

May 19, 2014

Nancy,

Accompanying this transmission, you will find one (1) copy of each of the following:

- Audited Financial Statements of the City of McAlester, Oklahoma as of and for the year ended June 30, 2013;
- Single Audit Reports;
- Annual Survey of City and Town Finances (SA&I Form 2643); and
- The \$100.00 filing fee payable to the Office of the State Auditor & Inspector.

The entities included in the City of McAlester reporting entity are the following:

1. McAlester Public Works Authority;
2. McAlester Airport Authority;
3. McAlester Regional Health Center Authority;
4. McAlester Parking Authority; and
5. McAlester Municipal Improvement Authority

Please let me know if you have any questions.

Sincerely,



Mike Gibson
For the Firm



CITY OF MCALESTER, OKLAHOMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

THE CITY OF MCALESTER, OKLAHOMA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

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

**Prepared By:
City of McAlester Department of Finance
Toni Ervin, Chief Financial Officer**

CITY OF MCALESTER, OKLAHOMA
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INTRODUCTION SECTION

City of McAlester

PO BOX 578 - 28 EAST WASHINGTON - MCALESTER, OKLAHOMA 74502-0578 (918)423-9300 FAX (918)421-4971

January 21, 2014

Honorable Mayor, Members of the City Council and the Citizens of the City of McAlester, Oklahoma:

The Comprehensive Annual Financial Report of the City of McAlester for the fiscal year ended June 30, 2013, is hereby submitted as mandated by the city charter and state statutes. The City is required to publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes the responsibility for the accuracy of the data and the completeness and reliability of the information contained in this report. Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the City are protected from loss, theft or misuse in order to ensure that adequate accounting data is compiled to allow for the preparation of the financial statements in conformity with generally accepted accounting principles. Due to cost, internal controls should not exceed the anticipated benefits of providing the control, the internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The City's financial statements have been audited by Cole and Reed, P.C., a firm of licensed certified public accountants. The independent audit was conducted to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent auditor has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2013. The independent auditor's report is presented as the first component of the financial section of this report.

Management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

McAlester is located in Southeast Oklahoma. The City is governed by the Council-Manager form of government. This form of government most closely resembles the private sector with the Manager serving as the Chief Executive Officer, the Mayor as the Chairman of the Board, and the Council as the Board of Directors. The City Council is the legislative body for the City of McAlester. It is comprised of the Mayor, Vice-Mayor and five council members who are elected to serve four-year terms. The seven members represent each of the City's six wards.

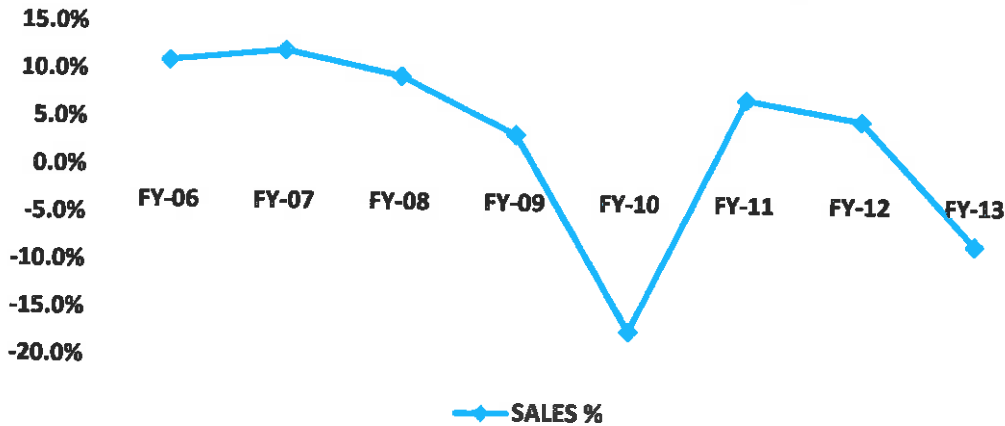
The City of McAlester provides a variety of municipal services to 18,000+ residents, including police and fire protection, planning and zoning services, parks and recreational activities, and the construction and maintenance of streets, and other infrastructure. The City also provides water, wastewater, storm water, and solid waste to its residents under the legal entity of (MPWA) McAlester Public Works Authority.

The City operates on a fiscal year basis, beginning July 1st and ending June 30th. All funds of the City with revenues and expenditures are required to have annual budgets. The City Manager's proposed operating budget for the fiscal year commencing the following July 1 is submitted to the City Council prior to June 1. A public hearing is held prior to June 15 to obtain citizen comments. Subsequent to the public hearing but not later than seven days prior to July 1, the budget is adopted by Ordinance of the City Council. The adopted budget is filed with the Office of State Auditor and Inspector. The appropriated budget is prepared by fund, function, and department. All supplemental appropriations require City Council approval. The City Manager may transfer appropriations between departments without City Council approval up to \$25,000. Supplemental appropriations must also be filed with the Office of the State Auditor and Inspector. The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Local Economy

The City relies on sales and other taxes to fund the majority of its governmental operations. These revenue streams are volatile and consequently the City's finances are directly impacted by economic conditions.

Change in Sales Tax over prior year



Major Initiatives

By vote of the people, cooperation and leadership from the mayor and council, city management and staff, numerous accomplishments were achieved in fiscal year 2012-13. We were able to save millions by passing a refinancing of our 1999A bonds. By using the projected savings from the refinancing, we were able to pass a bond dedicated to Street Improvements. In addition, the City's management has prioritized the funding of capital improvements and infrastructure repairs throughout the City. With a constant monitoring of budget expenditures, the City's staff looks for every opportunity to seek cost savings and efficiencies to prioritize the City's overall strategic plan.

The preparation of this Comprehensive Annual Financial Report is a combined effort of the Finance Department with the professional assistance of Crawford & Associates, P.C. Our sincere appreciation is extended to all who contributed to its preparation.

Finally, we would like to thank the Mayor and the members of the City Council and the members of the Audit and Finance Committee for their policy guidance which is contained in this document. As the governing body, we appreciate their leadership, encouragement and support in strengthening and improving the fiscal policies of the City of McAlester.

Respectfully Submitted,

Peter Stasiak
City Manager

Toni Ervin
Chief Finance Officer

**CITY OF MCALESTER, OKLAHOMA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2013**

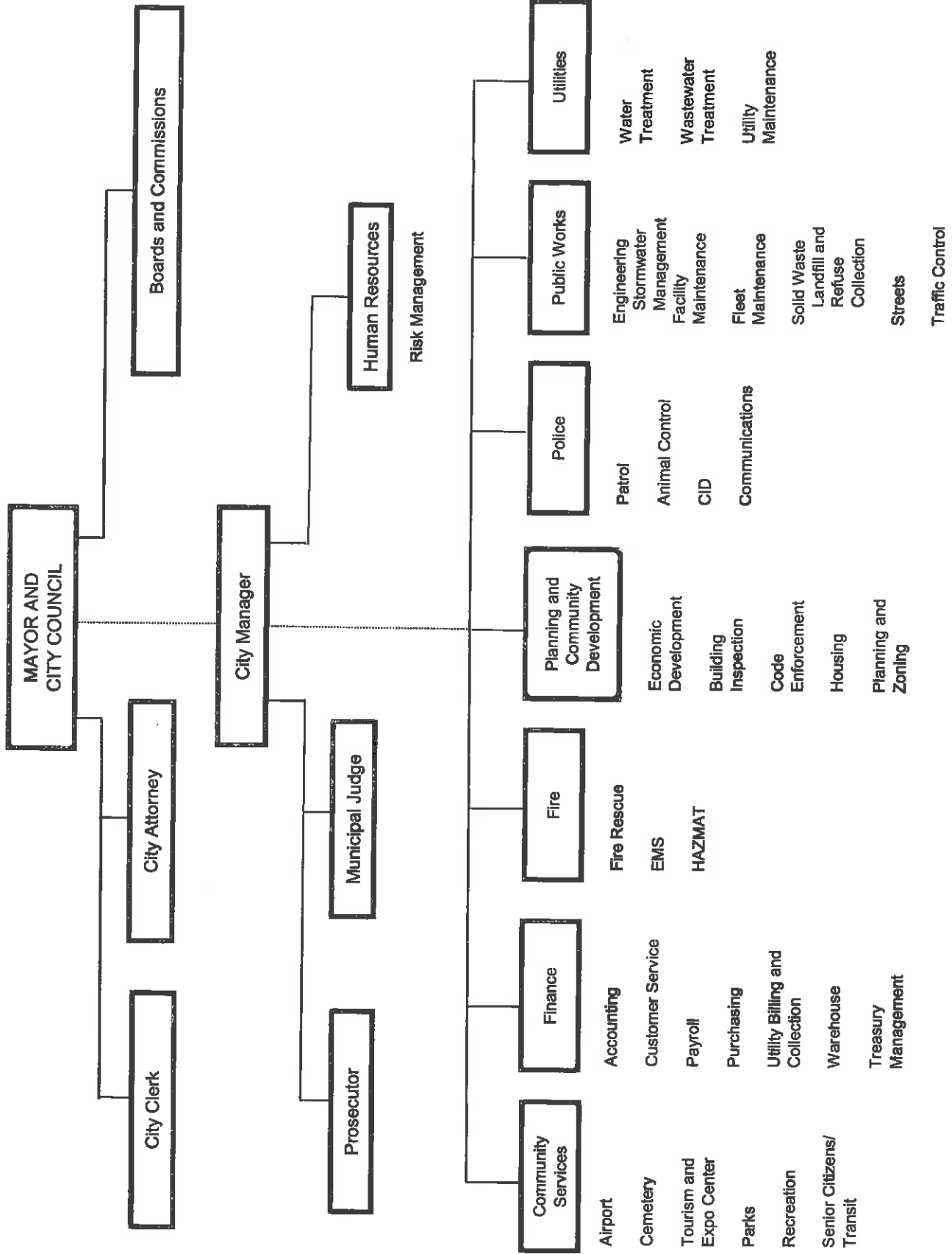
City Council

Steve Harrison, Mayor
Weldon Smith, Member Ward 1
John Titsworth, Member Ward 2
Travis Read, Member Ward 3
Robert Karr, Member Ward 4
Buddy Garvin, Member Ward 5
Sam Mason, Vice-Mayor, Ward 6

Administration

Peter J. Stasiak	City Manager
Cora Middleton	City Clerk
Toni Ervin	Chief Financial Officer

City of McAlester



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

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FINANCIAL SECTION

Independent Auditors' Report

Honorable Mayor and City Council
City of McAlester
McAlester, Oklahoma

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McAlester Regional Health Center Authority (the "Authority"), which represents 99.9% of the total assets, net assets and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority, is based solely on the report of the other auditors. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our report and the report of the other auditors, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McAlester, Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B to the financial statements, in 2013, the City adopted several new accounting pronouncements issued by the Government accounting Standards Board, including GASB Statements No. 63 and 65. The provisions of GASB Statements No. 63 and 65 required the City to restate its beginning net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The accompanying Introductory and Statistical sections, as listed in the table of contents, have not been subjected to the procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or any other form of assurance on them.

Other Reporting Required by Government Auditing Standards

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
January 24, 2014

As management of the City of McAlester, we offer readers this narrative overview and analysis of the financial activities of the City of McAlester for the fiscal year ended June 30, 2013. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's overall financial position improved during the year ended June 30, 2013. Total net position increased by \$2,138,494 and the City's total government-wide assets continued to exceed its total liabilities at June 30, 2013, by \$22,339,695 which represents its total government-wide net position.
- The City's governmental activities experienced a decrease in net position of \$4,713,911, while business-type activities experienced a current year increase in net position of \$6,852,405. However, while overall financial condition did improve from the prior year, there are still several areas of concern and conditions that are worth noting in terms of the City's financial position. These concerns or conditions include the following:
 - While the City has total government-wide net position amounting to \$22,339,695, there is a total of \$56,075,225 net investment in capital assets and \$17,681,414 of net position restricted for various purposes, thus leaving the City with a negative \$51,416,944 of unrestricted net position, with \$54,744,596 of negative unrestricted net position located in the City's business-type activities and a positive \$3,327,652 of unrestricted net position in the City's governmental activities. The majority of this negative balance is the result of the McAlester Public Works Authority (MPWA) issuing revenue bonded indebtedness related to activities and capital improvements on behalf of the City's governmental activities including street and drainage improvements. A smaller portion is the result of the MPWA issuing revenue bonded indebtedness for the benefit of entities not included within the City's primary government, primarily school system improvements and economic development activities. The net result of these debt issues by the MPWA for capital items on behalf of others causes the debt to be shown by the MPWA in the business-type activity column. Capital assets for the City that were purchased by these debt issues are found in the governmental activities column, and in the case of the school system improvements and economic development, they are not shown at all in these financial statements, but rather in each of those entities separate financial statements. Most of this debt is expected to be retired from future dedicated sales tax collections. The result of reporting the long-term debt without corresponding capital assets is to report a large negative amount of unrestricted net position.
 - At June 30, 2013, the City's governmental funds reported combined ending fund balances of \$14,331,269. That net amount is the result of \$9,774,023 in restricted fund balance, \$2,208,975 of assigned fund balance, and \$2,348,271 in unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the financial reporting entity of the City of McAlester (the "City"). The financial reporting entity consists of the following separate legal entities:

- The Primary Government
 - City of McAlester
 - McAlester Public Works Authority
 - McAlester Airport Authority
 - McAlester Municipal Improvement Authority (currently inactive)
- Discretely Presented Component Units
 - McAlester Regional Health Center
 - McAlester Parking Authority

The entities included as part of the primary government are included in this report within the governmental-wide statements in either of two categories of activities – governmental and business-type. The discretely presented component units are combined and reported in a single column labeled Component Units. This management discussion and analysis focuses on the primary government as defined above.

The governmental-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. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

This discussion and analysis is intended to serve as an introduction to the City of McAlester's basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 19 & 20, respectively) report information about the City as a whole and about its activities in a way that helps answer questions. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The Statement of Net Position and the Statement of Activities are divided into three types of activities:

- 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 -- The City's activities that charge a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer, and solid waste collections utilities, along with its airport 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, and include the Regional Health Center Authority and the Parking Authority.

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. The City of McAlester, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. All of the funds of the City of McAlester can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds -- Most of the City's basic services are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. These funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". 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. Enterprise funds are one type of proprietary funds and are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and solid waste collection, disposal services, and airport services. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds - When the City is responsible for assets that – because of a trust arrangement or other fiduciary requirement – can be used only for trust beneficiaries or other parties, such as the City's single employer Defined Benefit Retirement Plan and Trust Fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance operations.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

For the year ended June 30, 2013, net position for the governmental activities and business-type activities increased \$2,138,494. The results indicate the City, as a whole, improved its financial condition from the prior year.

The City of McAlester's Change in Net Position

	Governmental Activities	Business-type Activities	Total
Beginning net position, restated	\$ 48,580,906	\$ (28,379,705)	\$ 20,201,201
Increase (decrease) in net position	(4,713,911)	6,852,405	2,138,494
Ending net position	\$ 43,866,995	\$ (21,527,300)	\$ 22,339,695

Following is a summary comparison of change in net position from last year for the City of McAlester.

The City of McAlester's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	(Restated) 2012	2013	(Restated) 2012
Assets:						
Current and other assets	\$ 16,851,357	\$ 19,841,759	\$ 20,345,371	\$ 8,434,709	\$ 37,196,728	\$ 28,276,468
Capital assets	30,845,763	32,714,977	27,067,882	26,681,326	57,913,645	59,396,303
Total assets	47,697,120	52,556,736	47,413,253	35,116,035	95,110,373	87,672,771
Deferred Outflows of Resources:						
Unamortized loss on refunding	-	-	1,118,150	-	1,118,150	-
Liabilities:						
Long-term liabilities	3,096,273	3,160,252	68,117,287	61,252,933	71,213,560	64,413,185
Other liabilities	733,852	815,578	1,941,416	2,242,807	2,675,268	3,058,385
Total liabilities	3,830,125	3,975,830	70,058,703	63,495,740	73,888,828	67,471,570
Net position:						
Net investment in capital assets	30,765,320	32,432,860	25,309,905	24,511,925	56,075,225	56,944,785
Restricted	9,774,023	12,528,800	7,907,391	185,867	17,681,414	12,714,667
Unrestricted (deficit)	3,327,652	3,619,246	(54,744,596)	(53,077,497)	(51,416,944)	(49,458,251)
Total net position	\$ 43,866,995	\$ 48,580,906	\$ (21,527,300)	\$ (28,379,705)	\$ 22,339,695	\$ 20,201,201

The significant decrease in governmental activity restricted net position is primarily the result of the Dedicated Sales Tax-MPWA Fund starting the year with restricted net position of \$4,302,363 and ending the year with restricted net position of \$1,427,998. The change was due to the City using excess sales tax on hand to refund the 1999A Series Utility System Revenue Bonds.

**MANAGEMENT'S DISCUSSION & ANALYSIS
CITY OF MCALESTER, OKLAHOMA
JUNE 30, 2013**

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This year the net investment in capital assets amounted to approximately \$56 million. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net position, \$17.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is generally considered to be used to meet the government's ongoing obligations to citizens and creditors. However, for the current year, this unrestricted net position amounted to approximately negative \$51 million. The majority of this negative balance is the result of the McAlester Public Works Authority (MPWA) issuing revenue bonded indebtedness related to activities and capital improvements on behalf of the City's governmental activities including street and drainage improvements. A smaller portion is the result of the MPWA issuing revenue bonded indebtedness for the benefit of entities not included within the City's primary government, primarily school system improvements and economic development activities. Most of this debt is expected to be retired from future dedicated sales tax collections. However, the result of reporting the long-term debt without corresponding capital assets is to report a large negative amount of unrestricted net position.

The City of McAlester's Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for Services	\$ 2,905,487	\$ 2,846,516	\$ 9,719,309	\$ 10,316,966	\$ 12,624,796	\$ 13,163,482
Grants & Contributions	1,211,012	1,130,423	-	1,874	1,211,012	1,132,297
Capital Grants & Contributions	231,653	143,137	665,393	364,662	897,046	507,799
General Revenues:						
Sales & Use Tax	14,056,846	15,256,164	-	-	14,056,846	15,256,164
Other Taxes	1,692,003	1,783,761	-	-	1,692,003	1,783,761
Other General Revenues	512,456	669,863	133,089	37,512	645,545	707,375
Total Revenues	20,609,457	21,829,864	10,517,791	10,721,014	31,127,248	32,550,878
Program Expenses:						
Legislature	119,631	119,262	-	-	119,631	119,262
Administration	2,593,075	2,605,293	-	-	2,593,075	2,605,293
Public safety	8,398,927	8,346,194	-	-	8,398,927	8,346,194
Community services	2,692,851	2,965,005	-	-	2,692,851	2,965,005
Administration services	1,073,174	1,057,394	-	-	1,073,174	1,057,394
Health and welfare	277,730	290,065	-	-	277,730	290,065
Public works	2,641,505	2,635,362	-	-	2,641,505	2,635,362
Economic development	334,831	257,449	-	-	334,831	257,449
Interest on long-term debt	10,781	16,019	-	-	10,781	16,019
Water	-	-	2,699,541	2,826,263	2,699,541	2,826,263
Sewer	-	-	1,633,520	1,574,716	1,633,520	1,574,716
Sanitation	-	-	3,836,266	4,132,892	3,836,266	4,132,892
Airport	-	-	322,386	336,310	322,386	336,310
Governmental interest & amortization expense	-	-	2,354,536	3,153,918	2,354,536	3,153,918
Total Expenses	18,142,505	18,292,043	10,846,249	12,024,099	28,988,754	30,316,142
Excess/(Deficiency)	2,466,952	3,537,821	(328,458)	(1,303,085)	2,138,494	2,234,736
Net Transfers	(7,180,863)	(4,477,786)	7,180,863	4,477,786	-	-
Increase/(Decrease) Net Position	\$ (4,713,911)	\$ (939,965)	\$ 6,852,405	\$ 3,174,701	\$ 2,138,494	\$ 2,234,736

For the year ended June 30, 2013, on a government-wide basis, the City experienced an improvement in its financial condition resulting in an increase in total net position of \$2,138,494. The increase in net

position can be attributable to a decrease in expenses in the current year and a nearly offsetting decrease in sales tax and utility revenues.

The City's current year governmental activities decrease in net position of \$4,713,911 represents a significant change from the decrease in net position experienced in the prior year. This year's decrease in the change in net position from the prior year change can be attributable to an increase in net transfers of approximately \$2.7 million related to the use of excess sales tax on hand to refund the 1999A Series Utility System Revenue Bonds, along with a decrease in sales tax of approximately \$1.2 million in the current year.

The business-type activities current year increase in net position of \$6,852,405 is also due to the increase in net transfers of approximately \$2.7 million related to the use of excess sales tax on hand to refund the 1999A Series Utility System Revenue Bonds and a decrease in expenses of approximately \$1.2 million.

In reviewing the activity net (expense)/revenue, all business-type functions, with the exception of sanitation and airport, (water and sewer) charges for services more than covered all related expenses. Governmental interest and amortization expense on business-type reported debt of \$2.4 million is funded through dedicated sales tax transferred to the MPWA by the General Fund and other Dedicated Sales Tax funds.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$14,331,269. However, that net amount is the result of \$9,774,023 in restricted fund balance, \$2,208,975 of assigned fund balance, and \$2,348,271 in unassigned fund balance.

For the reasons discussed previously in regards to business-type activities, the enterprise funds reported combined net position of approximately a negative \$21.5 million.

Proprietary fund net position restrictions are listed below:

Enterprise Funds:

Restricted For Economic Development	\$ 40,988
Restricted For Street Improvements	7,866,403
Total Enterprise Fund Restrictions	<u>\$ 7,907,391</u>

The General Fund's total fund balance increased by \$420,646, or 21.8% in large part due to a decrease in current year sales tax, a slight increase in expenses, both of which were more than offset by an increase in net transfers in.

The McAlester Public Works Authority enterprise fund reported an increase in net position, after transfers and capital contributions of \$6,962,584 for the year. This change is due mainly to a decrease in interest expense of \$1.4 million, along with an increase in net transfers in of \$5.1 million.

General Fund Budgetary Highlights

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues above final estimates by \$1,246,528 or an 8.4% positive variance. General Fund actual expenditures were under final appropriations by \$1,465,347 or a 9.9% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the City had approximately \$57.9 million invested in capital assets including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net decrease of \$1,482,658 from last year.

Below are details regarding the City's capital assets for the years ended June 30, 2013 and 2012.¹

The City of McAlester's Capital Assets

	Governmental Activities		Business-type Activities (Restated)		Totals (Restated)	
	2013	2012	2013	2012	2013	2012
Land	\$ 675,209	\$ 675,209	\$ 212,571	\$ 212,571	\$ 887,780	\$ 887,780
Buildings and Improvements	7,243,526	7,243,526	5,923,049	5,923,049	13,166,575	13,166,575
Machinery and Equipment	10,049,451	10,589,103	3,402,339	3,476,918	13,451,790	14,066,021
Infrastructure	62,885,125	62,830,794	-	-	62,885,125	62,830,794
Utility Property	-	-	43,431,999	42,758,855	43,431,999	42,758,855
Water rights contracts	-	-	719,075	719,075	719,075	719,075
Construction-in-progress	108,115	60,525	1,769,285	987,740	1,877,400	1,048,265
Totals	<u>80,961,426</u>	<u>81,399,157</u>	<u>55,458,318</u>	<u>54,078,208</u>	<u>136,419,744</u>	<u>135,477,365</u>
Less Depreciation	(50,115,663)	(48,684,180)	(28,390,436)	(27,396,882)	(78,506,099)	(76,081,062)
Totals, Net	<u>\$ 30,845,763</u>	<u>\$ 32,714,977</u>	<u>\$ 27,067,882</u>	<u>\$ 26,681,326</u>	<u>\$ 57,913,645</u>	<u>\$ 59,396,303</u>

This year's more significant capital asset additions include \$536,135 for Residual Handling Improvements, \$508,906 for WTP Filter Clearwell Improvements, \$126,137 for a 12" Water Main-Taylor Bus. Park Project, \$150,540 for 2010 CDBG Water Improvements, \$433,884 for a Sewer Utility Extension Project at 14th St & Hwy 69, \$159,813 for 8" Water Main Project, \$110,422 for a John Deere 410K Backhoe, \$164,239 for 2010 CDBG Water & Sewer Improvements, and \$132,627 for a new traffic light at Strong & Wyandotte.

¹ For more detailed information on capital asset activity please refer to page 45-46, Note 5. Capital Assets and Depreciation
² For more detailed information on long-term debt activity please refer to page 47-53, Note 7. Long-Term Debt and Debt Service Requirements

Debt Administration

At year-end, the City had \$71.4 million in long-term debt outstanding, which represents a \$5,994,475 increase from the prior year.²

The City of McAlester's Long-term Debt

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	(Restated) 2012	2013	(Restated) 2012
Capital leases payable	\$ 80,443	\$ 282,117	\$ -	\$ -	\$ 80,443	\$ 282,117
Claims liability	555,221	409,499	-	-	555,221	409,499
Accrued compensation	2,079,675	2,119,295	275,577	300,264	2,355,252	2,419,559
Notes Payable	-	-	613,683	810,602	613,683	810,602
Revenue Bonds Payable	-	-	62,046,923	55,895,942	62,046,923	55,895,942
Landfill Closure and Post-Closure	-	-	3,622,531	3,312,793	3,622,531	3,312,793
Net pension benefit obligation	380,934	349,341	117,660	103,878	498,594	453,219
Contract obligation	-	-	942,707	1,131,249	942,707	1,131,249
Water contract obligations	-	-	201,587	227,550	201,587	227,550
Deposits subject to refund	-	-	449,493	429,429	449,493	429,429
Totals	\$ 3,096,273	\$ 3,160,252	\$ 68,270,161	\$ 62,211,707	\$ 71,366,434	\$ 65,371,959

The MPWA issued \$26,120,000 of Series 2012 Utility System & Sales Tax Revenue Refunding Bonds in the current year to refund the 1999A Series Utility System Revenue Bonds.

In addition, the MPWA issued \$8,890,000 of 2013 Utility System & Sales Tax Revenue Notes to provide funds to pay the cost and expenses of certain street improvements benefitting the City.

The 2002 Revenue Bonds contain \$746,818, \$704,610, \$664,799, and \$920,949 (par value) of capital appreciation bonds. The accreted value of the first three bonds is \$3,930,000 each, and will require three separate \$3,930,000 payments maturing February 1, 2031, February 1, 2032 and February 1, 2033. The fourth bond will mature on February 1, 2034 and require a payment of \$5,770,000. No payments are required to be made on these bonds until maturity.

ECONOMIC OUTLOOK

In fiscal year 2012-2013, the City of McAlester experienced a significant reduction in revenues. This down turn in our local economy appears to be connected to the uncertainty of the national economy. The Federal Government shutdown and sequestration had a negative impact on The McAlester Army Ammunition Plant, the area's largest employer. However, by the end of fiscal year 2012-2013, sales tax revenues were showing signs of stabilization. Our local economy has consistently demonstrated strength and resiliency. The City of McAlester's economic outlook remains optimistic.

The City's management monitored the midyear reduction in revenues and made measured fiscal adjustments. Optimal use of available funds became a constant focus as budget expenditures were reduced to match revenues. Despite the economic down turn, the City of McAlester accomplished several major improvements by prioritizing overall functions and strategies for the future: first, by refinancing target specific bonded indebtedness to lower interest rates and then using the realized savings to finance Street Improvements; second, by prioritizing capital improvements and infrastructure repairs, enabling the City

to fund much-needed projects and equipment; third, by actively and consistently seeking cost savings and efficiency in current and future expenditures. Our fiscal strategic plan will continue to focus on seeking efficiencies that will result in improved financial health for the generations to come.

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 City Clerk's Office at 1st and Washington, McAlester, Oklahoma or phone at (918) 423-9300.

BASIC FINANCIAL STATEMENTS

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

Government-Wide Statement of Net Position– June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 11,140,392	\$ 17,227,605	\$ 28,367,997	\$ 12,695,678
Investments	1,728,857	-	1,728,857	3,309,263
Interest receivable	-	57	57	-
Accounts receivable, net of allowance	-	1,549,355	1,549,355	15,307,564
Franchise tax receivable	89,579	-	89,579	-
Ambulance receivable, net of allowance	65,103	-	65,103	-
Court fines receivable, net of allowance	1,158,534	-	1,158,534	-
Due from other governments	1,850,172	-	1,850,172	-
Prepaid expenses	12,266	-	12,266	1,090,910
Other receivables	67,556	-	67,556	-
Internal balances	100,445	(100,445)	-	-
Inventory	-	-	-	2,143,476
Investment in joint venture	-	1,668,799	1,668,799	4,267,059
Restitution receivable:				
Due within one year	5,541	-	5,541	-
Due in more than one year	79,868	-	79,868	-
Notes receivable:				
Due within one year	174,000	-	174,000	28,929
Due in more than one year	379,044	-	379,044	228,234
Capital assets:				
Land and other non-depreciable assets	783,324	2,700,931	3,484,255	1,446,485
Other capital assets, net of depreciation	30,062,439	24,366,951	54,429,390	23,394,455
Total assets	47,697,120	47,413,253	95,110,373	63,912,053
DEFERRED OUTFLOWS OF RESOURCES:				
Unamortized loss on refunding	-	1,118,150	1,118,150	-
LIABILITIES:				
Accounts payable	356,700	465,482	822,182	4,078,900
Accrued payroll liabilities	369,520	58,520	428,040	4,176,596
Accrued interest payable	-	852,794	852,794	-
Escrow deposit liabilities	-	510,891	510,891	-
Estimated amounts due to third-party payers	-	-	-	35,000
Unearned revenue	7,632	53,729	61,361	-
Long-term liabilities:				
Due within one year	245,632	3,996,986	4,242,618	717,409
Due in more than one year	2,850,641	64,120,301	66,970,942	1,107,659
Total liabilities	3,830,125	70,058,703	73,888,828	10,115,564
NET POSITION:				
Net investment in capital assets	30,765,320	25,309,905	56,075,225	23,015,872
Restricted	9,774,023	7,907,391	17,681,414	544,114
Unrestricted (deficit)	3,327,652	(54,744,596)	(51,416,944)	30,236,503
Total net position	\$ 43,866,995	\$ (21,527,300)	\$ 22,339,695	\$ 53,796,489

See accompanying notes to the basic financial statements.

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

Government-Wide Statement of Activities –Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
Legislature	\$ 119,631	\$ -	\$ -	\$ -	\$ (119,631)	\$ -	\$ (119,631)	\$ -
Administration	2,593,075	1,089,491	17,241	-	(1,486,343)	-	(1,486,343)	-
Public safety	8,398,927	1,429,987	925,365	231,653	(5,811,922)	-	(5,811,922)	-
Community services	2,692,851	113,606	44,387	-	(2,534,858)	-	(2,534,858)	-
Administration services	1,073,174	268,606	-	-	(804,568)	-	(804,568)	-
Health and welfare	277,730	-	41,896	-	(235,834)	-	(235,834)	-
Public works	2,641,505	3,797	182,123	-	(2,455,585)	-	(2,455,585)	-
Economic development	334,831	-	-	-	(334,831)	-	(334,831)	-
Interest on long-term debt	10,781	-	-	-	(10,781)	-	(10,781)	-
Total governmental activities	18,142,505	2,905,487	1,211,012	231,653	(13,794,353)	-	(13,794,353)	-
Business-type activities:								
Water	2,699,541	4,592,465	-	485,078	-	2,378,002	2,378,002	-
Sewer	1,633,520	1,802,899	-	36,937	-	206,316	206,316	-
Sanitation	3,836,266	3,229,695	-	-	-	(606,571)	(606,571)	-
Airport	322,386	94,250	-	143,378	-	(84,758)	(84,758)	-
Governmental interest expense & issue costs	2,354,536	-	-	-	-	(2,354,536)	(2,354,536)	-
Total business-type activities	10,846,249	9,719,309	-	665,393	-	(461,547)	(461,547)	-
Total primary government	\$28,988,754	\$12,624,796	\$1,211,012	\$897,046	(13,794,353)	(461,547)	(14,255,900)	-
Component Units:								
Parking	\$ 1,201	\$ 8,380	\$ -	\$ -				7,179
Health and welfare	83,718,081	85,621,629	-	52,373				1,955,921
Total Component Units	\$ 83,719,282	\$ 85,630,009	\$ -	\$ 52,373				1,963,100
General revenues:								
Taxes:								
Sales and use taxes					14,056,846	-	14,056,846	-
Franchise and public service taxes					552,713	-	552,713	-
Hotel/motel taxes					471,081	-	471,081	-
E-911 taxes					668,209	-	668,209	-
Intergovernmental revenue not restricted to specific programs					305,734	-	305,734	-
Investment income					90,143	16,700	106,843	140,673
Miscellaneous					116,579	116,389	232,968	-
Transfers - Internal activity					(7,180,863)	7,180,863	-	-
Total general revenues and transfers					9,080,442	7,313,952	16,394,394	140,673
Change in net position					(4,713,911)	6,852,405	2,138,494	2,103,773
Net position - beginning, restated					48,580,906	(28,379,705)	20,201,201	51,692,716
Net position - ending					\$ 43,866,995	\$ (21,527,300)	\$ 22,339,695	\$ 53,796,489

See accompanying notes to the basic financial statements.

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

Governmental Funds Balance Sheet - June 30, 2013

	<u>General Fund</u>	<u>Special Revenue Reserve Fund</u>	<u>Capital Project Capital Improvement Plan Fund</u>	<u>Debt Service Dedicated Sales Tax - MPWA</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:						
Cash and cash equivalents	\$ 2,904,547	\$ 2,762,176	\$ 749,625	\$ 950,465	\$ 3,755,612	\$ 11,122,425
Investments	-	866,551	320,712	-	541,594	1,728,857
Receivables:						
Due from other funds	-	-	800,000	-	25,000	825,000
Due from other governments	1,092,412	-	-	477,533	280,227	1,850,172
Franchise tax receivable	89,579	-	-	-	-	89,579
Court fines receivable, net of allowance	1,158,534	-	-	-	-	1,158,534
Ambulance receivable, net of allowance	65,103	-	-	-	-	65,103
Prepaid expenses	12,266	-	-	-	-	12,266
Notes receivable	-	-	-	-	553,044	553,044
Other receivables	11,618	-	-	-	55,938	67,556
Total assets	<u>\$ 5,334,059</u>	<u>\$ 3,628,727</u>	<u>\$ 1,870,337</u>	<u>\$ 1,427,998</u>	<u>\$ 5,211,415</u>	<u>\$ 17,472,536</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ 216,113	\$ -	\$ 10,941	\$ -	\$ 111,679	\$ 338,733
Accrued payroll liabilities	348,980	-	-	-	14,002	362,982
Due to other funds	1,283,959	-	-	-	25,000	1,308,959
Unearned revenue	7,632	-	-	-	-	7,632
Total liabilities	<u>1,856,684</u>	<u>-</u>	<u>10,941</u>	<u>-</u>	<u>150,681</u>	<u>2,018,306</u>
Deferred Inflows of Resources:						
Deferred revenue	1,122,961	-	-	-	-	1,122,961
Fund Balances:						
Restricted	-	3,628,727	800,000	1,427,998	3,917,298	9,774,023
Assigned	6,143	-	1,059,396	-	1,143,436	2,208,975
Unassigned	2,348,271	-	-	-	-	2,348,271
Total fund balances	<u>2,354,414</u>	<u>3,628,727</u>	<u>1,859,396</u>	<u>1,427,998</u>	<u>5,060,734</u>	<u>14,331,269</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,334,059</u>	<u>\$ 3,628,727</u>	<u>\$ 1,870,337</u>	<u>\$ 1,427,998</u>	<u>\$ 5,211,415</u>	<u>\$ 17,472,536</u>

See accompanying notes to the basic financial statements.

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

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

	<u>General Fund</u>	<u>Special Revenue Reserve Fund</u>	<u>Capital Project Capital Improvement Plan Fund</u>	<u>Debt Service Dedicated Sales Tax - MPWA</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes	\$ 8,892,256	\$ -	\$ -	\$ 3,811,535	\$ 3,045,058	\$ 15,748,849
Intergovernmental	1,438,828	-	291,000	-	570,627	2,300,455
Charges for services	1,953,225	-	-	-	177,857	2,131,082
Fines and forfeitures	610,803	-	-	-	-	610,803
Licenses and permits	111,896	-	-	-	-	111,896
Investment income	27,728	21,690	1,119	17,227	22,379	90,143
Miscellaneous	142,801	-	-	-	85,440	228,241
Total Revenues	13,177,537	21,690	292,119	3,828,762	3,901,361	21,221,469
Expenditures:						
Current:						
Legislature	117,769	-	-	-	-	117,769
Administration	2,333,996	-	-	3,000	18,937	2,355,933
Public safety	7,219,079	-	-	-	570,359	7,789,438
Community services	2,004,036	-	-	-	370,000	2,374,036
Administration services	560,495	-	-	-	537,409	1,097,904
Health and welfare	282,311	-	-	-	-	282,311
Public works	1,064,904	-	-	-	-	1,064,904
Economic development	-	-	-	-	313,870	313,870
Capital outlay	244,353	-	561,919	-	1,123,309	1,929,581
Debt service:						
Principal retirement	165,683	-	35,991	-	-	201,674
Interest and fiscal charges	6,470	-	4,555	-	-	11,025
Total Expenditures	13,999,096	-	602,465	3,000	2,933,884	17,538,445
Excess (deficiency) of revenues over expenditures	(821,559)	21,690	(310,346)	3,825,762	967,477	3,683,024
Other Financing Sources (Uses):						
Transfers in	1,743,051	-	387,667	-	157,969	2,288,687
Transfers out	(500,846)	-	(324,751)	(6,700,266)	(1,542,369)	(9,068,232)
Total Other Financing Sources (Uses)	1,242,205	-	62,916	(6,700,266)	(1,384,400)	(6,779,545)
Net change in fund balances	420,646	21,690	(247,430)	(2,874,504)	(416,923)	(3,096,521)
Fund balances - beginning	1,933,768	3,607,037	2,106,826	4,302,502	5,477,657	17,427,790
Fund balances - ending	\$ 2,354,414	\$ 3,628,727	\$ 1,859,396	\$ 1,427,998	\$ 5,060,734	\$ 14,331,269

See accompanying notes to the basic financial statements.

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

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

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

Total fund balances - governmental funds	\$	14,331,269
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$50,115,663		30,845,763
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:		
Grants receivable		3,728
Court fines receivable, net of allowance for doubtful accounts of \$1,158,534		1,110,678
Ambulance receivable, net of allowance for doubtful accounts of \$1,206,781		8,555
		1,122,961
Certain long-term assets are not a current financial resource and, therefore, are not reported in the fund financial statement, but are included in the governmental activities of the Statement of Net Position:		
Restitution receivable		85,409
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Capital lease obligations payable		(80,443)
Accrued compensated absences		(2,057,030)
Net pension benefit obligation		(380,934)
		(2,518,407)
Net position of governmental activities	\$	43,866,995

See accompanying notes to the basic financial statements.

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

Reconciliation of the Statement of Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Net change in fund balances - total governmental funds \$ (3,096,521)

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 asset purchases capitalized	1,585,633
Capital asset purchases for business-type activities	(1,039,192)
Book value on capital assets disposed	(629)
Depreciation expense	(2,415,026)
	(1,869,214)

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

Change in restitution revenue	(5,542)
Change in deferred revenue	55,434
	49,892

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 Position:

Capital lease obligation principal payments	201,674
	201,674

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

Accrued interest expense	244
Accrued compensated absences expenses	31,607
Accrued net pension benefit obligation	(31,593)
	258

Change in net position of governmental activities \$ (4,713,911)

See accompanying notes to the basic financial statements.

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

Proprietary Funds Statement of Net Position - June 30, 2013

	Enterprise Funds			Internal Service Funds
	McAlester Public Works Authority	McAlester Airport Authority	Total	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 1,867,743	\$ 138,442	\$ 2,006,185	\$ 17,967
Restricted cash and cash equivalents	11,080,919	-	11,080,919	-
Restricted interest receivable	57	-	57	-
Due from other funds	-	-	-	584,404
Accounts receivable, net of allowance	1,536,391	12,964	1,549,355	-
Total current assets	<u>14,485,110</u>	<u>151,406</u>	<u>14,636,516</u>	<u>602,371</u>
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	4,140,501	-	4,140,501	-
Investment in joint venture	1,668,799	-	1,668,799	-
Capital assets:				
Land and other non-depreciable assets	2,356,471	344,460	2,700,931	-
Other capital assets, net of depreciation	21,628,085	2,738,866	24,366,951	-
Total noncurrent assets	<u>29,793,856</u>	<u>3,083,326</u>	<u>32,877,182</u>	<u>-</u>
Total Assets	<u>44,278,966</u>	<u>3,234,732</u>	<u>47,513,698</u>	<u>602,371</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Unamortized loss on refunding	1,118,150	-	1,118,150	-
LIABILITIES:				
Current Liabilities:				
Accounts payable	463,776	1,706	465,482	17,967
Accrued payroll liabilities	55,151	3,369	58,520	6,538
Due to other funds	100,445	-	100,445	-
Escrow deposit liability	510,891	-	510,891	-
Interest payable	852,281	513	852,794	-
Unearned revenue	53,729	-	53,729	-
Landfill closure and postclosure liability	362,253	-	362,253	-
Due to depositors	89,899	-	89,899	-
Notes payable	114,560	17,545	132,105	-
Contract obligation	188,542	-	188,542	-
Water rights contract obligation	26,629	-	26,629	-
Revenue bonds payable	3,170,000	-	3,170,000	-
Accrued compensated absences	25,508	2,050	27,558	2,265
Total current liabilities	<u>6,013,664</u>	<u>25,183</u>	<u>6,038,847</u>	<u>26,770</u>
Noncurrent Liabilities:				
Claims liability	-	-	-	555,221
Landfill closure and post-closure liability	3,260,278	-	3,260,278	-
Due to depositors	359,594	-	359,594	-
Net pension benefit obligation	113,457	4,203	117,660	-
Notes payable	195,369	286,209	481,578	-
Contract obligation	754,165	-	754,165	-
Water rights contract obligation	174,958	-	174,958	-
Revenue bonds payable, net	58,724,049	-	58,724,049	-
Accrued compensated absences	229,570	18,449	248,019	20,380
Total noncurrent liabilities	<u>63,811,440</u>	<u>308,861</u>	<u>64,120,301</u>	<u>575,601</u>
Total liabilities	<u>69,825,104</u>	<u>334,044</u>	<u>70,159,148</u>	<u>602,371</u>
NET POSITION:				
Net investment in capital assets	22,530,333	2,779,572	25,309,905	-
Restricted for street improvements	7,866,403	-	7,866,403	-
Restricted for economic development	40,988	-	40,988	-
Unrestricted (deficit)	(54,865,712)	121,116	(54,744,596)	-
Total net position	<u>\$ (24,427,988)</u>	<u>\$ 2,900,688</u>	<u>\$ (21,527,300)</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

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

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

	Enterprise Funds			Internal Service Funds
	McAlester Public Works Authority	McAlester Airport Authority	Total	
Operating Revenues:				
Charges for services:				
Water	\$ 3,349,916	\$ -	\$ 3,349,916	\$ -
Sewer	1,726,163	-	1,726,163	-
Sanitation	2,720,069	-	2,720,069	-
Water taps	14,945	-	14,945	-
Sewer taps	19,600	-	19,600	-
Water districts	1,116,713	-	1,116,713	-
Service charges	78,511	-	78,511	-
Landfill	22,228	-	22,228	-
Roll-off garbage	49,626	-	49,626	-
Penalties	144,246	-	144,246	-
Recycle fees	35,310	-	35,310	-
Subtitle "D" fees	347,732	-	347,732	-
Airport rents and fees	-	94,250	94,250	-
Self insurance charges	-	-	-	969,803
Miscellaneous	-	-	-	1,199
Total operating revenues	<u>9,625,059</u>	<u>94,250</u>	<u>9,719,309</u>	<u>971,002</u>
Operating Expenses:				
Utility office	473,573	-	473,573	-
Interdepartmental	568,970	-	568,970	-
Sanitation	1,883,312	-	1,883,312	-
Engineering	439,040	-	439,040	-
Sewer	764,967	-	764,967	-
Water	954,276	-	954,276	-
Utility maintenance	1,118,996	-	1,118,996	-
Landfill	552,008	-	552,008	-
Utilities Administration	124,289	-	124,289	-
Airport	-	167,409	167,409	-
Fleet maintenance	-	-	-	608,010
Claims expense	-	-	-	362,992
Depreciation expense	1,149,164	141,753	1,290,917	-
Total operating expenses	<u>8,028,595</u>	<u>309,162</u>	<u>8,337,757</u>	<u>971,002</u>
Operating income (loss)	1,596,464	(214,912)	1,381,552	-
Non-Operating Revenues (Expenses):				
Investment income	16,700	-	16,700	-
Interest expense and fiscal charges	(1,695,047)	(13,224)	(1,708,271)	-
Bond issuance costs	(676,508)	-	(676,508)	-
Miscellaneous revenue	115,188	1,201	116,389	-
Gain on sale of assets	17,141	-	17,141	-
Gain (loss) on joint venture	(123,713)	-	(123,713)	-
Total non-operating revenues (expenses)	<u>(2,346,239)</u>	<u>(12,023)</u>	<u>(2,358,262)</u>	<u>-</u>
Net income (loss) before contributions and transfers	(749,775)	(226,935)	(976,710)	-
Capital contributions	1,039,192	10,378	1,049,570	-
Transfers in	8,567,386	106,378	8,673,764	-
Transfer out	(1,894,219)	-	(1,894,219)	-
Change in net position	6,962,584	(110,179)	6,852,405	-
Total net position - beginning, restated	<u>(31,390,572)</u>	<u>3,010,867</u>	<u>(28,379,705)</u>	<u>-</u>
Total net position - ending	<u>\$ (24,427,988)</u>	<u>\$ 2,900,688</u>	<u>\$ (21,527,300)</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

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

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2013

	Enterprise Funds			Internal Service Funds
	McAlester Public Works Authority	McAlester Airport Authority	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 9,363,482	\$ 94,763	\$ 9,458,245	\$ -
Payments to suppliers	(3,933,202)	(62,429)	(3,995,631)	(461,749)
Payments to employees	(2,469,494)	(136,302)	(2,605,796)	(371,963)
Receipts of customer meter deposits	125,631	-	125,631	-
Refund of customer meter deposits	(105,567)	-	(105,567)	-
Other receipts (payments)	(111,735)	1,201	(110,534)	832,798
Net Cash Provided by (Used in) Operating Activities	<u>2,869,115</u>	<u>(102,767)</u>	<u>2,766,348</u>	<u>(914)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	8,567,386	106,378	8,673,764	-
Transfers to other funds	(1,894,219)	-	(1,894,219)	-
Net Cash Provided by Noncapital Financing Activities	<u>6,673,167</u>	<u>106,378</u>	<u>6,779,545</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(627,357)	(10,924)	(638,281)	-
Proceeds from capital grant	-	49,777	49,777	-
Proceeds from sale of capital assets	17,141	-	17,141	-
Proceeds from issuance of debt	35,010,000	-	35,010,000	-
Payment of bond issuance costs	(676,508)	-	(676,508)	-
Payment to escrow for refunding of debt	(27,887,436)	-	(27,887,436)	-
Principal payment of capital debt	(2,104,539)	(16,886)	(2,121,425)	-
Interest and fiscal charges paid on capital debt	(1,565,113)	(13,234)	(1,578,347)	-
Net Cash Provided by Capital and Related Financing Activities	<u>2,166,188</u>	<u>8,733</u>	<u>2,174,921</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	16,656	-	16,656	-
Net Cash Provided by Investing Activities	<u>16,656</u>	<u>-</u>	<u>16,656</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,725,126	12,344	11,737,470	(914)
Balances - beginning of the year	5,364,037	126,098	5,490,135	18,881
Balances - end of the year	<u>\$ 17,089,163</u>	<u>\$ 138,442</u>	<u>\$17,227,605</u>	<u>\$ 17,967</u>

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
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As of and for the Year Ended June 30, 2013

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2013, (Continued)

**Reconciliation of operating income (loss) to net cash provided
by (used in) operating activities:**

Operating income (loss)	\$ 1,596,464	\$ (214,912)	\$ 1,381,552	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	1,149,164	141,753	1,290,917	-
Other non-operating revenues (expenses)	(8,525)	1,201	(7,324)	-
Change in assets and liabilities:				
Receivables, net	(216,461)	513	(215,948)	-
Due from other funds	-	-	-	(138,204)
Investment in joint venture	106,611	-	106,611	-
Accounts payable	53,566	(25,961)	27,605	(1,630)
Accrued payroll liabilities	11,299	1,065	12,364	1,211
Due to other funds	(103,210)	-	(103,210)	-
Escrow deposit liability	442	-	442	-
Claims liability	-	-	-	145,722
Unearned revenue	(45,558)	-	(45,558)	-
Due to depositors	20,064	-	20,064	-
Landfill closure liability	309,738	-	309,738	-
Pension benefit obligation	12,989	793	13,782	-
Accrued compensated absences	(17,468)	(7,219)	(24,687)	(8,013)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,869,115</u>	<u>\$ (102,767)</u>	<u>\$ 2,766,348</u>	<u>\$ (914)</u>
Noncash capital and related financing activities:				
Capital assets contributed from governmental funds	<u>\$ 1,039,192</u>	<u>\$ -</u>	<u>\$ 1,039,192</u>	<u>\$ -</u>
Accretion of capital appreciation bonds	<u>\$ (316,648)</u>	<u>\$ -</u>	<u>\$ (316,648)</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

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

Statement of Fiduciary Net Position – Pension Trust Fund - June 30, 2013

	Defined Benefit Retirement Plan and Trust Fund
ASSETS:	
Cash and cash equivalents	\$ 1,033,753
Investments:	
Corporate bonds	757,286
Mortgage and asset backed securities	292,812
Government bonds	1,255,951
Mutual funds	686,623
Preferred stocks	88,030
Common stocks	7,731,585
Interest receivable	11,812
Total assets	11,857,852
LIABILITIES:	
Accounts payable	2,378
NET POSITION:	
Held in trust for employee pension benefits	\$ 11,855,474

Statement of Changes in Fiduciary Net Position – Pension Trust Fund - Year Ended June 30, 2013

	Defined Benefit Retirement Plan and Trust Fund
ADDITIONS:	
Contribution from employer	\$ 909,890
Investment income	251,223
Reimbursement from pension trust	955,240
Realized and unrealized gain on investments	339,346
Total additions	2,455,699
DEDUCTIONS:	
Benefits paid to participants or beneficiaries	886,803
Administrative expenses	75,419
Total deductions	962,222
Change in net position held in trust for employees' pension benefits	1,493,477
Net position - beginning	10,361,997
Net position - ending	\$ 11,855,474

See accompanying notes to the basic financial statements.

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

Discretely Presented Component Units Combining Statement of Net Position - June 30, 2013

	Component Units		
	Public Trusts		
	McAlester Regional Health Center Authority	McAlester Parking Authority	Total Component Units
ASSETS:			
Cash and cash equivalents	\$ 12,645,978	\$ 49,700	\$ 12,695,678
Investments	3,309,263	-	3,309,263
Accounts receivable, net	15,307,564	-	15,307,564
Inventory	2,143,476	-	2,143,476
Investment in joint venture	4,267,059	-	4,267,059
Prepaid expenses	1,090,910	-	1,090,910
Notes receivable:			
Due within one year	28,929	-	28,929
Due in more than one year	228,234	-	228,234
Capital assets:			
Land and construction in progress	1,446,485	-	1,446,485
Other capital assets, net of depreciation	23,394,455	-	23,394,455
Total assets	<u>63,862,353</u>	<u>49,700</u>	<u>63,912,053</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	4,078,689	211	4,078,900
Accrued payroll payable	4,176,596	-	4,176,596
Estimated amounts due to third-party payers	35,000	-	35,000
Long-term liabilities:			
Due within one year	717,409	-	717,409
Due in more than one year	1,107,659	-	1,107,659
Total liabilities	<u>10,115,353</u>	<u>211</u>	<u>10,115,564</u>
NET POSITION:			
Net investment in capital assets	23,015,872	-	23,015,872
Restricted for capital acquisitions and debt service	119,114	-	119,114
Restricted for workers' compensation claims	400,000	-	400,000
Restricted for specific operating activities	25,000	-	25,000
Unrestricted	30,187,014	49,489	30,236,503
Total net position	<u>\$ 53,747,000</u>	<u>\$ 49,489</u>	<u>\$ 53,796,489</u>

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
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Discretely Presented Component Units Combining Statement of Activities - Year Ended June 30, 2013

	Component Units		
	Public Trusts		
	McAlester Regional Health Center Authority	McAlester Parking Authority	Total Component Units
Operating Revenues:			
Charges for services	\$ -	\$ 8,380	\$ 8,380
Net patient service revenue	80,580,773	-	80,580,773
Miscellaneous	3,298,784	-	3,298,784
Total Operating Revenues	83,879,557	8,380	83,887,937
Operating Expenses:			
Parking	-	1,201	1,201
Health and welfare	83,637,462	-	83,637,462
Total Operating Expenses	83,637,462	1,201	83,638,663
Net Operating Income (Loss)	242,095	7,179	249,274
Non-Operating Revenues (Expenses):			
Investment income	140,673	-	140,673
Income from joint ventures	1,742,072	-	1,742,072
Interest expense and fiscal agent fees	(80,619)	-	(80,619)
Net Non-Operating Revenues (Expenses)	1,802,126	-	1,802,126
Net Income (Loss) Before Transfers, Contributions and Extraordinary Items	2,044,221	7,179	2,051,400
Gifts to Purchase Capital Assets and Other Capital Gifts	52,373	-	52,373
Changes in net position	2,096,594	7,179	2,103,773
Total net position - beginning	51,650,406	42,310	51,692,716
Total net position - ending	\$ 53,747,000	\$ 49,489	\$ 53,796,489

See accompanying notes to the basic financial statements.

**CITY OF MCALESTER, OKLAHOMA
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Footnotes to the Basic Financial Statements:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of McAlester), three blended component units, and two discretely presented component units as noted below.

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

The City of McAlester – that operates the public safety, health and welfare, streets and highways, parks and recreation, and administrative activities.

The City of McAlester is an incorporated municipality with a population of approximately 18,400 located in southeast Oklahoma. The City operates under the Council-Manager form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a seven-member governing body. Mayor is elected by the citizens at large and other six members are elected by ward.
- 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 Manager, confirmed by the City Council.

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and certain utility services including water, wastewater, and sanitation.

Component Units:

Because the City is financially accountable and the City's governing body serves as the trustees for these public trusts, the following component units are blended into the City's primary government presentation as funds of the primary government for reporting purposes:

The McAlester Public Works Authority – that operates the water, wastewater, and sanitation/landfill activities of the City, with the McAlester City Council serving as trustees of the Authority.

The McAlester Airport Authority – that develops and operates the airport with the McAlester City Council serving as trustees of the Authority.

The McAlester Municipal Improvement Authority – an inactive trust that promotes the development of industry and culture and industrial, manufacturing, cultural and education activities. There is no activity reported in the City's basic financial statements since the trust is inactive.

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Component units that are discretely presented in the City's report in a separate column are presented below:

The McAlester Regional Health Center Authority – that operates to finance and develop the health center facilities of the City. Separate audited component unit financial statements are issued by the Regional Health Center Authority and may be obtained at their administrative offices.

The McAlester Parking Authority (MPA) – that operates to furnish and supply public off-street parking services and facilities. The MPA does not issue separate audited component unit financial statements.

All 5 of the above 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. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City may have also 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.

Joint Venture:

Association for Landfill Financial Assurance (ALFA) – A non-profit Oklahoma corporation organized for the exclusive benefit of cities, towns, counties, solid waste districts and public trusts within the State of Oklahoma that own and/or operate municipal solid waste landfills within the jurisdiction of the State of Oklahoma, including the making and management of investments on behalf of such public entities in order to provide the financial assurances as required by Subtitle D of the Resource Conservation and Recovery Act of 1976.

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

- Administration – oil and gas leases, rent, and hotel/motel charges for services
- Public safety – Fire and Police – fines and forfeitures, fire run charges, ambulance revenue, and capital and operating grants
- Community services – cemetery openings and closings, swimming pool revenues, complex concessions and rentals
- Administration services – abatements and licenses and permits
- Health and welfare – nutrition operating grant

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- Airport – rental fees and fuel sales
- Public works – gas excise and vehicle tax shared by the State and street cuts
- Economic development – operating contribution

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 general operations of the City including: public safety, parks, public facilities, and street maintenance.
- Reserve Fund – special revenue fund that accounts for excess revenues mainly from oil and gas royalties restricted by City Charter for emergencies.
- Capital Improvement Plan Fund – capital project fund that accounts for monies set aside by City Council for repayment of unsupported bond activity.
- Dedicated Sales Tax MPWA – debt service fund that accounts for revenue received from sales tax (one-cent) approved by the voters to be used for financing debt related to capital improvements.

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

Special Revenue Funds:

- Juvenile Fine Fund – accounts for revenues from fines restricted by state for juvenile programs.
- Tourism / SE Expo Fund – accounts for revenues of a hotel/motel tax levy and rentals/concessions to be expended for promotion of tourism.
- E-911 Fund – accounts for E-911 revenues legally restricted for E-911 services.
- Economic Development Fund – special revenue fund that accounts for revenue received from sales tax (1/4 of one-cent) approved by the voters to be used for financing debt related to economic development and for future economic development projects.
- Gifts & Contributions Fund – accounts for revenues and expenditures of donor restricted monies.

Capital Project Funds:

- Police Equipment Fund – accounts for revenues and capital expenditures related to Local Law Enforcement Block Grants.
- State Forfeiture Fund – accounts for revenues received from state drug forfeitures restricted for equipment purchases.
- Cemetery Perpetual Care – accounts for 12.5% of all cemetery revenues which are legally restricted for cemetery capital outlay.

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- CDBG Grants Fund – accounts for revenues and capital expenditures related to CDBG grants.
- Federal Forfeiture Fund – Accounts for revenues received from federal drug forfeitures restricted for equipment purchases.
- Fire Improvement Grant Fund – accounts for revenues and capital expenditures related to fire grants.
- Technology Fund – accounts for revenues received from a technology fee restricted for technology capital purchases and upgrades.

Debt Service Fund:

- Sales Tax Schools Fund – accounts for revenue received from sales tax (1/4 of one-cent) approved by the voters to be used for acquisition and financing of educational facilities and equipment.

The governmental funds are reported on the modified accrual basis of accounting and current financial resources measurement focus. On the modified accrual basis of accounting revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and normally 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 economic resources measurement focus and accrual basis of accounting at the government-wide level.

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 include the following major funds:

- McAlester Public Works Authority Fund - that accounts for the activities of the McAlester Public Works Authority public trust in providing water, sewer, and sanitation services to the public.
- McAlester Airport Authority Fund - that currently accounts for airport fees and grants used in providing airport services.

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The City's internal service funds include the following:

- Worker's Compensation Fund – that accounts for the activities of providing worker's compensation to the employees of the City.
- FLEET Maintenance Fund – that accounts for the activities of providing FLEET maintenance to the City.

The proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

Fiduciary Fund:

The City has one fiduciary fund - the City of McAlester Defined Benefit Retirement Plan and Trust Fund. The pension trust fund accounts for retirement contributions and investment income for the direct benefit of employees other than those employees covered by the statewide fire and police cost-sharing pension plans. The pension trust fund is reported on the accrual basis of accounting and economic resources measurement focus.

C. Cash, Cash Equivalents, and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three-months or less, and money market investments. Investments consist of long-term time deposits, and U.S. agency bonds and notes. Certificates of deposit are reported at cost while investments in the U.S. agency bonds and notes and other marketable investments are reported at fair value.

D. Inventories

Inventories of goods and supplies on hand at year end are not material for the primary government. Therefore purchases of inventory type items are recorded as expenditures or expenses at the time purchased, and no balances for such inventories on hand are reported.

For the Regional Health Center Authority component unit reported inventories are reported on the lower of cost (first-in, first-out) or market.

E. Capital Assets and Depreciation

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund financial statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

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Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$2,500 is used for additions, other than land, to report capital assets. Capital assets are reported at actual or estimated historical cost. Prior to July 1, 2001, governmental activities' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost. Donated assets are recorded at their fair value at the date of donation.

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 – 100 years |
| • Improvements other than buildings | 20 - 100 years |
| • Equipment and vehicles | 3 - 25 years |
| • Infrastructure | 15 - 50 years |

F. Long-Term Debt

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

All long-term debt to be repaid from governmental activities, business-type activities, proprietary fund and component unit resources are reported as liabilities as incurred. The long-term debt consists primarily of accrued compensated absences, capital leases payable, and revenue bonds payable. This long-term debt is reported net of unamortized premiums and discounts.

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

G. Compensated Absences

Under terms of union contracts and City personnel policies, City employees are granted comp time, vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and comp time. The estimated liabilities for vested benefits also include salary-related payments such as employment taxes. Compensated absences are reported as accrued in the government-wide, proprietary, fiduciary and component unit financial statements. Governmental funds report only the matured compensated absences payable to currently terminating employees.

H. Fund Balances and Net Position

Net Position:

Net position reported in the government-wide, proprietary fund and fiduciary fund financial statements are displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1)

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external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

In the current year presentation, certain revenue bonds of the business-type activities were used to fund governmental capital assets (streets). The “net investment in capital assets” for business-type activities therefore does not include the amounts related to these debt issues. The capital assets are reported in the governmental activities and are also reported in “net investment in capital assets”. This explains the large negative balance of unrestricted net position in the business-type activities.

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

Fund Statements:

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 spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City currently reports no nonspendable fund balance.

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.

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. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund. In those funds, interest income is used first before other revenues. Proprietary fund and fiduciary fund equity is classified the same as in the government-wide statements.

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I. Interfund Activities and Balances

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

J. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

2. Deposits and Investments

Primary Government Deposits and Investments:

At June 30, 2013, the primary government held the following deposits and investments:

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Type of Deposits and Investments - Primary Government	Carrying Value	Maturities in Years				
		On Demand	Less Than One	1 - 5	6 - 10	More Than 10
Deposits:						
Petty Cash	\$ 4,860	\$ 4,860	\$ -	\$ -	\$ -	\$ -
Demand deposits	14,102,101	14,102,101	-	-	-	-
Demand deposits - pension trust funds	(164,972)	(164,972)	-	-	-	-
Time deposits	1,728,857	-	1,728,857	-	-	-
	<u>15,670,846</u>	<u>13,941,989</u>	<u>1,728,857</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Credit Rating					
Investments:						
Bond Trustee Accounts:						
Federated Treasury Obligations Fund IS #68	AAA	1,089,191	1,089,191	-	-	-
Federated Treasury Obligations Ser Class #398	AAA	9,141,547	9,141,547	-	-	-
Goldman Sachs Financial Square Federal Fund Admin Shares #521	AAA	3,561,298	3,561,298	-	-	-
C/P Walmart Commercial Paper	N/A	469,000	469,000	-	-	-
Pension Trust Funds:						
Citibank NA South Dakota Bank Deposit Program	N/A	802,172	802,172	-	-	-
MS Liquid Asset Fund - Money Market	N/A	396,552	396,552	-	-	-
Fixed Income Shares FD Series C - Money Market	N/A	203,316	203,316	-	-	-
Fixed Income Shares FD Series M - Money Market	N/A	187,770	187,770	-	-	-
Invesco Premier Ptf Instl (IPPXX) - Money Market	N/A	186,719	186,719	-	-	-
Legg Mason WA Inst Liquid Res A -Money Market	N/A	108,818	108,818	-	-	-
Corporate Bonds	AA-	33,721	-	17,065	-	16,656
Corporate Bonds	A+	45,641	-	14,568	-	31,073
Corporate Bonds	AA	29,727	-	15,602	-	14,125
Corporate Bonds	A	157,862	-	14,763	128,912	14,187
Corporate Bonds	A-	67,521	-	15,299	17,156	35,066
Corporate Bonds	BBB+	45,642	-	-	13,785	31,857
Corporate Bonds	BBB	123,785	-	35,687	31,169	56,929
Corporate Bonds	BBB-	17,190	-	-	-	17,190
Corporate Bonds	BB	167,838	-	-	167,838	-
Corporate Bonds	CCC+	43,000	-	-	-	43,000
Mortgage and asset backed securities	N/A	1,548,763	-	766,569	346,353	435,841
JPMorgan Chase Fixed-Rate Capital Securities	BBB	25,360	-	-	-	25,360
Preferred Stocks	A-	6,566	6,566	-	-	-
Preferred Stocks	BB+	88,030	88,030	-	-	-
Common Stocks	N/A	7,725,019	7,725,019	-	-	-
		<u>26,272,048</u>	<u>23,965,998</u>	<u>-</u>	<u>879,553</u>	<u>705,213</u>
Total Deposits and Investments		<u>\$ 41,942,894</u>	<u>\$ 37,907,987</u>	<u>\$ 1,728,857</u>	<u>\$ 879,553</u>	<u>\$ 705,213</u>
Reconciliation to Statement of Net Position:						
Cash and cash equivalents		\$ 28,367,997				
Investments		1,728,857				
Add: Fiduciary Fund cash and cash equivalents		1,033,753				
Add: Fiduciary Fund investments		10,812,287				
		<u>\$ 41,942,894</u>				

Deposit and Investment Risks

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 does not have a formal investment policy as it relates to custodial credit risk. Acceptable collateral is limited to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2013, the City was not exposed to custodial credit risk as defined above.

Investment Credit Risk – State law limits the investments available to the City and is described below.

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

Investment credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations—rating agencies—as of the year end in the schedule above. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Retirement Plan Investments:

The Plan’s investment policies provides for investment in a diversified portfolio, consisting primarily of common stocks, mutual funds, bonds, cash equivalents, and other investments. Asset allocation guidelines for the Plan are as follows:

Class	Maximum Percent	Minimum Percent	Target Percent
Large Cap Equities	30.00	10.00	20.00
Small Cap Equities	25.00	5.00	15.00
International Equities	25.00	5.00	15.00
Real Estate	20.00	5.00	10.00
Fixed Income	50.00	30.00	40.00

Large and small cap equities should be allocated between growth and value styles. Investment grade fixed income should be allocated between investment grade bonds, inflation-indexed bonds (“TIPS”), high yield bonds and international bonds.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy to manage exposure to fair value losses arising from increasing interest rates. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments in the schedule above.

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Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The City's investment policy requires diversification of investments and indicates that, with the exception of U.S. Treasury securities and authorized pools, there was no single issuer investment with more than 5% of total investments.

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net position are comprised of the following:

	Current Cash and cash Equivalents	Non-current Cash and cash Equivalents	Current Interest Receivable
Utility Deposits	\$ 449,493	\$ -	\$ -
Lowe's Escrow Account	510,891	-	-
Trustee Accounts (MPWA):			
2002 Sinking Fund	469,134	-	-
2003A Bond Fund	439,959	-	-
2003A Bond Reserve Fund	-	649,098	-
2011 Principal Note Account	257,767	-	-
2011 Interest Note Account	40,340	-	-
2011 Construction Account	40,988	-	-
2012 Bond Fund	958,895	-	-
2012 Bond Reserve Fund	-	2,602,403	-
2013 Sinking Fund	47,049	-	-
2013 Bond Reserve Fund	-	889,000	-
2013 Project Account	7,866,403	-	-
Interest Receivable	-	-	57
Total Restricted Assets	<u>\$ 11,080,919</u>	<u>\$ 4,140,501</u>	<u>\$ 57</u>

Component Units Deposits and Investments:

McAlester Regional Health Center Authority

Deposits

At June 30, 2013, approximately \$11,074,000 of the Authority's bank balances were uninsured with collateral held by the pledging financial institution and \$1,040,000 of the Authority's bank balances were uninsured and uncollateralized.

3. Investment in Joint Venture

As discussed in Note 1A, the City participates (with equity interest) in the Association for Landfill Financial Assurance (ALFA). ALFA has been approved by the ODEQ as an allowable financial assurance mechanism under existing federal and state laws and regulations. As a member of ALFA, the City is required to deposit certain amounts on an annual basis into an escrow fund to be pooled with other ALFA members. The annual amount due from each member is based on the members' total estimated current cost of closure and post-closure care of the landfill, including adjustments due to inflation or resulting from any changes in the closure or the required 30 year post-closure care plan, plus any additional amount for contingencies as determined by ALFA. For the year ended June 30, 2013, the "Investment in joint venture" balance changed as follows:

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Beginning Investment in Joint Venture	\$ 1,775,410
Current Year Contributions	17,104
Loss from Joint Venture	(123,715)
Ending Investment in Joint Venture	<u>\$ 1,668,799</u>

Separate annual financial statements are issued by ALFA and may be obtained from their administrative offices at 3414 East 85th Place, Tulsa, Oklahoma, 74137.

4. Receivables

Primary Government Accounts Receivables:

Accounts receivable of the business-type activities consists of customers utilities, airport rental accounts receivable, and airport grant receivable. Accounts receivable of the governmental activities consists of franchise tax, police fines and ambulance receivables. Receivables detail at June 30, 2013, is as follows:

	<u>General Fund</u>		<u>MPWA</u>	<u>Airport</u>	<u>Total</u>
	<u>Ambulance</u>	<u>Court</u>			
Accounts receivable	\$ 1,271,884	\$ 2,317,068	\$ 3,460,209	\$ 13,464	\$ 7,062,625
Allowance for doubtful accounts	<u>(1,206,781)</u>	<u>(1,158,534)</u>	<u>(1,923,818)</u>	<u>(500)</u>	<u>(\$4,289,633)</u>
Accounts receivable, net	<u>\$ 65,103</u>	<u>\$ 1,158,534</u>	<u>\$ 1,536,391</u>	<u>\$ 12,964</u>	<u>\$ 2,772,992</u>

Component Units:

McAlester Regional Health Center Authority

Patient receivable balances at June 30, 2013 were as follows:

	<u>MRHCA</u>
Medicare	\$ 4,016,142
Medicaid	2,449,007
Other third-party payers	14,180,110
Patients	19,001,370
Allowance for doubtful accounts	<u>(24,339,065)</u>
Accounts receivable, net	<u>\$ 15,307,564</u>

Outstanding Notes Receivable – Economic Development

The City of McAlester entered into a loan agreement dated April 28, 2005, with the McAlester Foundation for the development of an industrial tract to be used by Pliant Corporation. The original loan amount totaled \$1,800,000. Monthly lease payments made by Pliant to the McAlester Foundation in the amount of \$14,500 shall be paid over to the City of McAlester by the Foundation and deposited in the

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Economic Development Fund. The following schedule shows the current year activity related to this note receivable:

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Note Receivable				
McAlester Foundation	\$ 727,044	\$ -	\$ 174,000	\$ 553,044

5. Capital Assets and Depreciation

For the year ended June 30, 2013, capital assets balances changed as follows:

	(Restated) Balance at June 30, 2012	Additions	Disposals	Balance at June 30, 2013
Governmental activities:				
Non-depreciable:				
Land	\$ 675,209	\$ -	\$ -	\$ 675,209
Construction-in-progress	60,525	101,921	(54,331)	108,115
Total non-depreciable assets at historical cost	<u>735,734</u>	<u>101,921</u>	<u>(54,331)</u>	<u>783,324</u>
Depreciable:				
Buildings	5,350,398	-	-	5,350,398
Other improvements	1,893,128	-	-	1,893,128
Machinery and equipment	10,589,103	444,521	(984,173)	10,049,451
Infrastructure	62,830,794	54,331	-	62,885,125
Total depreciable assets at historical cost	<u>80,663,423</u>	<u>498,852</u>	<u>(984,173)</u>	<u>80,178,102</u>
Less accumulated depreciation				
Buildings	(2,950,638)	(151,995)	-	(3,102,633)
Other improvements	(1,034,944)	(74,073)	-	(1,109,017)
Machinery and equipment	(7,702,366)	(650,879)	983,543	(7,369,702)
Infrastructure	(36,996,232)	(1,538,079)	-	(38,534,311)
Total accumulated depreciation	<u>(48,684,180)</u>	<u>(2,415,026)</u>	<u>983,543</u>	<u>(50,115,663)</u>
Net depreciable assets	<u>31,979,243</u>	<u>(1,916,174)</u>	<u>(630)</u>	<u>30,062,439</u>
Governmental activities capital assets, net	<u>\$ 32,714,977</u>	<u>\$ (1,814,253)</u>	<u>\$ (54,961)</u>	<u>\$ 30,845,763</u>
Business-type activities				
Non-depreciable:				
Land	\$ 212,571	\$ -	\$ -	\$ 212,571
Water rights contracts	719,075	-	-	719,075
Construction-in-progress	987,740	1,454,689	(673,144)	1,769,285
Total non-depreciable assets at historical cost	<u>1,919,386</u>	<u>1,454,689</u>	<u>(673,144)</u>	<u>2,700,931</u>
Depreciable:				
Buildings	2,773,061	-	-	2,773,061
Other improvements	3,149,988	-	-	3,149,988
Machinery and equipment	3,476,918	222,784	(297,363)	3,402,339
Utility property	42,758,855	673,144	-	43,431,999
Total depreciable assets at historical cost	<u>52,158,822</u>	<u>895,928</u>	<u>(297,363)</u>	<u>52,757,387</u>
Less accumulated depreciation				
Buildings	(1,380,085)	(69,045)	-	(1,449,130)
Other improvements	(1,601,877)	(106,898)	-	(1,708,775)
Machinery and equipment	(1,931,181)	(288,172)	297,363	(1,921,990)
Utility property	(22,483,739)	(826,802)	-	(23,310,541)
Total accumulated depreciation	<u>(27,396,882)</u>	<u>(1,290,917)</u>	<u>297,363</u>	<u>(28,390,436)</u>
Net depreciable assets	<u>24,761,940</u>	<u>(394,989)</u>	<u>-</u>	<u>24,366,951</u>
Business-type capital assets, net	<u>\$ 26,681,326</u>	<u>\$ 1,059,700</u>	<u>\$ (673,144)</u>	<u>\$ 27,067,882</u>

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	Balance at June 30, 2012	Additions	Transfers	Disposals	Balance at June 30, 2013
Component Units (MRHCA):					
Non-depreciable:					
Land	\$ 909,448	\$ -	\$ -	\$ -	\$ 909,448
Construction-in-progress	452,114	1,668,427	(1,583,504)	-	537,037
Total non-depreciable assets at historical cost	<u>1,361,562</u>	<u>1,668,427</u>	<u>(1,583,504)</u>	<u>-</u>	<u>1,446,485</u>
Depreciable:					
Land improvements	1,343,116	8,245	-	-	1,351,361
Buildings and improvements	35,632,742	1,036,712	-	-	36,669,454
Machinery and equipment	26,890,584	2,213,949	1,583,504	(1,447,084)	29,240,953
Total depreciable assets at historical cost	<u>63,866,442</u>	<u>3,258,906</u>	<u>1,583,504</u>	<u>(1,447,084)</u>	<u>67,261,768</u>
Less accumulated depreciation					
Land improvements	(974,765)	(44,025)	-	-	(1,018,790)
Buildings and improvements	(21,578,406)	(1,340,875)	-	-	(22,919,281)
Machinery and equipment	(18,873,408)	(2,416,329)	-	1,360,495	(19,929,242)
Total accumulated depreciation	<u>(41,426,579)</u>	<u>(3,801,229)</u>	<u>-</u>	<u>1,360,495</u>	<u>(43,867,313)</u>
Net depreciable assets	<u>22,439,863</u>	<u>(542,323)</u>	<u>1,583,504</u>	<u>(86,589)</u>	<u>23,394,455</u>
Component Unit capital assets, net	<u>\$ 23,801,425</u>	<u>\$ 1,126,104</u>	<u>\$ -</u>	<u>\$ (86,589)</u>	<u>\$ 24,840,940</u>

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:

Depreciation expense charged to governmental activities:

Legislature	\$ 1,862
Administration	207,916
Public safety	398,492
Community services	299,229
Public works	1,507,527
Total governmental activities depreciation expense	<u>\$ 2,415,026</u>

Depreciation expense charged to business-type activities:

Water	\$ 568,357
Sewer	264,986
Sanitation	315,821
Airport	141,753
Total business-type activities depreciation expense	<u>\$ 1,290,917</u>

6. Economic Development Liabilities

Economic Development Agreement – Lowe's

On October 12, 2004, the City entered into an economic development agreement with Lowe's Home Centers, Inc. to provide economic development incentives to insure the construction of a Lowe's Home Improvement Warehouse in the City. The agreement requires the City to deliver incentives in the amount of \$2,000,000 to Lowe's Home Centers, Inc. with \$1,000,000 to be deposited into an escrow account and approximately \$1,000,000 to be paid to Lowe's Home Centers, Inc. on opening day for reimbursement of infrastructure expenses of up to \$800,000 and \$200,000 for the initial annual economic incentive payment. The City will then pay Lowe's Home Centers, Inc. \$200,000 each year on the anniversary of the opening date from the escrow account until all economic development incentives paid to Lowe's Home Centers, Inc. equals \$2,000,000. The annual economic incentive payment will be subject to a minimum gross sales increase of \$1,000,000 each year and the maintenance of at least 100 employees for the agreement term of 10 years.

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The agreement states that the City will reimburse Lowe's Home Centers, Inc. for the public infrastructure improvements (estimated at an amount up to \$800,000) and the initial economic development incentive payment of \$200,000 on the opening date. The City made a payment to Lowe's Home Centers, Inc. during fiscal year 07-08, related to the opening day agreement, in the amount of \$597,651 (due to Lowe's not meeting certain requirements for the full estimate).

No payments were made to Lowe's out of the escrow account during fiscal year 08-09. \$200,000 was paid to Lowe's in March 2010. In addition, \$400,000 was paid to Lowe's in FY 10-11. No payments were made to Lowe's out of the escrow account during fiscal year 11-12 or fiscal year 12-13. The City has recorded on the financial statements of McAlester Public Works Authority an escrow deposit liability in the amount of \$510,891, which includes interest earned on the deposit. This amount is considered a current liability of the MPWA.

7. Long-Term Debt and Debt Service Requirements

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

	(Restated) Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013	Amounts Due Within One Year
Governmental Activities:					
Capital Lease Obligations	\$ 282,117	\$ -	\$ 201,674	\$ 80,443	\$ 37,664
Accrued Compensated Absences	2,119,295	190,737	230,357	2,079,675	207,968
Claims Liability	409,499	362,992	217,270	555,221	-
Net Pension Benefit Obligation	349,341	31,593	-	380,934	-
Total Governmental Long-Term Debt	<u>\$ 3,160,252</u>	<u>\$ 585,322</u>	<u>\$ 649,301</u>	<u>\$ 3,096,273</u>	<u>\$ 245,632</u>
Business-type Activities:					
Landfill Closure and Post-closure Liability	\$ 3,312,793	\$ 309,738	\$ -	\$ 3,622,531	\$ 362,253
Due to Depositors	429,429	125,631	105,567	449,493	89,899
Net Pension Benefit Obligation	103,878	13,782	-	117,660	-
Notes Payable	810,602	-	196,919	613,683	132,105
Contract Obligations	1,131,249	-	188,542	942,707	188,542
Water Contract Obligations	227,550	-	25,963	201,587	26,629
Revenue Bonds Payable	55,895,942	35,326,648	29,175,667	62,046,923	3,170,000
Accrued Compensated Absences	300,264	27,024	51,711	275,577	27,558
Total Business-type Long-Term Debt	<u>\$ 62,211,707</u>	<u>\$ 35,802,823</u>	<u>\$ 29,744,369</u>	<u>\$ 68,270,161</u>	<u>\$ 3,996,986</u>
			Less: Unamortized Discount	(152,874)	
				<u>\$ 68,117,287</u>	

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Governmental activities long-term debt:

Unless otherwise indicated, the governmental activities long-term debt obligations are generally paid from the General Fund.

Capital Lease Obligations:

\$180,987 capital lease with First National Bank for street dept freightliner, payable in monthly installments of \$3,379, final payment due July 28, 2015, with interest at 4.55%, paid from the Capital Improvement Plan Fund \$ 80,443

Capital Lease Obligations:

Current portion	\$ 37,664
Noncurrent portion	<u>42,779</u>
Total Capital Lease Obligations	<u>\$ 80,443</u>

Accrued Compensated Absences:

Current portion	\$ 207,968
Noncurrent portion	<u>1,871,707</u>
Total Accrued Compensated Absences	<u>\$ 2,079,675</u>

Claims Liability:

Current portion	\$ -
Non-current portion	<u>555,221</u>
Total Claims Liability	<u>\$ 555,221</u>

Net Pension Obligation:

Current portion	\$ -
Non-current portion	<u>380,934</u>
Total Pension Obligation	<u>\$ 380,934</u>

Business-type activities long-term debt:

Notes Payable:

1999 CDBG-EDIF Promissory Note with McAlester Economic Development Service dated September 19, 2000, original amount of \$275,000 with an annual interest rate of 0.00%, due in monthly installments of \$1,146, final installment November 1, 2021. \$ 115,729

2006 CDBG-ED Promissory Note with City of McAlester dated October 1, 2006, original amount of \$125,000, reduced to \$67,800, with an annual interest rate of 0.00%, due in monthly installments of \$282.50, final installment October 1, 2026. 46,330

MAA Note Payable with First National Bank, renewed on August 11, 2011, original line of credit amount of \$405,325, with an annual interest rate of 4.25%, due in monthly installments of \$2,510, final installment August 15, 2013. 303,754

PWA Note Payable for caterpillar & trash compactor with First National Bank dated December 14, 2009, original amount of \$455,000 with an annual interest rate of 4.7%, due in monthly installments of \$8,524, final installment December 14, 2014. 147,870

Total Notes Payable \$ 613,683

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Current portion	\$ 132,105
Non-current portion	<u>481,578</u>
Total Notes Payable	<u>\$ 613,683</u>
Water Rights Contract:	
1987 contract with U.S. Army Corps of Engineers dated December 11, 1987, original amount of \$719,075 with an annual interest rate of 2.59% due in annual installments of \$31,859, final installment December 12, 2019.	
	<u>\$ 201,587</u>
Current portion	\$ 26,629
Non-current portion	<u>174,958</u>
Total Water Rights Contract	<u>\$ 201,587</u>
Contract Obligation:	
2011 contract with Utility Service Co., Inc. for renovation of storage tanks dated January 17, 2011, original amount of \$1,456,000 with an annual interest rate of 0%, due in annual installments of \$188,542, final installment January 17, 2018.	
	<u>\$ 942,707</u>
Current portion	\$ 188,542
Non-current portion	<u>754,165</u>
Total Water Rights Contract	<u>\$ 942,707</u>
Revenue Bonds Payable:	
2002 Series Utility System Revenue Bonds:	
Term bonds in the amount of \$15,365,000 dated July 1, 2002, issued by McAlester Public Works Authority, secured by utility revenue and pledged sales tax, total principal due at maturity, interest Rate at 4.30%, final maturity February 1, 2034.	
	13,240,000
Capital appreciation bonds in the face amount of \$3,037,176 dated July 1, 2003, issued by McAlester Public Works Authority, secured by utility revenue and pledged sales tax, principal maturing at the accreted value of \$17,560,000, interest rate at 4.30%, final maturity February 1, 2034. Interest is accreted (or added to the principal balance) until maturity, at which time, the entire principal balance of \$17,560,000 will be due and payable.	
	17,560,000
	Less: Unaccreted portion <u>(11,948,077)</u>
	<u>5,611,923</u>
2003A Series Sales Tax Revenue Bonds:	
Term Bonds in the amount of \$7,000,000 dated July 1, 2003, issued by McAlester Public Works Authority, secured by pledged sales tax, total principal due at maturity, initial interest rate at 2.10% increasing to 5.50%, final maturity September 1, 2018.	
	3,715,000
2011 Taxable Series Sales Tax Revenue Refunding Bonds:	
Serial Bonds in the amount of \$5,490,000 dated December 1, 2011, issued by McAlester Public Works Authority, secured by pledged sales tax, principal maturing annually ranging from \$180,000 to \$445,000, interest rate at 2.695%, final maturity September 1, 2018	
	4,555,000
2012 Taxable Series Utility System & Sales Tax Revenue Refunding Notes:	
Serial Bonds in the amount of \$26,120,000 dated December 28, 2012, issued by McAlester Public Works Authority, secured by utility revenues and pledged sales tax, principal maturing semi-annually ranging from \$85,000 to \$1,275,000, interest rate at 3.8%, final maturity February 1, 2027	
	26,035,000

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2013 Series Utility System & Sales Tax Revenue Notes:

Serial Bonds in the amount of \$8,890,000 dated June 1, 2013, issued by McAlester Public Works Authority, secured by utility revenues and pledged sales tax, principal maturing semi-annually ranging from \$125,000 to \$1,205,000, interest rate at 3.53%, final maturity February 1, 2028 8,890,000

Total Revenue Bonds Payable	<u>\$ 62,046,923</u>
Current portion	\$ 3,170,000
Noncurrent portion	<u>58,876,923</u>
Total Revenue Bonds Payable	<u>\$ 62,046,923</u>
Unamortized bond discount	<u>(152,874)</u>
Total Revenue Bonds Payable, net	<u>\$ 61,894,049</u>

Landfill Closure and Post-Closure Liability:

A \$3,622,531 accrued liability has been recognized in the McAlester Public Works Authority to represent the total estimated amount owed by the Authority for closure and postclosure requirements dictated by the U.S. Environmental Protection Agency and the Oklahoma Department of Environmental Quality regulations and represented the cumulative amount of such costs reported to date based on the use of approximately 75.46% of the estimated capacity of the landfill. It is estimated that an additional \$1,177,898 will be recognized as closure and postclosure expense between the current balance sheet date and the date the landfill is expected to be filled to capacity. However, the actual cost of closure and postclosure may be higher due to inflation, changes in technology, or changes in landfill laws and regulation. The restricted use of the landfill has extended its life. The estimated remaining landfill life is now 39 years.

Current portion	\$ 362,253
Noncurrent portion	<u>3,260,278</u>
Total Landfill Closure and Postclosure Liability	<u>\$ 3,622,531</u>

Accrued Compensated Absences:

Current portion	\$ 27,558
Noncurrent portion	<u>248,019</u>
Total Accrued Compensated Absences	<u>\$ 275,577</u>

Deposits Subject to Refund:

Current portion	\$ 89,899
Noncurrent portion	<u>359,594</u>
Total Deposits Subject to Refund	<u>\$ 449,493</u>

Net Pension Obligation:

Current portion	\$ -
Non-current portion	<u>117,660</u>
Total Net Pension Obligation	<u>\$ 117,660</u>

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Debt Service Requirements to Maturity

Long-term debt service requirements to maturity of the primary government are as follows:

Year Ended June 30,	<u>Governmental Activity Debt</u>			
	<u>Capital Lease Obligations Payable</u>			
	<u>Principal</u>	<u>Interest</u>		
2014	\$ 37,664	\$ 2,882		
2015	39,413	1,133		
2016	<u>3,366</u>	<u>13</u>		
Total	<u>\$ 80,443</u>	<u>\$ 4,028</u>		

Year Ended June 30,	<u>Business-Type Activity Debt</u>			
	<u>Notes Payable</u>		<u>Contract Obligation Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 132,105	\$ 17,447	\$ 188,542	\$ -
2015	85,895	12,511	188,542	-
2016	36,239	11,021	188,541	-
2017	265,945	1,864	188,541	-
2018	17,140	-	188,541	-
2019-2023	63,929	-	-	-
2024-2027	<u>12,430</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 613,683</u>	<u>\$ 42,843</u>	<u>\$ 942,707</u>	<u>\$ -</u>

Year Ended June 30,	<u>Water Rights Contract Obligation</u>		<u>Revenue Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2014	\$ 26,629	\$ 5,289	\$ 3,170,000
2015	27,328	4,591	3,490,000	2,126,522
2016	28,044	3,874	3,650,000	1,992,805
2017	28,780	3,139	3,825,000	1,851,650
2018	29,534	2,385	4,000,000	1,702,228
2019-2023	61,272	2,544	16,015,000	6,365,954
2024-2028	-	-	19,965,000	2,962,425
2029-2033	-	-	4,436,227	9,853,038
2034	<u>-</u>	<u>-</u>	<u>920,949</u>	<u>4,849,051</u>
Total	<u>\$ 201,587</u>	<u>\$ 21,822</u>	59,472,176	33,849,145
Accreted Portion of Debt			<u>2,574,747</u>	<u>(2,574,747)</u>
			<u>\$ 62,046,923</u>	<u>\$ 31,274,398</u>

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Refunding

On December 28, 2012, the City issued \$26.12 million Series 2012 Utility System & Sales Tax Revenue Refunding Notes with an interest rate of 3.8% to refund \$14,665,000 of outstanding 1999A Series Utility System Serial and Term Revenue Bonds and \$12,800,667 of outstanding 1999A Series Utility System Capital Appreciation Revenue Bonds, with an average interest rate of 4.5% and an interest rate of 5.75%, respectively. The net proceeds of \$27,887,436 (after receipt of \$1,656,467 from 1999A trust accounts, \$3,260,000 from Dedicated Sales Tax-MPWA fund, payment of \$541,910 of issuance costs, set up of \$2,602,295 reserve fund and \$4,826 to a sinking account) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999A bonds. As a result, the 1999A Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. These bonds were fully redeemed on February 1, 2013.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$728,714. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2027 using the straight line method. The City completed the refunding to reduce its total debt service payments over the next seven years by \$9,767,991 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$3,596,093.

Component Units have the following long-term debt at June 30, 2013:

	Balance June 30, 2012	Additions	Deductions	Transfers	Balance June 30, 2013	Amounts Due Within One Year
Component Unit Activities (MRHCA):						
Capital Lease Obligations	\$ 1,121,302	\$ 413,453	\$ 684,618	\$ -	\$ 850,137	\$ 462,008
Notes Payable to Vendors	319,584	-	247,553	-	72,031	72,031
Notes Payable to Banks	1,140,173	-	237,273	-	902,900	183,370
Total Component Unit Debt	\$ 2,581,059	\$ 413,453	\$ 1,169,444	\$ -	\$ 1,825,068	\$ 717,409

Notes Payable to Banks (MRHCA):

The notes payable to banks are due between November 2013 and December 2022, payable monthly, including interest at rates of 3.25% to 5.50%. The notes are secured by real estate and certain capital assets. The debt service requirements as of June 30, 2013, are as follows:

Year Ended June 30,	<u>Discretely Presented Component Unit Debt</u>	
	<u>Notes Payable to Banks</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 183,370	\$ 38,652
2015	487,597	20,077
2016	32,435	11,072
2017	27,694	9,626
2018	29,155	8,166
2019-2023	142,649	16,544
Total	\$ 902,900	\$ 104,137

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Notes Payable to Vendor (MRHCA):

The notes payable to vendor are due November 2013, payable monthly, including interest at a rate of 8.18%. The debt service requirements as of June 30, 2013, are as follows:

Year Ended June 30,	<u>Discretely Presented Component Unit Debt</u>	
	<u>Notes Payable to Vendor</u>	
	<u>Principal</u>	<u>Interest</u>
2014	<u>\$ 72,031</u>	<u>\$ 1,508</u>
Total	<u><u>\$ 72,031</u></u>	<u><u>\$ 1,508</u></u>

Capital Lease Obligations (MRHCA):

The McAlester Regional Health Center Authority is obligated under leases for equipment that are accounted for as capital leases. The following is a schedule by year of future minimum lease payments under the capital leases, including interest at rates of 0.5% to 8.3% together with the present value of the future minimum lease payments as of June 30, 2013:

Year Ended June 30,	<u>Capital Lease Obligations Payable</u>
2014	\$ 485,306
2015	295,503
2016	<u>101,758</u>
Total minimum lease payments	882,567
Less amount representing interest	<u>32,430</u>
Present value of future minimum lease payments	<u><u>\$ 850,137</u></u>

8. Net Position and Fund Balances

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 Position:

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	General Fund	Reserve Fund	Capital Improvement Plan Fund	Dedicated Sales Tax - MPWA	Other Governmental Funds	Total
Fund Balance:						
Restricted For:						
Grant purposes	\$ -	\$ -	\$ -	\$ -	\$ 260	\$ 260
Juvenile programs	-	-	-	-	9,267	9,267
Tourism	-	-	-	-	141,249	141,249
E911	-	-	-	-	1,174,879	1,174,879
Economic development	-	-	-	-	1,060,577	1,060,577
Other	-	-	-	-	55,258	55,258
Police capital outlay	-	-	-	-	80,529	80,529
Cemetery	-	-	-	-	368,674	368,674
Technology improvements	-	-	-	-	15,341	15,341
Emergencies	-	3,628,727	-	-	-	3,628,727
Capital improvements-bond repayment	-	-	800,000	-	-	800,000
Debt Service	-	-	-	1,427,998	1,011,264	2,439,262
Sub-total Restricted	-	3,628,727	800,000	1,427,998	3,917,298	9,774,023
Assigned to:						
Tourism	-	-	-	-	470,792	470,792
Economic development	-	-	-	-	639,461	639,461
Other	-	-	-	-	32,744	32,744
Police capital outlay	-	-	-	-	218	218
Cemetery	-	-	-	-	221	221
Capital improvements	-	-	1,059,396	-	-	1,059,396
Nutrition services	6,143	-	-	-	-	6,143
Sub-total Assigned	6,143	-	1,059,396	-	1,143,436	2,208,975
Unassigned	2,348,271	-	-	-	-	2,348,271
Total Fund Balance	\$ 2,354,414	\$ 3,628,727	\$ 1,859,396	\$ 1,427,998	\$ 5,060,734	\$ 14,331,269

Enterprise Funds:

Restricted For Economic Development	\$ 40,988
Restricted For Street Improvements	7,866,403
Total Enterprise Fund Restrictions	<u>\$ 7,907,391</u>

Restricted Net Position – Governmental Activities

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

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Fund	Restricted By	Amount
Juvenile Fine Fund	State statutes and/or debt indentures	\$ 9,267
State Forfeiture Fund	State statutes and/or debt indentures	3,109
Cemetery Perpetual Care Fund	State statutes and/or debt indentures	368,674
Federal Forfeiture Fund	State statutes and/or debt indentures	50,965
Capital Improvement Plan Fund	State statutes and/or debt indentures	800,000
		<u>\$ 1,232,015</u>
Dedicated Sales Tax - MPWA	External parties (voters)	\$ 1,427,998
E911 Fund	External parties (voters)	1,174,879
Reserve Fund	External parties (voters)	3,628,727
Tourism / SE Expo Fund	External parties (voters)	141,249
Economic Development Fund	External parties (voters)	1,060,577
Gifts & Contributions Fund	External parties (donors)	55,258
Sales Tax - Schools Fund	External parties (voters)	1,011,264
Fire Improvement Grant Fund	External parties (grantors)	260
Police Equipment Fund	External parties (grantors)	26,455
Technology Fund	External parties (voters)	15,341
		<u>\$ 8,542,008</u>

Adoption of New Accounting Principle

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

	<u>Fund Level</u>	<u>Government-Wide</u>
	<u>MPWA</u>	<u>Business-Type Activities</u>
Beginning net position, as previously reported	(\$29,727,451)	(\$26,716,584)
Write-off of unamortized bond issue costs	(1,663,121)	(1,663,121)
Beginning net position, restated	<u>(\$31,390,572)</u>	<u>(\$28,379,705)</u>

In addition, the City adjusted the beginning balances of capital assets and long-term debt in the amount of \$1,131,249 as reflected above in Notes 5 and 7, respectively. These restatements had no impact on beginning net position as of July 1, 2012.

9. Dedicated Tax Revenues and Pledges of Future Revenues

Sales and Use Tax

Sales and use tax revenue represents a 3.50 cents tax on each dollar of taxable sales which is recorded as revenue within the respective funds. Upon receipt, the sales tax is recorded as follows:

- 2 cents is recorded in the General Fund.
- 1 cent recorded in the Dedicated Sales Tax Fund MPWA and then transferred to the McAlester Public Works Authority Fund for the payment of debt service restricted by voter approval.
- ¼ cent recorded in the Sales Tax Schools Fund for the acquisition, construction, equipment and financing of education facilities and the payment of debt service for such purpose restricted by voter approval (effective April 1, 2003).

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- ¼ cent recorded in the Economic Development Fund for economic development and the payment of debt service for such purpose restricted by voter approval (effective April 1, 2003).

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged one and one-half cents (or 42.86%) of future sales tax revenues to repay \$62,046,923 of Series 2002, 2003, 2011, 2012 and 2013 Sales Tax and Utility System Bonds. Proceeds from the bonds provided financing for capital assets, economic development, and school related capital contributions. The 2003A and 2011 bonds are payable solely from pledged sales tax revenues. The 2002, 2012 and 2013 bonds and the 1999 loan are payable from pledged sales tax revenues and further secured by net water, wastewater, and sanitation revenues. The bonds are payable anywhere from 2014 through 2034. The total principal and interest payable for the remainder of the life of these bonds is \$93,321,321, which includes \$17,560,000 of accreted bonds. Pledged sales taxes transferred in the current year were \$4,979,245 (excluding the additional \$3,260,000 sales tax transferred for the refunding) and the net utility revenues were \$2,745,628. Debt service payments of \$3,256,818, excluding accreted interest, for the current fiscal year were 65.4% of the pledged and transferred sales taxes and 42.2% of both pledged and transferred sales taxes and utility revenues.

10. Internal and Interfund Balances and Transfers

Transfers:

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

Transfer From	Transfer To	Amount	Nature of Transfer
General Fund	McAlester Airport Authority	\$ 106,378	Operating transfer
General Fund	Gifts & Contributions Fund	6,801	Transfer of donations
General Fund	Capital Improvement Plan Fund	387,667	Transfer for capital improvements
Capital Improvement Plan Fund	MPWA	324,751	Debt service payments
Dedicated Sales Tax Fund	MPWA - Bond Trustee Acct	6,700,266	Debt payments to trustee bank
Sales Tax - Schools Fund	MPWA - Bond Trustee Acct	647,131	Debt payments to trustee bank
Economic Development Fund	MPWA - Bond Trustee Acct	891,848	Debt payments to trustee bank
Economic Development Fund	MPWA	3,390	Trustee bank fiscal agent fees
MPWA	General Fund	1,743,051	Operating transfer
MPWA	CDBG Grants Fund	6,282	Matching grant monies
MPWA - Bond Trustee Acct	Economic Development Fund	144,886	Reimburse for capital outlay expense
		\$ 10,962,451	
	Transfers	Transfers	Net Transfers/ Internal Activity
	In	Out	
Reconciliation to Fund			
Financial Statements:			
Governmental Funds	\$ 2,288,687	\$ (9,068,232)	\$ (6,779,545)
Enterprise Funds	8,673,764	(1,894,219)	6,779,545
Total Transfers	\$ 10,962,451	\$ (10,962,451)	\$ -
Reconciliation to statement of activities:		Governmental	Business-Type
Net transfers		\$ (6,779,545)	\$ 6,779,545
Reclassification of grant revenue between activities		637,874	(637,874)
Reclassification of capital asset purchases between activities		(1,039,192)	1,039,192
Total Transfers - Internal Activity		\$ (7,180,863)	\$ 7,180,863

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Balances:

Interfund receivables and payables at June 30, 2013, were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Interfund Balance</u>
General Fund	Capital Improvement Plan Fund	\$ 800,000	Bond related issues
General Fund	Fleet Maintenance Fund	21,612	GF share of payroll liability
General Fund	Workers Compensation Fund	462,347	GF share of claims liability
Juvenile Fine Fund	Gifts & Contributions Fund	25,000	Park donation
MPWA	Fleet Maintenance Fund	7,571	GF share of payroll liability
MPWA	Workers Compensation Fund	92,874	GF share of claims liability
		<u>\$ 1,409,404</u>	

	<u>Due From Other Fund</u>	<u>Due To Other Funds</u>	<u>Internal Service Funds Reconciliation</u>	<u>Net Activity/ Internal Balances</u>
Reconciliation to Fund				
Financial Statements:				
Governmental Funds	\$ 825,000	\$ (1,308,959)	\$ 584,404	\$ 100,445
Enterprise Funds	-	(100,445)	-	(100,445)
Total Interfund Balances	<u>\$ 825,000</u>	<u>\$ (1,409,404)</u>	<u>\$ 584,404</u>	<u>\$ -</u>

The City continues to report an interfund receivable/payable in the original amount of \$3,291,826 between the General Fund and the Capital Improvement Plan Fund (MPWA). This interfund receivable/payable is the result of questions raised in a forensic audit dealing with questioned transfers made in prior years from the MPWA to the General Fund. At the current time, the City has developed a schedule of annual reimbursements to be made by the General Fund to the Capital Improvement Plan Fund(MPWA) until the interfund payable is deemed to be satisfied. The current balance of this interfund receivable/payable is \$800,000.

11. 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 as follows:

- General Liability and Physical Property – Purchased commercial insurance with no risk of loss retained.
- Workers’ Compensation – Self- insured up to \$250,000 per occurrence. Additional coverage is maintained with a reinsurance policy up to a \$5,000,000 limit. The reinsurance policy also covers aggregate losses exceeding \$800,000 with a limit of \$1,000,000 during the two year policy period.
- Dental Insurance – Self- insured.
- Employee’s Group Medical – Covered through purchased commercial insurance with no risk of loss retained.
-

Management believes the insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City. There were no significant changes in coverage in the current year and settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

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Claims Liability Analysis

The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standard 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. For workers' compensation, changes in the claims liability for the City from July 1, 2010 to June 30, 2013 are as follows:

	Total Claims Liability
Claims liability, July 1, 2010	\$ 304,113
Claims incurred	397,938
Claims paid	(382,292)
Claims liability, July 1, 2011	319,759
Claims incurred	475,561
Claims paid	(385,821)
Claims liability, June 30, 2012	409,499
Claims incurred	362,992
Claims paid	(217,270)
Claims liability, June 30, 2013	\$ 555,221

12. 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.

Federal and State Award Programs:

The City of McAlester participates in various federal or state grant/loan programs from year to year. In 2013, the City's involvement in federal and state award programs was significant. 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.

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DEQ Consent Order:

The City of McAlester is currently under two Consent Orders from the Oklahoma Department of Environmental Quality related to the water treatment plant; Case No. 07-233 and Case 09-241. Case 07-233 relates to disinfection by-products (dbp's). This work has been completed and the plant is approaching compliance. Compliance was required by July 1, 2013 but DEQ extended the deadline for the engineering report is to be submitted by January 1, 2014. Case 09-241 relates to the discharge from the plant's backwash lagoons. As approved by DEQ, the Lagoon Improvements schedule sets the completion of construction to be by January 2014 and compliance achieved by July 1, 2014.

13. Pension Plan Participation

The City of McAlester participates in three pension or retirement plans:

1. Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. City of McAlester Employee's Retirement System – a single-employer defined benefit plan

City of McAlester Employee's Retirement System Defined Benefit Plan:

The City contributes to the City of McAlester Employees' Retirement System (the "System"), which is a single employer defined benefit pension plan administered by the City of McAlester City Council. All non-union full-time City employees participate in the System. The City's retirement ordinance requires that actuarial valuations be performed annually to determine if the City's fixed contribution rate is adequate to fund the actuarially determined contribution requirement. The System does not issue separate annual financial statements. On June 30, 2013 the Defined Benefit Pension Plan was frozen for all non-uniform active participants.

The following is a summary of funding policies, contribution methods, and benefit provisions:

Year established and governing authority	1995 by City Council Ordinance
Determination of Contribution requirements	Actuarially determined
Employer	22.7% of Payroll (\$931,814 annual required contribution)
Plan members	None required
Funding of administrative costs	Investment earnings
Period required to vest	10 years
Eligibility for distribution	Age 55 with ten years credited service. Annual rate of retirement starts at 5% at age 56.
Provisions for:	
Disability benefits	Yes
Death benefits	Yes

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Annual Required Contributions

Actuarial assumptions:

Valuation date	July 1, 2013
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level Dollar
Amortization period	30 years remaining
Actuarial asset valuation method	5-year weighted average market value, recognizing gains and losses at the rate of 20% per year.
Investment rate of return	7.2%
Projected salary increases	Frozen at this time

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - Disclosures of the System's financial condition are prepared using the accrual basis of accounting. Employer contributions are recognized as System revenues in the period in which employee services are performed.

Method Used to Value Investments - Values of System assets are reported at fair value which approximates market. As of June 30, 2013, the System held no related party investments or individual investments (other than U.S. government and U.S. government guaranteed securities) whose market value exceeds five percent or more of the net position available for benefits.

C. Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation to the Plan for the fiscal year ended June 30, 2013 was as follows:

	<u>2013</u>
Annual pension cost	\$ 922,567
Contributions made	<u>(877,216)</u>
Increase (decrease) in net pension obligation	45,351
Net pension obligation beginning of year	<u>453,219</u>
Net pension obligation end of year	<u>\$ 498,570</u>

D. Trend Information

McAlester Employees' Retirement System			
Fiscal Year	Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
2011	806,226	101.0%	462,795
2012	875,888	101.1%	453,219
2013	922,567	95.1%	498,570

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Funded Status and Funding Progress

As of July 1, 2013, the funded status of the McAlester Employees' Retirement System defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$16,127,470
Actuarial value of plan assets	<u>11,320,333</u>
Overfunded (Unfunded) actuarial accrued liability (UAAL)	<u>\$ (4,807,137)</u>
Funded ratio (actuarial value of plan assets/AAL)	70.2%
Annual covered payroll (active plan members)	\$4,264,310
UAAL as a percentage of covered payroll	112.7%

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.

Firefighter Pension System:

Plan Summary Information. The City of McAlester, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters.

The State made on-behalf payments to the Oklahoma Firefighter's Pension and Retirement System of \$627,540 (or 30.0% of covered payroll).

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414.

Funding Policy. OFPRS plan members are required to contribute 8% of their annual salary to the plan. The City is required by state law to contribute 13% of the members' annual salary. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Police Pension System:

Plan Summary Information. Pursuant to the requirements of Title 11, section 22-102, the City of McAlester participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS).

The State made on-behalf payments to the Oklahoma Police Pension and Retirement System of \$263,426 (or 11.8% of covered payroll).

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

Funding Policy. OPPRS plan members are required to contribute 8% of their annual salary to the plan. The City is required by state law to contribute 13% of the members' annual salary. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Summary of Contributions:

Oklahoma Firefighter's Pension and Retirement System			Oklahoma Police Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2011	269,253	100%	2011	295,100	100%
2012	263,781	100%	2012	282,222	100%
2013	271,937	100%	2013	290,215	100%

14. Subsequent Events

On June 30, 2013 the Defined Benefit Pension Plan was frozen for all non-uniform active participants. On July 1, 2013, the City introduced a Defined Contribution Plan for all non-uniform active participants.

REQUIRED SUPPLEMENTARY INFORMATION

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

	GENERAL FUND (BUDGETARY BASIS)			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 56,607	\$ 381,685	\$ 1,975,485	\$ 1,593,800
Resources (Inflows):				
TAXES:				
Sales tax	8,340,300	7,925,300	7,731,837	(193,463)
Use tax	590,600	654,776	699,017	44,241
Franchise tax	626,000	584,712	523,992	(60,720)
Total Taxes	<u>9,556,900</u>	<u>9,164,788</u>	<u>8,954,846</u>	<u>(209,942)</u>
INTERGOVERNMENTAL:				
Alcoholic beverage tax	122,300	122,300	129,154	6,854
Tobacco/cigarette tax	214,200	214,200	177,428	(36,772)
Gas excise tax	52,400	52,400	33,805	(18,595)
Vehicle tax	124,100	124,100	129,652	5,552
Grant revenue	32,000	192,000	39,893	(152,107)
Total Intergovernmental	<u>545,000</u>	<u>705,000</u>	<u>509,932</u>	<u>(195,068)</u>
CHARGES FOR SERVICES:				
Court costs	251,200	251,200	282,787	31,587
Cemetery opening/closing	29,100	29,100	28,481	(619)
Cemetery fees	19,000	19,000	16,600	(2,400)
Swimming pool revenue	28,500	28,500	22,759	(5,741)
Ambulance revenue	457,900	457,900	421,851	(36,049)
Street cuts	4,000	4,000	3,797	(203)
Recreation fees	6,000	6,000	20,396	14,396
Administrative reimbursement	17,400	17,400	7,000	(10,400)
Oil and gas leases	1,113,200	986,200	1,061,295	75,095
Abatements	13,800	13,800	25,228	11,428
Rental property	600	600	550	(50)
Rental rooms	6,500	6,500	5,305	(1,195)
Burgular alarms	7,500	7,500	9,075	1,575
Complex concessions	14,000	14,000	6,012	(7,988)
Complex rental	14,500	14,500	12,080	(2,420)
Total Charges for Services	<u>1,983,200</u>	<u>1,856,200</u>	<u>1,923,216</u>	<u>67,016</u>
FINES AND FORFEITURES	<u>661,200</u>	<u>661,200</u>	<u>620,897</u>	<u>(40,303)</u>
LICENSES AND PERMITS	<u>86,000</u>	<u>86,000</u>	<u>111,896</u>	<u>25,896</u>
INVESTMENT INCOME	<u>52,000</u>	<u>52,000</u>	<u>27,728</u>	<u>(24,272)</u>
MISCELLANEOUS:				
Auctions	20,500	20,500	24,030	3,530
Hay sales	800	800	8,108	7,308
Vendors	500	500	700	200
Cemetery lots	12,500	12,500	22,116	9,616
Demolitions	500	500	4,450	3,950
Court admin fee	3,000	3,000	2,970	(30)
Miscellaneous	33,000	33,000	9,094	(23,906)
Credit card payment fees	6,800	6,800	8,359	1,559
Restitution reimbursements	5,500	5,500	5,541	41
Reimbursements	22,400	22,400	49,533	27,133
Total Miscellaneous	<u>105,500</u>	<u>105,500</u>	<u>134,901</u>	<u>29,401</u>
OTHER FINANCING SOURCES:				
Transfers from other funds	1,808,645	1,743,051	1,743,051	-
Total Other Financing Sources	<u>1,808,645</u>	<u>1,743,051</u>	<u>1,743,051</u>	<u>-</u>
Amounts available for appropriation	<u>14,855,052</u>	<u>14,755,424</u>	<u>16,001,952</u>	<u>1,246,528</u>

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(Continued)

GENERAL FUND (BUDGETARY BASIS)				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
LEGISLATURE:				
Mayor and Council:				
Personal services	4,845	4,845	4,845	-
Materials and supplies	7,000	1,350	798	552
Other services and charges	141,135	139,135	111,978	27,157
TOTAL LEGISLATURE	152,980	145,330	117,621	27,709
ADMINISTRATION:				
City Manager:				
Personal services	207,771	209,448	207,590	1,858
Materials and supplies	2,600	2,600	2,116	484
Other services and charges	48,600	108,100	90,358	17,742
Capital outlay	25,000	12,446	12,445	1
Total City Manager	283,971	332,594	312,509	20,085
Finance:				
Personal services	277,217	249,369	248,907	462
Materials and supplies	6,300	5,300	5,137	163
Other services and charges	9,600	6,597	2,353	4,244
Total Finance	293,117	261,266	256,397	4,869
City Clerk:				
Personal services	100,129	94,325	92,607	1,718
Materials and supplies	1,400	1,100	959	141
Other services and charges	14,350	13,262	12,974	288
Total City Clerk	115,879	108,687	106,540	2,147
City Attorney:				
Personal services	22,834	22,836	22,832	4
Materials and supplies	200	200	54	146
Other services and charges	91,200	136,200	108,289	27,911
Total City Attorney	114,234	159,236	131,175	28,061
Court:				
Personal services	152,746	152,656	148,435	4,221
Materials and supplies	5,000	4,000	2,575	1,425
Other services and charges	16,500	16,321	14,063	2,258
Total Court	174,246	172,977	165,073	7,904
Interdepartmental:				
Personal services	236,000	-	-	-
Materials and supplies	41,000	7,184	7,068	116
Other services and charges	1,209,631	707,811	644,613	63,198
Total Interdepartmental	1,486,631	714,995	651,681	63,314
Information Services:				
Personal services	68,647	69,402	68,601	801
Materials and supplies	4,650	3,812	3,253	559
Other services and charges	45,400	51,577	45,890	5,687
Capital outlay	24,000	15,000	14,573	427
Total Information Services	142,697	139,791	132,317	7,474

(Continued)

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(Continued)

	GENERAL FUND (BUDGETARY BASIS)			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
ADMINISTRATION, (Continued):				
CID:				
Personal services	599,091	604,973	586,781	18,192
Materials and supplies	9,900	9,900	5,883	4,017
Other services and charges	5,000	5,018	2,517	2,501
Total CID	<u>613,991</u>	<u>619,891</u>	<u>595,181</u>	<u>24,710</u>
TOTAL ADMINISTRATION	<u>3,224,766</u>	<u>2,509,437</u>	<u>2,350,873</u>	<u>158,564</u>
PUBLIC SAFETY:				
Patrol:				
Personal services	2,617,183	2,636,592	2,572,796	63,796
Materials and supplies	189,060	172,738	160,595	12,143
Other services and charges	61,750	178,680	141,803	36,877
Capital outlay	6,000	-	-	-
Debt service	62,220	132,964	127,778	5,186
Total Patrol	<u>2,936,213</u>	<u>3,120,974</u>	<u>3,002,972</u>	<u>118,002</u>
Animal Control:				
Personal services	75,348	62,740	53,784	8,956
Materials and supplies	9,800	10,177	7,216	2,961
Other services and charges	2,500	8,973	7,473	1,500
Capital outlay	-	24,000	16,276	7,724
Total Animal Control	<u>87,648</u>	<u>105,890</u>	<u>84,749</u>	<u>21,141</u>
Communications:				
Personal services	159,991	149,903	138,679	11,224
Materials and supplies	2,500	2,500	1,590	910
Other services and charges	2,500	2,500	479	2,021
Total Communications	<u>164,991</u>	<u>154,903</u>	<u>140,748</u>	<u>14,155</u>
Fire:				
Personal services	2,562,688	2,912,424	2,887,382	25,042
Materials and supplies	67,900	74,790	64,602	10,188
Other services and charges	58,300	99,356	87,730	11,626
Debt service	22,664	44,376	44,375	1
Total Fire	<u>2,711,552</u>	<u>3,130,946</u>	<u>3,084,089</u>	<u>46,857</u>
EMS:				
Materials and supplies	53,500	53,569	43,553	10,016
Other services and charges	50,800	53,700	48,991	4,709
Total EMS	<u>104,300</u>	<u>107,269</u>	<u>92,544</u>	<u>14,725</u>
TOTAL PUBLIC SAFETY	<u>6,004,704</u>	<u>6,619,982</u>	<u>6,405,102</u>	<u>214,880</u>
COMMUNITY SERVICES:				
Parks:				
Personal services	674,385	740,081	719,073	21,008
Materials and supplies	118,850	119,199	107,516	11,683
Other services and charges	56,000	112,001	98,050	13,951
Total Parks	<u>849,235</u>	<u>971,281</u>	<u>924,639</u>	<u>46,642</u>
Swimming Pools:				
Personal services	89,037	92,153	85,193	6,960
Materials and supplies	42,000	52,389	49,617	2,772
Other services and charges	7,000	7,000	6,995	5
Total Swimming Pools	<u>138,037</u>	<u>151,542</u>	<u>141,805</u>	<u>9,737</u>

(Continued)

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(Continued)

	GENERAL FUND (BUDGETARY BASIS)			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
COMMUNITY SERVICES, (Continued):				
Recreation:				
Personal services	187,552	188,961	176,317	12,644
Materials and supplies	25,950	22,434	18,934	3,500
Other services and charges	22,100	34,329	29,278	5,051
Capital outlay	-	3,399	3,399	-
Total Recreation	235,602	249,123	227,928	21,195
Cemetery:				
Personal services	307,345	308,046	305,981	2,065
Materials and supplies	30,050	29,624	25,569	4,055
Other services and charges	2,915	18,496	18,245	251
Capital outlay	-	79,640	79,640	-
Total Cemetery	340,310	435,806	429,435	6,371
Facility Maintenance:				
Personal services	189,432	192,157	183,656	8,501
Materials and supplies	66,750	62,988	35,892	27,096
Other services and charges	34,800	52,707	51,053	1,654
Total Facility Maintenance	290,982	307,852	270,601	37,251
TOTAL COMMUNITY SERVICES	1,854,166	2,115,604	1,994,408	121,196
ADMINISTRATIVE SERVICES:				
Planning & Community Development:				
Personal services	362,138	278,818	273,529	5,289
Materials and supplies	7,400	8,783	6,848	1,935
Other services and charges	87,600	91,507	48,532	42,975
Capital outlay	-	225,118	-	225,118
Total Planning & Community Development	457,138	604,226	328,909	275,317
Human Resources/Risk Management:				
Personal services	181,467	183,458	182,823	635
Materials and supplies	43,850	43,850	31,669	12,181
Other services and charges	31,800	27,144	16,504	10,640
Total Human Resources/Risk Management	257,117	254,452	230,996	23,456
TOTAL ADMINISTRATIVE SERVICES	714,255	858,678	559,905	298,773
PUBLIC WORKS:				
Streets:				
Personal services	650,554	612,126	585,700	26,426
Materials and supplies	432,438	385,136	341,321	43,815
Other services and charges	2,510	109,023	108,887	136
Capital outlay	625,000	625,000	83,602	541,398
Total Streets	1,710,502	1,731,285	1,119,510	611,775
TOTAL PUBLIC WORKS	1,710,502	1,731,285	1,119,510	611,775
OTHER FINANCING USES:				
Transfers to other funds	1,193,679	775,108	742,658	32,450
Total Charges to Appropriations	14,855,052	14,755,424	13,290,077	1,465,347
Ending Budgetary Fund Balance	\$ -	\$ -	\$ 2,711,875	\$ 2,711,875

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	SPECIAL REVENUE - RESERVE FUND (Budgetary Basis)			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 3,607,037	\$ 3,607,037
Resources (Inflows):				
Investment income	24,000	24,000	21,690	(2,310)
Amounts available for appropriation	<u>24,000</u>	<u>24,000</u>	<u>3,628,727</u>	<u>3,604,727</u>
Charges to appropriations (outflows):				
Transfers out	-	-	-	-
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Budgetary Fund Balance	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>\$ 3,628,727</u>	<u>\$ 3,604,727</u>

Footnotes to Budgetary Comparison Schedules:

- The City prepares its budgets for all funds on the cash basis of accounting for all revenues except for those that are billed by the City (i.e., misc receivables and utility receivables). The modified accrual basis of accounting is used for budgeting of expenditures with the exception of the net effect of certain year-end payroll accruals and outstanding encumbrances related to capital items. The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Encumbrances outstanding and their related appropriations are lapsed at year end and are re-appropriated and re-encumbered in the subsequent fiscal year.
- 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, subject to a dollar limitation of \$25,000. All transfers of appropriation above this limitation and all supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.
- The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	<u>General Fund</u>
Sources/Inflows of resources	
Actual amounts (budgetary basis) “available appropriation” from the budgetary comparison schedule	\$16,001,952
Differences – budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(1,975,485)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,743,051)
The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted.	890,967
The City reports the Nutrition Account as part of the General Fund in the fund financial statements, but are not included in the budget to actual.	41,896

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The City reports grant revenue for assets contributed by grantors in the General Fund in the fund financial statements, but are not budgeted.	7,900
The City budgets for revenues on the modified cash basis of accounting, rather than on the modified accrual basis.	<u>(46,642)</u>
 Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	 <u>\$13,177,537</u>
 Uses/Outflows of resources	
Actual amounts (budgetary basis) “total charges to appropriations” from the budgetary comparison schedule	\$13,290,077
 Differences – budget to GAAP:	
The City budgets for payroll and miscellaneous accrued liabilities on the modified cash basis, rather than on the modified accrual basis.	23,906
The City reports internal service activity as expenses in the General Fund in the fund financial statements, but are budgeted as transfers.	246,593
The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted.	890,967
The City reports the Nutrition Account as part of the General Fund in the fund financial statements, but are not included in the budget to actual.	282,311
The City reports capital outlay for assets contributed by grantors in the General Fund in the fund financial statements, but are not budgeted.	7,900
Transfers to other funds and component units are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(742,658)</u>
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	 <u>\$13,999,096</u>
	 <u>Reserve Fund</u>
 Sources/Inflows of resources	
Actual amounts (budgetary basis) “available appropriation” from the budgetary comparison schedule	\$3,628,727
 Differences – budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(3,607,037)</u>
 Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	 <u>\$21,690</u>

4. For the year ended June 30, 2013, the City complied, in all material respects, with the applicable budget laws.

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Trend Schedule of Pension Plan Funding Progress – McAlester Employees’ Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (AUUL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2004	7,756,230	9,041,242	1,285,012	85.8%	4,684,360	27.4%
7/1/2005	7,832,545	9,483,292	1,650,747	82.6%	4,555,872	36.2%
7/1/2006	8,201,138	10,499,055	2,297,917	78.1%	4,071,060	56.4%
7/1/2007	8,777,906	11,058,765	2,280,859	79.4%	4,523,484	50.4%
7/1/2008	9,233,904	11,532,207	2,298,303	80.1%	4,082,914	56.3%
7/1/2009	9,779,352	13,164,083	3,384,731	74.3%	4,326,276	78.2%
7/1/2010	9,990,470	14,807,371	4,816,901	67.5%	4,274,311	112.7%
7/1/2011	10,503,533	15,986,289	5,482,756	65.7%	4,037,185	135.8%
7/1/2012	10,763,608	16,807,499	6,043,891	64.0%	4,108,795	147.1%
7/1/2013	11,320,333	16,127,470	4,807,137	70.2%	4,264,310	112.7%

Trend Schedule of Employer Contributions

McAlester Employees' Retirement System			
Fiscal Year	Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
2004	448,502	98.6%	41,837
2005	441,700	0.6%	480,720
2006	473,699	101%	470,216
2007	516,115	81%	569,651
2008	533,593	99.5%	572,508
2009	518,694	116.3%	487,961
2010	657,455	102.6%	470,753
2011	806,226	101.0%	462,795
2012	875,888	101.1%	453,219
2013	922,567	95.1%	498,570

OTHER SUPPLEMENTARY INFORMATION

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Combining Balance Sheet, General Fund Accounts – June 30, 2013

	General Fund	Nutrition Account	Total General Fund
ASSETS:			
Cash and cash equivalents	\$ 2,896,211	\$ 8,336	\$ 2,904,547
Receivables:			
Due from other governments	1,087,912	4,500	1,092,412
Franchise tax receivable	89,579	-	89,579
Court fines receivable, net of allowance	1,158,534	-	1,158,534
Ambulance receivable, net of allowance	65,103	-	65,103
Prepaid expenses	12,266	-	12,266
Other receivables, net of allowance	11,618	-	11,618
 Total assets	\$ 5,321,223	\$ 12,836	\$ 5,334,059
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 214,735	\$ 1,378	\$ 216,113
Accrued payroll liabilities	343,665	5,315	348,980
Due to other funds	1,283,959	-	1,283,959
Unearned revenue	7,632	-	7,632
 Total liabilities	1,849,991	6,693	1,856,684
Deferred inflows of resources:			
Deferred revenue	1,122,961	-	1,122,961
Fund Balances:			
Assigned	-	6,143	6,143
Unassigned	2,348,271	-	2,348,271
 Total fund balances	2,348,271	6,143	2,354,414
 Total liabilities and fund balances	\$ 5,321,223	\$ 12,836	\$ 5,334,059

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As of and for the Year Ended June 30, 2013

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

	<u>General Fund</u>	<u>Nutrition Account</u>	<u>Total General Fund</u>
Revenues:			
Taxes	\$ 8,892,256	\$ -	\$ 8,892,256
Intergovernmental	1,396,932	41,896	1,438,828
Charges for services	1,953,225	-	1,953,225
Fines and forfeitures	610,803	-	610,803
Licenses and permits	111,896	-	111,896
Investment income	27,728	-	27,728
Miscellaneous	142,801	-	142,801
 Total Revenues	 <u>13,135,641</u>	 <u>41,896</u>	 <u>13,177,537</u>
Expenditures:			
Current:			
Legislature	117,769	-	117,769
Administration	2,333,996	-	2,333,996
Public safety	7,219,079	-	7,219,079
Community services	2,004,036	-	2,004,036
Administration services	560,495	-	560,495
Health and welfare	-	282,311	282,311
Public works	1,064,904	-	1,064,904
Capital outlay	244,353	-	244,353
Debt service:			
Principal retirement	165,683	-	165,683
Interest and fiscal charges	6,470	-	6,470
 Total Expenditures	 <u>13,716,785</u>	 <u>282,311</u>	 <u>13,999,096</u>
 Excess (deficiency) of revenues over expenditures	 (581,144)	 (240,415)	 (821,559)
Other Financing Sources (Uses):			
Transfers in	1,743,051	-	1,743,051
Transfers out	(500,846)	-	(500,846)
Interaccount transfers	(241,812)	241,812	-
 Total Other Financing Sources (Uses)	 <u>1,000,393</u>	 <u>241,812</u>	 <u>1,242,205</u>
 Net change in fund balances	 419,249	 1,397	 420,646
 Fund balances - beginning	 1,929,022	 4,746	 1,933,768
 Fund balances - ending	 <u>\$ 2,348,271</u>	 <u>\$ 6,143</u>	 <u>\$ 2,354,414</u>

**CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Combining Balance Sheet, Nonmajor Governmental Funds – June 30, 2013

	SPECIAL REVENUE FUNDS				
	JUVENILE FINE FUND	TOURISM/ SE EXPO FUND	E-911 FUND	ECONOMIC DEVELOPMENT FUND	GIFTS & CONTRIBUTIONS FUND
<u>ASSETS</u>					
Cash and cash equivalents	\$ 34,267	\$ 603,382	\$ 1,131,190	\$ 533,288	\$ 63,002
Investments	-	-	-	541,594	-
Receivables:					
Due from other funds	-	-	-	-	25,000
Due from other governments	-	41,459	-	119,384	-
Notes receivable	-	-	-	553,044	-
Other receivable	-	-	55,938	-	-
Total Assets	<u>\$ 34,267</u>	<u>\$ 644,841</u>	<u>\$ 1,187,128</u>	<u>\$ 1,747,310</u>	<u>\$ 88,002</u>
<u>LIABILITIES</u>					
Accounts payable and accrued liabilities	\$ -	\$ 27,514	\$ 3,533	\$ 47,272	\$ -
Accrued payroll liabilities	-	5,286	8,716	-	-
Due to other funds	25,000	-	-	-	-
Total Liabilities	<u>25,000</u>	<u>32,800</u>	<u>12,249</u>	<u>47,272</u>	<u>-</u>
<u>FUND EQUITY</u>					
Fund Balance:					
Restricted	9,267	141,249	1,174,879	1,060,577	55,258
Assigned	-	470,792	-	639,461	32,744
Total fund balances	<u>9,267</u>	<u>612,041</u>	<u>1,174,879</u>	<u>1,700,038</u>	<u>88,002</u>
Total Liabilities and Fund Balances	<u>\$ 34,267</u>	<u>\$ 644,841</u>	<u>\$ 1,187,128</u>	<u>\$ 1,747,310</u>	<u>\$ 88,002</u>

(Continued)

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

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

	CAPITAL PROJECT FUNDS				
	POLICE EQUIPMENT FUND	STATE FORFEITURE FUND	CEMETERY PERPETUAL CARE FUND	CDBG GRANTS FUND	FEDERAL FORFEITURE FUND
<u>ASSETS</u>					
Cash and cash equivalents	\$ 26,455	\$ 3,327	\$ 368,895	\$ -	\$ 84,325
Investments	-	-	-	-	-
Receivables:					
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Notes receivable	-	-	-	-	-
Other receivable	-	-	-	-	-
Total Assets	<u>\$ 26,455</u>	<u>\$ 3,327</u>	<u>\$ 368,895</u>	<u>\$ -</u>	<u>\$ 84,325</u>
<u>LIABILITIES</u>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 33,360
Accrued payroll liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,360</u>
<u>FUND EQUITY</u>					
Fund Balance:					
Restricted	26,455	3,109	368,674	-	50,965
Assigned	-	218	221	-	-
Total fund balances	<u>26,455</u>	<u>3,327</u>	<u>368,895</u>	<u>-</u>	<u>50,965</u>
Total Liabilities and Fund Balances	<u>\$ 26,455</u>	<u>\$ 3,327</u>	<u>\$ 368,895</u>	<u>\$ -</u>	<u>\$ 84,325</u>

(Continued)

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

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

	<u>CAPITAL PROJECT FUNDS</u>		<u>DEBT SERVICE FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>FIRE IMPROVEMENT GRANT FUND</u>	<u>TECHNOLOGY FUND</u>	<u>SALES TAX - SCHOOLS FUND</u>	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 260	\$ 15,341	\$ 891,880	\$ 3,755,612
Investments	-	-	-	541,594
Receivables:				
Due from other funds	-	-	-	25,000
Due from other governments	-	-	119,384	280,227
Notes receivable	-	-	-	553,044
Other receivable	-	-	-	55,938
Total Assets	<u>\$ 260</u>	<u>\$ 15,341</u>	<u>\$ 1,011,264</u>	<u>\$ 5,211,415</u>
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 111,679
Accrued payroll liabilities	-	-	-	14,002
Due to other funds	-	-	-	25,000
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,681</u>
<u>FUND EQUITY</u>				
Fund Balance:				
Restricted	260	15,341	1,011,264	3,917,298
Assigned	-	-	-	1,143,436
Total fund balances	<u>260</u>	<u>15,341</u>	<u>1,011,264</u>	<u>5,060,734</u>
Total Liabilities and Fund Balances	<u>\$ 260</u>	<u>\$ 15,341</u>	<u>\$ 1,011,264</u>	<u>\$ 5,211,415</u>

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

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Nonmajor Governmental Funds – Year Ended June 30, 2013

	SPECIAL REVENUE FUNDS				
	JUVENILE FINE FUND	TOURISM/ SE EXPO FUND	E-911 FUND	ECONOMIC DEVELOPMENT FUND	GIFTS & CONTRIBUTIONS FUND
Revenues:					
Taxes	\$ -	\$ 471,081	\$ 668,209	\$ 952,884	\$ -
Intergovernmental	-	-	61,559	273,000	-
Charges for services	25,502	129,736	-	-	-
Investment income	-	-	6,832	7,913	5
Miscellaneous	-	-	-	11,250	74,190
Total Revenues	25,502	600,817	736,600	1,245,047	74,195
Expenditures:					
Current:					
Administration	-	-	-	-	18,937
Public safety	27,976	-	542,383	-	-
Community services	-	-	-	-	-
Administrative services	-	537,409	-	-	-
Economic development	-	-	-	313,870	-
Capital outlay	-	-	151,958	668,989	6,801
Total Expenditures	27,976	537,409	694,341	982,859	25,738
Excess (deficiency) of revenues over expenditures	(2,474)	63,408	42,259	262,188	48,457
Other Financing Sources (Uses):					
Transfers in	-	-	-	144,886	6,801
Transfers out	-	-	-	(895,238)	-
Total Other Financing Sources (Uses)	-	-	-	(750,352)	6,801
Net change in fund balances	(2,474)	63,408	42,259	(488,164)	55,258
Fund balances - beginning	11,741	548,633	1,132,620	2,188,202	32,744
Fund balances - ending	\$ 9,267	\$ 612,041	\$ 1,174,879	\$ 1,700,038	\$ 88,002

(Continued)

CITY OF MCALESTER, OKLAHOMA
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As of and for the Year Ended June 30, 2013

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Nonmajor Governmental Funds – Year Ended June 30, 2013 (Continued)

	CAPITAL PROJECT FUNDS				
	POLICE EQUIPMENT FUND	STATE FORFEITURE FUND	CEMETERY PERPETUAL CARE FUND	CDBG GRANTS FUND	FEDERAL FORFEITURE FUND
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	23,500	900	-	73,874	66,544
Charges for services	-	-	7,278	-	-
Investment income	-	218	221	-	549
Miscellaneous	-	-	-	-	-
Total Revenues	23,500	1,118	7,499	73,874	67,093
Expenditures:					
Current:					
Administration	-	-	-	-	-
Public safety	-	-	-	-	-
Community services	-	-	-	-	-
Administrative services	-	-	-	-	-
Economic development	-	-	-	-	-
Capital outlay	-	-	-	150,540	70,281
Total Expenditures	-	-	-	150,540	70,281
Excess (deficiency) of revenues over expenditures	23,500	1,118	7,499	(76,666)	(3,188)
Other Financing Sources (Uses):					
Transfers in	-	-	-	6,282	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	6,282	-
Net change in fund balances	23,500	1,118	7,499	(70,384)	(3,188)
Fund balances - beginning	2,955	2,209	361,396	70,384	54,153
Fund balances - ending	\$ 26,455	\$ 3,327	\$ 368,895	\$ -	\$ 50,965

(Continued)

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

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Nonmajor Governmental Funds – Year Ended June 30, 2013 (Continued)

	<u>CAPITAL PROJECT FUNDS</u>		<u>DEBT SERVICE FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>FIRE IMPROVEMENT GRANT FUND</u>	<u>TECHNOLOGY FUND</u>	<u>SALES TAX - SCHOOLS FUND</u>	
Revenues:				
Taxes	\$ -	\$ -	\$ 952,884	\$ 3,045,058
Intergovernmental	71,250	-	-	570,627
Charges for services	-	15,341	-	177,857
Investment income	-	-	6,641	22,379
Miscellaneous	-	-	-	85,440
Total Revenues	71,250	15,341	959,525	3,901,361
Expenditures:				
Current:				
Administration	-	-	-	18,937
Public safety	-	-	-	570,359
Community services	-	-	370,000	370,000
Administrative services	-	-	-	537,409
Economic development	-	-	-	313,870
Capital outlay	74,740	-	-	1,123,309
Total Expenditures	74,740	-	370,000	2,933,884
Excess (deficiency) of revenues over expenditures	(3,490)	15,341	589,525	967,477
Other Financing Sources (Uses):				
Transfers in	-	-	-	157,969
Transfers out	-	-	(647,131)	(1,542,369)
Total Other Financing Sources (Uses)	-	-	(647,131)	(1,384,400)
Net change in fund balances	(3,490)	15,341	(57,606)	(416,923)
Fund balances - beginning	3,750	-	1,068,870	5,477,657
Fund balances - ending	<u>\$ 260</u>	<u>\$ 15,341</u>	<u>\$ 1,011,264</u>	<u>\$ 5,060,734</u>

CITY OF MCALESTER, OKLAHOMA
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As of and for the Year Ended June 30, 2013

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

	Enterprise Fund - MPWA			Total
	McAlester Public Works Authority Operating Account	Landfill Reserve Account	Bond Trustee Account	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 1,001,487	\$ 866,256	\$ -	\$ 1,867,743
Restricted cash and cash equivalents	960,384	-	10,120,535	11,080,919
Restricted interest receivable	-	-	57	57
Accounts receivable, net of allowance	1,509,634	26,757	-	1,536,391
Total current assets	3,471,505	893,013	10,120,592	14,485,110
Noncurrent Assets:				
Restricted Assets:				
Cash and cash equivalents	-	-	4,140,501	4,140,501
Investment in joint venture	1,668,799	-	-	1,668,799
Capital assets:				
Land and other non-depreciable assets	2,356,471	-	-	2,356,471
Other capital assets, net of depreciation	21,628,085	-	-	21,628,085
Total noncurrent assets	25,653,355	-	4,140,501	29,793,856
Total Assets	29,124,860	893,013	14,261,093	44,278,966
DEFERRED OUTFLOWS OF RESOURCES:				
Unamortized loss on refunding	1,118,150	-	-	1,118,150
LIABILITIES:				
Current Liabilities:				
Accounts payable	455,052	8,724	-	463,776
Accrued payroll liabilities	55,151	-	-	55,151
Due to other funds	100,445	-	-	100,445
Escrow deposit liability	510,891	-	-	510,891
Interest payable	852,281	-	-	852,281
Unearned revenue	53,729	-	-	53,729
Landfill closure and postclosure liability	362,253	-	-	362,253
Due to depositors	89,899	-	-	89,899
Notes payable	114,560	-	-	114,560
Contract obligation	188,542	-	-	188,542
Water rights contract obligation	26,629	-	-	26,629
Revenue bonds payable, net	3,170,000	-	-	3,170,000
Accrued compensated absences	25,508	-	-	25,508
Total current liabilities	6,004,940	8,724	-	6,013,664
Noncurrent Liabilities:				
Landfill closure and post-closure liability	3,260,278	-	-	3,260,278
Due to depositors	359,594	-	-	359,594
Net pension benefit obligation	113,457	-	-	113,457
Notes payable	195,369	-	-	195,369
Contract obligation	754,165	-	-	754,165
Water rights contract obligation	174,958	-	-	174,958
Revenue bonds payable, net	58,724,049	-	-	58,724,049
Accrued compensated absences	229,570	-	-	229,570
Total noncurrent liabilities	63,811,440	-	-	63,811,440
Total liabilities	69,816,380	8,724	-	69,825,104
NET POSITION:				
Net investment in capital assets	22,530,333	-	-	22,530,333
Restricted for debt service	(6,353,702)	-	6,353,702	-
Restricted for street improvements	-	-	7,866,403	7,866,403
Restricted for economic development	-	-	40,988	40,988
Unrestricted (deficit)	(55,750,001)	884,289	-	(54,865,712)
Total net position	\$ (39,573,370)	\$ 884,289	\$ 14,261,093	\$ (24,427,988)

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

	Enterprise Fund - MPWA			Total
	McAlester Public Works Authority Operating Account	Landfill Reserve Account	Bond Trustee Account	
Operating Revenues:				
Charges for services:				
Water	\$ 3,349,916	\$ -	\$ -	\$ 3,349,916
Sewer	1,726,163	-	-	1,726,163
Sanitation	2,720,069	-	-	2,720,069
Water taps	14,945	-	-	14,945
Sewer taps	19,600	-	-	19,600
Water districts	1,116,713	-	-	1,116,713
Service charges	78,511	-	-	78,511
Landfill	22,228	-	-	22,228
Roll-off garbage	49,626	-	-	49,626
Penalties	135,432	8,814	-	144,246
Recycle fees	35,310	-	-	35,310
Subtitle "D" fees	-	347,732	-	347,732
Total operating revenues	<u>9,268,513</u>	<u>356,546</u>	<u>-</u>	<u>9,625,059</u>
Operating Expenses:				
Utility office	473,573	-	-	473,573
Interdepartmental	568,970	-	-	568,970
Sanitation	1,883,312	-	-	1,883,312
Engineering	439,040	-	-	439,040
Sewer	764,967	-	-	764,967
Water	954,276	-	-	954,276
Utility maintenance	1,118,996	-	-	1,118,996
Landfill	474,414	77,594	-	552,008
Utilities Administration	124,289	-	-	124,289
Depreciation expense	1,149,164	-	-	1,149,164
Total operating expenses	<u>7,951,001</u>	<u>77,594</u>	<u>-</u>	<u>8,028,595</u>
Operating income	1,317,512	278,952	-	1,596,464
Non-Operating Revenues (Expenses):				
Investment income	11,571	4,821	308	16,700
Interest expense and fiscal charges	(1,695,047)	-	-	(1,695,047)
Bond issuance costs	-	-	(676,508)	(676,508)
Miscellaneous revenue	115,188	-	-	115,188
Gain on sale of assets	17,141	-	-	17,141
Gain (loss) on joint venture	(123,713)	-	-	(123,713)
Total non-operating revenues (expenses)	<u>(1,674,860)</u>	<u>4,821</u>	<u>(676,200)</u>	<u>(2,346,239)</u>
Net income (loss) before contributions and transfers	(357,348)	283,773	(676,200)	(749,775)
Contributed capital revenue	1,039,192	-	-	1,039,192
Interaccount transfers	(3,848,642)	(17,102)	3,865,744	-
Transfers in	328,141	-	8,239,245	8,567,386
Transfer out	(1,749,333)	-	(144,886)	(1,894,219)
Change in net position	(4,587,990)	266,671	11,283,903	6,962,584
Total net position - beginning, restated	(34,985,380)	617,618	2,977,190	(31,390,572)
Total net position - ending	<u>\$ (39,573,370)</u>	<u>\$ 884,289</u>	<u>\$14,261,093</u>	<u>\$ (24,427,988)</u>

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

	McAlester Airport Authority			Total
	McAlester Airport Authority Operating Account	Airport Grant Account	Airport Hangar Account	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 62,824	\$ 38,858	\$ 36,760	\$ 138,442
Accounts receivable, net of allowance	12,964	-	-	12,964
Total current assets	<u>75,788</u>	<u>38,858</u>	<u>36,760</u>	<u>151,406</u>
Noncurrent Assets:				
Capital assets:				
Land and other non-depreciable assets	344,460	-	-	344,460
Other capital assets, net of depreciation	2,738,866	-	-	2,738,866
Total noncurrent assets	<u>3,083,326</u>	<u>-</u>	<u>-</u>	<u>3,083,326</u>
Total Assets	<u>3,159,114</u>	<u>38,858</u>	<u>36,760</u>	<u>3,234,732</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	1,706	-	-	1,706
Accrued payroll liabilities	3,369	-	-	3,369
Interest payable	513	-	-	513
Notes payable	17,545	-	-	17,545
Accrued compensated absences	2,050	-	-	2,050
Total current liabilities	<u>25,183</u>	<u>-</u>	<u>-</u>	<u>25,183</u>
Noncurrent Liabilities:				
Net pension benefit obligation	4,203	-	-	4,203
Notes payable	286,209	-	-	286,209
Accrued compensated absences	18,449	-	-	18,449
Total noncurrent liabilities	<u>308,861</u>	<u>-</u>	<u>-</u>	<u>308,861</u>
Total liabilities	<u>334,044</u>	<u>-</u>	<u>-</u>	<u>334,044</u>
NET POSITION:				
Net investment in capital assets	2,779,572	-	-	2,779,572
Unrestricted	45,498	38,858	36,760	121,116
Total net position	<u>\$ 2,825,070</u>	<u>\$ 38,858</u>	<u>\$ 36,760</u>	<u>\$ 2,900,688</u>

CITY OF MCALESTER, OKLAHOMA
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Combining Schedule of Revenues, Expenses, and Changes in Net Position, MAA Accounts – Year Ended June 30, 2013

	McAlester Airport Authority			Total
	McAlester Airport Authority Operating Account	Airport Grant Account	Airport Hangar Account	
Operating Revenues:				
Rents and fees	\$ 94,250	\$ -	\$ -	\$ 94,250
Total operating revenues	<u>94,250</u>	<u>-</u>	<u>-</u>	<u>94,250</u>
Operating Expenses:				
Airport	167,409	-	-	167,409
Depreciation expense	141,753	-	-	141,753
Total operating expenses	<u>309,162</u>	<u>-</u>	<u>-</u>	<u>309,162</u>
Net income (loss) before contributions and transfers	(214,912)	-	-	(214,912)
Interest expense	(13,224)	-	-	(13,224)
Miscellaneous	1,201	-	-	1,201
Contributed capital revenue	-	10,378	-	10,378
Interaccount transfers	10,924	(10,924)	-	-
Transfers in	106,378	-	-	106,378
Change in net position	(109,633)	(546)	-	(110,179)
Total net position - beginning	2,934,703	39,404	36,760	3,010,867
Total net position - ending	<u>\$ 2,825,070</u>	<u>\$ 38,858</u>	<u>\$ 36,760</u>	<u>\$ 2,900,688</u>

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

	Internal Service Funds		
	Worker's Compensation Fund	FLEET Maintenance Fund	Total
	Fund	Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 942	\$ 17,025	\$ 17,967
Due from other funds	555,221	29,183	584,404
Total assets	556,163	46,208	602,371
LIABILITIES:			
Current Liabilities:			
Accounts payable	942	17,025	17,967
Accrued payroll liabilities	-	6,538	6,538
Estimated liability for claims	555,221	-	555,221
Accrued compensated absences - current	-	2,265	2,265
Accrued compensated absences - noncurrent	-	20,380	20,380
Total liabilities	556,163	46,208	602,371
NET POSITION:			
Unrestricted	-	-	-
Total net position	\$ -	\$ -	\$ -

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

	Internal Service Funds		
	Worker's Compensation Fund	FLEET Maintenance Fund	Total
	Fund	Fund	Total
Operating Revenues:			
Charges for services:			
Self insurance charges	\$ 361,838	\$ 607,965	\$ 969,803
Miscellaneous	1,154	45	1,199
Total operating revenues	362,992	608,010	971,002
Operating Expenses:			
Claims expense	362,992	-	362,992
FLEET maintenance expenses	-	608,010	608,010
Total operating expenses	362,992	608,010	971,002
Operating income	-	-	-
Total net position - beginning	-	-	-
Total net position - ending	\$ -	\$ -	\$ -

**CITY OF MCALESTER, OKLAHOMA
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Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2013

SPECIAL REVENUE - JUVENILE FINE FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 1,335	\$ 11,741	\$ 10,406
Resources (Inflows):				
Charges for services	26,000	26,000	25,502	(498)
Miscellaneous	25,000	25,000	-	(25,000)
Amounts available for appropriation	<u>51,000</u>	<u>52,335</u>	<u>37,243</u>	<u>(15,092)</u>
Charges to appropriations (outflows):				
Public safety	<u>27,180</u>	<u>28,515</u>	<u>27,976</u>	<u>539</u>
Total Charges to Appropriations	<u>27,180</u>	<u>28,515</u>	<u>27,976</u>	<u>539</u>
Ending Budgetary Fund Balance	<u>\$ 23,820</u>	<u>\$ 23,820</u>	<u>\$ 9,267</u>	<u>\$ (14,553)</u>

SPECIAL REVENUE - TOURISM/SE EXPO FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 18,500	\$ 510,390	\$ 491,890
Resources (Inflows):				
Taxes	520,000	520,000	472,140	(47,860)
Charges for services	165,600	165,600	129,736	(35,864)
Amounts available for appropriation	<u>685,600</u>	<u>704,100</u>	<u>1,112,266</u>	<u>408,166</u>
Charges to appropriations (outflows):				
Administrative services	<u>595,947</u>	<u>614,447</u>	<u>536,398</u>	<u>78,049</u>
Total Charges to Appropriations	<u>595,947</u>	<u>614,447</u>	<u>536,398</u>	<u>78,049</u>
Ending Budgetary Fund Balance	<u>\$ 89,653</u>	<u>\$ 89,653</u>	<u>\$ 575,868</u>	<u>\$ 486,215</u>

SPECIAL REVENUE - E-911 FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 106,400	\$ 1,088,492	\$ 982,092
Resources (Inflows):				
Taxes	682,000	682,000	663,180	(18,820)
Intergovernmental	-	72,000	61,559	(10,441)
Investment income	7,000	7,000	6,832	(168)
Amounts available for appropriation	<u>689,000</u>	<u>867,400</u>	<u>1,820,063</u>	<u>952,663</u>
Charges to appropriations (outflows):				
Public safety	<u>638,968</u>	<u>817,368</u>	<u>692,406</u>	<u>124,962</u>
Total Charges to Appropriations	<u>638,968</u>	<u>817,368</u>	<u>692,406</u>	<u>124,962</u>
Ending Budgetary Fund Balance	<u>\$ 50,032</u>	<u>\$ 50,032</u>	<u>\$ 1,127,657</u>	<u>\$ 1,077,625</u>

CITY OF MCALESTER, OKLAHOMA
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Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2013
(Continued)

SPECIAL REVENUE - ECONOMIC DEVELOPMENT FUND (Budgetary Basis)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 98,600	\$ 660,191	\$ 1,328,178	\$ 667,987
Resources (Inflows):				
Taxes	1,040,000	1,040,000	966,480	(73,520)
Intergovernmental	-	273,000	273,000	-
Investment income	8,000	8,000	7,913	(87)
Miscellaneous	-	-	156,136	156,136
Transfers in	174,000	174,000	174,000	-
Amounts available for appropriation	<u>1,320,600</u>	<u>2,155,191</u>	<u>2,905,707</u>	<u>750,516</u>
Charges to appropriations (outflows):				
Finance	305,903	1,104,163	915,579	188,584
Planning and community development	96,800	133,131	67,280	65,851
Transfers out	897,305	897,305	895,238	2,067
Total Charges to Appropriations	<u>1,300,008</u>	<u>2,134,599</u>	<u>1,878,097</u>	<u>256,502</u>
Ending Budgetary Fund Balance	<u>\$ 20,592</u>	<u>\$ 20,592</u>	<u>\$ 1,027,610</u>	<u>\$ 1,007,018</u>

SPECIAL REVENUE - GIFTS & CONTRIBUTIONS FUND (Budgetary Basis)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ -	\$ 18,937	\$ 32,744	\$ 13,807
Resources (Inflows):				
Investment income	-	-	5	5
Miscellaneous	-	-	74,190	74,190
Transfers in	32,500	32,500	6,801	(25,699)
Amounts available for appropriation	<u>32,500</u>	<u>51,437</u>	<u>113,740</u>	<u>62,303</u>
Charges to appropriations (outflows):				
Administration	32,500	51,437	25,738	25,699
Total Charges to Appropriations	<u>32,500</u>	<u>51,437</u>	<u>25,738</u>	<u>25,699</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,002</u>	<u>\$ 88,002</u>

**CITY OF MCALESTER, OKLAHOMA
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As of and for the Year Ended June 30, 2013**

**Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2013
(Continued)**

CAPITAL PROJECT - POLICE EQUIPMENT FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	6,750	6,750	26,455	19,705
Transfers in	6,750	6,750	-	(6,750)
Amounts available for appropriation	<u>13,500</u>	<u>13,500</u>	<u>26,455</u>	<u>12,955</u>
Charges to appropriations (outflows):				
Public safety	13,500	13,500	-	13,500
Total Charges to Appropriations	<u>13,500</u>	<u>13,500</u>	<u>-</u>	<u>13,500</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,455</u>	<u>\$ 26,455</u>

CAPITAL PROJECT - STATE FORFEITURE FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 2,209	\$ 2,209
Resources (Inflows):				
Intergovernmental	-	-	900	900
Investment income	-	-	218	218
Amounts available for appropriation	<u>-</u>	<u>-</u>	<u>3,327</u>	<u>3,327</u>
Charges to appropriations (outflows):				
Transfers out	-	-	-	-
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,327</u>	<u>\$ 3,327</u>

**CITY OF MCALESTER, OKLAHOMA
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**Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2013
(Continued)**

CAPITAL PROJECT - CEMETERY PERPETUAL CARE FUND (Budgetary Basis)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 27,032	\$ 27,032	\$ 361,396	\$ 334,364
Resources (Inflows):				
Charges for services	6,000	6,000	7,278	1,278
Investment income	1,000	1,000	221	(779)
Amounts available for appropriation	<u>34,032</u>	<u>34,032</u>	<u>368,895</u>	<u>334,863</u>
Charges to appropriations (outflows):				
Community services	<u>34,032</u>	<u>34,032</u>	<u>-</u>	<u>34,032</u>
Total Charges to Appropriations	<u>34,032</u>	<u>34,032</u>	<u>-</u>	<u>34,032</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 368,895</u>	<u>\$ 368,895</u>

CAPITAL PROJECT - CDBG GRANTS FUND (Budgetary Basis)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ -	\$ 60,428	\$ 70,384	\$ 9,956
Resources (Inflows):				
Intergovernmental	-	73,874	73,874	-
Transfers in	-	185,140	6,282	(178,858)
Amounts available for appropriation	<u>-</u>	<u>319,442</u>	<u>150,540</u>	<u>(168,902)</u>
Charges to appropriations (outflows):				
Engineering	<u>-</u>	<u>319,442</u>	<u>150,540</u>	<u>168,902</u>
Total Charges to Appropriations	<u>-</u>	<u>319,442</u>	<u>150,540</u>	<u>168,902</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF MCALESTER, OKLAHOMA
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**Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2013
(Continued)**

CAPITAL PROJECT - FEDERAL FORFEITURE FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 33,000	\$ 70,281	\$ 54,153	\$ (16,128)
Resources (Inflows):				
Intergovernmental	-	-	66,544	66,544
Investment income	-	-	549	549
Amounts available for appropriation	<u>33,000</u>	<u>70,281</u>	<u>121,246</u>	<u>50,965</u>
Charges to appropriations (outflows):				
Public safety	<u>33,000</u>	<u>70,281</u>	<u>70,281</u>	<u>-</u>
Total Charges to Appropriations	<u>33,000</u>	<u>70,281</u>	<u>70,281</u>	<u>-</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,965</u>	<u>\$ 50,965</u>

CAPITAL PROJECT - FIRE IMPROVEMENT GRANT FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 3,750	\$ 3,750	\$ -
Resources (Inflows):				
Intergovernmental	-	71,250	71,250	-
Amounts available for appropriation	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Charges to appropriations (outflows):				
Public safety	<u>-</u>	<u>75,000</u>	<u>74,740</u>	<u>260</u>
Total Charges to Appropriations	<u>-</u>	<u>75,000</u>	<u>74,740</u>	<u>260</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260</u>	<u>\$ 260</u>

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**Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2013
(Continued)**

CAPITAL PROJECT - TECHNOLOGY FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Charges for services	-	-	15,341	15,341
Amounts available for appropriation	<u>-</u>	<u>-</u>	<u>15,341</u>	<u>15,341</u>
Charges to appropriations (outflows):				
Transfers out	-	-	-	-
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,341</u>	<u>\$ 15,341</u>

DEBT SERVICE - SALES TAX - SCHOOLS FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 370,000	\$ 935,890	\$ 565,890
Resources (Inflows):				
Taxes	1,040,000	1,040,000	966,480	(73,520)
Investment income	6,000	6,000	6,641	641
Amounts available for appropriation	<u>1,046,000</u>	<u>1,416,000</u>	<u>1,909,011</u>	<u>493,011</u>
Charges to appropriations (outflows):				
Community services	-	370,000	370,000	-
Transfers out	645,836	645,836	647,131	(1,295)
Total Charges to Appropriations	<u>645,836</u>	<u>1,015,836</u>	<u>1,017,131</u>	<u>(1,295)</u>
Ending Budgetary Fund Balance	<u>\$ 400,164</u>	<u>\$ 400,164</u>	<u>\$ 891,880</u>	<u>\$ 491,716</u>

CITY OF MCALESTER, OKLAHOMA
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Schedule of Revenue Bond Coverage – Year Ended June 30, 2013

	Series 2013, 2012, 2002 Bonds & 1999 Loan
Gross Revenue Available for Debt Service:	
Charges for services	\$ 9,625,059
Sales tax pledged and transferred	3,440,266
Total Gross Revenues Available	13,065,325
Operating Expenses:	
Water, Sewer and Sanitation	6,879,431
Total Operating Expenses	6,879,431
Net Revenues Available for Debt Service	\$ 6,185,894
Debt Service Requirements:	
Average annual principal and interest requirements on bonds and subordinate debt:	
Series 2013 Utility System Revenue Bonds	\$ 814,290
Series 2012 Utility System Revenue Bonds	2,331,476
Series 2002 Utility System Revenue Bonds	940,443
1999 CDBG Loan	13,750
Total average annual debt service	\$ 4,099,959
Computed Coverage	151%
Coverage Requirement	125%

NOTE: The above gross revenue and operating expenses only include the activities of the Authority related to water, sewer and sanitation services, excluding depreciation and amortization expense.

CITY OF MCALESTER, OKLAHOMA
NET ASSETS BY COMPONENT
Last Ten Fiscal Years
TABLE 1

	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Invested in capital assets, net of related debt	\$ 28,104,420	\$ 27,944,164	\$ 39,661,425	\$ 38,654,980	\$ 36,913,324	\$ 35,624,842	\$ 34,617,252	\$ 33,224,076	\$ 32,432,960	\$ 30,765,320
Restricted	457,538	457,538	2,798,396	4,294,900	6,315,262	10,901,873	10,879,639	15,563,329	12,528,800	9,774,023
Unrestricted	(11,478)	(2,778,652)	(4,192,315)	(2,561,800)	(1,351,655)	127,348	3,528,189	713,466	3,619,246	3,327,652
Total governmental activities net assets	\$ 28,550,480	\$ 25,623,050	\$ 38,267,506	\$ 40,388,280	\$ 41,876,931	\$ 46,654,063	\$ 49,025,080	\$ 49,520,871	\$ 48,580,906	\$ 43,866,995
Business-type activities										
Invested in capital assets, net of related debt	\$ 6,132,073	\$ 7,285,124	\$ 26,070,852	\$ 25,671,073	\$ 22,794,848	\$ 23,500,930	\$ 22,543,574	\$ 22,155,024	\$ 24,511,925	\$ 26,309,905
Restricted	16,490	57	7,201,745	7,858,811	8,222,759	3,962,096	3,841,946	688,133	185,867	7,907,391
Unrestricted	(4,931,769)	(9,354,492)	(63,815,111)	(64,100,578)	(59,661,074)	(57,395,625)	(57,691,240)	(52,715,442)	(51,414,378)	(54,744,586)
Total business-type activities net assets	\$ 1,215,794	\$ (2,069,311)	\$ (30,542,514)	\$ (30,570,694)	\$ (28,663,667)	\$ (29,922,599)	\$ (31,305,720)	\$ (29,891,285)	\$ (26,716,584)	\$ (21,527,300)
Primary government										
Invested in capital assets, net of related debt	\$ 34,236,493	\$ 35,129,288	\$ 65,732,277	\$ 64,326,063	\$ 59,707,972	\$ 59,025,772	\$ 57,160,826	\$ 55,378,100	\$ 56,944,785	\$ 56,075,225
Restricted	473,028	457,595	10,000,141	12,153,711	14,638,021	14,863,989	14,721,686	16,252,462	12,714,967	17,061,414
Unrestricted	(4,943,247)	(12,133,144)	(68,007,426)	(66,662,178)	(61,062,729)	(67,268,277)	(64,163,051)	(62,001,976)	(47,795,130)	(51,416,944)
Total primary government net assets	\$ 29,766,274	\$ 23,453,739	\$ 7,724,992	\$ 9,797,596	\$ 13,213,264	\$ 16,631,464	\$ 17,719,360	\$ 18,629,686	\$ 21,664,322	\$ 22,339,695

CITY OF McALESTER, OKLAHOMA
CHANGES IN NET ASSETS
Last Ten Fiscal Years
TABLE 2

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
Legislature	\$ 31,779	\$ 23,288	\$ 48,166	\$ 14,683	\$ 72,811	\$ 32,311	\$ 128,666	\$ 97,162	\$ 119,262	\$ 119,631
Administration	2,480,735	2,424,606	3,282,152	2,702,333	2,292,740	3,077,346	2,523,930	2,652,254	2,605,293	2,593,075
Public safety	5,347,000	6,045,013	6,232,010	7,789,478	8,376,694	7,348,140	7,375,334	8,091,693	8,346,194	8,386,927
Community services	1,575,805	1,493,714	1,911,339	1,884,270	2,126,035	2,111,274	2,018,784	2,190,693	2,965,005	2,692,851
Administration services	689,283	926,342	783,285	795,739	907,937	980,172	881,082	1,073,608	1,057,394	1,073,174
Health and welfare	356,196	154,736	167,634	176,400	124,894	257,350	229,776	285,502	290,085	277,730
Public works	2,808,475	2,890,480	3,069,877	3,452,056	3,500,144	3,536,482	3,160,982	2,616,066	2,635,362	2,641,505
Economic development			86,075	145,000	169,887	214,845	287,955	250,974	257,449	334,831
Payment to Health Center Authority	702,033	738,818	821,517	918,638	1,017,668	362,398	25,828	23,099	18,019	10,781
Interest on long-term debt	100,497	88,848	70,195	45,573	32,684	16,574	16,830,315	17,181,051	18,292,043	16,142,505
Total governmental activities expenses	14,109,783	14,776,845	16,452,030	17,924,178	19,588,084	17,936,892	16,830,315	17,181,051	18,292,043	16,142,505
Business-type activities:										
Water operations			3,075,397	2,353,282	2,512,766	2,702,777	2,683,080	2,586,210	2,829,263	2,899,541
Sewer operations			1,243,371	1,267,848	1,453,532	1,497,767	1,478,020	1,501,178	1,574,716	1,633,520
Sanitation operations			1,741,250	2,383,201	2,225,325	1,875,151	2,525,570	3,727,028	4,132,882	3,836,266
Airport	362,759	398,944	3,730,800	284,030	155,347	346,238	353,265	335,902	336,310	322,386
Governmental interest & amortization			219,889	3,670,685	3,728,898	3,587,968	3,642,316	3,550,238	3,153,918	2,354,536
Total business-type activities expenses	10,560,293	11,966,409	10,010,707	9,539,054	10,075,868	10,009,901	10,692,261	11,700,556	12,024,099	10,846,249
Total primary government expenses	25,032,853	27,141,198	26,462,737	27,863,232	28,663,952	27,946,793	27,322,576	28,881,607	30,316,142	28,988,754
Program Revenues										
Governmental activities:										
Charges for services:										
Legislature	\$ 88,154	\$ 68,818	\$ 232,472	\$ 487,851	\$ 1,935,658	\$ 288,950	\$ 338,951	\$ 650,556	\$ 1,130,512	\$ 1,068,491
Administration	630,902	660,765	1,082,896	985,571	1,083,278	1,814,780	1,771,953	1,578,893	1,305,146	1,429,987
Public safety	176,996	190,340	185,448	95,778	108,311	98,657	105,014	127,156	121,072	113,806
Community services	21,451	41,283	135,509	286,098	291,165	282,857	287,639	336,545	294,993	268,606
Administration services										
Health and welfare										
Public works	4,595	6,656	1,457	201	263	289	3,781	3,789	3,794	3,797
Economic development										
Payment to Health Center Authority										
Interest on long-term debt										
Total governmental activities program revenues	839,768	975,862	1,557,825	1,665,508	3,429,675	2,465,743	2,507,335	2,696,929	2,849,516	2,905,487

(Continued)

TABLE 2
(Continued)

	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Charges for services:										
Water operations	-	4,353,172	4,050,771	3,840,884	4,137,306	4,067,745	4,497,227	5,171,620	4,862,466	
Sewer operations	-	1,589,777	1,448,440	1,396,626	1,484,628	1,475,284	1,740,061	1,748,119	1,802,899	
Sanitation operations	-	2,673,695	2,498,983	2,884,500	3,135,166	3,046,992	3,330,369	3,295,025	3,229,696	
Airport	88,599	149,583	178,656	-	128,937	110,415	123,874	111,902	94,250	
Utilities	7,951,730	6,893,957	8,214,950	8,214,950	8,859,087	8,700,436	9,692,631	10,316,966	9,719,308	
Total business-type activities program revenues	7,951,730	8,062,227	8,214,950	8,214,950	8,859,087	8,700,436	9,692,631	10,316,966	9,719,308	
Total primary government program revenues	\$ 8,221,097	\$ 10,564,052	\$ 10,040,458	\$ 11,861,867	\$ 11,322,830	\$ 11,267,771	\$ 12,306,590	\$ 13,163,482	\$ 12,624,796	
Net (Expense)/Revenues	\$ (13,270,015)	\$ (14,894,205)	\$ (16,058,669)	\$ (15,156,409)	\$ (14,122,980)	\$ (14,404,122)	\$ (14,494,122)	\$ (15,445,527)	\$ (15,237,018)	
Governmental activities:										
Business-type activities:										
Total primary government net expense	\$ (3,481,723)	\$ (5,284,082)	\$ (1,724,041)	\$ (1,645,946)	\$ (1,151,814)	\$ (1,081,826)	\$ (2,007,825)	\$ (1,707,153)	\$ (1,726,940)	
Total primary government net expense	\$ (16,751,738)	\$ (19,098,995)	\$ (17,782,712)	\$ (16,802,065)	\$ (16,022,963)	\$ (15,114,905)	\$ (16,502,647)	\$ (17,152,680)	\$ (16,963,958)	
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Sales and use taxes	10,787,216	11,493,325	12,765,268	14,282,239	15,624,676	15,629,476	13,701,860	14,342,476	15,256,164	14,656,846
Franchise and public service taxes	596,563	606,384	666,418	607,212	643,484	729,844	567,652	687,905	584,264	562,713
Hotel/motel taxes	114,730	239,140	291,566	489,872	686,372	593,258	426,662	507,415	549,098	471,061
E-911 taxes	226,491	114,456	114,308	133,287	782,094	714,832	653,841	677,866	650,409	686,298
Intergovernmental revenue not restricted to specific programs	81,231	92,200	277,311	284,200	318,855	321,874	302,480	317,934	332,565	305,734
Investment income	28,422	19,167	29,856	61,193	130,804	193,521	186,889	176,656	139,075	90,143
Miscellaneous	198,521	101,000	1,194,695	369,061	306,902	219,569	237,635	176,978	199,423	116,579
Transfers from component unit	3,027,879	169,878	(1,796,244)	(1,379,933)	(3,314,213)	(746,161)	(3,366,690)	(4,477,769)	(4,477,769)	(7,180,663)
Excise taxes	-	59,300	-	613,946	-	-	-	-	-	-
Contributed Assets	-	-	-	-	-	-	-	-	-	-
General fund assets funded by business-type special revenue funds	-	-	-	-	-	-	-	-	-	-
Total governmental activities	15,061,853	13,578,146	13,578,146	15,671,127	15,360,974	15,751,667	15,349,069	13,534,140	13,232,002	9,690,442
Business-type activities:										
Excise taxes	-	19,611	-	-	-	-	-	-	-	-
Investment income	73,359	341,654	256,720	256,907	173,077	32,966	2,185	17,248	11,717	16,700
Miscellaneous	(3,027,879)	(169,678)	1,796,244	41,578	6,464	35,408	20,367	20,367	25,795	116,389
Bond proceeds.net	4,101,144	800,000	1,146,624	1,379,933	3,314,213	2,637,696	748,161	3,556,890	4,477,766	7,180,663
Total business-type activities	1,146,624	1,024,970	2,024,964	1,878,419	3,493,764	2,690,091	795,762	3,384,606	4,515,299	7,313,802
Total primary government	\$ 16,208,477	\$ 13,603,110	\$ 15,603,110	\$ 17,549,546	\$ 18,854,738	\$ 18,441,758	\$ 16,144,831	\$ 16,920,645	\$ 17,747,300	\$ 16,994,394
Change in Net Assets										
Governmental activities	\$ 1,781,838	\$ (901,271)	\$ (1,316,069)	\$ (397,642)	\$ 200,618	\$ 200,618	\$ 1,296,088	\$ (668,892)	\$ (2,213,525)	\$ (6,156,576)
Business-type activities	(2,335,069)	(4,285,112)	(2,024,484)	(45,665)	1,539,277	(1,206,073)	(1,206,073)	1,366,590	2,808,165	6,187,012
Total primary government	\$ (843,161)	\$ (5,170,383)	\$ (3,327,653)	\$ (453,227)	\$ 2,733,345	\$ 83,545	\$ (909,985)	\$ (302,297)	\$ 594,640	\$ (30,438)

CITY OF MCALESTER, OKLAHOMA
FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
TABLE 3

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved for:										
Encumbrances	\$ 120,500	\$ 56,752	\$ 27,772	\$ -	\$ -	\$ -	\$ 21,800	\$ -	\$ -	\$ -
Compensated absences obligation	-	-	1,447,005	-	-	-	-	-	-	-
Unreserved	844,669	1,077,430	(3,974,447)	(2,007,545)	(2,412,174)	(1,404,008)	972,696	-	-	-
Restricted	-	-	-	-	-	-	-	59,263	61,353	6,143
Assigned	-	-	-	-	-	-	-	1,153,793	1,872,415	2,348,271
Unassigned	-	-	-	-	-	-	-	1,213,056	1,933,768	2,354,414
Total General Fund	\$ 965,169	\$ 1,134,182	\$ (2,469,670)	\$ (2,007,545)	\$ (2,412,174)	\$ (1,404,008)	\$ 954,486	\$ 1,213,056	\$ 1,933,768	\$ 2,354,414
All Other Governmental Funds										
Reserved for:										
Encumbrances	\$ 89,566	\$ -	\$ 37,731	\$ -	\$ -	\$ -	\$ 85,367	\$ -	\$ -	\$ -
Compensated absences obligation	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	804,903	803,112	2,803,617	5,810,149	9,758,315	14,373,107	14,848,434	15,583,329	12,528,800	9,774,023
Restricted	-	-	-	-	-	-	-	473,187	2,865,222	2,202,832
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 904,469	\$ 803,112	\$ 2,841,348	\$ 5,810,149	\$ 9,758,315	\$ 14,373,107	\$ 14,933,801	\$ 16,056,515	\$ 15,494,022	\$ 11,976,855
GRAND TOTAL	\$ 1,869,638	\$ 1,937,274	\$ 341,878	\$ 3,802,604	\$ 7,346,141	\$ 12,969,089	\$ 15,928,287	\$ 17,269,572	\$ 17,427,790	\$ 14,331,269

NOTE: GASB 54 was implemented in fiscal year 2011. Years prior to implementation of GASB 54 have not been restated.

CITY OF MCALLESTER, OKLAHOMA
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 TABLE 4

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Sales and use taxes	\$ 10,787,216	\$ 11,493,325	\$ 12,768,266	\$ 14,282,288	\$ 15,924,676	\$ 15,829,476	\$ 13,701,860	\$ 14,342,476	\$ 15,256,164	\$ 14,056,846
Franchise and public service taxes	586,553	609,354	688,418	607,212	643,484	729,844	567,862	667,905	584,264	552,713
E-911 taxes	114,730	111,456	114,308	153,287	782,094	714,832	653,641	677,966	650,409	658,208
Hotels/motel taxes	226,401	239,140	291,566	489,872	686,372	563,258	426,862	507,415	549,068	471,081
Intergovernmental	358,676	686,625	602,506	2,221,441	1,987,064	1,440,136	1,316,273	1,707,380	1,676,860	2,300,455
Charges for services	73,851	182,358	781,628	1,229,522	2,517,390	1,105,881	1,398,538	1,764,835	2,150,778	2,131,082
Fines and forfeitures	352,845	428,277	576,557	494,537	784,178	856,251	843,289	757,186	834,183	610,803
Licenses and permits	66,184	69,618	108,705	136,792	105,643	112,865	101,358	159,227	92,307	111,888
Investment income	28,422	19,167	28,658	81,193	130,804	183,521	186,889	178,656	139,075	90,143
Miscellaneous	521,267	495,771	1,285,362	564,660	360,916	228,540	341,266	272,827	272,827	228,241
Total Revenues	13,127,445	14,244,321	17,239,164	20,218,765	23,382,521	21,595,614	19,539,937	21,063,611	22,065,775	21,221,469
Expenditures:										
Legislature	31,779	23,288	28,810	8,045	71,201	30,901	125,066	95,728	118,071	117,769
Administration	2,420,231	2,438,058	2,694,360	2,732,232	2,272,374	2,990,279	2,999,423	2,403,037	2,378,667	2,355,993
Public safety	5,588,882	5,634,577	5,836,253	7,202,270	7,640,578	7,167,681	7,024,486	7,894,007	7,588,168	7,789,496
Community services	1,455,319	1,401,821	1,706,082	1,751,641	1,811,844	1,918,841	1,766,825	1,831,979	2,687,709	2,374,036
Administration services	549,894	802,271	780,736	853,408	890,722	820,474	878,398	1,082,842	1,041,253	1,087,904
Health and welfare	350,170	148,903	167,475	176,530	116,982	249,118	227,684	288,913	283,906	282,311
Public works	1,435,386	1,484,092	1,424,314	1,803,459	1,682,984	1,976,844	1,545,718	1,234,246	1,136,893	1,094,904
Economic Development			66,075	145,000	137,660	214,845	267,955	250,574	257,449	313,870
Payment to McAlester Regional Health Center Authority	702,033	738,818		481,585	459,726	501,348	1,669,725	1,301,384	4,489,791	1,928,581
Capital outlay	3,499,594	1,719,368	797,525							
Debt service:										
Principal retirement	340,899	681,058	304,010	416,214	348,262	335,186	162,266	343,619	109,904	201,674
Interest and fiscal charges	100,487	88,848	74,959	55,373	37,583	23,736	26,798	29,198	16,126	11,025
Total Expenditures	16,474,674	15,141,100	14,082,588	15,605,755	15,519,927	16,319,251	16,536,324	16,966,927	20,127,377	17,536,445
Excess of revenue over(under) expenditures	(3,347,229)	(896,778)	3,156,565	4,614,010	7,862,594	5,276,363	3,201,613	4,097,684	1,878,398	3,683,024
Other financing sources(uses) and special item:										
Transfers in										
Transfers in- McAlester Economic Development Service	7,411,434	4,641,972	4,352,005	4,880,600	3,319,441	2,911,291	5,122,922	2,107,923	5,125,820	2,288,687
Capital Lease Proceeds		142,236		813,946						
Contributed Assets		770,498						160,987		
Transfers out	(4,933,604)	(4,580,282)	(5,923,094)	(6,260,533)	(6,620,500)	(5,494,124)	(5,910,078)	(6,045,219)	(6,846,000)	(9,068,232)
Transferout- McAlester Regional Health Center Authority			(621,517)	(918,638)	(1,017,568)	(362,398)	444,741			
Total other financing sources(uses) and special item	2,477,830	964,424	(2,392,606)	(1,484,625)	(4,318,067)	(2,945,231)	(2,756,409)	(2,756,409)	(1,720,180)	(6,778,546)
Net change in fund balances	(689,399)	67,845	769,959	3,129,385	3,549,527	2,331,132	2,899,188	1,341,276	168,218	(3,086,821)
Debt service as a percentage of noncapital expenditures	3.4%	5.7%	2.8%	3.1%	2.6%	2.3%	1.3%	2.4%	0.8%	1.4%

CITY OF MCALESTER, OKLAHOMA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years
TABLE 5

Fiscal Year	Sales Tax	Use Tax	Franchise Tax	Hotel/Motel Tax	E-911 Tax	Totals
2004	\$ 10,535,201	\$ 252,015	\$ 586,553	\$ 226,401	\$ 114,730	\$ 11,714,900
2005	11,132,543	360,782	609,384	239,140.00	111,456	12,453,305
2006	12,305,224	463,042	668,418	291,566.00	114,308	13,842,558
2007	13,803,068	479,221	607,212	489,872	133,287	15,512,660
2008	15,259,877	564,799	643,484	666,372	782,094	17,916,626
2009	15,049,535	579,941	729,844	583,258	714,832	17,657,410
2010	13,020,433	681,427	567,852	426,662	653,841	15,350,215
2011	13,787,766	554,710	687,905	507,415	677,966	16,215,762
2012	14,663,740	592,424	584,264	549,088	650,409	17,039,925
2013	13,357,829	699,017	552,713	471,081	668,209	15,748,849

CITY OF MCALESTER, OKLAHOMA
SALES TAX RATES OF DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Fiscal Years
TABLE 6

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City of McAlester	3.75%	3.75%	3.75%	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%	3.50%
Pittsburg County	0.00%	0.00%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%
State of Oklahoma	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Total	8.25%	8.25%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%

City-Nov 2008 changed to 3.5% dropped .25% for Hospital
 County - Jan 2006 .75% for remodel
 County-Jan 2009 added .25% FireFighters

CITY OF HCALESTER, OKLAHOMA
 TAXABLE SALES BY CATEGORY
 Last Ten Fiscal Years
 TABLE 7

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Agriculture, forestry, and fishing										191
Mining Quarrying, and Oil and Gas Extraction										11,948
Utilities										476,905
Construction										15,988
Manufacturing										177,865
Transportation and Warehousing										7,011
Information										287,476
Wholesale trade										638,228
Retail trade										5,605,712
Finance, insurance,										11,473
Real Estate and Rental and Leasing										107,370
Professional, Scientific, and Technical Services										44,289
Administrative and Support and Waste Management and Remediation Services										4,785
Educational Services										1,559
Health Care and Social Assistance										176
Arts, Entertainment, and Recreation										31,980
Accommodation and Food Services										1,380,169
Other services (except Public Administration)										180,057
Public Administration										(194)
Nonclassifiable establishments										(17,661)
Agriculture	1,979	2,027	1,590	1,409	905	909	2,078	3,398	4,275	1,466
Mining	149	3,027	3,185	11,837	1,485	6,830	5,591	1,274	(239)	91
Construction	11,282	19,208	23,930	31,371	17,511	22,831	23,677	15,167	20,018	5,468
Manufacturing	162,020	172,241	207,139	317,257	580,848	521,840	287,462	630,929	895,821	196,585
Transportation	1,696	1,643	2,621	5,325	3,699	5,882	4,800	5,750	8,573	3,983
Communications and utilities:										
Communications	381,853	389,289	403,900	485,634	439,785	436,570	427,119	458,645	590,649	193,928
Electric, gas, and sanitary services	603,241	613,717	754,193	823,742	822,175	834,988	637,879	710,258	811,074	233,346
Wholesale trade	498,159	600,998	752,872	874,569	1,076,478	1,052,140	1,070,343	1,228,276	1,295,467	340,798
Retail trade:										
Building materials, hardware, garden supply and mobile home dealer	401,104	517,170	1,218,290	1,216,956	1,316,453	1,380,133	1,129,403	1,154,230	1,086,353	324,535
General merchandise stores	4,118,657	4,296,805	4,542,245	4,682,087	4,826,444	4,769,157	4,047,802	3,868,778	4,174,680	1,259,759
Food stores	873,324	644,833	502,922	614,118	618,087	673,347	616,485	665,075	650,225	221,670
Automotive dealers and gasoline service stations	555,112	581,693	565,684	562,565	631,001	615,026	581,224	571,892	629,373	219,764
Apparel and accessory stores	321,813	338,889	358,570	358,769	389,014	325,459	270,969	311,810	320,656	109,347
Furniture, home furnishings and equipment stores	436,042	486,987	478,672	600,555	689,073	727,104	588,948	545,530	447,391	142,865
Furniture, home furnishings and equipment stores	801,510	1,064,142	1,152,017	1,284,409	1,541,012	1,551,678	1,444,859	1,547,300	1,681,899	553,320
Eating and drinking places	658,053	661,140	583,846	684,302	1,007,022	996,220	910,822	960,451	1,010,940	299,524
Miscellaneous retail	434	974	1,260	1,159	2,353	1,244	1,824	2,278	1,986	2,028
Finance, insurance, and real estate services:										
Hotels and motels	206,409	234,961	271,548	483,810	651,891	550,515	324,879	387,153	489,648	155,914
Personal services	67,381	68,180	68,712	74,426	79,420	82,852	69,019	72,171	75,481	23,034
Business services	155,947	148,417	178,157	208,526	212,416	233,328	214,812	156,983	249,457	61,222
Automotive repair services and garages	58,391	73,905	79,620	84,231	94,509	128,352	127,101	142,381	150,875	61,066
Miscellaneous repair services	7,750	11,482	24,185	35,105	39,911	30,413	20,149	15,658	8,775	8,775
Motion pictures	83,553	90,968	93,249	95,002	94,389	87,033	86,170	86,782	83,227	27,111
Other services	62,445	45,325	67,352	63,878	68,839	91,402	84,064	76,184	100,108	20,819
Nonclassifiable establishments	14,515	23,601	48,206	37,418	101,435	208,106	167,216	193,282	40,595	8,764
TOTAL	\$ 10,583,820	\$ 11,100,631	\$ 12,962,065	\$ 13,836,589	\$ 15,306,114	\$ 15,313,560	\$ 13,096,315	\$ 13,911,625	\$ 14,823,880	\$ 13,400,517

Note: In November 2012 the classifications were change from SIC code to NAICS

**CITY OF MCALESTER, OKLAHOMA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
TABLE 8**

<u>Jurisdiction</u>	<u>Net (1) Debt Outstanding</u>	<u>Percentage (2) Applicable to City of McAlester</u>	<u>Amount Applicable to City of McAlester</u>
Direct - City of McAlester	\$ 80,443	100.00%	\$80,443
Overlapping: McAlester School District	\$ 150,000	100.00% (3)	150,000
Pittsburg County	\$ 17,540,000	46.00%	8,068,400
Total	<u>\$17,770,443</u>		<u>8,298,843</u>

Outstanding bond debt : 06-30-13

- (1) Gross general bonded debt outstanding less debt service reserves.
- (2) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in the City of McAlester.
- (3) Only 77% of City residents will be responsible for the debt.

CITY OF MCALESTER, OKLAHOMA
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years
TABLE 9

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 4,756,085	\$ 4,985,970	\$ 4,687,024	\$ 5,682,619	\$ 6,089,063	\$ 6,554,315	\$ 6,841,533	\$ 7,109,639	\$ 7,331,792	\$ 7,555,257
Total net debt applicable to limit										
Legal debt margin	\$ 4,756,085	\$ 4,985,970	\$ 4,687,024	\$ 5,682,619	\$ 6,089,063	\$ 6,554,315	\$ 6,841,533	\$ 7,109,639	\$ 7,331,792	\$ 7,555,257
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Legal Debt Margin Calculation for Fiscal Year 2013										
Net assessed valuation										
Debt limit (10% of total assessed value)	\$ 75,552,572									
Debt applicable to limit:										
General obligation bonds	7,555,257									
Less: Street or utility bonds outstanding	-									
Total net debt applicable to limit	7,555,257									
Legal debt margin	\$ 7,555,257									

Note: Article 10, Section 26 of the Constitution of the State of Oklahoma limits municipal debt to 10% of net assessed valuation.
 Article 10, Section 27 of the Constitution of the State of Oklahoma limits municipal debt to non-utility or non-street purposes.

CITY OF MCALESTER, OKLAHOMA
UTILITY SYSTEMS DIVISION
PLEDGED REVENUE COVERAGE
 Last Ten Fiscal Years
TABLE 10

		<u>Eligible Revenues</u>	<u>Eligible Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Average Annual/ Annual Debt Service</u>	<u>Revenue Bond Coverage</u>
2004	Series 1999 and 2002 Utility System Revenue Bonds, 1999 CDBG Loan	\$ 10,159,864	\$ 4,513,510	\$ 5,646,354	\$ 3,968,564	1.42
2005	Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A, 2003B, 2004 Sales Tax Revenue Bonds, 1999 CDBG Loan	11,416,765	4,517,088	6,899,679	5,528,300	1.25
2006	Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A, 2003B, 2004 Sales Tax Revenue Bonds, 1999 CDBG Loan	11,809,125	4,491,648	7,317,477	5,528,300	1.32
2007	Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A, 2003B, 2004 Sales Tax Revenue Bonds, 1999 CDBG Loan	13,294,128	5,189,715	8,104,413	5,528,300	1.47
2008	Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A, 2003B, 2004 Sales Tax Revenue Bonds, 1999 CDBG Loan	12,847,465	5,249,150	7,598,315	5,528,300	1.37
2009	Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A, 2003B, 2004 Sales Tax Revenue Bonds, 1999 CDBG Loan	13,420,246	5,234,856	8,185,390	5,528,300	1.48
2010	Series 1999 and 2002 Utility System Revenue Bonds, 1999 CDBG Loan	11,497,861	5,788,341	5,709,520	3,968,564	1.44
2011	Series 1999 and 2002 Utility System Revenue Bonds, 1999 CDBG Loan	12,910,132	6,753,690	6,156,442	3,968,564	1.55
2012	Series 1999 and 2002 Utility System Revenue Bonds, 1999 CDBG Loan	13,573,172	7,533,575	6,039,597	3,968,564	1.52
2013	Series 2013, 2012, 2012 Utility System Revenue Bonds, 1999 CDBG Loan	13,065,325	6,879,431	6,185,894	4,099,959	1.51

(1) Excludes depreciation and amortization expense.

**CITY OF MCALESTER, OKLAHOMA
PRINCIPAL EMPLOYERS
Current and Six Years Ago
TABLE 11**

	2007		2013	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Employer				
McAlester Army Ammunition Plant	900	4.1%	1,501	7.0%
McAlester Regional Health Center	844	3.8%	719	3.3%
McAlester Public Schools	380	1.7%	397	1.8%
Wal Mart	450	2.0%	440	2.0%
Oklahoma State Penitentiary	430	1.9%	314	1.5%
Spirit Aerospace, Inc.	281	1.3%	300	1.4%
City of McAlester (full time only)	242	1.1%	209	1.0%
Eastern Oklahoma State College (full time o	203	0.9%	183	0.9%
Choctaw Casino	98	0.4%	106	0.5%
Berry Plastics	175	0.8%	198	0.9%
Totals	4,003	18.04%	4,367	20.33%

*McAlester Employers, McAlester Chamber of Commerce, and Bureau of Labor and Statistics.

CITY OF MCALESTER, OKLAHOMA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
TABLE 12

Calendar Year	Population (1)	Personal Income (in thousands)	Per Capita Personal Income (2)	Median Age of Population (3)	School Enrollment (4)	Unemployment Rate (5)
2004	17,783 (A)	\$ 1,097,489	\$ 24,927	38.0	2,834	5.7%
2005	17,783 (A)	1,152,998	25,961	38.0	2,769	5.0%
2006	17,783 (A)	1,252,876	27,947	38.0	3,555	4.2%
2007	18,369	1,363,969	30,269	38.0	3,242	3.9%
2008	18,369	1,505,043	33,114	38.0	2,819	3.2%
2009	18,383	1,459,634	31,809	38.0	3,825	6.4%
2010	18,384	1,522,158	33,222	37.1	3,737	6.6%
2011	18,522	1,588,795	34,808	39.0	3,547	5.8%
2012	18,303	1,632,347	36,236	39.0	3,484	5.4%
2013	18,303	1,632,347	36,236	39.0	3,148	5.7%

(A) - Population obtained from the 2000 census.

Sources:

(1) www.factfinder2.census.gov

(2) www.bea.gov

(3) www.economicexpert.com

(4) McAlester School District, District Offices

(5) www.bls.gov

CITY OF MCALESTER, OKLAHOMA
FULL-TIME EQUIVALENT BUDGETED CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Seven Fiscal Years

TABLE 13

<u>Function/Program</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2010</u>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2013</u>
General Government							
City Manager	2	2	2	2	2	2	2
Finance	5	3	3	3	4	4	4
City Clerk	1	1	1	1	1	1	1
Legal	2	2	2	2	2	2	2
Codes	6	6	6	6	4	4	5
Personnel	2	2	2	2	3	3	3
Information Services	0	1	1	1	1	1	1
Total General Government	18	17	17	17	17	17	18
Public Safety & Judiciary							
Police	59	60	37	37	37	38	37
CID (Detectives)	0	0	12	12	7	8	8
Animal Control	0	0	2	2	2	2	2
Communications	0	0	4	4	4	4	4
Communications E911	0	0	5	5	7	10	10
Fire	44	44	44	44	43	43	43
Total Public Safety & Judiciary	103	104	104	104	100	105	104
Transportation							
Central Garage	8	8	8	8	7	6	6
Streets	16	18	14	14	14	14	14
Traffic Control	0	0	3	3	0	0	0
Airport	3	3	3	3	3	3	3
Total Transportation	27	29	28	28	24	23	23
Cultural, Parks, & Recreation							
Parks & Recreation	15	15	13	13	15	15	15
Expo	6	6	6	6	5	5	5
Nutrition	3	3	5	5	5	5	5
Library	1	1	1	0	0	0	0
Cemetery	5	5	5	5	5	5	5
Building Maintenance	3	3	3	4	4	4	4
Total Cultural, Parks, & Recreation	33	33	33	33	34	34	34
Utilities							
Utilities	0	0	2	2	2	2	2
Utility Office	6	6	6	6	7	7	8
Solid Waste	22	17	16	16	1	1	1
Landfill	0	5	4	4	4	4	2
Engineering	6	6	4	4	4	4	4
Waste Water	13	13	13	13	12	12	12
Water Treatment	8	8	8	8	8	8	8
Utility Maintenance	11	11	11	11	10	14	13
Total Utilities	66	66	64	64	48	52	50
Total Full-Time Budgeted Employees by Function/Program	247	249	246	246	223	231	229

CITY OF MCALESTER, OKLAHOMA
Capital Asset Statistics by Function/Program
Last Six Fiscal Year
TABLE 14

<u>Function/Program</u>	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2010</u>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2013</u>
General Government						
Buildings	10	10	10	11	12	12
Police						
Stations	1	1	1	1	1	1
Patrol units	57	57	57	52	54	53
Fire						
Stations	4	4	4	4	4	4
Trucks	5	5	5	5	5	5
Vehicles	16	16	16	16	16	17
Streets						
Street miles	298	298	298	298	298	298
Traffic signals	22	22	22	22	23	23
Parks and recreation						
Acreage	103	103	103	103	103	103
Playgrounds	10	10	10	10	10	10
Baseball/softball diamonds	10	9	9	9	9	9
Soccer/football fields	1	2	2	2	2	2
Tennis Courts	6	6	6	6	6	6
Community Center	1	1	1	1	1	1
Pools	3	3	3	3	3	3
Wading Pools	5	5	5	5	5	5
Library						
Buildings	1	1	1	1	1	1
Cemetery						
Plots -Oakhill	3,800	3,800	3,800	3,800	3,800	3,800
Total Plots (Maintained)	35,000	35,000	35,000	35,000	35,000	35,000
Vehicles & Machinery	12	12	12	10	11	11
Water						
Water mains (miles)	170	170	170	170	170	170
Fire hydrants	902	912	932	954	969	970
Storage capacity (thousands of gallons)	3,200	3,200	3,200	3,200	3,200	3,200
Wastewater						
Sanitary sewers (miles)	143	143	143	143	143	143
Daily Treatment Capacity	8,000	8,000	8,000	8,000	8,000	8,000

CITY OF MCALESTER, OKLAHOMA
Operating Indicators by Function/Program
Last Seven Fiscal Years
TABLE 15

Function/Program		2007	2008	2009	2010	2011	2012	2013
Fire	Emergency Responses	1,321	1,571	2,074	2,008	2,158	2,376	2,248
	Fires Extinguished	178	144	166	149	142	197	158
Police	<i>Physical Arrests</i>							
	Juvenile	-	12	38	14	1	29	40
	Adult	1,357	1,381	1,380	1,426	969	870	875
	Parking Violations	548	485	356	228	715	283	156
	Traffic Violations	8,883	8,440	7,794	9,718	14,618	5,441	6,892
Utilities	<i>New Accounts</i>							
	Residential	1,323	1,195	1,226	1,238	1,166	1,297	1,240
	Commercial	119	109	67	107	97	106	119
	Bulk					10	5	5
Parks & Recreation	Athletic Field-Softball/Baseball	10	10	9	9	9	9	9
	Soccer (# of fields used)	1	1	2	2	2	2	2
	Tennis (# of courts used)	6	6	6	8	6	6	6
	Community Center – Special Event Participants	1,064	988	764	2,414	1,411	1,662	1,124
	Senior Center-Program Participants	55,532	55,930	50,884	48,383	52,041	51,619	33,227
	Sr. Center Lunch Program	41,892	43,290	38,253	32,612	38,410	37,979	31,527

* Fire and Police Statistics are calendar year.

Source: Various City Departments

Single Audit Reports

CITY OF MCALESTER, OKLAHOMA

June 30, 2013

CITY OF MCALESTER, OKLAHOMA

June 30, 2013

SINGLE AUDIT REPORTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*..... 1

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133..... 3

Schedule of Expenditures of Federal Awards..... 6

Notes to Schedule of Expenditures of Federal Awards..... 6

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Summary Schedule of Prior Audit Findings 9

**Independent Auditors' 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**

Honorable Mayor and Members of City Council
City of McAlester, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McAlester, Oklahoma, (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 24, 2014. Our report includes a reference to other auditors who audited the financial statements of McAlester Regional Health Center Authority (the "Authority"), a discretely presented component unit of the City as described in our report on the City's financial statements. 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. This report does not include the results of the Authority's auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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*.

Purpose of this Report

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
January 24, 2014

Independent Auditors' Report
On Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on
Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Honorable Mayor and Members of City Council
City of McAlester, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of McAlester, Oklahoma (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 the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit for the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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. However, our audit does not provide a legal determination on the City's compliance with those requirements.

Opinion on Each Major Federal Program

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

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 24, 2014, which contained unmodified opinions on those 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
March 31, 2014

CITY OF McALESTER, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended June 30, 2013

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Federal Expenditures
FEDERAL AWARDS:				
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
Passed Through to Oklahoma Department of Human Services and the Kiamichi Area Nutrition Project: Special Program for the Aging - Title III, Part C - Nutrition Services	93.045	N/A	41,896	41,896
Total U.S. Department of Health and Human Services			41,896	41,896
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Oklahoma Department of Commerce: Community Development Block Grant	14.228	15176 CDBG ED 12	140,000	140,000
Community Development Block Grant	14.228	14421 CDBG 10	73,874	73,874
Total U.S. Department of Housing and Urban Development			213,874	213,874
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Federal Aviation Administration: Airport Improvement Grant	20.106	AIP 3-40-0057-011-2011	1,420,815	2,382
Airport Improvement Grant	20.106	AIP 3-40-0057-012-2011	407,351	7,996
Total Federal Aviation Administration			1,828,166	10,378
Passed through Oklahoma Department of Public Safety: E911 Services Grant	20.610	NHTSA-2008-0142	126,877	61,559
Passed through Oklahoma Highway Safety Office: State and Community Highway Safety	20.600	PT-13-03-12-05	28,000	17,290
State and Community Highway Safety	20.600	SE-12-03-04-04	30,000	7,309
Total Oklahoma Highway Safety Office			58,000	24,599
Total U.S. Department of Transportation			2,013,043	96,536
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>				
MBE/WBE Grants	66.202	XP 00F3360-01	291,000	291,000
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
Dept of Homeland Security - AFG Grant	97.044	EMW-2010-FP-01238	71,250	71,250
TOTAL FEDERAL AWARDS			\$ 2,631,063	\$ 714,556

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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF MCALESTER

Year Ended June 30, 2013

Section I--Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

yes no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
MBE/WBE Grants	66.202
Community Development Block Grant	14.228

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

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

CITY OF MCALESTER

Year Ended June 30, 2013

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

None to report for the June 30, 2013 period.

Section III--Finding Required to be Reported in Accordance with OMB Circular A-133:

None to report for the June 30, 2013 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CITY OF MCALESTER

Year Ended June 30, 2013

FINDING 2012-01

This finding was fully corrected in the current year.