



**THE CITY OF DURANT, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011**

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

---

**THIS PAGE INTENTIONALLY LEFT BLANK**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>Independent Auditor’s Report on Financial Statements</b> .....	5-6
<b>Management’s Discussion and Analysis</b> .....	7-19
<b>The Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets .....	21
Statement of Activities .....	22
<b>Governmental Funds Financial Statements:</b>	
Balance Sheet .....	24
Statement of Changes in Fund Balances.....	25
Reconciliation of Governmental Fund and Government-Wide Financial Statements.....	26-27
<b>Proprietary Funds Financial Statements:</b>	
Statement of Net Assets.....	29
Statement of Changes in Net Assets.....	30
Statement of Cash Flows.....	31
<b>Footnotes to the Basic Financial Statements</b> .....	32-65
<b>Required Supplementary Information:</b>	
<b>Budgetary Comparison Information</b>	
Budgetary Comparison Schedule (Budgetary Basis) – General Fund.....	67
Budgetary Comparison Schedule (Budgetary Basis) – 1/4% Economic Development Fund and 5/8% Sales Tax Education Fund.....	68
Footnotes to Budgetary Comparison Schedule.....	69
<b>Pension Plan Information</b>	
Schedule of Funding Progress – Defined Benefit Plan .....	70
<b>Other Post Employment Benefit Information</b>	
Schedule of Funding Progress .....	70

**TABLE OF CONTENTS**

**Supplementary Information:**

**Combining Schedules:**

Combining Balance Sheet – General Fund Accounts.....	72
Combining Schedule of Changes in Fund Balance – General Fund Accounts .....	73
Combining Balance Sheet – Nonmajor Governmental Funds.....	74-75
Combining Statement of Changes in Fund Balance – Nonmajor Governmental Funds .....	76-77
Combining Statement of Net Assets – Internal Service Funds.....	78
Combining Statement of Changes in Net Assets – Internal Service Funds.....	78
Combining Schedule of Net Assets – DCUA Accounts.....	79
Combining Schedule of Changes in Net Assets – DCUA Accounts.....	80



## INDEPENDENT AUDITOR'S REPORT

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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, Pension Plan Information, and Other Post Employment Benefit Information 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Combining Schedules, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Arledge & Associates, P.C.*

Edmond, Oklahoma  
April 20, 2012

**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, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2011, the City's total net assets increased by \$10,032,345 or 12.1% from the prior year.
- During the year, the City's expenses for governmental activities were \$18,978,605 and were funded by program revenues of \$8,135,156 and further funded with taxes and other general revenues that totaled \$18,455,351.
- In the City's business-type activities, such as utilities, total program revenues exceeded expenses by \$4,144,110, due mainly to sewer capital grants of \$1,699,607 and airport capital grants of \$1,956,690.
- For budgetary reporting purposes, the General Fund reported revenues more than estimates by \$159,397 or 1.4%, while expenditures were under the final appropriations by \$1,620,773 or 14.3%.

## 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 two categories of activities governmental and business-type. The government-wide financial statements present the complete financial picture of the City 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 Assets 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 Assets 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 and liabilities 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 assets and changes in them from the prior year. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net assets 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.

The Statement of Net Assets 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.

**A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net Assets**

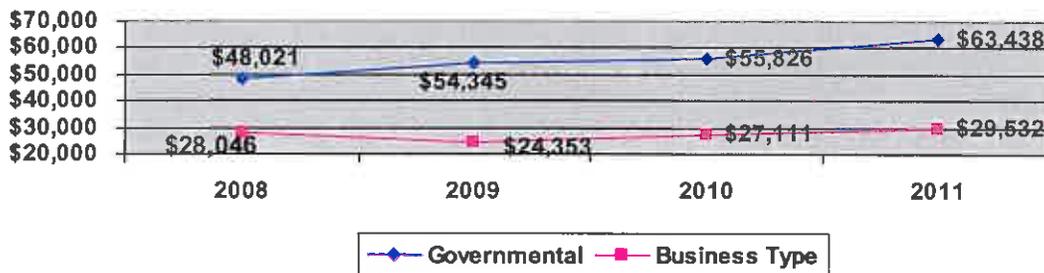
The City's combined net assets increased from \$82,937,496 to \$92,969,841 between fiscal years 2010 and 2011. Looking at the net assets of governmental and business-type activities separately, governmental activities increased \$7,611,902, while business-type activities increased \$2,420,443.

Table 1  
 Net Assets

	Governmental Activities		% Inc. Dec.	Business-type Activities		% Inc. Dec.	Total Primary Government		% Inc. Dec.
	2011	2010		2011	2010		2011	2010	
Current and other assets	\$ 14,949,151	\$ 14,246,240	5%	\$ 15,368,991	\$ 12,337,177	25%	\$ 30,318,142	\$ 26,583,417	14%
Capital assets, net	52,476,650	46,103,288	14%	52,141,761	48,653,664	7%	104,618,411	94,756,952	10%
<b>Total assets</b>	<b>67,425,801</b>	<b>60,349,528</b>	<b>12%</b>	<b>67,510,752</b>	<b>60,990,841</b>	<b>11%</b>	<b>134,936,553</b>	<b>121,340,369</b>	<b>11%</b>
Long-term debt	1,952,283	2,109,302	-7%	37,191,606	33,216,318	12%	39,143,889	35,325,620	11%
OPEB obligation	189,112	94,556	100%	50,916	25,458	100%	240,028	120,014	100%
Other liabilities	1,846,325	2,319,491	-20%	736,470	637,748	15%	2,582,795	2,957,239	-13%
<b>Total liabilities</b>	<b>3,987,720</b>	<b>4,523,349</b>	<b>-12%</b>	<b>37,978,992</b>	<b>33,879,524</b>	<b>12%</b>	<b>41,966,712</b>	<b>38,402,873</b>	<b>9%</b>
Net assets:									
Invested in capital assets,									
net of debt	51,519,524	44,914,370	15%	27,603,351	25,244,205	9%	79,122,875	70,158,575	13%
Restricted	6,266,913	7,365,695	-15%	781,045	1,057,923	-25%	7,057,958	8,423,618	-16%
Unrestricted	5,651,644	3,546,114	59%	1,137,364	809,189	-41%	6,789,008	4,355,303	56%
<b>Total net assets</b>	<b>\$ 83,438,081</b>	<b>\$ 55,826,179</b>	<b>14%</b>	<b>\$29,531,760</b>	<b>\$27,111,317</b>	<b>9%</b>	<b>\$92,969,841</b>	<b>\$82,937,496</b>	<b>12%</b>

Net assets of the City's governmental activities increased 14 percent to approximately \$63.4 million. However, \$57,786,437 of those net assets 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 assets showed \$5,651,644 at the end of this year. Net assets of the business-type activities increased 9 percent to approximately \$29.5 million. \$28,394,396 of those net assets are restricted for debt service or are invested in capital assets. Consequently, unrestricted net assets showed \$1,137,364 at the end of the year.

**Net Assets at Year End**  
 (in 000's)



**CITY OF DURANT, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
June 30, 2011**

**Changes in Net Assets**

For the year ended June 30, 2011, net assets of the primary government changed as follows:

**Table 2  
Changes in Net Assets**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
<b>Revenues:</b>									
<b>Program revenues:</b>									
Charges for services	\$ 816,474	\$ 855,618	-5%	\$ 9,552,088	\$ 9,254,423	3%	\$ 10,368,562	\$ 10,110,041	3%
Operating grants/contributions	1,156,477	800,310	45%	-	-	-	1,156,477	800,310	45%
Capital grants/contributions	6,257,439	2,699,280	132%	3,656,297	1,899,978	92%	9,913,736	4,599,258	116%
<b>General revenues:</b>									
Sales and use taxes	14,075,558	13,449,405	5%	-	-	-	14,075,558	13,449,405	5%
Tax apportionment revenue	-	688,814	-100%	-	-	-	-	688,814	-100%
Other taxes	1,012,946	1,096,939	-8%	-	-	-	1,012,946	1,096,939	-8%
Other general revenue	1,067,947	1,031,163	4%	479,999	353,131	36%	1,547,946	1,384,294	12%
<b>Total revenues</b>	<b>24,386,841</b>	<b>20,621,529</b>	<b>18%</b>	<b>13,688,384</b>	<b>11,507,532</b>	<b>19%</b>	<b>38,075,225</b>	<b>32,129,061</b>	<b>19%</b>
<b>Program expenses:</b>									
General government	4,664,367	4,300,996	8%	-	-	-	4,664,367	4,300,996	8%
Public safety	7,918,272	7,615,226	4%	-	-	-	7,918,272	7,615,226	4%
Public works	2,634,412	2,863,598	-8%	-	-	-	2,634,412	2,863,598	-8%
Culture and recreation	1,953,868	1,830,843	7%	-	-	-	1,953,868	1,830,843	7%
Cemetery	189,571	178,602	6%	-	-	-	189,571	178,602	6%
Industrial dev. (payment to DIA)	81,950	725,478	-89%	728,390	796,363	-9%	810,340	1,521,841	-47%
Community dev. (payment to DCFA)	1,493,860	1,443,290	4%	-	-	-	1,493,860	1,443,290	4%
Interest on long-term debt	42,305	50,217	-16%	277,262	145,808	90%	319,567	196,025	63%
Water	-	-	-	2,512,650	2,628,426	-4%	2,512,650	2,628,426	-4%
Sewer	-	-	-	2,560,844	2,625,046	-2%	2,560,844	2,625,046	-2%
Sanitation	-	-	-	2,240,984	2,065,297	9%	2,240,984	2,065,297	9%
Airport	-	-	-	722,175	592,346	22%	722,175	592,346	22%
Federal building	-	-	-	21,970	28,331	-22%	21,970	28,331	-22%
<b>Total expenses</b>	<b>18,978,605</b>	<b>19,009,250</b>	<b>0%</b>	<b>9,064,275</b>	<b>8,861,617</b>	<b>2%</b>	<b>28,042,880</b>	<b>27,889,867</b>	<b>1%</b>
Excess (deficiency) before transfers	5,408,236	1,613,279	235%	4,624,109	2,625,915	76%	10,032,345	4,239,194	137%
Transfers	2,203,666	(132,150)	-1768%	(2,203,666)	132,150	1768%	-	-	-
<b>Increase (decrease) in net assets</b>	<b>\$ 7,611,902</b>	<b>\$ 1,481,129</b>	<b>414%</b>	<b>\$ 2,420,443</b>	<b>\$ 2,758,065</b>	<b>-12%</b>	<b>\$ 10,032,345</b>	<b>\$ 4,239,194</b>	<b>137%</b>

The City's governmental activities' increase in net assets of \$7,611,902 represents a 414% increase in the change in net assets from the prior year. The business-type activities' increase in net assets of \$2,420,443 represents a 12% decrease in the change in net assets 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 increased by 25% due to an increase in cash and cash equivalents related to the 2010 Revenue Note issuance.
- OPEB obligation in both the governmental activities and business-type activities increased by 100% due to the City not funding the obligation as it goes.
- Governmental and business-type activities capital grants and contributions increased due to the increase in donations related to the community center and library and donations from the Choctaws related to sewer improvements.

Unaudited

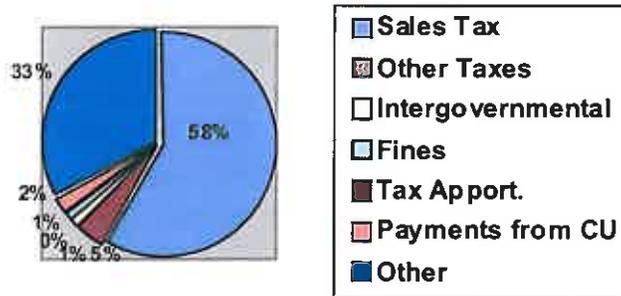
- Governmental interest on long-term debt increased due to the issuance of the 2010 Revenue Note which is approximately 65% for governmental activities.
- Transfers changed significantly due to a large reimbursement of note financing from the Durant City Utilities Authority to the Capital Improvement Fund in the amount of \$3,202,590 as compared to prior year of \$1,259,338.

**Governmental Activities**

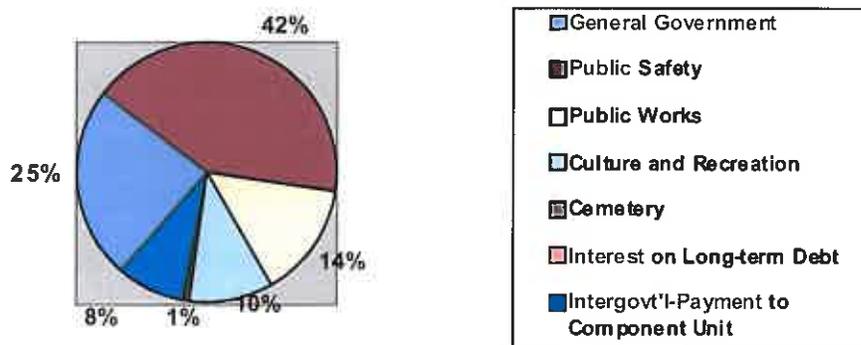
To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column 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, 2011, the City’s governmental activities were funded as follows:

**Governmental Activities Sources**



**Governmental Activities Uses**



**CITY OF DURANT, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
June 30, 2011**

For the year ended June 30, 2011, total expenses for governmental activities amounted to \$18,978,605. Of these total expenses, taxpayers and other general revenues funded \$18,455,351, while those directly benefiting from the program funded \$7,413,916 from grants and other contributions and \$721,240 from charges for services.

**Net Cost of Durant's Governmental Activities**

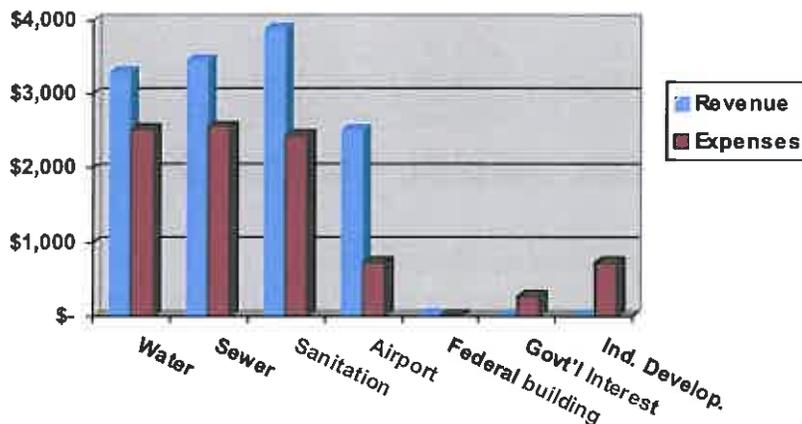
	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011-2010</u>	<u>2011</u>	<u>2010</u>	<u>2011-2010</u>
General government	\$4,664,367	\$4,300,996	8.4%	(\$4,168,385)	(\$4,129,098)	1.0%
Public safety	7,918,272	7,615,226	4.0%	(6,773,991)	(6,403,615)	5.8%
Public works	2,634,412	2,863,598	-8.0%	(2,166,328)	(2,631,418)	-17.7%
Culture and recreation	1,953,868	1,830,843	6.7%	4,107,716	738,539	456.2%
Cemetery	189,571	178,602	6.1%	(129,112)	(109,641)	17.8%
Industrial development - payments to DIA	81,950	725,478	-88.7%	(81,950)	(725,478)	-88.7%
Community development - payments to DCFA	1,493,860	1,443,290	3.5%	(1,493,860)	(1,443,290)	3.5%
Interest on long-term debt	42,305	50,217	-15.8%	(42,305)	(50,217)	-15.8%
<b>Total</b>	<b>\$18,978,605</b>	<b>\$19,008,250</b>	<b>-0.2%</b>	<b>(\$10,748,215)</b>	<b>(\$14,754,218)</b>	<b>-27.2%</b>

**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 \$4,144,110 for the year ended June 30, 2011.
- All individual activities reported net revenues for the year ended June 30, 2011, with the exception of governmental interest on long-term debt and industrial development (payment to DIA) which reported net expenses of \$277,262 and \$728,390 respectively.

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



**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$10,583,509 or a 1.5% increase from the prior year. The enterprise funds reported net assets of \$29,235,514 or a 9.0% increase from 2010.

Other fund highlights include:

- For the year ended June 30, 2011, the General Fund's total fund balance decreased by \$39,919 or 1.3%.
- The Capital Improvement Fund's total fund balance decreased by \$405,373 due to an increase in deferred revenue related to a grant that was not received within 60 days of year end, but had been expended by the Capital Improvement Fund during the fiscal year..

**General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the General Fund budget various times. The revised budget included an increase in overall revenue projections of 1.7% or \$184,318 and an increase in appropriations of 1.6% or \$202,565.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2011, the City had \$104,618,411 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$5,005,578	\$5,004,485	\$1,724,994	\$1,724,994	\$6,730,572	\$6,729,479
Buildings	17,419,091	10,175,750	19,585,891	18,916,960	37,004,982	29,092,710
Improvements	757,178	514,545	935,431	968,776	1,692,609	1,483,321
Machinery & equipment	4,341,661	3,610,447	2,075,386	2,047,538	6,417,047	5,657,985
Infrastructure	22,636,775	23,796,306	22,868,246	21,154,126	45,505,021	44,950,432
Construction in progress	2,316,367	3,001,755	4,951,813	3,841,270	7,268,180	6,843,025
<b>Totals</b>	<b><u>\$52,476,650</u></b>	<b><u>\$46,103,288</u></b>	<b><u>\$52,141,761</u></b>	<b><u>\$48,653,664</u></b>	<b><u>\$104,618,411</u></b>	<b><u>\$94,756,952</u></b>

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

- The City purchased 6 new Chevy Tahoes for police dept in the amount of \$183,187.
- The City placed in service a fire department station #2 upgrade totaling \$332,311.
- The City placed in service a swimming pool project totaling \$283,660.
- The City placed in service the DWR Library and Community Center totaling \$7,097,120.
- The City purchased furniture for the DWRCC totaling \$684,858.
- The City placed in service City Hall ADA improvements in the amount of \$185,799.

Unaudited

- The City placed in service an airport terminal building project totaling \$1,750,438.
- The City placed in service a Hwy 70E viaduct utility relocation project totaling \$480,971.
- The City placed in service a wastewater infrastructure headworks project at Choctaw Casino Resort totaling \$843,997.
- The City placed in service a wastewater infrastructure line works project at Choctaw Casino Resort totaling \$855,609.

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 \$39,143,889 in long-term debt outstanding which represents a \$3,818,269 or 10.8% increase 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 Activities		Business-Type Activities		Total		
	2011	2010	2011	2010	2011	2010	
Capital lease obligations	\$939,842	\$1,165,534	-	-	\$939,842	\$1,165,534	-19.4%
Notes payable	17,284	23,384	\$36,238,726	\$32,384,760	36,256,010	32,408,144	11.9%
Landfill closure liability	-	-	374,703	302,563	374,703	302,563	23.8%
Meter deposit liability	-	-	309,054	270,354	309,054	270,354	14.3%
Accrued comp absences	995,157	920,384	269,123	258,641	1,264,280	1,179,025	7.2%
<b>Totals</b>	<b>\$1,952,283</b>	<b>\$2,109,302</b>	<b>\$37,191,606</b>	<b>\$33,216,318</b>	<b>\$39,143,889</b>	<b>\$35,325,620</b>	<b>10.8%</b>

For the year ended June 30, 2011, the following significant long-term debt transactions occurred:

- The DCUA issued the Series 2010 Utility System and Sales Tax Revenue Notes in the current year in the amount of \$6,000,000
- Two new capital leases were approved by the City for 6 police Tahoes with equipment and a RICOH copier.

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 December 2011. The United States Unemployment Rate for December 2011 is 8.5%. The State of Oklahoma Unemployment Rate for December 2011 is 6.1%. The Durant/Bryan County Unemployment Rate for December 2011 is 5.4% which is the sixth lowest county in the eastern half of Oklahoma. The Durant/Bryan County twelve month unemployment average for 2011 is 4.9%. Bryan County posted their number of employed workforce at 18,158 for December, 2011.

Unaudited

**Sales Tax Collection** – Sales tax collections in fiscal year 2011-2012 increased over the previous fiscal year by 5.20% while sales tax collections for the fiscal year of 2010-2011 reflect a 3.45% increase over the same period in 2009-2010.

**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**

**Marco’s Pizza Restaurant** The locally owned Marco’s Pizza Restaurant opened for business in August 2011 at 2832 West University Boulevard. Marco’s Pizza is a full service restaurant offering dine in, pick-up and home delivery. The Number of New Jobs Created – 30.

**Rib Crib Barbeque & Grill Restaurant** began construction in June 2011 and opened for business in October 2011 at 311 Westside Drive. This Oklahoma based company opened their first store in Tulsa in 1992. They have now grown to 50 locations in 8 states and ship their signature smoked meats and barbeque sauces worldwide. The Durant Rib Crib is a full service restaurant that has a workforce of 40 employees.

**Wendy’s Restaurant** began construction of a new franchise restaurant at 2420 West Main Street in May, 2011 and opened for business in August 2011. The Durant store is the ninth store owned by the Oklahoma City Corporation and has a workforce of 25 employees. Wendy’s Restaurants was named the number two fast food hamburger chain in the United States, surpassing Burger King, by food industry research firm Technomics in a national news release on March 20, 2012.

**StoneBrook Park Housing Development Phase I** - Construction was completed in December, 2011 on 37 affordable brick energy efficient 3 bedroom and 4 bedroom homes located on South Ninth Avenue. The on-site leasing manager received over two hundred applications for the thirty-seven homes without ever advertising. The Total Housing Development Project Investment is \$5.5 Million Dollars.

**Eagle Suspensions High Pressure Natural Gas Line Loan** – The five year Durant Industrial Authority high pressure natural gas line loan of \$175,000 was paid in full on December 1, 2011. The total workforce at Eagle Suspensions facility is 160 jobs in December 2011.

**Big Lots Distribution Center Industrial Site Loan** – The Big Lots Distribution Center 127 Acre Industrial Site Loan of \$600,000 was paid in full by the Durant Industrial Authority in December 2011. The total workforce at the Big Lots Distribution Center is 500 jobs in December 2011. The total project investment was in excess of \$80 Million Dollars.

**Mr. Aubry Griffith Industrial Land Loan** – The Durant Industrial Authority purchased 293 acres from Mr. Aubry Griffith for virgin agricultural land to establish a new industrial park in East Durant. The \$940,750 five year loan was paid in full in October 2011.

**Durant Regional Airport Eaker Field Terminal Building** – The Durant Industrial Authority and City of Durant jointly funded the construction of the new Durant Regional Airport Eaker Field Terminal Building. The dedication and ribbon cutting ceremony was held on February 22, 2011. The 7,800 square foot terminal building is complete with flight planning, pilot lounge, conference and training rooms and FBO offices. The Durant Regional Airport Eaker Field Terminal Building is a \$2.0 Million Dollar investment for our community.

### **Projects In Process For Upcoming Fiscal Year**

**Eagle Suspensions Phase III Expansion** – The third leaf spring manufacturing heat treating line has been installed in 2012. An additional 86 crates of heat treating and forming equipment arrived from China in February, 2012 and was installed over a five week period in March, 2012. The new heat treating line is currently in operation. Equipment Investment - \$5 Million Dollars/Number of New Jobs Projected - 40

**Durant Theater** – The City of Durant Theater Project is progressing. We will be able to make a final determination of location in our city in the very near future. This project investment will range from \$4 Million Dollars to \$5 Million Dollars.

**LaQuinta Inn & Suites** – Kishor Keval has purchased property for a new 68 room 4 story LaQuinta Inn & Suites at 417 Criswell Drive. Construction of the new hotel started in March 2012 and will be the first LaQuinta Inn & Suites built in the State of Oklahoma using the 2012 architectural design and color scheme. The total project investment is \$3.5 Million Dollars and will create 30 new jobs.

**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. There will be a public hearing regarding the environmental on March 23, 2012. The environmental study will then be submitted to the Oklahoma Department of Transportation for approval. The Oklahoma Department of Transportation has already given the City of Durant's engineers the right to proceed with land acquisition once they have approved the environmental study. The Durant Industrial Authority funded this US69/75 Southbound Exit Ramp at University Boulevard in the amount of \$515,020 for our city.

**Eagle Suspensions Rail Spur Expansion** –Eagle Suspensions relocated to Durant from Canada five 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 steel mills.

**Texoma Manufacturing LLC Job Creation Loan** – Texoma Manufacturing LLC became the third company to receive a job creation loan from the Durant Industrial Authority in August, 2011. The \$1,000,000 job creation loan carries specific workforce criteria which must be met and reported to the Durant Industrial Authority Board to maintain loan eligibility. This six year job creation loan will be paid in full no later than August 31, 2018. Texoma Manufacturing LLC has created 85 new jobs as of March 2012.

**PharmCare Oklahoma** – PharmCare Oklahoma provides packaging, labeling and distribution of pharmaceutical care products in a six state region. PharmCare Oklahoma has purchased an industrial building in the Durant Regional Airport Industrial Park. The company’s plans are to invest \$750,000 in the facility and increase their employee base starting the first year with 21 employees and grow the workforce to a total of 33 employees by the end of the third year of operations.

**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 2012-2013. There were at least five automobile dealerships in Texas and Oklahoma that contacted our office in seeking information to apply for the new Chevrolet Dealership. We are currently assisting Mr. Stuteville and Mr. Thompson with the selection of a building site. They will be visiting our community on March 23, 2012. This project will create 40 new jobs in our community and will be a multi-million dollar investment.

**Hitchcock Distributing** - Mr. Hitchcock and I have been working together in planning a possible new site with the expansion of his distribution center. Mr. Hitchcock is working with an architectural and engineering firm that designs refrigerated distribution centers for his products. Mr. Hitchcock has asked the Durant Industrial Authority to provide information concerning industrial park land and infrastructure requirements for his new distribution center. We have discussed various programs that will affect his investment at the federal, state and local level. The total project investment will be over \$4 Million Dollars.

**StoneBrook Park Housing Development Phase II** - Jim Petty, owner and developer of StoneBrook Park Housing Development, has acquired additional land to construct another two to eight new brick homes. Mr. Petty has made application to the City of Durant to begin Phase II of this affordable energy housing development.

**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 standpoint. We have helped him 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 will be very significant. The pipeline will be 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 will reach our community in 2012/2013 and is scheduled to be fully complete and operational in early 2015. TransCanada will inject billions of private-sector dollars into the economy, creating more than

Unaudited

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. The Durant Industrial Authority has requested TransCanada place a pipeline constructing yard site in our city.

**XTO Energy Services Durant Industrial Authority 1-27 Well Location** – The Durant Industrial Authority 1-27 Oil and Natural Gas Well located on Durant Industrial Authority property in front of Cardinal Glass was very productive and successful. In accordance with the terms of the original well and land lease, the Durant Industrial Authority is now entitled to additional funds for the successful production of the oil and natural gas well. Three of the four wells drilled by XTO Energy Services, Inc. in West Durant are very strong producing wells.

**Hope for Homes Faith Based Community Outreach** – Hope for Homes is a faith based community outreach project to assist the elderly, low income and disabled with needed home repairs. The volunteers are provided through the Group Cares Mission Trips of Loveland, Colorado who specialize in home repair with faith based youth mission trips. Each volunteer must pay \$399 to attend this week long mission trip and will be housed at a local school while staying in Durant. All applicants must own their own home and qualify under the income guidelines. The building supplies required for the Hope for Homes Project will be purchased locally at the four lumberyards in Durant and provided at no charge to the homeowner. The Durant Industrial Authority contributed \$2,500 from its promotional fund to the Hope for Homes faith based community outreach project. No City of Durant sales tax dollars were used in this project funding. The volunteers of Hope for Homes will repair sixty to eighty homes during the week of July 8-14, 2012.

#### **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) 931-6652, 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, 2011**

---

**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Statement of Net Assets— June 30, 2011**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Durant Industrial Authority	Durant Community Facilities Authority
<b>ASSETS:</b>					
Cash and cash equivalents	\$7,827,335	\$12,744,778	\$20,572,111	\$6,931	\$2,876,396
Investments	3,637,208	212,498	3,849,706	1,452,804	-
Accounts receivable, net of allowance	-	1,513,313	1,513,313	-	-
Franchise tax receivable	65,474	-	65,474	-	-
Court fine receivable, net of allowance	48,350	-	48,350	-	-
Internal balances	(289,881)	289,881	-	-	-
Due to/from component unit	139,631	-	139,631	(139,631)	-
Due from other governments	3,134,734	-	3,134,734	-	-
Notes receivable	330,624	-	330,624	965,009	-
Other receivables	55,676	-	55,676	-	-
Capital assets:					
Land and construction in progress	7,321,945	6,676,807	13,998,752	1,824,327	266,000
Other capital assets, net of depreciation	45,154,705	45,464,954	90,619,659	22,125	-
Unamortized bond issuance costs	-	608,523	608,523	-	443,789
<b>Total assets</b>	<b>67,425,801</b>	<b>67,510,752</b>	<b>134,936,553</b>	<b>4,131,565</b>	<b>3,586,185</b>
<b>LIABILITIES:</b>					
Accounts payable	748,743	272,298	1,021,041	25,954	1,172
Retainage payable	366,879	-	366,879	-	-
Accrued payroll liabilities	413,461	83,825	497,286	8,389	-
Accrued interest payable	-	380,347	380,347	7,622	133,707
Due to other governments	1,542	-	1,542	-	-
Claims liability	307,124	-	307,124	-	-
Escrow liabilities	2,667	-	2,667	-	-
Deferred revenue	5,909	-	5,909	9,260	-
Long-term liabilities:					
Due within one year	516,781	2,437,305	2,954,086	352,720	736,823
Due in more than one year	1,435,602	34,754,301	36,189,903	1,782,013	16,052,123
OPEB obligation	189,112	50,018	240,028	2,424	-
<b>Total liabilities</b>	<b>3,987,720</b>	<b>37,978,992</b>	<b>41,966,712</b>	<b>2,189,282</b>	<b>16,923,825</b>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	51,519,524	27,603,351	79,122,875	1,117,169	266,000
Restricted by:					
State statutes and debt indentures	200,010	791,045	991,055	-	-
Enabling legislation	5,999,942	-	5,999,942	-	-
External parties	66,961	-	66,961	-	-
Unrestricted	5,651,644	1,137,384	6,789,008	825,114	(13,603,640)
<b>Total net assets</b>	<b>\$63,438,081</b>	<b>\$29,531,760</b>	<b>\$92,969,841</b>	<b>\$1,942,283</b>	<b>(\$13,337,640)</b>

See accompanying notes to the basic financial statements

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Statement of Activities –Year Ended June 30, 2011**

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes In Net Assets			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		
<b>Primary Government:</b>									
<b>Governmental activities:</b>									
General government	\$4,664,367	\$164,593	\$260,000	\$71,389	(\$4,168,385)	-	(\$4,168,385)	-	-
Public safety	7,918,272	386,178	732,173	25,930	(6,773,991)	-	(6,773,991)	-	-
Public works	2,634,412	-	127,116	340,968	(2,166,328)	-	(2,166,328)	-	-
Culture and recreation	1,953,868	206,153	36,279	5,819,152	4,107,716	-	4,107,716	-	-
Cemetery	189,571	59,550	909	-	(129,112)	-	(129,112)	-	-
Industrial development (Payment to DIA)	81,950	-	-	-	(81,950)	-	(81,950)	-	-
Community development (Payment to DCFA)	1,493,860	-	-	-	(1,493,860)	-	(1,493,860)	-	-
Interest on long-term debt	42,305	-	-	-	(42,305)	-	(42,305)	-	-
<b>Total governmental activities</b>	<b>18,978,605</b>	<b>816,474</b>	<b>1,156,477</b>	<b>6,257,439</b>	<b>(10,748,215)</b>	<b>-</b>	<b>(10,748,215)</b>	<b>-</b>	<b>-</b>
<b>Business-type activities:</b>									
Water	2,512,650	3,297,076	-	-	-	\$784,426	784,426	-	-
Sewer	2,560,844	1,756,400	-	1,699,607	-	895,163	895,163	-	-
Sanitation	2,240,984	3,878,275	-	-	-	1,637,291	1,637,291	-	-
Airport	722,175	574,574	-	1,956,690	-	1,809,089	1,809,089	-	-
Federal building	21,970	45,763	-	-	-	23,793	23,793	-	-
Governmental interest on long-term debt	277,262	-	-	-	-	(277,262)	(277,262)	-	-
Industrial development (Payment to DIA)	728,390	-	-	-	-	(728,390)	(728,390)	-	-
<b>Total business-type activities</b>	<b>9,064,275</b>	<b>9,552,088</b>	<b>-</b>	<b>3,656,297</b>	<b>-</b>	<b>4,144,110</b>	<b>4,144,110</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$28,042,880</b>	<b>\$10,368,562</b>	<b>\$1,156,477</b>	<b>\$9,913,736</b>	<b>(10,748,215)</b>	<b>4,144,110</b>	<b>(6,604,105)</b>	<b>-</b>	<b>-</b>
<b>Component Units:</b>									
Industrial development	\$2,385,877	-	\$10,000	-	-	-	-	(\$2,375,877)	-
Community development	822,856	-	-	-	-	-	-	-	(\$822,856)
<b>Total component units</b>	<b>\$3,208,733</b>	<b>-</b>	<b>\$10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,375,877)</b>	<b>(822,856)</b>
<b>General revenues:</b>									
<b>Taxes:</b>									
Sales and use taxes					14,075,558	-	14,075,558	-	-
Franchise and public service taxes					749,053	-	749,053	-	-
E-911 taxes					263,893	-	263,893	-	-
Intergovernmental revenue not restricted to specific programs					275,031	-	275,031	-	-
Investment income					75,643	69,423	145,066	15,929	10,935
Miscellaneous					120,109	259,921	380,030	1,364,284	-
Payments received from primary government					-	-	-	810,340	1,493,860
Payments received from component unit					597,164	150,655	747,819	-	-
Transfers - Internal activity					2,203,666	(2,203,666)	-	-	-
<b>Total general revenues and transfers</b>					<b>18,360,117</b>	<b>(1,723,667)</b>	<b>16,636,450</b>	<b>2,190,553</b>	<b>1,504,795</b>
<b>Change in net assets</b>					<b>7,611,902</b>	<b>2,420,443</b>	<b>10,032,345</b>	<b>(185,324)</b>	<b>681,939</b>
<b>Net assets - beginning</b>					<b>55,826,179</b>	<b>27,111,317</b>	<b>82,937,496</b>	<b>2,127,607</b>	<b>(14,019,579)</b>
<b>Net assets - ending</b>					<b>\$63,438,081</b>	<b>\$29,531,760</b>	<b>\$92,969,841</b>	<b>\$1,942,283</b>	<b>(\$13,337,640)</b>

**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Governmental Funds Balance Sheet - June 30, 2011**

	Special Revenue Funds			Capital Project Funds			Other Governmental Funds	Total Governmental Funds
	General	1/4% Economic Development Fund	5/6% Sales Tax Education Fund	Capital Improvement Fund	1% Sales Tax Revenue Fund	DWRP Community Center & Library Fund		
<b>ASSETS:</b>								
Cash and cash equivalents	\$1,775,837	\$3,501,068	\$6,665	\$489,923	\$56,920	\$124,511	\$166,827	\$6,121,751
Investments	809,263	1,597,289	3,041	329,934	25,968	-	103,674	2,869,169
Receivables:								
Due from other funds	1,490	-	-	93,623	-	-	2,638	97,751
Due from component unit	-	-	-	139,631	-	-	-	139,631
Due from other governments	1,014,656	99,547	264,634	1,069,332	398,206	-	288,359	3,134,734
Notes receivable	-	-	-	330,624	-	-	-	330,624
Franchise tax receivable	65,474	-	-	-	-	-	-	65,474
Court fines receivable, net	48,350	-	-	-	-	-	-	48,350
Other receivables	14,942	-	-	-	-	-	39,334	54,276
<b>Total assets</b>	<b>\$3,730,012</b>	<b>\$5,197,904</b>	<b>\$274,340</b>	<b>\$2,453,067</b>	<b>\$481,094</b>	<b>\$124,511</b>	<b>\$600,832</b>	<b>\$12,861,760</b>
<b>LIABILITIES AND FUND BALANCES:</b>								
<b>Liabilities:</b>								
Accounts payable	\$236,096	\$81,950	\$9,706	\$374,533	-	\$28,879	\$10,794	\$741,958
Retainage payable	-	-	-	366,879	-	-	-	366,879
Accrued payroll liabilities	391,794	-	-	-	-	-	18,593	410,387
Due to other funds	2,638	-	-	-	-	-	88,748	91,386
Due to other governments	1,542	-	-	-	-	-	-	1,542
Escrow liabilities	2,667	-	-	-	-	-	-	2,667
Deferred revenue	72,076	-	-	591,356	-	-	-	663,432
<b>Total liabilities</b>	<b>706,813</b>	<b>81,950.00</b>	<b>9,706</b>	<b>1,332,768</b>	<b>-</b>	<b>28,879</b>	<b>118,135</b>	<b>2,278,251</b>
<b>Fund Balances:</b>								
Restricted	-	5,052,528	264,634	-	\$480,514	15,181	454,056	6,266,913
Assigned	2,422,501	63,426	-	1,120,299	580	80,451	28,641	3,715,898
Unassigned	600,698	-	-	-	-	-	-	600,698
<b>Total fund balances</b>	<b>3,023,199</b>	<b>5,115,954</b>	<b>264,634</b>	<b>1,120,299</b>	<b>481,094</b>	<b>95,632</b>	<b>482,697</b>	<b>10,583,509</b>
<b>Total liabilities and fund balances</b>	<b>\$3,730,012</b>	<b>\$5,197,904</b>	<b>\$274,340</b>	<b>\$2,453,067</b>	<b>\$481,094</b>	<b>\$124,511</b>	<b>\$600,832</b>	<b>\$12,861,760</b>

See accompanying notes to the basic financial statements

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Governmental Funds Statement of Changes in Fund Balances – Year Ended June 30, 2011**

	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	DWRP Community Center & Library Fund		
<b>Revenues:</b>								
Taxes	\$7,547,745	\$752,296	\$2,010,795	-	\$3,009,185	-	\$1,768,483	\$15,088,504
Intergovernmental	1,147,891	-	-	\$1,823,207	-	-	460,499	3,431,597
Charges for services	271,891	-	-	-	-	-	95,234	367,125
Licenses and permits	158,405	-	-	-	-	-	-	158,405
Fines and forfeitures	315,404	-	-	-	-	-	-	315,404
Investment income	16,066	28,426	-	13,354	580	\$451	2,277	61,154
Miscellaneous								
Reimbursements	24,150	-	-	-	-	-	-	24,150
Donations	12,795	-	-	25,000	-	5,559,108	460	5,597,363
Other	46,004	-	-	49,886	-	-	19,207	115,097
<b>Total Revenues</b>	<b>9,540,351</b>	<b>780,722</b>	<b>2,010,795</b>	<b>1,911,447</b>	<b>3,009,765</b>	<b>5,559,559</b>	<b>2,346,160</b>	<b>25,158,799</b>
<b>Expenditures:</b>								
<b>Current:</b>								
<b>General government:</b>								
General government	2,216,673	-	1,997,347	-	-	-	245,017	4,459,037
Public safety	6,699,312	-	-	-	-	-	744,908	7,444,220
Public works	1,330,048	-	-	-	-	-	-	1,330,048
Culture and recreation	1,604,303	-	-	-	-	-	21,192	1,625,495
Cemetery	148,890	-	-	-	-	-	-	148,890
<b>Capital outlay:</b>								
Capital outlay	33,816	-	-	6,782,195	-	5,545,756	485,051	12,846,818
<b>Debt service:</b>								
Principal retirement	6,100	-	-	415,695	-	-	-	421,795
Interest and fiscal charges	-	-	-	42,305	-	-	-	42,305
<b>Total Expenditures</b>	<b>12,039,142</b>	<b>-</b>	<b>1,997,347</b>	<b>7,240,195</b>	<b>-</b>	<b>5,545,756</b>	<b>1,496,168</b>	<b>28,318,608</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,498,791)</b>	<b>780,722</b>	<b>13,448</b>	<b>(5,328,748)</b>	<b>3,009,765</b>	<b>13,803</b>	<b>849,992</b>	<b>(3,159,809)</b>
<b>Other Financing Sources (Uses):</b>								
Transfers in	2,716,355	-	-	4,621,045	-	80,000	475,627	7,893,027
Transfers out	(302,979)	-	-	(396,293)	(3,036,947)	-	(45,612)	(3,781,831)
Transfers from component unit	45,496	35,000	-	515,020	-	-	-	595,516
Transfers to component unit	-	(81,950)	-	-	-	-	(1,493,860)	(1,575,810)
Proceeds from issuance of debt	-	-	-	183,603	-	-	-	183,603
<b>Total Other Financing Sources (Uses)</b>	<b>2,458,872</b>	<b>(46,950)</b>	<b>-</b>	<b>4,923,375</b>	<b>(3,036,947)</b>	<b>80,000</b>	<b>(1,063,845)</b>	<b>3,314,505</b>
<b>Net change in fund balances</b>	<b>(39,919)</b>	<b>733,772</b>	<b>13,448</b>	<b>(405,373)</b>	<b>(27,182)</b>	<b>93,803</b>	<b>(213,853)</b>	<b>154,696</b>
<b>Fund balances - beginning, restated</b>	<b>3,063,118</b>	<b>4,382,182</b>	<b>251,186</b>	<b>1,525,672</b>	<b>508,276</b>	<b>1,829</b>	<b>696,550</b>	<b>10,428,813</b>
<b>Fund balances - ending</b>	<b>\$3,023,199</b>	<b>\$5,115,954</b>	<b>\$264,634</b>	<b>\$1,120,299</b>	<b>\$481,094</b>	<b>\$95,632</b>	<b>\$482,697</b>	<b>\$10,583,509</b>

See accompanying notes to the basic financial statements

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Changes in Fund Balances:**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets:**

<b>Total fund balances - governmental funds</b>	<b>\$10,583,509</b>
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$60,609,351.	<u>\$2,467,500</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Grants receivable	616,356
Court fines receivable	<u>41,167</u>
	<u>657,523</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 assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.	
Net assets of the Internal Service Fund	2,153,175
Internal service fund balance resulting from net revenues reported in business-type activities	<u>(296,246)</u>
	<u>1,856,929</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	(933,442)
Notes payable	(17,284)
OPEB obligation	(189,112)
Accrued compensated absences	<u>(987,542)</u>
	<u>(2,127,380)</u>
<b>Net assets of governmental activities</b>	<b><u>\$63,438,081</u></b>

**CITY OF DURANT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

**Changes in Net Assets Reconciliation:**

**Net change in fund balances - total governmental funds** \$154,696

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 contributed by discretely presented component units	1,648
Capital assets contributed by other funds	2,666
Capital assets transferred to other funds	(3,810,430)
Capital asset purchases capitalized	12,509,693
Capital assets disposed & transferred	(58,416)
Depreciation expense	<u>(2,276,481)</u>
	<u>6,368,680</u>

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

Deferred revenue	588,120
	<u>588,120</u>

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

Debt proceeds received	(183,603)
Debt principal payments	421,795
	<u>238,192</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 retainage payable	391,064
Change in OPEB obligations	(94,556)
Change in accrued compensated absences	(74,005)
	<u>222,503</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 assets of the internal service fund is included in governmental activities in the Statement of Net Assets.

Total change in net assets of the internal service fund	50,520
Net revenues (expenses) of internal service fund reported in business-type activities	(10,809)
	<u>39,711</u>

**Change in net assets of governmental activities** \$7,611,902

See accompanying notes to the governmental fund financial statements.

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

---

**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS**

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Proprietary Funds Statement of Net Assets - June 30, 2011**

	Enterprise Funds			Total	Internal Service Funds
	Utilities Authority Fund	Airport Authority Fund	Non-Major Federal Building Fund		
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$550	\$118,083	\$88,510	\$207,143	\$1,705,584
Restricted cash and cash equivalents	11,423,680	91,594	-	11,515,274	-
Investments	-	53,873	40,381	94,254	768,039
Restricted investments	118,244	-	-	118,244	-
Accounts receivable, net of allowance	1,475,987	33,754	3,672	1,513,313	1,400
<b>Total current assets</b>	<b>13,018,361</b>	<b>297,304</b>	<b>132,563</b>	<b>13,448,228</b>	<b>2,475,023</b>
<b>Noncurrent Assets:</b>					
<b>Restricted Assets:</b>					
Cash and cash equivalents	1,022,359	-	-	1,022,359	-
<b>Capital assets:</b>					
Land and other non-depreciable assets	2,685,491	3,991,316	-	6,676,807	-
Other capital assets, net of depreciation	41,721,986	3,725,543	17,425	45,464,954	9,150
Unamortized debt issuance costs	598,123	10,400	-	608,523	-
<b>Total noncurrent assets</b>	<b>46,027,959</b>	<b>7,727,259</b>	<b>17,425</b>	<b>53,772,643</b>	<b>9,150</b>
<b>Total assets</b>	<b>59,046,320</b>	<b>8,024,563</b>	<b>149,988</b>	<b>67,220,871</b>	<b>2,484,173</b>
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts payable	252,852	18,391	1,055	272,298	6,785
Accrued payroll liabilities	82,259	1,566	-	83,825	3,074
Due to other funds	6,365	-	-	6,365	-
Accrued interest payable	376,826	3,521	-	380,347	-
Estimated liability for claims	-	-	-	-	307,124
<b>Current Portion of:</b>					
Meter deposit liability	61,811	-	-	61,811	-
Capital lease payable	-	-	-	-	1,602
Notes payable	2,267,605	62,241	-	2,329,846	-
Landfill closure liability	18,735	-	-	18,735	-
Accrued compensated absences	26,887	26	-	26,913	761
<b>Total current liabilities</b>	<b>3,093,340</b>	<b>85,745</b>	<b>1,055</b>	<b>3,180,140</b>	<b>319,346</b>
<b>Noncurrent liabilities:</b>					
Meter deposit liability	247,243	-	-	247,243	-
Capital lease payable	-	-	-	-	4,798
Notes payable	33,652,685	256,195	-	33,908,880	-
Landfill closure liability	355,968	-	-	355,968	-
OPEB obligation	50,916	-	-	50,916	-
Accrued compensated absences	241,981	229	-	242,210	6,854
<b>Total noncurrent liabilities</b>	<b>34,548,793</b>	<b>256,424</b>	<b>-</b>	<b>34,805,217</b>	<b>11,652</b>
<b>Total liabilities</b>	<b>37,642,133</b>	<b>342,169</b>	<b>1,055</b>	<b>37,985,357</b>	<b>330,998</b>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	20,109,385	7,476,541	17,425	27,603,351	2,750
Restricted for debt service	770,690	20,355	-	791,045	-
Unrestricted	524,112	185,498	131,508	841,118	2,150,425
<b>Total net assets</b>	<b>\$21,404,187</b>	<b>\$7,682,394</b>	<b>\$148,933</b>	<b>\$29,235,514</b>	<b>\$2,153,175</b>

Total net assets of enterprise funds

\$29,235,514

Amounts reported for business-type activities in the Statement of Net Assets 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 assets of the Internal Service Funds

296,246

Net assets of business-type activities

\$29,531,760

See accompanying notes to the basic financial statements.

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Proprietary Funds Statement of Changes in Net Assets - Year Ended June 30, 2011**

	Enterprise Funds			Total	Internal Service Funds
	Utilities Authority Fund	Airport Authority Fund	Non-Major Federal Building Fund		
<b>Operating Revenues:</b>					
Charges for services					
Water charges	\$3,157,790	-	-	\$3,157,790	-
Sewer charges	1,698,179	-	-	1,698,179	-
Water and sewer taps	101,879	-	-	101,879	-
Penalties	119,280	-	-	119,280	-
Sanitation charges	3,493,226	-	-	3,493,226	-
Landfill gate fees	122,836	-	-	122,836	-
Lab tests	26,255	-	-	26,255	-
Airport	-	\$574,574	-	574,574	-
Rentals	71,297	-	\$45,763	117,060	-
Transfer station fees	207,082	-	-	207,082	-
Recyclable products	5,224	-	-	5,224	-
Self insurance charges	-	-	-	-	\$1,814,345
Miscellaneous	186,284	160	180	186,624	711,621
<b>Total operating revenues</b>	<b>9,189,332</b>	<b>574,734</b>	<b>45,943</b>	<b>9,810,009</b>	<b>2,525,966</b>
<b>Operating Expenses:</b>					
Public works administration	123,207	-	-	123,207	-
Water/sewer line maintenance	750,573	-	-	750,573	-
Water treatment plant	731,474	-	-	731,474	-
Wastewater treatment	678,340	-	-	678,340	-
Collection - solid waste	992,852	-	-	992,852	-
General government	127,998	-	-	127,998	-
Lake Durant	31,213	-	-	31,213	-
Disposal - solid waste	912,533	-	-	912,533	-
Airport	-	490,289	-	490,289	-
Federal building	-	-	21,561	21,561	-
Claims expense	-	-	-	-	2,488,217
Depreciation expense	1,944,896	100,930	409	2,046,235	1,718
<b>Total operating expenses</b>	<b>6,293,066</b>	<b>591,219</b>	<b>21,970</b>	<b>6,906,275</b>	<b>2,489,935</b>
<b>Operating Income (loss)</b>	<b>2,896,246</b>	<b>(16,485)</b>	<b>23,973</b>	<b>2,903,734</b>	<b>36,031</b>
<b>Non-Operating Revenues (Expenses):</b>					
Investment income	67,340	1,386	697	69,423	14,489
Miscellaneous	2,000	-	-	2,000	-
Amortization expense	(47,646)	(2,400)	-	(50,046)	-
Interest expense and fiscal charges	(1,308,694)	(25,222)	-	(1,333,916)	-
<b>Total non-operating revenues (expenses)</b>	<b>(1,287,000)</b>	<b>(26,236)</b>	<b>697</b>	<b>(1,312,539)</b>	<b>14,489</b>
<b>Net Income (loss) before contributions and transfers</b>	<b>1,609,246</b>	<b>(42,721)</b>	<b>24,670</b>	<b>1,591,195</b>	<b>50,520</b>
Capital contributions	2,247,283	3,262,753	-	5,510,036	-
Transfers in	2,702,716	40,123	-	2,742,839	-
Transfers out	(6,852,768)	(3,933)	-	(6,856,701)	-
Transfers from component unit	150,655	-	-	150,655	-
Transfers to component unit	(728,390)	-	-	(728,390)	-
<b>Change in net assets</b>	<b>(871,258)</b>	<b>3,256,222</b>	<b>24,670</b>	<b>2,409,634</b>	<b>50,520</b>
<b>Total net assets - beginning (restated)</b>	<b>22,275,445</b>	<b>4,426,172</b>	<b>124,263</b>	<b>26,825,880</b>	<b>2,102,655</b>
<b>Total net assets - ending</b>	<b>\$21,404,187</b>	<b>\$7,682,394</b>	<b>\$148,933</b>	<b>\$29,235,514</b>	<b>\$2,153,175</b>
<b>Change in net assets - enterprise funds</b>				<b>\$2,409,634</b>	
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 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 assets of the Internal Service Fund				10,809	
<b>Change in net assets of the business-type activities</b>				<b>\$2,420,443</b>	

See accompanying notes to the basic financial statements

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2011**

	Enterprise Funds			Total	Internal Service Funds
	Utilities Authority Fund	Airport Authority Fund	Non-Major Federal Building Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$9 142 502	571 778	47 102	\$9 761 472	-
Payments to suppliers	(1 902 283)	(469 471)	(24 127)	(2 395 881)	(\$2 388 312)
Payments to employees	(2 269 842)	(7 331)	-	(2 277 173)	(89 392)
Receipts of customer meter deposits	130 228	-	-	130 228	-
Customer meter deposits refunded or applied	(91 528)	-	-	(91 528)	-
Other receipts (payments)	(305 335)	-	-	(305 335)	2 525 549
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>4 703 742</b>	<b>94 976</b>	<b>23 065</b>	<b>4 821 783</b>	<b>47 845</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	2 702 716	40 123	-	2 742 839	-
Transfers to other funds	(6 852 768)	(3 933)	-	(6 856 701)	-
Transfers from component unit	150 855	-	-	150 855	-
Transfers to component unit	(728 390)	-	-	(728 390)	-
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>(4 727 587)</b>	<b>36 190</b>	<b>-</b>	<b>(4 691 397)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(24 297)	-	-	(24 297)	(6 399)
Proceeds from issuance of capital debt	8 000 000	-	-	8,000 000	8 400
Payment of debt issuance costs	(93 000)	-	-	(93 000)	-
Principal paid on capital debt	(2 087 876)	(58 158)	-	(2,146 034)	-
Interest and fiscal charges paid on capital debt	(1 288 230)	(25 869)	-	(1 314 099)	-
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>2 506 597</b>	<b>(84 027)</b>	<b>-</b>	<b>2 422 570</b>	<b>1</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments	(8 824)	(13 056)	(7 593)	(29 473)	(23 325)
Interest and dividends	87 340	1 380	897	89 617	14 489
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>58 516</b>	<b>(11 676)</b>	<b>(6 696)</b>	<b>39 950</b>	<b>(8 836)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2 541 068</b>	<b>35 469</b>	<b>16 169</b>	<b>2 592 706</b>	<b>39 010</b>
<b>Balances - beginning of the year</b>	<b>9 905 521</b>	<b>174,207</b>	<b>72,341</b>	<b>10 152,069</b>	<b>1 666,574</b>
<b>Balances - end of the year</b>	<b>\$12 446 589</b>	<b>\$209 676</b>	<b>\$88 510</b>	<b>\$12 744 775</b>	<b>\$1 705 584</b>
<b>Reconciliation to Statement of Net Assets</b>					
Cash and cash equivalents	\$550	\$118 083	\$88 510	\$207 143	\$1 705 584
Current restricted cash and cash equivalents	11 423 680	91 594	-	11 515 274	-
Noncurrent restricted cash and cash equivalents	1 022 359	-	-	1 022 359	-
<b>Total Cash and Cash Equivalents</b>	<b>\$12 446 589</b>	<b>\$209 677</b>	<b>\$88,510</b>	<b>\$12 744,776</b>	<b>\$1 705 584</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$2 696 246	(\$16 485)	\$23 973	\$2 903 734	\$36 031
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	1 944 698	100 930	409	2 046 235	1 718
Other non-operating revenues	2 000	-	-	2 000	-
Change in assets and liabilities					
Receivables	(48 830)	(2 956)	1 249	(48 537)	(417)
Accounts payable	54 045	11 660	(2 566)	63 145	(10 014)
Accrued payroll liabilities	14 195	1 660	-	15 781	318
Due to other funds	(307 335)	-	-	(307 335)	-
Estimated liability for claims	-	-	-	-	19 441
Landfill closure liability	72 140	-	-	72 140	-
Meter deposit liability	38 700	-	-	38 700	-
OP&B obligation	25 458	-	-	25 458	-
Accrued compensated absences	10 227	255	-	10 482	769
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$4,703,742</b>	<b>\$94 976</b>	<b>\$23,065</b>	<b>\$4 821 783</b>	<b>\$47 845</b>
<b>Noncash activities:</b>					
Contributed capital assets received	\$2,247,283	\$3,282,763	-	\$5 510,036	-

See accompanying notes to the basic financial statements

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

---

**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" 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 statement of net assets and activities is 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.

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.

*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 Fund.
- CDBG Fund - accounts for Community Development Block Grant funds in accordance with state and federal program guidelines.

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

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

---

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.

For business-type activities and proprietary funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

### **3. Cash, Cash Equivalents, Deposits and Investments**

For the purposes of the statements of net assets, 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, 2011 are as follows:

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Deposits and Investments**

**PRIMARY GOVERNMENT:**

<u>Type of Deposits and Investments</u>	<u>Maturities</u>	<u>Carrying Value</u>
Demand deposits		\$8,297,415
Time deposit	12/29/11	1,015,633
Time deposit	12/29/11	285,302
Time deposit	01/06/12	461,782
Time deposit	07/30/11	563,541
Time deposit	09/20/11	1,018,788
Time deposit	12/01/11	460,850
Time deposit	02/04/12	43,810
Cash on hand		2,605
	<b><u>Credit Rating</u></b>	
Mutual Funds - First United Money Market	n/a	12,272,091
<b>Total</b>		<b><u>\$24,421,817</u></b>
<b>Reconciliation to Statement of Net Assets:</b>		
Cash and cash equivalents		\$ 20,572,111
Investments		3,849,706
		<b><u>\$ 24,421,817</u></b>

**COMPONENT UNITS:**

**Durant Industrial Authority:**

<u>Type of Deposits and Investments</u>	<u>Maturities</u>	<u>Carrying Value</u>
Demand deposits		\$ -
Time deposit	12/16/2011	79,720
Time deposit	8/1/2011	502,422
Time deposit	8/7/2011	330,249
Time deposit	8/7/2011	540,413
	<b><u>Credit Rating</u></b>	
Mutual Funds	AAAm	6,931
		<b><u>\$ 1,459,735</u></b>
<b>Reconciliation to Statement of Net Assets:</b>		
Cash and cash equivalents		\$ 6,931
Investments		1,452,804
		<b><u>\$ 1,459,735</u></b>

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

<b>Durant Community Facilities Authority:</b>		<b>Carrying</b>
<u>Type of Deposits and Investments</u>		<u>Value</u>
Demand deposits	<b>Credit</b>	\$ 648,172
	<b>Rating</b>	
Mutual Funds	AAAm	2,228,224
<b>Total</b>		<u><u>\$ 2,876,396</u></u>
<b>Reconciliation to Statement of Net Assets:</b>		
Cash and cash equivalents		\$ 2,876,396
		<u><u>\$ 2,876,396</u></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, 2011, 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.

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

*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 assets 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, 2011 are as follows:

	Current Cash and cash Equivalents	Non-current Cash and cash Equivalents	Current Investments
Utility Deposits	\$ 214,223	\$ -	\$ 94,831
OWRB Accounts (DCUA):			
Utility Authority Bond Account	51,319	-	23,413
FAP Debt Service Reserve Account	-	141,143	-
FAP Debt Service Account	107,009	-	-
Utility Authority Debt Service Account	433,813	-	-
Utility Authority Debt Service Reserve Account	-	572,557	-
Debt Service Account	234,039	-	-
Debt Service Reserve Account	-	308,659	-
2009A Principal Account	67,055	-	-
2009A Interest Account	85,269	-	-
2009A Construction Account	3,202,249	-	-
2009B Principal Account	23,454	-	-
2009B Interest Account	29,413	-	-
2009B Construction Account	265,255	-	-
2010 Note Proceeds Account	5,925,298	-	-
2006 Revenue Account	293	-	-
2006 Interest Account	6,857	-	-
2006 Principal Account	20,194	-	-
2007 Revenue Account	4,443	-	-
2007 Project Account	608,914	-	-
2007 Principal Account	70,165	-	-
2007 Interest Account	74,418	-	-
First United Accounts (DAA):			
Interest Account	7,288	-	-
Principal Account	16,588	-	-
Construction Account	67,718	-	-
Total Restricted Assets	<u>\$ 11,515,274</u>	<u>\$ 1,022,359</u>	<u>\$ 118,244</u>

**4. Accounts Receivable**

	Receivable	Allowance for Bad Debts	Net Receivable
Governmental Activities:			
Court Fines Receivable	\$ 483,500	\$ (435,150)	\$ 48,350
Business-Type Activities:			
Utility Receivables	\$ 1,530,138	\$ (16,825)	\$ 1,513,313

**CITY OF DURANT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2011

**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, 2011, capital assets balances changed as follows:

**Primary Government:**

	Balance at July 1, 2010	Additions and Transfers	Disposals and Transfers	Balance at June 30, 2011
<b>Governmental activities:</b>				
<b>Non-depreciable:</b>				
Land	\$ 5,004,485	\$ 5,195	\$ (4,102)	\$ 5,005,578
Construction-in-progress	3,001,755	6,797,657	(7,483,045)	2,316,367
Total non-depreciable assets at historical cost	<u>8,006,240</u>	<u>6,802,852</u>	<u>(7,487,147)</u>	<u>7,321,945</u>
<b>Depreciable:</b>				
Buildings	12,188,102	7,615,230	-	19,803,332
Improvements	2,089,741	283,660	-	2,373,401
Machinery and equipment	8,725,344	1,520,511	(687,203)	9,558,652
Infrastructure	73,894,290	134,381	-	74,028,671
Total depreciable assets at historical cost	<u>96,897,477</u>	<u>9,553,782</u>	<u>(687,203)</u>	<u>105,764,056</u>
Less accumulated depreciation				
Buildings	(2,012,352)	(371,889)	-	(2,384,241)
Improvements	(1,575,196)	(41,027)	-	(1,616,223)
Machinery and equipment	(5,114,897)	(734,983)	632,889	(5,216,991)
Infrastructure	(50,097,984)	(1,293,912)	-	(51,391,896)
Total accumulated depreciation	<u>(58,800,429)</u>	<u>(2,441,811)</u>	<u>632,889</u>	<u>(60,609,351)</u>
Net depreciable assets	<u>38,097,048</u>	<u>7,111,971</u>	<u>(54,314)</u>	<u>45,154,705</u>
Governmental activities capital assets, net	<u>\$ 46,103,288</u>	<u>\$ 13,914,823</u>	<u>\$ (7,541,461)</u>	<u>\$ 52,476,650</u>
<b>Business-type activities:</b>				
<b>Non-depreciable:</b>				
Land	\$ 1,724,994	\$ -	\$ -	\$ 1,724,994
Construction-in-progress	3,841,270	3,504,575	(2,394,032)	4,951,813
Total non-depreciable assets at historical cost	<u>5,566,264</u>	<u>3,504,575</u>	<u>(2,394,032)</u>	<u>6,676,807</u>
<b>Depreciable:</b>				
Buildings	30,471,581	1,750,438	-	32,222,019
Improvements	7,731,062	11,780	-	7,742,842
Machinery and equipment	8,635,356	495,762	(123,121)	9,007,997
Utility property and improvements	31,166,515	2,358,646	-	33,525,161
Total depreciable assets at historical cost	<u>78,004,514</u>	<u>4,616,626</u>	<u>(123,121)</u>	<u>82,498,019</u>
Less accumulated depreciation				
Buildings	(11,554,621)	(1,081,507)	-	(12,636,128)
Improvements	(6,762,286)	(45,125)	-	(6,807,411)
Machinery and equipment	(6,587,818)	(465,636)	120,843	(6,932,611)
Utility property and improvements	(10,012,389)	(644,526)	-	(10,656,915)
Total accumulated depreciation	<u>(34,917,114)</u>	<u>(2,236,794)</u>	<u>120,843</u>	<u>(37,033,065)</u>
Net depreciable assets	<u>43,087,400</u>	<u>2,379,832</u>	<u>(2,278)</u>	<u>45,464,954</u>
Business-type capital assets, net	<u>\$ 48,653,664</u>	<u>\$ 5,884,407</u>	<u>\$ (2,396,310)</u>	<u>\$ 52,141,761</u>

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Component Units:**

	<u>Balance at July 1, 2010</u>	<u>Additions and Transfers</u>	<u>Deductions and Transfers</u>	<u>Balance at June 30, 2011</u>
<b>COMPONENT UNITS:</b>				
<b>Durant Industrial Authority:</b>				
Non-depreciable:				
Land	\$1,824,327	-	-	\$1,824,327
Construction-in-progress	-	-	-	-
Total non-depreciable assets at historical cost	<u>1,824,327</u>	<u>-</u>	<u>-</u>	<u>1,824,327</u>
Depreciable:				
Machinery and equipment	64,301	-	(29,670)	34,631
Total depreciable assets at historical cost	<u>64,301</u>	<u>-</u>	<u>(29,670)</u>	<u>34,631</u>
Less accumulated depreciation				
Machinery and equipment	(34,344)	(6,184)	28,022	(12,506)
Total accumulated depreciation	<u>(34,344)</u>	<u>(6,184)</u>	<u>28,022</u>	<u>(12,506)</u>
Net depreciable assets	<u>29,957</u>	<u>(6,184)</u>	<u>(1,648)</u>	<u>22,125</u>
Durant Industrial Authority capital assets, net	<u><u>\$1,854,284</u></u>	<u><u>(\$6,184)</u></u>	<u><u>(1,648)</u></u>	<u><u>\$1,846,452</u></u>
<b>Durant Community Facilities Authority:</b>				
Non-depreciable:				
Land	\$266,000	-	-	\$266,000
Construction-in-progress	-	-	-	-
Durant Community Facilities Authority capital assets, net	<u><u>\$266,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>\$266,000</u></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:		Business-Type Activities:	
General government	\$ 95,760	Water	\$ 709,713
Public safety	399,783	Sewer	1,090,742
Public works	1,349,732	Sanitation	144,441
Culture and recreation	396,962	Airport	100,930
Cemetery	34,244	Federal building	409
Total depreciation	<u><u>\$ 2,276,481</u></u>	Total depreciation	<u><u>\$ 2,046,235</u></u>

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**6. Long-Term Debt and Debt Service Requirements**

For the year ended June 30, 2011, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Amounts Due Within a Year</u>
<b>Governmental Activities:</b>					
Capital Lease Obligations	\$1,165,534	\$190,003	\$415,695	\$939,842	\$411,166
Notes Payable	23,384	-	6,100	17,284	6,100
Accrued Compensated Absences	920,384	74,773	-	995,157	99,515
<b>Total Governmental Activities</b>	<b>\$2,109,302</b>	<b>\$264,776</b>	<b>\$421,795</b>	<b>\$1,952,283</b>	<b>\$516,781</b>
<b>Business-type Activities:</b>					
Notes Payable	\$32,384,760	\$6,000,000	\$2,146,034	\$36,238,726	\$2,329,846
Landfill Closure Liability	302,563	72,140	-	374,703	18,735
Meter Deposit Liability	270,354	130,228	91,528	309,054	61,811
Accrued Compensated Absences	258,641	10,482	-	269,123	26,913
<b>Total Business-Type Activities</b>	<b>\$33,216,318</b>	<b>\$6,212,850</b>	<b>\$2,237,562</b>	<b>\$37,191,606</b>	<b>\$2,437,305</b>
<b>Component Unit Debt:</b>					
<b>Durant Industrial Authority:</b>					
Notes Payable	\$2,504,630	-	\$388,987	\$2,115,643	\$350,721
Accrued Compensated Absences	15,152	\$4,838	-	19,990	1,999
<b>Total Durant Industrial Authority</b>	<b>2,519,782</b>	<b>4,838</b>	<b>388,987</b>	<b>2,135,633</b>	<b>352,720</b>
<b>Durant Community Facilities Authority:</b>					
Notes Payable	\$1,510,990	-	\$160,702	\$1,350,288	\$96,823
Revenue Bonds Payable	15,020,000	-	595,000	14,425,000	640,000
<b>Total Durant Community Facilities Authority</b>	<b>16,530,990</b>	<b>-</b>	<b>755,702</b>	<b>15,775,288</b>	<b>736,823</b>
<b>Total Component Unit Debt</b>	<b>\$19,050,772</b>	<b>\$4,838</b>	<b>\$1,144,689</b>	<b>\$17,910,921</b>	<b>\$1,089,543</b>

*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%	\$174,012
\$298,410 capital lease with Landmark Bank for a pumper truck, payable in monthly installments of \$4,173, final payment due November 20, 2014, with interest at 4.68%	146,793
\$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%	130,140
\$134,770 capital lease with Vision Bank for 2 backhoes, payable in monthly installments of \$2,528, final payment due November 21, 2012, with interest at 4.75%	39,112
\$25,338 capital lease with AT&T Capital Services for City Hall phone system, payable in monthly installments of \$510, final payment due June 1, 2012, with interest at 7.71%	8,026

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

\$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%	172,009
\$109,140 capital lease with Landmark Bank for 4 police vehicles, payable in monthly installments of \$3,205, final payment due April 27, 2012, with interest at 3.59%	28,266
\$147,343 capital lease with Landmark Bank for 5 police vehicles, payable in monthly installments of \$4,295, final payment due March 15, 2013, with interest at 3.15%	83,453
\$100,026 capital lease with First United Bank for 3 police vehicles, payable in monthly installments of \$2,922, final payment due September 8, 2012, with interest at 3.25%	40,009
\$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%	6,400
\$215,391 capital lease with First United Bank for PD & 911 equipment, payable in monthly installments of \$6,433, final payment due January 2, 2013, with interest at 4.58%	<u>111,622</u>
Total Capital Lease Obligations	<u>\$939,842</u>
Current portion	\$411,166
Non-current portion	<u>528,676</u>
Total Capital Lease Obligations	<u>\$939,842</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	<u>\$17,284</u>
Current portion	\$6,100
Non-current portion	<u>11,184</u>
Total Notes Payable	<u>\$17,284</u>

Accrued Compensated Absences:

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

Current portion	\$99,515
Non-current portion	<u>895,642</u>
Total Accrued Compensated Absences	<u>\$995,157</u>

CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011

*Business-type activities long-term debt:*

Notes Payable:

Note Payable to Oklahoma Water Resources Board dated September 24, 2001, original amount of \$1,805,000 with an annual interest rate of 2.502%, due in semi-annual principal installments each March 15 and September 15 ranging from \$27,100 to \$74,000 beginning March 15, 2002, final installment due March 15, 2020	\$1,132,300
Note Payable to Oklahoma Water Resources Board dated March 25, 2003, original amount of \$6,990,000 with a variable interest rate, currently 4.078%, due in semi-annual principal installments each March 15 and September 15 ranging from \$116,100 to \$300,000 beginning September 15, 2003, final installment due March 15, 2021	4,591,000
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	2,293,069
Note Payable to Oklahoma Water Resources Board dated March 10, 2004, original amount of \$6,792,000 with an annual interest rate of 3.0%, due in semi-annual principal installments each March 15 and September 15 of \$169,800 beginning September 15, 2006, final installment due March 15, 2021.	4,662,055
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	1,253,965
Note Payable to Oklahoma Water Resources Board dated April 16, 2004, original amount of \$3,635,000 with an annual interest rate of 1.78%, due in semi-annual principal installments each March 15 and September 15 ranging from \$59,900 to \$161,800 beginning September 15, 2004, final installment due March 15, 2021	2,476,700
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	318,436
Sales Tax & Utility Revenue Note to First United 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	4,960,000
Sales Tax & Utility Revenue Note to First United Trust 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	990,600
Sales Tax & Utility Revenue Note to First United Bank dated September 14, 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	5,725,000
Sales Tax & Utility Revenue Note to First United Bank dated September 30, 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	1,915,000

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

---

Sales Tax & Utility Revenue Note to First United 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 5,890,000

Note Payable to First United Bank for 4 vehicles dated November 12, 2009, original amount of \$67,108 with an annual interest rate of 3.25%, due in monthly installments of \$1,959, final installment due November 10, 2012 30,601

Total Notes Payable \$36,238,726

Current portion	\$2,329,846
Non-current portion	<u>33,908,880</u>
Total Notes Payable	<u>\$36,238,726</u>

Accrued Compensated Absences:

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

Current portion	\$26,913
Non-current portion	<u>242,210</u>
Total Accrued Compensated Absences	<u>\$269,123</u>

Meter Deposit Liability:

Meter deposit liability reported in the business-type activities:

Current portion	\$61,811
Non-current portion	<u>247,243</u>
Total Meter Deposit Liability	<u>\$309,054</u>

Landfill Closure Liability:

Landfill closure liability reported in the business-type activities:

Current portion	\$18,735
Non-current portion	<u>355,968</u>
Total Landfill Closure Liability	<u>\$374,703</u>

*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. 171,250

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. 266,666

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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.	308,333
Notes payable of the Durant Industrial Authority to Allen or Betty Wheeler dated October 9, 2001, for land, original amount of \$600,000 with an annual interest rate of 5%, due in monthly installments of \$6,364, final installment due December 9, 2011.	31,426
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.	494,195
Notes payable of the Durant Industrial Authority to Aubrey or Evelyn Griffith dated October 6, 2006, for land, original amount of \$940,750 with an annual interest rate of 5%, due in annual installments of \$218,849, final installment due October 6, 2011	203,662
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.	318,479
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>321,632</u>
	<u>\$2,115,643</u>
Current portion	\$350,721
Non-current portion	<u>1,764,922</u>
Total Notes Payable	<u>\$2,115,643</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.	\$1,019,664
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	170,687
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>159,937</u>
	<u>\$1,350,288</u>
Current portion	\$96,823
Non-current portion	<u>1,253,465</u>
Total Notes Payable	<u>\$1,350,288</u>

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

Revenue Bonds Payable (DCFA):

Revenue bonds payable of the Durant Community Facilities Authority dated November 1, 2004 original amount of \$17,000,000 with a variable interest rate ranging from 2.0% to 5.75%, due in annual principal installments each November 1 ranging from \$200,000 to \$770,000 beginning November 1, 2006, with term bonds due on November 1, 2019 and final term bonds due November 1, 2024

	Unamortized Premium	\$14,425,000
		<u>1,013,658</u>
	Total	<u>\$15,438,658</u>
Current portion		\$640,000
Non-current portion		<u>14,798,658</u>
Total Revenue Bonds Payable		<u>\$15,438,658</u>

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		\$1,999
Non-current portion		<u>17,991</u>
Total Accrued Compensated Absences		<u>\$19,990</u>

*Long-term debt service requirements to maturity:*

Year Ending June 30,	Governmental Activities			
	Capital Lease Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2012	411,166	30,729	6,100	-
2013	282,979	15,600	6,100	-
2014	168,466	7,021	5,084	-
2015	32,411	2,905	-	-
2016	24,074	1,664	-	-
2017	20,746	457	-	-
Total	\$ 939,842	\$ 58,376	\$ 17,284	\$ -

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Business-Type Activities**

<u>Year Ending June 30.</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2012	2,329,846	1,222,510
2013	2,383,827	1,152,781
2014	2,456,057	1,080,172
2015	2,557,277	1,004,456
2016	2,604,950	922,335
2017-2021	13,746,769	3,359,798
2022-2026	5,770,000	1,657,938
2027-2031	4,390,000	392,926
<b>Total</b>	<b>\$ 36,238,726</b>	<b>\$ 10,792,916</b>

**Component Units**

**Durant Industrial Authority**

<u>Year Ending June 30.</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2012	350,721	37,212
2013	129,216	24,627
2014	135,023	22,757
2015	136,999	20,781
2016	139,087	18,694
2017-2021	731,101	57,802
2022-2026	433,666	4,062
2027-2028	59,830	-
<b>Total</b>	<b>\$ 2,115,643</b>	<b>\$ 185,935</b>

**Durant Community Facilities Authority**

<u>Year Ending June 30.</u>	<u>Notes Payable</u>		<u>Revenue Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	96,823	64,086	640,000	476,722
2013	101,083	59,826	685,000	454,330
2014	105,426	55,482	725,000	430,503
2015	110,013	50,897	770,000	405,239
2016	114,740	46,168	4,670,000	313,308
2017-2021	490,385	155,486	-	1,171,947
2022-2025	331,818	33,294	6,935,000	820,364
<b>Total</b>	<b>\$ 1,350,288</b>	<b>\$ 465,239</b>	<b>\$ 14,425,000</b>	<b>\$ 4,072,413</b>

CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011

*Non-Commitment Debt:*

<u>Original Debt</u>	<u>Project</u>	<u>Remaining Accreted Value</u>
Durant Industrial Authority:		
\$4,200,000	(1) Cardinal FG Company Tax Apportionment Bonds dated May 8, 2003	\$1,102,100
\$1,000,000	(1) Cardinal FG Company Tax Apportionment Bonds dated March 24, 2004	<u>\$256,167</u>
	Total DIA Non-Commitment Debt	<u>\$1,358,267</u>

(1) Cardinal FG Company Tax Apportionment Bonds

The Tax Apportionment Bonds were issued to finance a portion of the cost of inducing a manufacturing company to locate facilities in the City of Durant. The bonds bear interest at 6.00% and are due and payable beginning July 1, 2006. The final bonds mature July 1, 2012. From the date of issuance until January 1, 2006, interest on the bonds will accrue on the accreted value thereof and add to the principal amount, and thereafter interest shall accrue on the accreted principal amount and shall be payable annually on July 1 of each year beginning July 1, 2006. The bonds are solely the obligations of the issuer and not the State of Oklahoma or the City of Durant. The bonds are payable solely out of a portion of the income, revenues, and receipts derived or to be derived from the proceeds of a certain tax increment collected by the City and paid over to the Durant Industrial Authority and the funds and accounts held and pledged therefore. As a result, these bonds are not included in the reported long-term liabilities of the City or DIA.

Tax Increment Financing (TIF) incremental taxes received during the year ended June 30, 2011, totaled \$0.

*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 \$374,703 reported as accrued landfill closure cost liability at June 30, 2011, represents the cumulative amount of such costs reported to date based on the use of 53.0% 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 \$332,342 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 2011. The Authority expects to close the landfill in the year 2015 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, \$1,805,000 of the 2001 OWRB FAP Promissory Note, \$6,990,000 of the 2003B OWRB CWSRF 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 \$3,635,000 2004B OWRB 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, 2021, 2021, respectively. The total principal and interest payable for the remainder of the life of these notes are \$46,624,823. Pledged sales taxes received in the current year were \$8,963,058 and net utility revenues were \$2,701,663. Maximum annual debt service payments of \$3,569,378 for the applicable debt were 30% of pledged sales taxes and net utility revenues.

*Sales Tax Revenue Pledge – Component Unit (DCFA)* – The City has pledged one-half cent of future sales tax revenues to repay the \$17,000,000 of the 2004 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 \$20,312,940. Pledged sales taxes received in the current year were \$1,493,861. Current annual debt service payments of \$1,515,053 for the applicable debt were 101.5% of pledged 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:

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

Gross Revenue Available for Debt Service:	
Charges for services	\$5,077,128
Investment income	67,340
Sales tax pledged (3 cents)	8,963,058
Total Gross Revenues Available	14,107,526
Operating Expenses:	
Operations	2,442,805
Total Operating Expenses	2,442,805
Net Revenues Available for Debt Service	\$11,664,721
Debt Service Requirements:	
Maximum annual debt service on all DUA parity debt	\$3,569,378
Computed Coverage	327%
Coverage Requirement	125%

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

*Reserve Account Balance Requirements:*

The reserve account requirements for the various OWRB notes and the DCFA Revenue Bonds were met as follows:

	SERIES 2001 OWRB NOTE PAYABLE	SERIES 2003B OWRB NOTE PAYABLE	SERIES 2004B OWRB NOTE PAYABLE	DCFA 2004 SALES TAX REVENUE BONDS
Required Balance	\$141,657	\$574,338	\$309,877	\$1,676,137
Balance in Trustee Account, June 30, 2011	141,143	572,557	308,659	1,676,137
Excess of account balance over (under) required balance	(\$514)	(\$1,781)	(\$1,218)	-

The balances in the OWRB trustee reserve accounts are less than the required balance due to the trustee bank paying trustee fees out of the reserve account for the past three fiscal years.

## 7. Net Assets and Fund Balances

### *Net Assets:*

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

- a. *Invested in capital assets, net of related debt* - 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.
- b. *Restricted net assets* - Consists of net assets 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 assets* - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets 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.
- 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.

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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.

The following tables show the fund balance classifications as shown on the Governmental Funds Balance Sheet in accordance with GASB Statement 54 and Proprietary Fund Statement of Net Assets:

	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
<b>Fund Balance:</b>								
<b>Restricted For:</b>								
Economic development	-	\$5,052,528	-	-	-	-	-	\$5,052,528
Education	-	-	\$264,634	-	-	-	-	264,634
Capital improvements and debt service	-	-	-	-	\$480,514	-	-	480,514
Cemetery	-	-	-	-	-	-	\$172,396	172,396
Capital projects - grants	-	-	-	-	-	-	1,080	1,080
Multi-sports complex	-	-	-	-	-	-	101,133	101,133
SOSU capital projects	-	-	-	-	-	-	101,133	101,133
Public safety	-	-	-	-	-	-	27,614	27,614
Community center & library	-	-	-	-	-	\$15,181	-	15,181
Library	-	-	-	-	-	-	50,700	50,700
Sub-total Restricted	-	5,052,528	264,634	-	480,514	15,181	454,056	6,266,913
<b>Assigned to:</b>								
Economic development	-	63,426	-	-	-	-	-	63,426
Capital improvements and debt service	-	-	-	\$1,120,299	580	-	-	1,120,879
Public safety	-	-	-	-	-	-	67	67
Community center & library	-	-	-	-	-	80,451	-	80,451
Library	-	-	-	-	-	-	578	578
Recreation	\$112,437	-	-	-	-	-	-	112,437
Insurance	136,493	-	-	-	-	-	-	136,493
Christmas lighting	1,409	-	-	-	-	-	-	1,409
Beautification	30,905	-	-	-	-	-	-	30,905
Cemetery	17,257	-	-	-	-	-	1,140	18,397
Capital projects - grants	-	-	-	-	-	-	250	250
911 services	-	-	-	-	-	-	26,606	26,606
Budget balancing purposes	2,124,000	-	-	-	-	-	-	2,124,000
Sub-total Assigned	2,422,501	63,426	-	1,120,299	580	80,451	28,641	3,715,898
<b>Unassigned</b>	600,698	-	-	-	-	-	-	600,698
<b>Total Fund Balance</b>	\$ 3,023,199	\$ 5,115,954	\$ 264,634	\$ 1,120,299	\$ 481,094	\$ 95,632	\$ 482,697	\$ 10,583,509

**Enterprise Funds:**

Restricted For Debt Service	<u>\$791,045</u>
Total Enterprise Fund Restrictions	<u>\$791,045</u>

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

Net assets restricted for debt service in the Enterprise Funds as of June 30, 2011, consisted of the following:

Enterprise Funds:	
2009A Trust Accounts	\$152,324
2009B Trust Accounts	52,867
2006 Trust Accounts	27,344
2007 Trust Accounts	149,026
Utility Authority Bond Account	74,732
CWSRF Trust Accounts	542,698
FAP Trust Accounts	248,152
FAPCW Trust Accounts	1,006,370
DAA Trust Accounts	23,876
Restricted per bond indenture	\$2,277,389
Less: Accrued interest payable	(380,347)
Less: Accounts payable	(83,638)
Less: Portion of debt (reserve balances)	(1,022,359)
Total Restricted for Debt Service	\$791,045

**Restricted Net Assets – Governmental Activities**

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

Fund	Restricted By	Amount
1/4% Economic Development Fund	Enabling legislation	\$ 5,052,528
5/8% Sales Tax Education Fund	Enabling legislation	264,634
1% Sales Tax Revenue Fund	Enabling legislation	480,514
1/4% Sales Tax M.S. Fund	Enabling legislation	101,133
1/4% Sales Tax SOSU Fund	Enabling legislation	101,133
DWRF Community Center & Library Fund	External parties	15,181
R.L. Williams Library Fund	External parties	50,700
CDBG Fund	External parties	1,080
		6,066,903
Drug Enforcement Fund	State statutes and/or debt indentures	\$ 27,614
Cemetery Care Fund	State statutes and/or debt indentures	172,396
		200,010

**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 assets 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.

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2011 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	Special 911 Tax Fund	\$256,598	Operational subsidy
General Fund	Capital Improvement	32,767	Capital purchase
General Fund	Cemetery Care Fund	7,444	Statutory transfer (12.5%)
General Fund	Capital Improvement	6,170	Reimbursement of expenses
1% Sales Tax Revenue Fund	Capital Improvement	518,939	Capital projects
1% Sales Tax Revenue Fund	Durant City Utilities Authority	2,518,008	Sales tax transfer
Capital Improvement Fund	CDBG Fund	204,245	Reimbursement of expenses
Capital Improvement Fund	Durant City Utilities Authority	184,708	Debt payments
Capital Improvement Fund	Durant Library Authority	7,340	Reimbursement of expenses
Drug Enforcement Fund	Capital Improvement	24,450	Capital purchase
HOME/FEMA Grant Fund	General Fund	14,995	Administration costs for grant
Special 911 Tax Fund	General Fund	5,167	Operational subsidy
Cemetery Care Fund	General Fund	1,000	Cemetery annual interest
Durant Airport Authority Fund	General Fund	3,933	Operational subsidy
Durant City Utilities Authority	General Fund	2,560,514	Sales tax transfer
Durant City Utilities Authority	General Fund	113,698	Operational subsidy
Durant City Utilities Authority	Governmental activities	2,666	Capital asset activity
Durant City Utilities Authority	Capital Improvement	3,202,590	Reimbursement of Note financing
Durant City Utilities Authority	Capital Improvement	836,129	Capital projects
Durant City Utilities Authority	DWRF Com Ctr & Lib Fund	80,000	Maintenance reserve
Durant City Utilities Authority	General Fund	17,048	Transfer of asset
Durant City Utilities Authority	Durant Airport Authority	40,123	Reimbursement of expenses
		\$10,638,532	

**Reconciliation to fund financial statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$7,893,027	(\$3,781,831)	\$4,111,196
Enterprise Funds	2,742,839	(6,856,701)	(4,113,862)
Total	\$10,635,866	(\$10,638,532)	(\$2,666)

**Reconciliation to statement of activities:**

	<u>Governmental</u>	<u>Business-Type</u>
Net transfers	\$4,111,196	(\$4,113,862)
Reclassification of capital asset activity	(\$3,864,220)	3,866,886
Reclassification of activities at the govt-wide statements	1,956,690	(1,956,690)
Total Transfers - Internal Activity	\$2,203,666	(\$2,203,666)

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

*Interfund Balances:*

Due From	Due To	Amount	Nature of Balance
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
CDBG Fund	Capital Improvement Fund	87,258	Negative share of pooled cash
Durant City Utilities Authority	Capital Improvement Fund	6,365	Negative share of pooled cash to cover meter deposits
Total		\$ 97,751	

**Reconciliation to Fund Financial Statements:**

	Due From		Due To		Internal Service Funds Reconciliation	Net Internal Balances
	\$	97,751	\$	(91,386)	\$	(289,881)
Governmental Funds	\$	97,751	\$	(91,386)	\$	(289,881)
Proprietary Funds		-		(6,365)	296,246	289,881
Total	\$	97,751	\$	(97,751)	-	-

**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

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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, 2008, to June 30, 2011, are as follows:

	Employee Health	Worker's Compensation	Total Internal Service
Claims liability, July 1, 2008	\$136,576	\$11,061	\$147,637
Claims incurred and changes in estimates	1,309,750	181,932	1,491,682
Claims paid	(1,268,817)	(184,585)	(1,453,402)
Claims liability, July 1, 2009	177,509	8,408	185,917
Claims incurred and changes in estimates	1,960,589	619,281	2,579,870
Claims paid	(1,891,437)	(586,667)	(2,478,104)
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	(1,819,158)	(422,651)	(2,241,809)
Claims liability, June 30, 2011	<u>\$278,246</u>	<u>\$28,878</u>	<u>307,124</u>
Assets available to pay claims at June 30, 2011	<u>\$1,878,494</u>	<u>\$494,109</u>	<u>\$2,372,603</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.

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

*Federal and State Award Programs:*

The City of Durant participates in various federal or state grant/loan programs from year to year. In 2011, 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. Prior Period Adjustments**

	<u>Multi-Sports Complex Fund</u>
Beginning fund balance/net assets as previously reported	\$ (5,482)
Reclassification of Proprietary Fund as Governmental Fund:	
Accrued comp liability at fund level overstated	41,304
OPEB at fund level overstated	8,486
Beginning fund balance/net assets as restated	\$ 44,308

**13. Outstanding Notes Receivable – Component Units**

The City has two outstanding notes receivable and the component units have six outstanding notes receivable as of June 30, 2011.

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 \$170,687

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 159,937

Total Notes Receivable – City of Durant \$330,624

The Durant Industrial Authority executed a \$175,000 note receivable in December 2006 with Eagle Suspensions, Inc at a zero percent (0%) interest rate, due in 60 monthly installments of \$2,917, maturity date January 2012 17,500

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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	272,240
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	321,631
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
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 \$81,950.	<u>81,950</u>
<b>Total Notes Receivable – DIA</b>	<u><b>\$965,009</b></u>

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	\$194,230	-	\$23,543	\$170,687
DCFA - Lighting Project at DMSC	179,733	-	19,796	159,937
DIA:				
Cardinal FG Company	290,693	-	18,453	272,240
Eagle Suspension	55,417	-	37,917	17,500
Eagle Suspension	344,962	-	23,331	321,631
Earth Biofuels	271,688	-	-	271,688
Texoma Manufacturing	-	81,950	-	81,950
DCFA:				
Southeastern OK State University	68,110	-	68,110	-
Total	\$1,404,833	81,950.00	\$191,150	\$1,295,633

#### 14. 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

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

---

*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.

For 2011, the City's annual required contribution was \$215,426 for the OFPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$407,653 (or 24.6% of covered payroll) for the fiscal year. These on-behalf payments are reported as both revenues and expenses 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. 63<sup>rd</sup> Street, Oklahoma City, OK, 73116-7335.

For 2011, the City's annual required contribution was \$230,815 for the OPPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$180,260 (or 9.87% of covered payroll) for the fiscal year. These on-behalf payments are reported as both revenues and expenses 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%

*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.

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	7.03% 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.

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

- 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.

**B. Annual Pension Costs**

**1. Current Year Contribution Information**

For the year ended June 30, 2011, the City's annual pension cost of \$351,079 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, 2011</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%	-

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

---

*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, 2011, the City contributed \$0 to the plan, while the employee contributions totaled \$85,880. Voluntary contributions by the employees totaled \$17,306.

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, 2011 the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$14,595,992
Actuarial value of plan assets	<u>13,782,996</u>
Overfunded (Unfunded) actuarial accrued liability (UAAL)	<u>\$ (812,997)</u>
Funded ratio (actuarial value of plan assets/AAL)	94.4%
Annual covered payroll (active plan members)	4,497,284
UAAL as a percentage of covered payroll	18.1%

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.

**15. 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 2011, the actuarially expected City contribution in the form of net age adjustment was \$129,490 to the Plan. Plan members receiving benefits contributed \$8,264 of the total premiums, through their payment of the full determined premium in FY 2011.

*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, 2011:

Normal Cost	\$	94,495
Amortization of Actuarial Accrued Liability (AAL)		34,995
Annual OPEB cost (expense)		129,490
Expected net benefits during the year		(8,264)
Increase in net OPEB obligation		121,226
Net OPEB obligation - beginning of year		121,226
Net OPEB obligation - end of year	\$	242,452

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>
6/30/10	\$129,490	6.4%	\$121,226
6/30/11	129,490	6.4%	242,452

CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011

---

Information for FY 08-09 was not available. Fiscal year 2010 was the first year the City had an actuarial determined amount.

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$975,471, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$975,471. The covered payroll (annual payroll of active employees covered by the plan) was \$4.3 million, and the ratio of the UAAL to the covered payroll was 22.6 percent. Because the plan is a substantive plan there are no plan assets.

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, 2009, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 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, 2010, was thirty 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.

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

---

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2011**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	<u>\$1,827,974</u>	<u>\$1,846,221</u>	<u>\$2,923,790</u>	<u>\$1,077,569</u>
<b>Resources (Inflows):</b>				
Taxes	7,404,793	7,434,793	7,547,745	112,952
Intergovernmental	415,688	556,928	559,978	3,050
Charges for services	68,300	68,400	64,250	(4,150)
Fines and Forfeitures	246,000	246,000	315,404	69,404
Licenses and Permits	120,000	120,000	158,405	38,405
Investment Income	10,000	10,000	13,907	3,907
Miscellaneous	145,040	143,023	78,852	(64,171)
Other Financing Sources	<u>2,560,514</u>	<u>2,575,509</u>	<u>2,575,509</u>	<u>-</u>
<b>Total Resources</b>	<u>10,970,335</u>	<u>11,154,653</u>	<u>11,314,050</u>	<u>159,397</u>
<b>Amounts available for appropriation</b>	<u>12,798,309</u>	<u>13,000,874</u>	<u>14,237,840</u>	<u>1,236,966</u>
<b>Charges to Appropriations (Outflows):</b>				
City Administration	693,122	716,737	698,086	18,651
City Clerk	503,621	542,221	546,491	(4,270)
City Treasurer	110,486	75,486	72,950	2,536
City Attorney	99,725	99,725	93,991	5,734
General Government	1,780,233	1,637,598	549,333	1,088,265
Police	3,247,650	3,354,484	3,174,763	179,721
Animal Control	94,328	94,328	88,214	6,114
Fire	2,507,726	2,574,902	2,537,700	37,202
Municipal Court	80,081	90,081	86,145	3,936
Civil Emergency Management	215,423	219,756	192,362	27,394
Community Development	321,654	340,354	316,509	23,845
Streets	785,142	811,304	784,108	27,196
City Garage	266,560	271,560	225,909	45,651
Parks, Recreation and General Services	698,600	679,580	606,458	73,122
Swimming Pool	97,267	97,267	82,228	15,039
Public Library	472,873	477,993	410,926	67,067
Senior Citizens Center	19,000	19,000	15,430	3,570
Other Financing Uses - Transfers Out	804,818	898,498	898,498	-
<b>Total Charges to Appropriations</b>	<u>12,798,309</u>	<u>13,000,874</u>	<u>11,380,101</u>	<u>1,620,773</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,857,739</u>	<u>\$2,857,739</u>

See accompanying notes to budgetary comparison schedules.

Unaudited

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2011, Continued**

**SPECIAL REVENUE - 1/4% ECONOMIC DEVELOPMENT FUND**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$3,506,021	\$3,506,021	\$4,382,182	\$876,161
Resources (Inflows):				
Taxes	728,315	728,315	752,296	23,981
Investment income	20,000	20,000	28,426	8,426
Transfers in - component unit	35,000	35,000	35,000	-
Amounts available for appropriation	<u>4,289,336</u>	<u>4,289,336</u>	<u>5,197,904</u>	<u>908,568</u>
Charges to appropriations (outflows):				
Economic development	4,289,336	4,207,386	-	4,207,386
Transfers out - component unit	-	81,950	81,950	-
Total Charges to Appropriations	<u>4,289,336</u>	<u>4,289,336</u>	<u>81,950</u>	<u>4,207,386</u>
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>\$5,115,954</u>	<u>\$5,115,954</u>

See accompanying notes to budgetary comparison schedules

**SPECIAL REVENUE - 5/8% SALES TAX EDUCATION FUND**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	-	-	\$251,186	\$251,186
Resources (Inflows):				
Taxes	\$1,928,179	\$2,128,179	2,010,795	(117,384)
Amounts available for appropriation	<u>1,928,179</u>	<u>2,128,179</u>	<u>2,261,981</u>	<u>133,802</u>
Charges to appropriations (outflows):				
General government	1,928,179	2,128,179	1,997,347	130,832
Total Charges to Appropriations	<u>1,928,179</u>	<u>2,128,179</u>	<u>1,997,347</u>	<u>130,832</u>
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>\$264,634</u>	<u>\$264,634</u>

See accompanying notes to budgetary comparison schedules

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**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	\$14,237,840
Current year on-behalf payments made by state	587,913
Beginning budgetary fund balance	<u>( 2,923,790)</u>
Actual revenues and transfers per Statement of Revenues and Expenditures and Changes in Fund Balance	<u>\$11,901,963</u>
Total revenues	9,326,454
Transfers in	<u>2,575,509</u>
	<u>\$11,901,963</u>
Total budgetary charges to appropriations	\$11,380,101
Net difference in prior year and current year payroll accruals	53,928
Current year on-behalf payments made by state	<u>587,913</u>
Actual expenditures and transfers per Statement of Revenues and Expenditures and Changes in Fund Balance	<u>\$12,021,942</u>
Total expenditures	11,123,444
Transfers out	289,365
Interaccount transfers	<u>609,133</u>
	<u>\$12,021,942</u>

Unaudited

CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011

**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
1/1/02	\$10,478,536	\$7,924,677	\$(2,553,859)	132.2%	\$2,915,155	(87.6%)
1/1/03	\$9,622,026	\$7,832,262	(\$1,789,764)	122.9%	\$2,724,369	(65.7%)
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) 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***

The funded status and funding progress of the City's defined benefit OPEB plan for the most recent actuarial valuations is as follows:

	<u>July 1, 2009</u>
Actuarial accrued liability - AAL (a)	\$975,471
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability – UAAL (funding excess) (a) – (b)	\$975,471
Funded ratio (b)/(a)	0%
Covered payroll (c)	\$4,300,000
UAAL (funding excess) as a % of covered payroll [UAAL/(c)]	22.6%

Three year trend information is not available.

**SUPPLEMENTARY INFORMATION**

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Combining Balance Sheet – General Fund Accounts – June 30, 2011**

ASSETS	GENERAL FUND ACCOUNTS						TOTALS
	GENERAL FUND	CEMETERY OPERATIONS FUND	BEAUTIFICATION FUND	CHRISTMAS LIGHTING FUND	INSURANCE CASH FUND	MULTI-SPORTS COMPLEX FUND	
Cash and cash equivalents	\$1,530,604	\$16,921	\$21,223	\$968	\$97,027	\$109,094	\$1,775,837
Investments	697,838	7,720	9,682	441	44,267	49,315	809,263
Due from other funds	1,490	-	-	-	-	-	1,490
Due from other governments	1,014,656	-	-	-	-	-	1,014,656
Franchise tax receivable	65,474	-	-	-	-	-	65,474
Court fines receivable, net	48,350	-	-	-	-	-	48,350
Other receivables	14,942	-	-	-	-	-	14,942
<b>Total Assets</b>	<b>\$3,373,354</b>	<b>\$24,641</b>	<b>\$30,905</b>	<b>\$1,409</b>	<b>\$141,294</b>	<b>\$158,409</b>	<b>\$3,730,012</b>
<b>LIABILITIES</b>							
Accounts payable	\$195,775	\$2,754	-	-	\$4,801	\$32,766	\$236,096
Accrued payroll liabilities	374,086	4,492	-	-	-	13,206	391,794
Due to other funds	2,500	138	-	-	-	-	2,638
Due to other governments	1,542	-	-	-	-	-	1,542
Escrow liabilities	2,667	-	-	-	-	-	2,667
Deferred revenue	72,076	-	-	-	-	-	72,076
<b>Total Liabilities</b>	<b>648,656</b>	<b>7,384</b>	<b>-</b>	<b>-</b>	<b>4,801</b>	<b>45,972</b>	<b>706,813</b>
<b>FUND EQUITY</b>							
Fund Balance:							
Assigned	2,124,000	17,257	\$30,905	\$1,409	136,493	112,437	2,422,501
Unassigned	600,698	-	-	-	-	-	600,698
<b>Total Fund Equity</b>	<b>2,724,698</b>	<b>17,257</b>	<b>30,905</b>	<b>1,409</b>	<b>136,493</b>	<b>112,437</b>	<b>3,023,199</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$3,373,354</b>	<b>\$24,641</b>	<b>\$30,905</b>	<b>\$1,409</b>	<b>\$141,294</b>	<b>\$158,409</b>	<b>\$3,730,012</b>

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund  
Accounts – Year Ended June 30, 2011**

	GENERAL FUND ACCOUNTS						TOTALS
	GENERAL FUND	CEMETERY OPERATIONS FUND	BEAUTIFICATION FUND	CHRISTMAS LIGHTING FUND	INSURANCE CASH FUND	MULTI-SPORTS COMPLEX FUND	
<b>REVENUES:</b>							
Taxes	\$7,547,745	-	-	-	-	-	\$7,547,745
Intergovernmental	1,147,891	-	-	-	-	-	1,147,891
Charges for services	64,250	\$59,550	-	-	-	\$148,091	271,891
Licenses and permits	158,405	-	-	-	-	-	158,405
Fines and forfeitures	315,404	-	-	-	-	-	315,404
Investment income	13,907	155	\$184	\$9	\$1,242	569	16,066
Miscellaneous:							
Reimbursements	24,150	-	-	-	-	-	24,150
Donations	12,795	-	-	-	-	-	12,795
Other	41,907	909	-	-	-	3,188	46,004
<b>Total Revenues</b>	<b>9,326,454</b>	<b>60,614</b>	<b>184</b>	<b>9</b>	<b>1,242</b>	<b>151,848</b>	<b>9,540,351</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government	1,956,663	-	1,543	-	258,467	-	2,216,673
Public safety	6,699,312	-	-	-	-	-	6,699,312
Public works	1,330,048	-	-	-	-	-	1,330,048
Culture, tourism and recreation	1,126,126	-	-	-	-	478,177	1,604,303
Cemetery	-	148,890	-	-	-	-	148,890
Capital outlay	5,195	-	-	-	-	28,621	33,816
Debt service:							
Principal retirement	6,100	-	-	-	-	-	6,100
<b>Total Expenditures</b>	<b>11,123,444</b>	<b>148,890</b>	<b>1,543</b>	<b>-</b>	<b>258,467</b>	<b>506,798</b>	<b>12,039,142</b>
Revenues over (under) expenditures	(1,796,990)	(88,276)	(1,359)	9	(257,225)	(354,950)	(2,498,791)
<b>Other Financing Sources (Uses):</b>							
Interaccount transfers	(609,133)	83,895	2,500	-	116,707	406,031	-
Transfers in	2,575,508	1,000	-	-	122,798	17,048	2,716,355
Transfers out	(289,365)	(7,444)	-	-	(6,170)	-	(302,979)
Transfer from component unit	-	-	-	-	45,496	-	45,496
Revenues and other sources over (under) expenditures and other uses	(119,979)	(10,825)	1,141	9	21,606	68,129	(39,919)
Fund Balance - beginning of year, restated	2,844,677	28,082	29,764	1,400	114,887	44,308	3,063,118
Fund Balance - end of year	<b>\$2,724,698</b>	<b>\$17,257</b>	<b>\$30,905</b>	<b>\$1,409</b>	<b>\$136,493</b>	<b>\$112,437</b>	<b>3,023,199</b>

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2011**

	SPECIAL REVENUE FUNDS				
	SPECIAL 911 TAX FUND	R.L. WILLIAMS LIBRARY FUND	DRUG ENFORCEMENT FUND	DURANT LIBRARY AUTHORITY	HOME/FEMA GRANT FUND
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$9,926	\$7,439	\$28,169	\$21	\$21
Investments	4,528	43,809	-	9	9
Due from other funds	2,500	-	-	-	-
Due from other governments	-	-	-	-	-
Other receivable	39,334	-	-	-	-
<b>Total Assets</b>	<b><u>\$56,288</u></b>	<b><u>\$51,248</u></b>	<b><u>\$28,169</u></b>	<b><u>\$30</u></b>	<b><u>\$30</u></b>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$9,599	-	\$488	-	-
Accrued payroll liabilities	18,593	-	-	-	-
Due to other funds	1,490	-	-	-	-
<b>Total Liabilities</b>	<b><u>29,682</u></b>	<b><u>-</u></b>	<b><u>488</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b><u>FUND EQUITY</u></b>					
Fund Balance:					
Restricted	-	\$50,700	27,614	-	-
Assigned	26,606	548	67	\$30	\$30
<b>Total Fund Equity</b>	<b><u>26,606</u></b>	<b><u>51,248</u></b>	<b><u>27,681</u></b>	<b><u>30</u></b>	<b><u>30</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$56,288</u></b>	<b><u>\$51,248</u></b>	<b><u>\$28,169</u></b>	<b><u>\$30</u></b>	<b><u>\$30</u></b>

(Continued)

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2011**

<u>ASSETS</u>	<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>	
Cash and cash equivalents	\$1,089	\$1,089	\$119,073	-	\$166,827
Investments	497	497	54,325	-	103,674
Due from other funds	-	-	138	-	2,638
Due from other governments	99,547	99,547	-	\$89,265	288,359
Other receivable	-	-	-	-	39,334
<b>Total Assets</b>	<b>\$101,133</b>	<b>\$101,133</b>	<b>\$173,536</b>	<b>\$89,265</b>	<b>\$600,832</b>
 <u>LIABILITIES</u>					
Accounts payable	-	-	-	\$707	\$10,794
Accrued payroll liabilities	-	-	-	-	18,593
Due to other funds	-	-	-	87,258	88,748
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87,965</b>	<b>118,135</b>
 <u>FUND EQUITY</u>					
Fund Balance:					
Restricted	\$101,133	\$101,133	\$172,396	1,080	454,056
Assigned	-	-	1,140	220	28,641
<b>Total Fund Equity</b>	<b>101,133</b>	<b>101,133</b>	<b>173,536</b>	<b>1,300</b>	<b>482,697</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$101,133</b>	<b>\$101,133</b>	<b>\$173,536</b>	<b>\$89,265</b>	<b>\$600,832</b>

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2011**

	SPECIAL REVENUE FUNDS				
	SPECIAL 911 TAX FUND	R.L. WILLIAMS LIBRARY FUND	DRUG ENFORCEMENT FUND	DURANT LIBRARY AUTHORITY	HOME/FEMA GRANT FUND
<b>REVENUES:</b>					
Taxes	\$263,893	-	-	-	-
Intergovernmental	-	-	\$30,470	\$14,095	\$260,000
Charges for services	95,234	-	-	-	-
Investment income	407	\$548	67	33	42
Miscellaneous	19,027	460	-	-	-
<b>Total Revenues</b>	<b>378,561</b>	<b>1,008</b>	<b>30,537</b>	<b>14,128</b>	<b>260,042</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
General government	-	-	-	-	245,017
Public safety	741,906	-	3,002	-	-
Culture, tourism and recreation	-	7,097	-	14,095	-
Capital outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>741,906</b>	<b>7,097</b>	<b>3,002</b>	<b>14,095</b>	<b>245,017</b>
Revenues over (under) expenditures	(363,345)	(6,089)	27,535	33	15,025
<b>Other Financing Sources (Uses):</b>					
Transfers in	256,598	-	-	7,340	-
Transfers out	(5,167)	-	(24,450)	-	(14,995)
Transfer to component unit	-	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	(111,914)	(6,089)	3,085	7,373	30
Fund Balance - beginning of year	138,520	57,337	24,596	(7,343)	-
<b>Fund Balance - end of year</b>	<b>\$26,606</b>	<b>\$51,248</b>	<b>\$27,681</b>	<b>\$30</b>	<b>\$30</b>

(Continued)

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2011, (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>	
<b>REVENUES:</b>					
Taxes	\$752,295	\$752,295	-	-	\$1,768,483
Intergovernmental	-	-	-	\$155,934	460,499
Charges for services	-	-	-	-	95,234
Investment income	-	-	\$1,140	40	2,277
Miscellaneous	-	-	-	180	19,667
<b>Total Revenues</b>	<u>752,295</u>	<u>752,295</u>	<u>1,140</u>	<u>156,154</u>	<u>2,346,160</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
General government	-	-	-	-	245,017
Public safety	-	-	-	-	744,908
Culture, tourism and recreation	-	-	-	-	21,192
Capital outlay	-	-	25,824	459,227	485,051
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>25,824</u>	<u>459,227</u>	<u>1,496,168</u>
Revenues over (under) expenditures	752,295	752,295	(24,684)	(303,073)	849,992
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	-	7,444	204,245	475,627
Transfers out	-	-	(1,000)	-	(45,612)
Transfer to component unit	<u>(746,930)</u>	<u>(746,930)</u>	<u>-</u>	<u>-</u>	<u>(1,493,860)</u>
Revenues and other sources over (under) expenditures and other uses	5,365	5,365	(18,240)	(98,828)	(213,853)
Fund Balance - beginning of year	95,768	95,768	191,776	100,128	696,550
<b>Fund Balance - end of year</b>	<u>\$101,133</u>	<u>\$101,133</u>	<u>\$173,536</u>	<u>\$1,300</u>	<u>482,697</u>

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Combining Statement of Net Assets – Internal Service Funds – June 30, 2011**

	Internal Service Funds			Total
	Employee Health Fund	Worker's Compensation Fund	Info Tech Service Fund	
<b>ASSETS:</b>				
Current Assets:				
Cash and cash equivalents	\$1,295,478	\$339,774	\$70,332	\$1,705,584
Investments	581,616	154,335	32,088	768,039
Accounts receivable, net of allowance	1,400	-	-	1,400
Total current assets	<u>1,878,494</u>	<u>494,109</u>	<u>102,420</u>	<u>2,475,023</u>
Noncurrent Assets:				
Capital assets				
Other capital assets, net of depreciation	-	-	9,150	9,150
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>9,150</u>	<u>9,150</u>
Total assets	<u>1,878,494</u>	<u>494,109</u>	<u>111,570</u>	<u>2,484,173</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	-	2,000	4,785	6,785
Accrued payroll liabilities	-	-	3,074	3,074
Estimated liability for claims	278,246	28,878	-	307,124
Accrued compensated absences - current	-	-	761	761
Capital lease payable - current	-	-	1,602	1,602
Accrued compensated absences - noncurrent	-	-	6,854	6,854
Capital lease payable - noncurrent	-	-	4,798	4,798
Total liabilities	<u>278,246</u>	<u>30,878</u>	<u>21,874</u>	<u>330,998</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	-	-	9,150	9,150
Unrestricted	1,600,248	463,231	80,546	2,144,025
Total net assets	<u>\$1,600,248</u>	<u>\$463,231</u>	<u>\$89,696</u>	<u>\$2,153,175</u>

**Combining Statement of Changes in Net Assets—Internal Service Funds—Year Ended  
June 30, 2011**

	Internal Service Funds			Total
	Employee Health Fund	Worker's Compensation Fund	Info Tech Service Fund	
<b>Operating Revenues:</b>				
Charges for services:				
Self insurance charges	\$1,463,531	\$350,814	-	\$1,814,345
Miscellaneous	445,261	5,897	\$260,463	711,621
Total operating revenues	<u>1,908,792</u>	<u>356,711</u>	<u>260,463</u>	<u>2,525,966</u>
<b>Operating Expenses:</b>				
Claims expense	1,850,743	410,507	-	2,261,250
Info tech services	-	-	226,967	226,967
Depreciation expense	-	-	1,718	1,718
Total operating expenses	<u>1,850,743</u>	<u>410,507</u>	<u>228,685</u>	<u>2,489,935</u>
Operating Income (lose)	58,049	(53,796)	31,778	38,031
<b>Non-Operating Revenues (Expenses):</b>				
Investment income	10,743	3,222	524	14,489
Total non-operating revenues (expenses)	<u>10,743</u>	<u>3,222</u>	<u>524</u>	<u>14,489</u>
Change in net assets	68,792	(50,574)	32,302	50,520
Total net assets - beginning	1,531,456	513,805	57,394	2,102,655
Total net assets - ending	<u>\$1,600,248</u>	<u>\$463,231</u>	<u>\$89,696</u>	<u>\$2,153,175</u>

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Combining Schedule of Net Assets – DCUA Accounts – June 30, 2011**

	<b>Utilities Authority Fund Accounts</b>		
	<b>Utilities</b>	<b>UA</b>	<b>Total</b>
	<b>Authority</b>	<b>Bonds Sinking</b>	
	<b>Fund</b>	<b>Fund</b>	
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$550	-	\$550
Restricted cash and cash equivalents	999,507	\$10,424,173	11,423,680
Restricted investments	94,831	23,413	118,244
Accounts receivable, net of allowance	1,475,887	-	1,475,887
<b>Total current assets</b>	<b>2,570,775</b>	<b>10,447,586</b>	<b>13,018,361</b>
<b>Noncurrent Assets:</b>			
<b>Restricted Assets:</b>			
Cash and cash equivalents	-	1,022,359	1,022,359
<b>Capital assets:</b>			
Land and other non-depreciable assets	2,685,491	-	2,685,491
Other capital assets, net of depreciation	41,721,986	-	41,721,986
Unamortized debt issuance costs	598,123	-	598,123
<b>Total noncurrent assets</b>	<b>45,005,600</b>	<b>1,022,359</b>	<b>46,027,959</b>
<b>Total assets</b>	<b>47,576,375</b>	<b>11,469,945</b>	<b>59,046,320</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	169,214	83,638	252,852
Accrued payroll liabilities	82,259	-	82,259
Due to other funds	6,365	-	6,365
Accrued interest payable	376,826	-	376,826
<b>Current Portion of:</b>			
Meter deposit liability	61,811	-	61,811
Notes payable	2,267,605	-	2,267,605
Landfill closure liability	18,735	-	18,735
Accrued compensated absences	26,887	-	26,887
<b>Total current liabilities</b>	<b>3,009,702</b>	<b>83,638.00</b>	<b>3,093,340</b>
<b>Noncurrent liabilities:</b>			
Meter deposit liability	247,243	-	247,243
Notes payable	33,652,685	-	33,652,685
Landfill closure liability	355,968	-	355,968
OPEB obligation	50,916	-	50,916
Accrued compensated absences	241,981	-	241,981
<b>Total noncurrent liabilities</b>	<b>34,548,793</b>	<b>-</b>	<b>34,548,793</b>
<b>Total liabilities</b>	<b>37,558,495</b>	<b>83,638.00</b>	<b>37,642,133</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	10,716,583	9,392,802	20,109,385
Restricted for debt service	(1,222,815)	1,993,505	770,690
Unrestricted	524,112	-	524,112
<b>Total net assets</b>	<b>\$10,017,880</b>	<b>\$11,386,307</b>	<b>\$21,404,187</b>

**CITY OF DURANT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2011

**Combining Schedule of Revenues, Expenses, and Changes in Net Assets – DCUA Accounts – Year Ended June 30, 2011**

	Utilities Authority Fund Accounts		
	Utilities	UA	Total
	Authority	Bonds Sinking	
	Fund	Fund	
<b>Operating Revenues:</b>			
<b>Charges for services:</b>			
Water charges	\$3,157,790	-	\$3,157,790
Sewer charges	1,698,179	-	1,698,179
Water and sewer taps	101,879	-	101,879
Penalties	119,280	-	119,280
Sanitation charges	3,493,226	-	3,493,226
Landfill gate fees	122,836	-	122,836
Lab tests	26,255	-	26,255
Rentals	71,297	-	71,297
Transfer station fees	207,082	-	207,082
Recyclable products	5,224	-	5,224
Miscellaneous	186,284	-	186,284
<b>Total operating revenues</b>	<b>9,189,332</b>	<b>-</b>	<b>9,189,332</b>
<b>Operating Expenses:</b>			
Public works administration	123,207	-	123,207
Water/sewer line maintenance	750,573	-	750,573
Water treatment plant	731,474	-	731,474
Wastewater treatment	678,340	-	678,340
Collection - solid waste	992,852	-	992,852
General government	127,998	-	127,998
Lake Durant	31,213	-	31,213
Disposal - solid waste	912,533	-	912,533
Depreciation expense	1,944,896	-	1,944,896
<b>Total operating expenses</b>	<b>6,293,086</b>	<b>-</b>	<b>6,293,086</b>
<b>Operating Income (loss)</b>	<b>2,896,246</b>	<b>-</b>	<b>2,896,246</b>
<b>Non-Operating Revenues (Expenses):</b>			
Investment income	6,176	\$61,164	67,340
Miscellaneous	2,000	-	2,000
Amortization expense	(47,646)	-	(47,646)
Interest expense and fiscal charges	(1,308,694)	-	(1,308,694)
<b>Total non-operating revenues (expenses)</b>	<b>(1,348,164)</b>	<b>61,164</b>	<b>(1,287,000)</b>
<b>Net income (loss) before contributions and transfers</b>	<b>1,548,082</b>	<b>61,164</b>	<b>1,609,246</b>
Capital contributions	2,247,283	-	2,247,283
Interaccount transfers	(2,972,447)	2,972,447	-
Transfers in	184,708	2,518,008	2,702,716
Transfers out	(3,650,178)	(3,202,590)	(6,852,768)
Transfers from component unit	-	150,655	150,655
Transfers to component unit	(728,390)	-	(728,390)
<b>Change in net assets</b>	<b>(3,370,942)</b>	<b>2,499,684</b>	<b>(871,258)</b>
<b>Total net assets - beginning</b>	<b>13,388,822</b>	<b>6,886,623</b>	<b>22,275,445</b>
<b>Total net assets - ending</b>	<b>\$10,017,880</b>	<b>\$11,386,307</b>	<b>\$21,404,187</b>

**CITY OF DURANT, OKLAHOMA**  
**SINGLE AUDIT REPORTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**JUNE 30, 2011**

**CITY OF DURANT, OKLAHOMA**

TABLE OF CONTENTS

PAGE

SINGLE AUDIT REPORTS AND SUPPLEMENTARY SCHEDULES:

**Reports related to financial statements of the reporting entity  
Required by GAO Government Auditing Standards:**

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
---	---

**Reports related to Federal Assistance Programs Required by OMB Circular A-133:**

Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs	6
Summary Schedule of Prior Audit Findings and Corrective Action Plan	7

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Durant, Oklahoma ("the City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 20, 2012. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

**Compliance and Other Matters**

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

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

*Wedge Associates, P.C.*

Edmond, Oklahoma  
April 20, 2012



**Arledge**  
& Associates, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Compliance

We have audited the City of Durant, Oklahoma's (the "City") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their

assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

#### Schedule of Expenditure of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 20, 2012, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

  
Edmond, Oklahoma  
April 20, 2012

# CITY OF DURANT, OKLAHOMA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2011

<u>Federal Grantor/Pass through agency Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant #</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
<b>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>				
Passed through Oklahoma Department of Commerce:				
Community Development Block Grant	14.228	14419 CDBG 10	\$ 95,265	\$ -
Community Development Block Grant	14.228	13899 CDBG 09	89,265	89,265
Community Development Block Grant	14.228	13432 CDBG 08	143,144	66,194
Community Development Block Grant	14.228	13327 CDBG 08	73,629	475
Total Oklahoma Department of Commerce			<u>401,303</u>	<u>155,934</u>
Passed through Oklahoma Housing Finance Agency:				
HOME Program Grant	14.239	1287-HOME-09	260,000	260,000
Total U.S. Department of Housing and Urban Development			<u>661,303</u>	<u>415,934</u>
<b>U. S. DEPARTMENT OF JUSTICE:</b>				
VAW Investigation and Support Program	16.588	STOP VAWA-VR09-015	97,412	46,484
BJA FY 09 Recovery Act Edward Byrne Memorial Justice Assistance Grant (ARRA)	16.804	2009-SB-B9-2317	33,797	10,102
Bureau of Justice Assistance Grant	16.607	2003BUBX03019675	14,687	5,775
Bureau of Justice Assistance Grant	16.607	2009BUBX08045362	4,725	4,725
Total Bureau of Justice			<u>19,412</u>	<u>10,500</u>
Total U.S. Department of Justice			<u>150,621</u>	<u>67,086</u>
<b>U. S. DEPARTMENT OF LABOR:</b>				
Passed through Oklahoma Department of Commerce:				
Strategic Planning Workforce Grant	17.258	000730 NLV 06010413 01	20,000	10,000
<b>U. S. DEPARTMENT OF INTERIOR:</b>				
Passed through Oklahoma Department of Tourism and Recreation:				
Land & Water Conservation Fund - Swimming Pool & Park Improvements	15.916	10 LWCF 40-01187	100,000	100,000
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>				
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety	20.600	PT-10-03-10-07	36,000	6,960
State and Community Highway Safety	20.600	OP-11-03-02-08	36,000	19,455
Total Oklahoma Highway Safety Office			<u>72,000</u>	<u>26,415</u>
Passed through Oklahoma Department of Transportation:				
Streetscape and Bikeway Transportation Enhancement Project	20.205	26873(04)	399,825	299,453
Safe Routes to School Agreement No 1002	20.205	SRS-155F (710) ST	200,000	41,040
Tree Planting Program Grant - 2010	20.205	SAFETEALU- 10-13	25,000	25,000
Tree Planting Program Grant - 2009	20.205	SAFETEALU- 09-16	25,000	6,684
Total Oklahoma Department of Transportation			<u>649,825</u>	<u>372,177</u>
Federal Aviation Administration:				
Airport Improvement Program	20.106	AIP 3-40-0025-007-2009	2,223,305	854,686
Airport Improvement Program	20.106	AIP 3-40-0025-008-2009	1,368,232	580,731
Airport Improvement Program	20.106	AIP 3-40-0025-009-2010	2,173,431	122,540
Total Federal Aviation Administration			<u>5,764,968</u>	<u>1,557,957</u>
Total U.S. Department of Transportation			<u>6,486,793</u>	<u>1,956,549</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>				
FY 09 AFG - Operations & Safety Program	97.044	EMW-2009-FO-11073	82,793	6,880
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY:</b>				
Passed through Oklahoma Department of Civil Emergency Management:				
Emergency Management Performance Grant	97.042	N/A	30,688	24,266
Emergency Management Performance Grant	97.042	N/A	30,688	6,422
Total Federal Emergency Management Agency			<u>61,376</u>	<u>30,688</u>
<b>Total Federal Awards</b>			<u>\$ 7,562,886</u>	<u>\$ 2,587,137</u>

### Notes to Schedule of Expenditures of Federal Awards

Note A - Significant Accounting Policies - The accompanying schedule of expenditures of federal awards is prepared on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133

**CITY OF DURANT, OKLAHOMA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:  
Material weakness(es) identified?        yes   X   no  
Significant deficiency(ies) identified  
not considered to be material weakness(es)?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal control over major programs:  
Material weakness (es) identified?        yes   X   no  
Significant deficiency(ies) identified  
not considered to be material weakness (es)?        yes   X   none reported

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

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section .510(a)?        yes   X   no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
20.106	Airport Improvement Program

Dollar threshold used to distinguish  
between Type A and Type B programs: \$   300,000  

Auditee qualified as low-risk auditee?        yes   X   no

**CITY OF DURANT, OKLAHOMA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

None

Internal Control Findings

None

SECTION II – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None

Internal Control Findings

None

**CITY OF DURANT, OKLAHOMA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**Finding 2010-01: Cash Management  
Air Improvement Program – CFDA Number 20.106**

**Criteria:** The Airport Improvement Program grant is a cost reimbursement grant which requires all funds drawn to be distributed within a 72 hour period.

**Condition:** When applying for cost reimbursement, the draw request form #4 for December 14, 2009, incorrectly calculated the federal portion requested leading to funds being drawn in excess of expenses incurred in the amount of \$102,922. Subsequent to year end, the final reimbursement draw request was modified/corrected to reduce the final drawdown by the \$102,922 excess withdrawal.

**Questioned Costs:** None.

**Cause:** City personnel failed to review the Standard Form 271 reimbursement form prepared by the engineering firm, whom incorrectly calculated the federal portion.

**Effect:** The City did not fully comply with the grant agreement, and controls over compliance with cash management did not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct non-compliance on a timely basis.

**Recommendation:** We recommend the City review the process for grant draw requests and formalize a review process for reimbursement drawdown requests.

**City's Response:** City administration is aware that this draw down of funds crossed Fiscal Years. The contractor awarded an excess withdrawal and City personnel failed to accurately review the Standard form 271 prepared by the Engineering firm. Future grant programs will be reviewed more closely and supervisor oversight of Standard Form 271 reimbursements will be a part of the Internal Control process.

**Status:** This comment was resolved during the current reporting period.

**CITY OF DURANT, OKLAHOMA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

**(Cont'd)**

**Year Ended June 30, 2010**

**Finding 2010-02: Timely Financial Reporting**

**Criteria:** The City's financial reporting process has two overarching goals. First, the City's financial reporting process must faithfully represent the activity it purports to present. Second, the information must be relevant – that is making the audited financial information available to decision makers before it loses its capacity to influence decisions. Further, Oklahoma state law and Single Audit requirements prescribe filing deadlines for financial reports.

**Condition:** Complete working trial balances were not available for our review until seven to eight months after year end, and the related financial statements were not available for our review until nine months after year end. As a result, the issuance of the City's audited financial statements was significantly delayed.

**Cause:** The City has been pressed in maintaining a sufficient accounting department over the last several years, in terms of both competency and quantity. Turnover in key positions has hindered continuity, and the resulting subsequent efforts to accurately report the activities of the City has placed a strain on the City and resulted in the delayed issuance of its reports.

**Effect:** Without timely financial statements, decision makers, such as the governing body, management, bondholders, creditors, granting agencies, and others may not have access to needed audited information in a timely manner. Further, without remediation, future financial statements could also be submitted in an untimely manner.

**Recommendation:** We recommend that the City explore additional training of existing staff, adding staff, an expanded use of outsourcing certain functions – or some combination thereof, in order to ensure that future financial statements are materially correct and made available in a timely fashion, both for internal managerial purposes and to ensure external filing deadlines imposed upon the City are met.

**City's Response:** In addition to expanding the use of a Professional Services group for month end reconciliation, the City has employed a full time, degreed accountant to serve as City Treasurer. To ensure more timely financial reporting, the city will request more timely financial statements from the Services group, establishing a due date for those reports. Additionally the new treasurer has attended Oklahoma Municipal League training, the Oklahoma Municipal Clerks and Treasurers Academy, as well as the Association of Public Treasurers of the United States and Canada seminars. Plans are to hire an Assistant City Treasurer in FY 2010-11 to assist in this department.

**Status:** This comment was resolved during the current reporting period.

**CITY OF DURANT, OKLAHOMA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
(Cont'd)**

**Year Ended June 30, 2010**

**Finding 2010-03: Negative Fund Balances**

**Criteria:** Oklahoma state law prescribes that the City may not have a negative fund balance.

**Condition:** The City's Library Authority fund reported a deficit fund balances of \$7,343.

**Cause:** In previous years, the City Library Authority received grant money to be used as defined by the grant agreement and deposited those funds in the City's pooled cash. These proceeds were subsequently spent, but not in accordance with the grant agreement thereby leaving a deficit fund balance.

**Effect:** The Library Authority included the proceeds in the pooled cash account allowing the funds to become expendable to cover other fund's shortages, leaving a deficit fund balance.

**Recommendation:** We recommend that the City put procedures in place to ensure that restricted funds be spent only for their restricted purposes, and that negative fund balances be monitored and spending constrained or the City reimburse these funds from other unrestricted sources.

**City's Response:** The Library fund's report of a deficit fund balance of \$7,343 has been resolved in the 2010-11 FY. The City recognizes the accounting importance of ensuring that restricted funds be spent only for their restricted purposes in that FY.

**Status:** This comment was resolved during the current reporting period.

**CITY OF DURANT, OKLAHOMA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
(Cont'd)**

**Year Ended June 30, 2010**

**Finding 2010-04: Payroll processing**

**Criteria:** Internal Controls over payroll disbursements should allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct errors in the payroll process in a timely manner.

**Condition:** During one pay period, an employee was paid double his actual approved salary.

**Cause:** City personnel failed to review the payroll reports generated before payroll was disbursed to the employee.

**Effect:** An employee was overpaid.

**Recommendation:** We recommend the City reconsider the process for reviewing the payroll supporting reports for the hours worked and wage rates paid subsequent to generating payroll disbursements.

**City's Response:** The City payroll process has been reconsidered for reviewing and processing payroll. A support person has been trained to review hours worked and wages paid subsequent to generating payroll and payroll disbursement.

**Status:** This comment was resolved during the current reporting period.