</u>	<u>(2,241,809)</u>
Claims liability, July 1, 2011	278,246	28,878	307,124
Claims incurred and changes in estimates	2,313,410	799,286	3,112,696
Claims paid	<u>(2,194,212)</u>	<u>(720,469)</u>	<u>(2,914,681)</u>
Claims liability, July 1, 2012	397,444	107,695	505,139
Claims incurred and changes in estimates	2,531,983	989,790	3,521,773
Claims paid	<u>(2,564,634)</u>	<u>(925,787)</u>	<u>(3,490,421)</u>
Claims liability, June 30, 2013	<u>\$364,793</u>	<u>\$171,698</u>	<u>\$536,491</u>
Assets available to pay claims at June 30, 2013	<u>\$1,185,060</u>	<u>\$5,121</u>	<u>\$1,190,181</u>

11. Contingencies

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 accruals 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.

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Federal and State Award Programs:

The City of Durant participates in various federal or state grant/loan programs from year to year. In 2013, the City's involvement in federal and state award programs was material. 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. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for 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.

12. Outstanding Notes Receivable – Component Units

The City has two outstanding notes receivable and the component units have five outstanding notes receivable as of June 30, 2013.

The Capital Improvement Fund executed a \$235,430 note receivable in September 2008 with the Durant Community Facilities Authority at a zero percent (0%) interest rate, due in 120 monthly installments of \$1,962, beginning October 1, 2008	\$123,987
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The Capital Improvement Fund executed a \$222,320 note receivable in September 2008 with the Durant Community Facilities Authority at a 4.91% interest rate, due in 120 monthly installments of \$2,348. DCFA agreed to bring current all monthly installments from the date City made its first payment to the bank (March 2008), maturity date March 2018	<u>118,509</u>
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Total Notes Receivable – City of Durant	<u>\$242,496</u>
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The Durant Industrial Authority executed a \$400,000 note receivable in April 2004 with Cardinal FG Company at a zero percent (0%) interest rate, due in 240 monthly installments of \$1,667, maturity date January 2025	\$232,360
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The Durant Industrial Authority executed a \$399,956 note receivable in November 2006 with Eagle Suspensions, Inc at a zero percent (0%) interest rate, due in 240 monthly installments of \$1,666, maturity date September 2027	281,636
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The Durant Industrial Authority executed a \$400,000 note receivable in August 2006 with Earth Biofuels at a zero percent (0%) interest rate, due in 240 monthly installments of \$1,667, maturity date October 2023	271,688
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The Durant Industrial Authority executed a \$520,000 note receivable in August 2012 with PharmcareOK at a zero percent (0%) interest rate, due in 120 monthly installments of \$4,333, maturity date January 2023	494,000
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The Durant Industrial Authority executed a \$1,000,000 note receivable in June 2011 with Texoma Manufacturing at a 5.5% interest rate (subject to forgiveness for the first year related to providing jobs), due in monthly installments of \$13,889 beginning October 1, 2012, with balance due upon maturity on September 1, 2018. Total drawdowns to date equal \$1,000,000.

874,999

Total Notes Receivable – DIA

\$2,154,683

The following schedule shows the current year activity related to these notes receivable:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Improvement Fund:				
DCFA - Paving Project at DMSC	\$147,530	-	\$23,543	\$123,987
DCFA - Lighting Project at DMSC	139,147	-	20,638	118,509
DIA:				
Cardinal FG Company	250,692	-	18,332	232,360
Abbott Family LLC/Pharmcare	-	\$520,000	26,000	494,000
Eagle Suspension	301,634	-	19,998	281,636
Earth Biofuels	271,688	-	-	271,688
Texoma Manufacturing	1,000,000	-	125,001	874,999
Total	<u>\$2,110,691</u>	<u>\$520,000</u>	<u>\$233,512</u>	<u>\$2,397,179</u>

13. Pension Plan Participation

The City of Durant participates in four pension or retirement plans:

- Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OMRF) – an agent multiple-employer defined benefit plan
- Oklahoma Municipal Retirement System Defined Contribution Plan (OMRF) – an agent multiple-employer defined contribution plan

Firefighters’ Plan:

Pursuant to the requirements of Title 11, section 49-102, the City of Durant participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

A copy of the Firefighters Statewide Pension Plan financial statements can be obtained from the Oklahoma Firefighters Pension System, 4545 Lincoln Blvd. Suite 263, Oklahoma City, OK, 73105-3707.

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For 2013, the City's annual required contribution was \$223,541 for the OFPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$515,863 (or 30.0% of covered payroll) for the fiscal year. These on-behalf payments are reported as both revenues and expenditures in the Statement of Changes in Fund Balance.

Police Plan:

Pursuant to the requirements of Title 11, section 50-102, the City of Durant participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police person contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police person to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

For 2013, the City's annual required contribution was \$278,271 for the OPPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$248,964 (or 11.8% of covered payroll) for the fiscal year. These on-behalf payments are reported as both revenues and expenditures in the Statement of Changes in Fund Balance.

Summary of Contributions:

Fiscal Year	Oklahoma Police Pension and Retirement System		Oklahoma Firefighter's Pension and Retirement System	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2006	\$144,583	100%	\$153,064	100%
2007	\$154,240	100%	\$159,272	100%
2008	\$172,521	100%	\$178,881	100%
2009	\$183,106	100%	\$194,976	100%
2010	\$217,107	100%	\$207,548	100%
2011	\$230,815	100%	\$215,426	100%
2012	\$255,498	100%	\$238,391	100%
2013	\$248,964	100%	\$223,541	100%

OMRF Defined Benefit Plan:

A. Plan Description, Eligibility Factors, Contribution Methods, and Benefit Provisions

1. Plan Description

Effective April 1, 1967, the City began contributing to the City of Durant Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Board of Trustees elected by the participating municipalities. Bank One of Oklahoma City acts as administrator and securities custodian.

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2. Eligibility Factors, Contribution Methods and Benefit Provisions

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	Full-time, non-uniformed employees of the City or Authority upon hire if less than age 60.
b. Contribution Requirements:	
- Authorization	By City ordinance
- Actuarially Determined	Yes
- Employer Rate	10.90% of covered payroll (13% for City Manager and Assistant City Manager)
- Employee Rate	3.5% of covered payroll
c. Period Required to Vest	7 years of credited service
d. Eligibility for Distribution	- Normal retirement at age 65 with 7 years of service - Early retirement at age 55 with 7 years of service - Disability retirement upon disability with 7 years of service - Death benefit with 7 years of service for married employees
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service.
f. Benefit Determination Methods:	
- Normal Retirement	2.625% of final average salary multiplied by credited years of service.
- Early Retirement	Actuarially reduced benefit based upon age and years of service at termination.
- Disability Retirement	Same as normal retirement.
- Death Benefit	50% of employee's accrued benefit, but terminates upon spouse re-marriage.
- Prior to 7 Years Service	Return of employee contributions with accrued interest.
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

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B. Annual Pension Costs

1. Current Year Contribution Information

For the year ended June 30, 2013, the City's annual pension cost of \$577,577 was equal to the City's required and actual contributions.

2. Actuarial Assumptions:

<u>Date of Last Actuarial Valuation</u>	<u>For Plan Year July 1, 2013</u>
a. Actuarial Cost Method	Entry age normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	Rates by age
d. Post Retirement Cost-of-Living Increase	None
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase.
f. Mortality	UP 94 mortality
g. Asset Valuation Method	Actuarial method

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

In the OMRF defined benefit plan, the following is trend information regarding annual pension and contributions:

<u>Period Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2006	\$348,151	100%	-
June 30, 2007	\$407,799	100%	-
June 30, 2008	\$420,681	100%	-
June 30, 2009	\$457,395	100%	-
June 30, 2010	\$408,497	100%	-
June 30, 2011	\$351,079	100%	-
June 30, 2012	\$526,633	100%	-
June 30, 2013	\$577,577	100%	-

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OMRF Defined Contribution Plan:

The City has also provided a defined contribution plan and trust known as the City of Durant Plan and Trust (the "Plan") in the form of The Oklahoma Municipal Retirement System Master Defined Contribution Plan (OMRF). OMRF operations are supervised by a nine-member Board of Trustees elected by the participating municipalities. The plan is administered by Bank One of Oklahoma City. The defined contribution plan is available to all full-time employees except those participating in state fire or police programs. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon employment, and are required to make contributions to the plan of 5% (not to exceed 10%), effective July 1, 2001. By City ordinance, the City, as employer, intends to make contributions to the plan at a variable rate effective July 1, 2001. Voluntary nondeductible contributions by employees shall be allowed under the provisions of the plan. The City's contributions for each employee (and interest allocated to the employee's account) are vested at a rate of 100% after 7 years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining eligible participants. The authority to establish and amend the provisions of the plan rests with the City Council.

By City adopted ordinance in 2007, a plan for the City Manager and Assistant City Manager was approved in which employees in these positions contribution rate is 7% and employer contribution rate is 13% and they are immediately vested (no year limit).

For the year ended June 30, 2013, the City contributed \$0 to the plan, while the employee contributions totaled \$92,716.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 100 N. Broadway, Oklahoma City, Oklahoma, 73102.

Funded Status and Funding Progress

As of January 1, 2013 the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$17,071,178
Actuarial value of plan assets	<u>15,641,413</u>
Overfunded (Unfunded) actuarial accrued liability (UAAL)	<u>\$ (1,429,765)</u>
Funded ratio (actuarial value of plan assets/AAL)	91.6%
Annual covered payroll (active plan members)	4,938,107
UAAL as a percentage of covered payroll	29.0%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since there was not complete information available as to over (under) funding of required contributions prior to 2006, a net pension asset or obligation has not been recorded in the financial statements.

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14. Postemployment Healthcare Plan

Plan Description. The City sponsors medical and prescription drug insurance coverage to qualifying retirees and their dependents. Coverage is provided through the administrative policy which operates as a substantive single-employer defined benefit plan. Qualifying retirees are those employees who are eligible for immediate disability or retirement benefits under the Oklahoma Police Pension and Retirement System, Oklahoma Firefighter’s Pension and Retirement System, or the City of Durant Retirement Plan. Coverage is available for each of the lifetimes of retirees and their spouses. Authority to establish and amend benefit provisions rest with the City Council. Retirees may continue coverage with the City by paying the premium rate. Benefits are paid from general operating assets of the City.

Funding Policy. The contribution requirements of plan members and the City are established by the City Council. Annual health insurance premium amounts are established by the city council. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2013, the actuarially expected City contribution in the form of net age adjustment was \$114,774 to the Plan. Plan members receiving benefits contributed \$0 of the total premiums in FY 2013.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to for the year ended June 30, 2013:

Normal Cost	\$	97,018
Interest on Net OPEB Obligation		11,221
Amortization of Net OPEB Obligation		(23,219)
Amortization of Actuarial Accrued Liability (AAL)		29,754
Annual OPEB cost (expense)		114,774
Expected net benefits during the year		-
Increase in net OPEB obligation		114,774
Net OPEB obligation - beginning of year		364,132
Net OPEB obligation - end of year	\$	478,906

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/11	\$136,396	6.0%	\$249,358
6/30/12	114,774	0.0%	364,132
6/30/13	114,774	0.0%	478,906

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Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$904,095, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$904,095. The covered payroll (annual payroll of active employees covered by the plan) was \$8.5 million, and the ratio of the UAAL to the covered payroll was 11 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.8 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 7 percent initially, reduced by decrements to an ultimate rate of 5 percent in 2014. The UAAL is being amortized over 30 years based on a level percent-of-pay open-period basis. The remaining amortization period at July 1, 2011, was twenty-eight years. As of the date of this valuation, there are no plan assets. Retiree premiums are paid as they come due from general operating assets of the City.

15. New Accounting Pronouncements

- The City implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* – GASB 60 addresses issues related to service concession arrangements (SCA's), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The Statement is effective for fiscal years ended June 30, 2013.
- The City implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The Statement is effective for periods beginning after June 15, 2012.

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- The City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.

- The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

- The City early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The Statement is effective for fiscal years ended June 30, 2014, however, the City, as mentioned, above, has chosen to early implement Statement No. 65. This early implementation resulted in a prior period restatement for the removal of bond issuance costs from the Statement of Net Position in the Business Type Activities and the Proprietary Fund Statement of Changes in Net Position.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$1,840,608	\$2,236,538	\$2,737,271	\$500,733
Resources (Inflows):				
Taxes	7,773,121	7,773,121	7,634,916	(138,205)
Intergovernmental	569,442	614,474	607,968	(6,506)
Charges for services	74,100	74,100	90,160	16,060
Fines and Forfeitures	247,500	247,500	276,419	28,919
Licenses and Permits	176,500	176,500	268,425	91,925
Investment Income	8,000	8,000	3,437	(4,563)
Miscellaneous	160,977	188,021	155,139	(32,882)
Other Financing Sources	2,624,528	2,424,528	2,424,528	-
Total Resources	11,634,168	11,506,244	11,460,992	(45,252)
Amounts available for appropriation	13,474,776	13,742,782	14,198,263	455,481
Charges to Appropriations (Outflows):				
City Administration	783,118	783,118	754,657	28,461
City Clerk	342,281	342,281	333,778	8,503
City Treasurer	131,418	131,418	126,533	4,885
City Attorney	115,783	141,283	141,315	(32)
General Government	1,835,761	1,890,596	524,360	1,366,236
Police	3,795,713	3,833,465	3,671,904	161,561
Animal Control	99,173	99,373	87,076	12,297
Fire	2,778,892	2,855,800	2,648,979	206,821
Municipal Court	87,782	95,782	91,537	4,245
Civil Emergency Management	252,472	277,441	242,650	34,791
Community Development	397,876	397,876	341,911	55,965
Streets	832,184	856,837	771,373	85,464
City Garage	302,023	304,523	300,497	4,026
Parks, Recreation and General Services	707,111	714,575	654,724	59,851
Swimming Pool	129,975	129,975	91,348	38,627
Public Library	661,669	665,994	608,509	57,485
Senior Citizens Center	19,300	19,300	14,204	5,096
Other Financing Uses - Transfers Out	202,245	203,145	203,145	-
Total Charges to Appropriations	13,474,776	13,742,782	11,608,500	2,134,282
Ending Budgetary Fund Balance	\$ -	\$ -	\$2,589,763	\$2,589,763

See accompanying notes to budgetary comparison schedules.

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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2013, Continued

SPECIAL REVENUE - 1/4% ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$4,886,624	\$4,973,723	\$4,994,172	\$20,449
Resources (Inflows):				
Taxes	777,015	777,015	782,502	5,487
Investment income	15,000	15,000	7,057	(7,943)
Transfers in - component unit	125,001	151,001	151,001	-
Amounts available for appropriation	<u>5,803,640</u>	<u>5,916,739</u>	<u>5,934,732</u>	<u>17,993</u>
Charges to appropriations (outflows):				
Economic development	5,803,640	4,552,348	-	4,552,348
Transfers out	-	844,391	844,390	1
Transfers out - component unit	-	520,000	520,000	-
Total Charges to Appropriations	<u>5,803,640</u>	<u>5,916,739</u>	<u>1,364,390</u>	<u>4,552,349</u>
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>\$4,570,342</u>	<u>\$4,570,342</u>

SPECIAL REVENUE - 5/8% SALES TAX EDUCATION FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	-	-	\$261,544	\$261,544
Resources (Inflows):				
Taxes	\$1,998,815	\$1,998,815	2,052,190	53,375
Investment income	-	-	21	21
Amounts available for appropriation	<u>1,998,815</u>	<u>1,998,815</u>	<u>2,313,755</u>	<u>314,940</u>
Charges to appropriations (outflows):				
General government	<u>1,998,815</u>	<u>1,998,815</u>	<u>2,037,861</u>	<u>(39,046)</u>
Total Charges to Appropriations	<u>1,998,815</u>	<u>1,998,815</u>	<u>2,037,861</u>	<u>(39,046)</u>
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>\$275,894</u>	<u>\$275,894</u>

See accompanying notes to budgetary comparison schedules

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Footnotes to Budgetary Comparison Schedules:

1. The City prepares its budgets for all funds on the modified accrual basis of accounting with the exception of payroll accruals and certain expenditures related to on-behalf payments for police and fire and tax apportionment revenue transfers. For budgetary purposes expenditures are recorded in the period the invoice is received, except for payroll expenditures that are recorded when paid. All unexpended encumbrances lapse at year-end and therefore are not recorded as expenditures for budgetary purposes.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.
3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	<u>General Fund</u>
Total budgetary amounts available for appropriation	\$14,198,263
Current year on-behalf payments made by state	764,827
Beginning budgetary fund balance	<u>(2,737,271)</u>
Actual revenues and transfers per Statement of Revenues and Expenditures and Changes in Fund Balance	<u>\$12,225,819</u>
Total revenues	\$9,801,291
Transfers in	<u>2,424,528</u>
	<u>\$12,225,819</u>
Total budgetary charges to appropriations	\$11,608,500
Net difference in prior year and current year payroll accruals	17,249
Current year on-behalf payments made by state	<u>764,827</u>
Actual expenditures and transfers per Statement of Revenues and Expenditures and Changes in Fund Balance	<u>\$12,390,576</u>
Total expenditures	12,187,431
Transfers out	28,689
Interaccount transfers	<u>174,456</u>
	<u>\$12,390,576</u>

3. The General Fund had over-expenditures of \$32 in the City Attorney department and the 5/8% Sales Tax Education Fund had over-expenditures of \$39,046 in the General Government department as of 6-30-13.

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Schedule of Retirement Plan Contributions – OMRF Defined Benefit Plan

OMRF Agent Multiple Employer Defined Pension Plan - Schedule of Funding Progress

Required Supplementary Information - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry Age	Unfunded (Overfunded) AAL	Funded Ratio	(1) Covered Payroll	AAL as a Percentage of Covered Payroll
1/1/04	\$8,714,667	\$7,235,475	(\$1,479,192)	120.4%	\$2,708,951	(54.6%)
1/1/05	\$10,482,368	\$9,516,337	(\$966,031)	110.2%	\$3,293,172	(29.3%)
1/1/06	\$11,102,706	\$10,423,629	(\$679,077)	106.5%	\$3,426,919	(19.8%)
1/1/07	\$11,929,707	\$11,271,216	(\$658,491)	105.8%	\$3,781,637	(17.4%)
1/1/08	\$12,971,609	\$12,234,964	(\$736,645)	106.0%	\$3,975,471	(18.5%)
1/1/09	\$12,503,922	\$12,874,545	\$370,623	97.1%	\$3,977,619	9.3%
1/1/10	\$12,987,479	\$12,356,464	(\$631,015)	105.1%	\$4,324,926	(14.6%)
1/1/11	\$13,782,996	\$14,595,992	\$812,997	94.4%	\$4,497,284	18.1%
1/1/12	\$14,530,494	\$16,016,658	\$1,486,165	90.7%	\$5,027,404	29.6%
1/1/13	\$15,641,413	\$17,071,178	\$1,429,765	91.6%	\$4,938,107	29.0%

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

Required Supplementary Information – OPEB

OPEB Liability - Schedule of Funding Progress

Required Supplementary Information - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) --PUC Method	Unfunded (Overfunded) AAL	Funded Ratio	(est) Covered Payroll	AAL as a Percentage of Covered Payroll
7/1/09	\$0	\$975,471	\$975,471	0%	\$6,956,000	(14%)
7/1/10	\$0	\$1,105,598	\$1,105,598	0%	\$7,721,000	(14%)
7/1/11	\$0	\$904,095	\$904,095	0%	\$8,485,000	(11%)

Unaudited

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SUPPLEMENTARY INFORMATION

**CITY OF DURANT, OKLAHOMA
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Combining Balance Sheet – General Fund Accounts – June 30, 2013

	GENERAL FUND ACCOUNTS						TOTALS
	GENERAL FUND	CEMETERY OPERATIONS ACCOUNT	BEAUTIFICATION ACCOUNT	CHRISTMAS LIGHTING ACCOUNT	INSURANCE CASH ACCOUNT	MULTI-SPORTS COMPLEX ACCOUNT	
ASSETS:							
Cash and cash equivalents	\$1,418,357	\$12,569	\$21,447	\$240	\$72,056	\$9,263	\$1,533,932
Investments	647,496	5,743	9,798	109	32,921	3,775	699,842
Due from other funds	1,490	-	-	-	-	-	1,490
Due from other governments	1,020,699	-	-	-	-	-	1,020,699
Franchise tax receivable	107,685	-	-	-	-	-	107,685
Court fines receivable, net	22,257	-	-	-	-	-	22,257
Other receivables	14,052	-	-	-	-	-	14,052
Total Assets	\$3,232,036	\$18,312	\$31,245	\$349	\$104,977	\$13,038	\$3,399,957
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$188,695	\$1,726	-	-	\$293	\$12,417	\$203,131
Accrued payroll liabilities	422,924	4,111	-	-	-	14,507	441,542
Due to other funds	2,500	138	-	-	-	-	2,638
Due to other governments	1,880	-	-	-	-	-	1,880
Unearned revenue	7,100	-	-	-	-	-	7,100
Total Liabilities	623,099	5,975	-	-	293	26,924	656,291
Deferred Inflows of Resources:							
Deferred revenue	36,423	-	-	-	-	-	36,423
Fund Balances:							
Assigned	1,636,466	12,337	\$31,245	\$349	104,684	-	1,785,081
Unassigned	936,048	-	-	-	-	(13,886)	922,162
Total Fund Balances	2,572,514	12,337	31,245	349	104,684	(13,886)	2,707,243
Total Liabilities, Deferred Inflows and Fund Balance:	\$3,232,036	\$18,312	\$31,245	\$349	\$104,977	\$13,038	\$3,399,957

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Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – Year Ended June 30, 2013

	GENERAL FUND ACCOUNTS						TOTALS
	GENERAL FUND	CEMETERY OPERATIONS ACCOUNT	BEAUTIFICATION ACCOUNT	CHRISTMAS LIGHTING ACCOUNT	INSURANCE CASH ACCOUNT	MULTI-SPORTS COMPLEX ACCOUNT	
REVENUES:							
Taxes	\$7,634,916	-	-	-	-	-	\$7,634,916
Intergovernmental	1,372,795	-	-	-	-	-	1,372,795
Charges for services	90,160	\$61,400	-	-	-	\$133,062	284,622
Licenses and permits	268,425	-	-	-	-	-	268,425
Fines and forfeitures	276,419	-	-	-	-	-	276,419
Investment income	3,437	18	\$53	-	\$193	75	3,776
Miscellaneous:							
Reimbursements	18,768	-	-	-	-	-	18,768
Donations	500	-	-	-	-	-	500
Other	135,871	3,072	-	-	1,362	1,065	141,370
Total Revenues	9,801,291	64,490	53	-	1,555	134,202	10,001,591
EXPENDITURES:							
Current:							
General government	1,873,997	-	1,543	-	303,676	-	2,179,216
Public safety	7,520,502	-	-	-	-	-	7,520,502
Public works	1,418,703	-	-	-	-	-	1,418,703
Culture, tourism and recreation	1,368,637	-	-	-	-	500,758	1,869,395
Cemetery	-	141,075	-	-	-	-	141,075
Capital outlay	-	-	-	-	-	5,625	5,625
Debt service:							
Principal retirement	5,592	-	-	-	-	-	5,592
Total Expenditures	12,187,431	141,075	1,543	-	303,676	506,383	13,140,108
Revenues over (under) expenditures	(2,386,140)	(76,585)	(1,490)	-	(302,121)	(372,181)	(3,138,517)
Other Financing Sources (Uses):							
Interaccount transfers	(174,456)	87,365	-	-	89,499	(2,408)	-
Transfers in	2,424,528	1,000	-	-	128,612	349,605	2,903,745
Transfers out	(28,689)	(7,759)	-	-	-	-	(36,448)
Transfer from component unit	-	-	-	-	51,888	-	51,888
Revenues and other sources over (under) expenditures and other uses	(164,757)	4,021	(1,490)	-	(32,122)	(24,984)	(219,332)
Fund Balance - beginning of year	2,737,271	8,316	32,735	\$349	136,806	11,098	2,926,575
Fund Balance - end of year	\$2,572,514	\$12,337	\$31,245	\$349	\$104,684	(\$13,886)	2,707,243

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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2013

	SPECIAL REVENUE FUNDS				
	SPECIAL 911 TAX FUND	R.L. WILLIAMS LIBRARY FUND	DRUG ENFORCEMENT FUND	DURANT LIBRARY AUTHORITY	HOME/FEMA GRANT FUND
<u>ASSETS</u>					
Cash and cash equivalents	\$138,841	\$9,742	\$10,153	\$21	\$21
Investments	63,433	45,774	-	9	9
Due from other funds	2,500	-	-	-	-
Due from other governments	-	-	-	-	85,855
Other receivable	49,852	-	-	-	-
Total Assets	<u>\$254,626</u>	<u>\$55,516</u>	<u>\$10,153</u>	<u>\$30</u>	<u>\$85,885</u>
<u>LIABILITIES</u>					
Accounts payable	\$13,737	\$1,894	\$965	-	\$85,855
Accrued payroll liabilities	22,222	-	-	-	-
Due to other funds	1,490	-	-	-	-
Total Liabilities	<u>37,449</u>	<u>1,894</u>	<u>965</u>	<u>-</u>	<u>85,855</u>
<u>FUND EQUITY</u>					
Fund Balance:					
Restricted	-	52,256	9,054	-	-
Assigned	217,177	1,366	134	\$30	30
Total Fund Equity	<u>217,177</u>	<u>53,622</u>	<u>9,188</u>	<u>30</u>	<u>30</u>
Total Liabilities and Fund Equity	<u>\$254,626</u>	<u>\$55,516</u>	<u>\$10,153</u>	<u>\$30</u>	<u>\$85,885</u>

(Continued)

**CITY OF DURANT, OKLAHOMA
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Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2013, (Continued)

ASSETS	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUNDS		TOTALS
	1/4% SALES TAX M.S. FUND	1/4% SALES TAX SOSU FUND	CEMETERY CARE FUND	CDBG FUND	
Cash and cash equivalents	\$1,089	\$1,089	\$128,595	\$9,042	\$298,593
Investments	497	497	58,751	103	169,073
Due from other funds	-	-	138	-	2,638
Due from other governments	104,505	104,505	-	-	294,865
Other receivable	-	-	-	-	49,852
Total Assets	\$106,091	\$106,091	\$187,484	\$9,145	\$815,021
<u>LIABILITIES</u>					
Accounts payable	-	-	\$5,057	\$8,818	\$116,326
Accrued payroll liabilities	-	-	-	-	22,222
Due to other funds	-	-	-	-	1,490
Total Liabilities	-	-	5,057	8,818	140,038
<u>FUND EQUITY</u>					
Fund Balance:					
Restricted	\$106,091	\$106,091	180,376	79	453,947
Assigned	-	-	2,051	248	221,036
Total Fund Equity	106,091	106,091	182,427	327	674,983
Total Liabilities and Fund Equity	\$106,091	\$106,091	\$187,484	\$9,145	\$815,021

**CITY OF DURANT, OKLAHOMA
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Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2013

	SPECIAL REVENUE FUNDS				
	SPECIAL 911 TAX FUND	R.L. WILLIAMS LIBRARY FUND	DRUG ENFORCEMENT FUND	DURANT LIBRARY AUTHORITY	HOME/FEMA GRANT FUND
REVENUES:					
Taxes	\$295,712	-	-	-	-
Intergovernmental	-	-	\$3,837	-	\$180,244
Charges for services	92,734	-	-	-	-
Investment income	361	\$242	19	-	-
Miscellaneous	-	3,450	-	-	-
Total Revenues	388,807	3,692	3,856	-	180,244
EXPENDITURES:					
Current:					
General government	-	-	-	-	181,144
Public safety	736,824	-	16,213	-	-
Culture, tourism and recreation	-	1,894	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	736,824	1,894	16,213	-	181,144
Revenues over (under) expenditures	(348,017)	1,798	(12,357)	-	(900)
Other Financing Sources (Uses):					
Transfers in	329,451	-	-	-	900
Transfers out	(4,276)	-	-	-	-
Transfer to component unit	-	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	(22,842)	1,798	(12,357)	-	-
Fund Balance - beginning of year	240,019	51,824	21,545	\$30	\$30
Fund Balance - end of year	\$217,177	\$53,622	\$9,188	\$30	\$30

(Continued)

**CITY OF DURANT, OKLAHOMA
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Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2013, (Continued)

	<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL PROJECT FUNDS</u>		<u>TOTALS</u>
	<u>1/4% SALES TAX M.S. FUND</u>	<u>1/4% SALES TAX SOSU FUND</u>	<u>CEMETERY CARE FUND</u>	<u>CDBG FUND</u>	
REVENUES:					
Taxes	\$782,502	\$782,502	-	-	\$1,860,716
Intergovernmental	-	-	-	\$555,296	739,377
Charges for services	-	-	-	-	92,734
Investment income	-	-	\$284	27	933
Miscellaneous	-	-	-	-	3,450
Total Revenues	<u>782,502</u>	<u>782,502</u>	<u>284</u>	<u>555,323</u>	<u>2,697,210</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	181,144
Public safety	-	-	-	-	753,037
Culture, tourism and recreation	-	-	-	-	1,894
Capital outlay	-	-	5,057	799,610	804,667
Total Expenditures	<u>-</u>	<u>-</u>	<u>5,057</u>	<u>799,610</u>	<u>1,740,742</u>
Revenues over (under) expenditures	782,502	782,502	(4,773)	(244,287)	956,468
Other Financing Sources (Uses):					
Transfers in	-	-	7,759	150,726	488,836
Transfers out	-	-	(1,000)	-	(5,276)
Transfer to component unit	(778,010)	(778,010)	-	-	(1,556,020)
Revenues and other sources over (under) expenditures and other uses	4,492	4,492	1,986	(93,561)	(115,992)
Fund Balance - beginning of year	101,599	101,599	180,441	93,888	790,975
Fund Balance - end of year	<u>\$106,091</u>	<u>\$106,091</u>	<u>\$182,427</u>	<u>\$327</u>	<u>674,983</u>

CITY OF DURANT, OKLAHOMA
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Combining Statement of Net Position – Internal Service Funds – June 30, 2013

	Internal Service Funds			Total
	Employee Health Fund	Worker's Compensation Fund	Info Tech Service Fund	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$821,049	\$4,496	\$48,680	\$874,225
Investments	364,011	625	22,241	386,877
Total current assets	<u>1,185,060</u>	<u>5,121</u>	<u>70,921</u>	<u>1,261,102</u>
Noncurrent Assets:				
Capital assets:				
Other capital assets, net of depreciation	-	-	13,980	13,980
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>13,980</u>	<u>13,980</u>
Total assets	<u>1,185,060</u>	<u>5,121</u>	<u>84,901</u>	<u>1,275,082</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	203	-	6,639	6,842
Accrued payroll liabilities	-	-	4,421	4,421
Estimated liability for claims	364,793	171,698	-	536,491
Accrued compensated absences - current	-	-	750	750
Capital lease payable - current	-	-	1,663	1,663
Accrued compensated absences - noncurrent	-	-	6,754	6,754
Capital lease payable - noncurrent	-	-	1,565	1,565
Total liabilities	<u>364,996</u>	<u>171,698</u>	<u>21,792</u>	<u>558,486</u>
NET POSITION:				
Net investment in capital assets	-	-	10,752	10,752
Unrestricted	820,064	(166,577)	52,357	705,844
Total net position	<u>\$820,064</u>	<u>(\$166,577)</u>	<u>\$63,109</u>	<u>\$716,596</u>

Combining Statement of Changes in Net Position–Internal Service Funds–Year Ended June 30, 2013

	Internal Service Funds			Total
	Employee Health Fund	Worker's Compensation Fund	Info Tech Service Fund	
Operating Revenues:				
Charges for services:				
Self insurance charges	\$1,495,606	\$795,029	-	\$2,290,635
Miscellaneous	666,757	266	\$271,802	938,825
Total operating revenues	<u>2,162,363</u>	<u>795,295</u>	<u>271,802</u>	<u>3,229,460</u>
Operating Expenses:				
Claims expense	2,531,983	989,790	-	3,521,773
Info tech services	-	-	300,988	300,988
Depreciation expense	-	-	4,753	4,753
Total operating expenses	<u>2,531,983</u>	<u>989,790</u>	<u>305,741</u>	<u>3,827,514</u>
Operating income (loss)	<u>(369,620)</u>	<u>(194,495)</u>	<u>(33,939)</u>	<u>(598,054)</u>
Non-Operating Revenues (Expenses):				
Investment income	2,134	35	154	2,323
Interest expense	-	-	(235)	(235)
Transfer in	-	-	867	867
Total non-operating revenues (expenses)	<u>2,134</u>	<u>35</u>	<u>786</u>	<u>2,955</u>
Change in net position	<u>(367,486)</u>	<u>(194,460)</u>	<u>(33,153)</u>	<u>(595,099)</u>
Total net position - beginning	<u>1,187,550</u>	<u>27,883</u>	<u>96,262</u>	<u>1,311,695</u>
Total net position - ending	<u>\$820,064</u>	<u>(\$166,577)</u>	<u>\$63,109</u>	<u>\$716,596</u>

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Combining Schedule of Net Position – DCUA Accounts – June 30, 2013

	Utilities Authority Fund Accounts		
	Utilities Authority Fund	UA Bonds Sinking Account	Total
	Fund	Account	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$550	-	\$550
Restricted cash and cash equivalents	962,164	\$4,274,821	5,236,985
Accounts receivable, net of allowance	1,548,485	-	1,548,485
Total current assets	<u>2,511,199</u>	<u>4,274,821</u>	<u>6,786,020</u>
Noncurrent Assets:			
Capital assets:			
Land and other non-depreciable assets	2,312,530	-	2,312,530
Other capital assets, net of depreciation	39,968,349	-	39,968,349
Total noncurrent assets	<u>42,280,879</u>	<u>-</u>	<u>42,280,879</u>
Total assets	<u>44,792,078</u>	<u>4,274,821</u>	<u>49,066,899</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Unamortized loss on refunding	129,682	-	129,682
LIABILITIES:			
Current Liabilities:			
Accounts payable	239,791	-	239,791
Accrued payroll liabilities	91,962	-	91,962
Due to other funds	402,979	-	402,979
Accrued interest payable	297,500	-	297,500
Current Portion of:			
Meter deposit liability	72,728	-	72,728
Notes payable	2,413,869	-	2,413,869
Landfill closure liability	22,997	-	22,997
Accrued compensated absences	30,002	-	30,002
Total current liabilities	<u>3,571,828</u>	<u>-</u>	<u>3,571,828</u>
Noncurrent liabilities:			
Meter deposit liability	290,912	-	290,912
Notes payable	29,986,295	-	29,986,295
Landfill closure liability	436,945	-	436,945
OPEB obligation	100,571	-	100,571
Accrued compensated absences	270,017	-	270,017
Total noncurrent liabilities	<u>31,084,740</u>	<u>-</u>	<u>31,084,740</u>
Total liabilities	<u>34,656,568</u>	<u>-</u>	<u>34,656,568</u>
NET POSITION:			
Net investment in capital assets	10,318,553	3,746,578	14,065,131
Restricted for debt service	(136,814)	528,243	391,429
Unrestricted	83,453	-	83,453
Total net position	<u>\$10,265,192</u>	<u>\$4,274,821</u>	<u>\$14,540,013</u>

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Combining Schedule of Revenues, Expenses, and Changes in Net Position – DCUA Accounts – Year Ended June 30, 2013

	Utilities Authority Fund Accounts		
	Utilities	UA	Total
	Authority	Bonds Sinking	
	Fund	Account	
Operating Revenues:			
Charges for services:			
Water charges	\$3,218,158	-	\$3,218,158
Sewer charges	1,744,992	-	1,744,992
Water and sewer taps	208,250	-	208,250
Penalties	113,037	-	113,037
Non-payment fees	117,394	-	117,394
Sanitation charges	3,735,792	-	3,735,792
Landfill gate fees	168,887	-	168,887
Lab tests	22,590	-	22,590
Rentals	61,185	-	61,185
Transfer station fees	209,545	-	209,545
Recyclable products	11,727	-	11,727
Miscellaneous	98,693	-	98,693
Total operating revenues	<u>9,710,250</u>	<u>-</u>	<u>9,710,250</u>
Operating Expenses:			
Public works administration	143,031	-	143,031
Utility billing	274,206	-	274,206
Water/sewer line maintenance	992,237	-	992,237
Water treatment plant	872,443	-	872,443
Wastewater treatment	689,744	-	689,744
Collection - solid waste	1,143,765	-	1,143,765
General government	210,342	-	210,342
Lake Durant	34,732	-	34,732
Disposal - solid waste	1,074,241	-	1,074,241
Depreciation expense	2,039,754	-	2,039,754
Total operating expenses	<u>7,474,495</u>	<u>-</u>	<u>7,474,495</u>
Operating income	2,235,755	-	2,235,755
Non-Operating Revenues (Expenses):			
Investment income	2,121	\$16,504	18,625
Loss on disposal of capital assets	(1,079)	-	(1,079)
Debt issuance costs	(130,792)	-	(130,792)
Interest expense and fiscal charges	(1,402,315)	-	(1,402,315)
Total non-operating revenues (expenses)	<u>(1,532,065)</u>	<u>16,504</u>	<u>(1,515,561)</u>
Net income before contributions and transfers	703,690	16,504	720,194
Capital contributions	912,150	-	912,150
Interaccount transfers	2,461,566	(2,461,566)	-
Transfers in	260,096	1,081,953	1,342,049
Transfers out	(3,247,222)	(1,571,234)	(4,818,456)
Transfers from component unit	-	156,364	156,364
Transfers to component unit	(760,868)	-	(760,868)
Change in net position	329,412	(2,777,979)	(2,448,567)
Total net position - beginning, restated	9,935,780	7,052,800	16,988,580
Total net position - ending	<u>\$10,265,192</u>	<u>\$4,274,821</u>	<u>\$14,540,013</u>

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