



THE CITY OF DURANT, OKLAHOMA

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

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**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Durant, Oklahoma, (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension plan and other post-employment benefits funding schedules, 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Arledge & Associates, P.C.

Edmond, Oklahoma
March 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Durant’s financial performance provides an overview of the City’s financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2012, the City’s total net assets increased by \$1,240,028 or 1.3% from the prior year.
- During the year, the City’s expenses for governmental activities were \$21,820,049 and were funded by program revenues of \$2,874,832 and further funded with taxes and other general revenues that totaled \$21,406,983.
- In the City’s business-type activities, such as utilities, total program revenues exceeded expenses by \$3,669,297, due mainly to airport capital grants of \$2,620,193.
- For budgetary reporting purposes, the General Fund reported revenues more than estimates by \$128,760 or 1.1%, while expenditures were under the final appropriations by \$2,049,391 or 15.1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

Unaudited

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

Unaudited

**CITY OF DURANT, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2012**

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

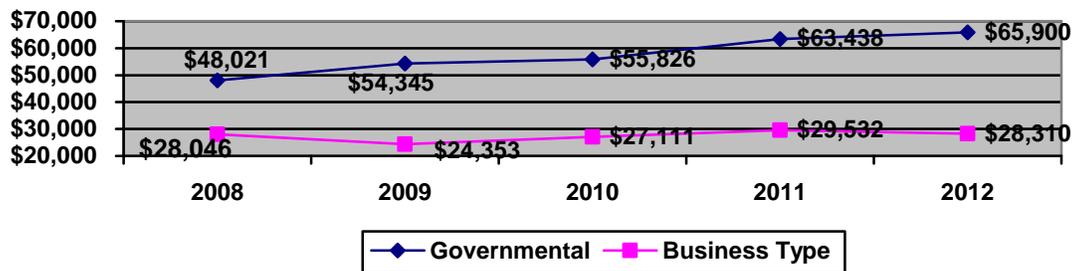
The City's combined net assets increased from \$92,969,841 to \$94,209,869 between fiscal years 2011 and 2012. Looking at the net assets of governmental and business-type activities separately, governmental activities increased \$2,461,766, while business-type activities decreased \$1,221,738.

**Table 1
Net Assets**

	Governmental Activities		% Inc. Dec.	Business-type Activities		% Inc. Dec.	Total Primary Government		% Inc. Dec.
	2012	2011		2012	2011		2012	2011	
Current and other assets	\$ 16,284,518	\$ 14,949,151	9%	\$ 10,478,985	\$ 15,368,991	-32%	\$ 26,763,503	\$ 30,318,142	-12%
Capital assets, net	54,798,320	52,476,650	4%	54,124,166	52,141,761	4%	108,922,486	104,618,411	4%
Total assets	71,082,838	67,425,801	5%	64,603,151	67,510,752	-4%	135,685,989	134,936,553	1%
Long-term debt	2,151,104	1,952,283	10%	35,338,139	37,191,606	-5%	37,489,243	39,143,889	-4%
OPEB obligation	284,023	189,112	50%	76,468	50,916	50%	360,491	240,028	50%
Other liabilities	2,747,864	1,846,325	49%	878,522	736,470	19%	3,626,386	2,582,795	40%
Total liabilities	5,182,991	3,987,720	30%	36,293,129	37,978,992	-4%	41,476,120	41,966,712	-1%
Net assets:									
Invested in capital assets, net of debt	53,716,648	51,519,524	4%	27,108,192	27,603,351	-2%	80,824,840	79,122,875	2%
Restricted	7,027,626	6,266,913	12%	816,106	791,045	3%	7,843,732	7,057,958	11%
Unrestricted	5,155,573	5,651,644	-9%	385,724	1,137,364	-66%	5,541,297	6,789,008	-18%
Total net assets	\$ 65,899,847	\$ 63,438,081	4%	\$28,310,022	\$29,531,760	-4%	\$94,209,869	\$92,969,841	1%

Net assets of the City's governmental activities increased 4 percent to approximately \$65.9 million. However, \$60,744,274 of those net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net assets amounted to \$5,155,573 at the end of this year. Net assets of the business-type activities decreased 4 percent to approximately \$28.3 million. \$27,924,298 of those net assets are restricted for debt service or are invested in capital assets. Consequently, unrestricted net assets amounted to \$385,724 at the end of the year.

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



Unaudited

**CITY OF DURANT, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2012**

Changes in Net Assets

For the year ended June 30, 2012, net assets of the primary government changed as follows:

**Table 2
Changes in Net Assets**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Revenues:									
Program revenues:									
Charges for services	\$ 895,946	\$ 816,474	10%	\$ 10,607,540	\$ 9,552,088	11%	\$ 11,503,486	\$ 10,368,562	11%
Operating grants/contributions	1,033,878	1,156,477	-11%	-	-	-	1,033,878	1,156,477	-11%
Capital grants/contributions	945,008	6,257,439	-85%	3,095,360	3,656,297	-15%	4,040,368	9,913,736	-59%
General revenues:									
Sales and use taxes	14,189,109	14,075,558	1%	-	-	-	14,189,109	14,075,558	1%
Other taxes	1,112,307	1,012,946	10%	-	-	-	1,112,307	1,012,946	10%
Other general revenue	794,751	1,067,947	-26%	419,781	479,999	-13%	1,214,532	1,547,946	-22%
Total revenues	18,970,999	24,386,841	-22%	14,122,681	13,688,384	3%	33,093,680	38,075,225	-13%
Program expenses:									
General government	4,695,120	4,664,367	1%	-	-	-	4,695,120	4,664,367	1%
Public safety	8,901,863	7,918,272	12%	-	-	-	8,901,863	7,918,272	12%
Public works	2,986,598	2,634,412	13%	-	-	-	2,986,598	2,634,412	13%
Culture and recreation	2,572,127	1,953,868	32%	-	-	-	2,572,127	1,953,868	32%
Cemetery	186,601	189,571	-2%	-	-	-	186,601	189,571	-2%
Industrial dev. (payment to DIA)	918,050	81,950	1020%	736,007	728,390	1%	1,654,057	810,340	104%
Community dev. (payment to DCFA)	1,521,952	1,493,860	2%	-	-	-	1,521,952	1,493,860	2%
Interest on long-term debt	37,738	42,305	-11%	329,571	277,262	19%	367,309	319,567	15%
Water	-	-	-	2,759,222	2,512,650	10%	2,759,222	2,512,650	10%
Sewer	-	-	-	2,684,548	2,560,844	5%	2,684,548	2,560,844	5%
Sanitation	-	-	-	2,432,994	2,240,984	9%	2,432,994	2,240,984	9%
Airport	-	-	-	1,061,933	722,175	47%	1,061,933	722,175	47%
Federal building	-	-	-	29,328	21,970	33%	29,328	21,970	33%
Total expenses	21,820,049	18,978,605	15%	10,033,603	9,064,275	11%	31,853,652	28,042,880	14%
Excess (deficiency) before transfers	(2,849,050)	5,408,236	-153%	4,089,078	4,624,109	-12%	1,240,028	10,032,345	-88%
Transfers	5,310,816	2,203,666	141%	(5,310,816)	(2,203,666)	-141%	-	-	-
Increase (decrease) in net assets	\$ 2,461,766	\$ 7,611,902	-68%	\$ (1,221,738)	\$ 2,420,443	-150%	\$ 1,240,028	\$ 10,032,345	-88%

The City's governmental activities' increase in net assets of \$2,461,766 represents a 68% decrease in the change in net assets from the prior year. The business-type activities' decrease in net assets of \$1,221,738 represents a 150% decrease in the change in net assets from the prior year.

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

- Current and other assets of the business-type activities decreased by 32% due to a decrease in cash and cash equivalents related to the 2009A & 2010 Revenue Notes (current year spending of construction accounts).
- OPEB obligation in both the governmental activities and business-type activities increased by 50% due to the City not funding the obligation as it is incurred.
- Other liabilities of the governmental activities increased by 49% due to an increase in accounts payable of approximately \$760,000 related to a capital project.

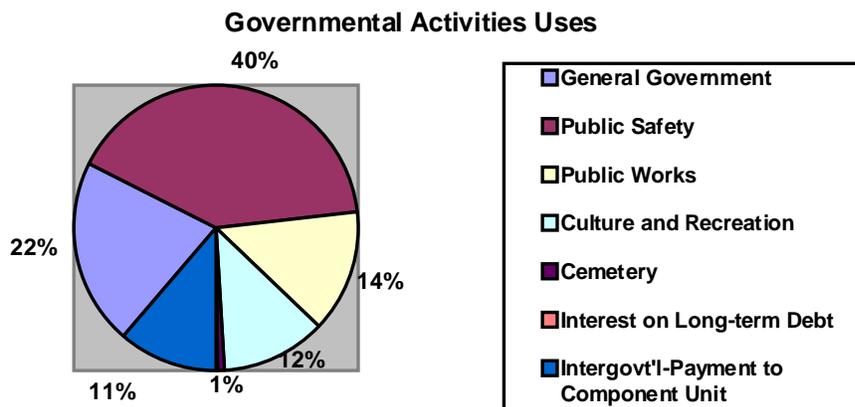
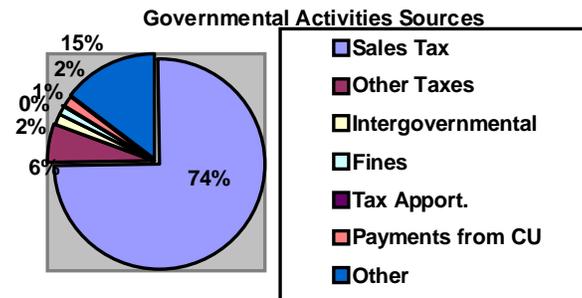
Unaudited

- Governmental activities capital grants and contributions decreased due to the decrease in donations related to the community center and library.
- Business-type activities airport expense increased approximately 47% due to the increase in purchases of jet fuel and aviation gasoline and for an increase in personal services expense.
- Transfers changed significantly due to a large reimbursement of note financing from the Durant City Utilities Authority to the Capital Improvement Fund in the amount of \$4,826,918 as compared to prior year of \$3,202,590. In addition, airport grant activity that was transferred to business-type activities increased by approximately \$1,000,000.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City’s taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended June 30, 2012, the City’s governmental activities were funded as follows:



Unaudited

**CITY OF DURANT, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2012**

For the year ended June 30, 2012, total expenses for governmental activities amounted to \$21,820,049. Of these total expenses, taxpayers and other general revenues funded \$21,406,983, while those directly benefiting from the program funded \$1,978,886 from grants and other contributions and \$895,946 from charges for services.

Net Cost of Durant's Governmental Activities

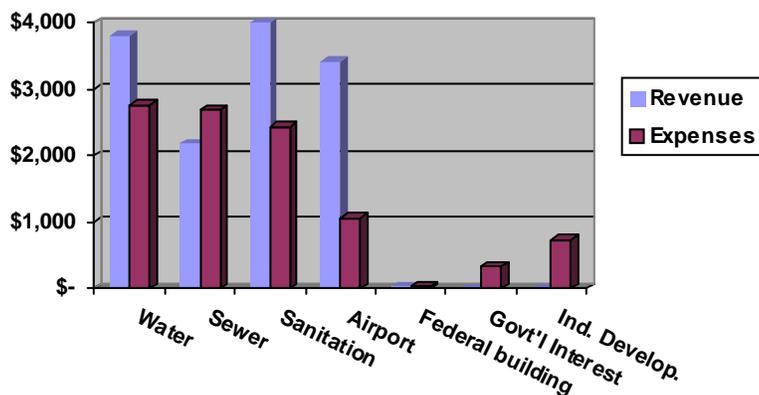
	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2012</u>	<u>2011</u>	<u>2012-2011</u>	<u>2012</u>	<u>2011</u>	<u>2012-2011</u>
General government	\$4,695,120	\$4,664,367	0.7%	(\$4,409,281)	(\$4,168,385)	5.8%
Public safety	8,901,863	7,918,272	12.4%	(7,426,889)	(6,773,991)	9.6%
Public works	2,986,598	2,634,412	13.4%	(2,700,996)	(2,166,328)	24.7%
Culture and recreation	2,572,127	1,953,868	31.6%	(1,801,423)	4,107,716	-143.9%
Cemetery	186,601	189,571	-1.6%	(128,888)	(129,112)	-0.2%
Industrial development - payments to DIA	918,050	81,950	1020.3%	(918,050)	(81,950)	1020.3%
Community development - payments to DCFA	1,521,952	1,493,860	1.9%	(1,521,952)	(1,493,860)	1.9%
Interest on long-term debt	37,738	42,305	-10.8%	(37,738)	(42,305)	-10.8%
Total	\$21,820,049	\$18,978,605	15.0%	(\$18,945,217)	(\$10,748,215)	76.3%

Business-type Activities

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

- Total business-type activities reported net revenues of \$3,669,297 for the year ended June 30, 2012.
- All individual activities reported net revenues for the year ended June 30, 2012, with the exception of sewer, federal building, governmental interest on long-term debt and industrial development (payment to DIA) which reported net expenses of \$507,603, \$3,624, \$329,571 and \$736,007 respectively.

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



Unaudited

A FINANCIAL ANALYSIS OF THE CITY’S FUNDS

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of \$11,906,225 or a 12.5% increase from the prior year. The enterprise funds reported net assets of \$28,268,426 or a 3.3% decrease from 2011.

Other fund highlights include:

- For the year ended June 30, 2012, the General Fund’s total fund balance decreased by \$96,624 or 3.2%.
- The Capital Improvement Fund’s total fund balance increased by \$886,556 due to an increase in transfers in from the 1% Sales Tax Revenue Fund and the DCUA related to capital project financing.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the General Fund budget various times. The revised budget included an increase in overall revenue projections of 1.2% or \$160,953 and an increase in appropriations of 1.2% or \$160,953.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2012, the City had \$108,922,486 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below).

	Primary Government Capital Assets (Net of accumulated depreciation)					
	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$5,050,512	\$5,005,578	\$1,724,994	\$1,724,994	\$6,775,506	\$6,730,572
Buildings	19,920,733	17,419,091	18,481,694	19,585,891	38,402,427	37,004,982
Improvements	698,817	757,178	889,814	935,431	1,588,631	1,692,609
Machinery & equipment	5,633,710	4,341,661	2,327,438	2,075,386	7,961,148	6,417,047
Infrastructure	22,432,715	22,636,775	23,282,430	22,868,246	45,715,145	45,505,021
Construction in progress	<u>1,061,833</u>	<u>2,316,367</u>	<u>7,417,796</u>	<u>4,951,813</u>	<u>8,479,629</u>	<u>7,268,180</u>
Totals	<u>\$54,798,320</u>	<u>\$52,476,650</u>	<u>\$54,124,166</u>	<u>\$52,141,761</u>	<u>\$108,922,486</u>	<u>\$104,618,411</u>

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

- The City placed in service a police station building and parking lot totaling \$2,510,082.
- The City purchased Interact Software & equipment for 4 stations totaling \$146,670.
- The City placed in service the Lloyd Plyer Park concession stand and bathroom remodel totaling \$375,000.
- The City placed in service the Billy Miller Park fieldhouse and bathroom project totaling \$140,964.

Unaudited

**CITY OF DURANT, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2012**

- The City purchased a Crawler dozer for parks dept in the amount of \$168,493.
- The City placed in service the Streetscape IV sidewalk project totaling \$534,713.
- The City placed in service the West University street overlay project totaling \$135,364.
- The City placed in service the N. 19th street overlay project totaling \$119,075.
- The City placed in service the Hwy 70 Bypass water/sewer line relocation project totaling \$596,205.
- The City placed in service a WTP Clarifier replacement project totaling \$424,149.
- The City purchased a 2012 Freightliner brushloader for solid waste dept in the amount of \$125,916.
- The City purchased a 2013 Peterbilt automated refuse truck for solid waste dept in the amount of \$109,621.
- The City purchased a Heil Rapid Rail packer body for solid waste dept in the amount of \$103,653.
- The City placed in service a DMSC drainage project in the amount of \$270,045.
- The City purchased 4 new Tahoes for police dept in the amount of \$144,601.
- The City purchased 3 new Dodge trucks for parks/general dept in the amount of \$144,123.
- The City purchased 2 new tractors, batwing & cutters for park dept in the amount of \$145,847.

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

Long- Term Debt

At year-end, the City had \$37,489,243 in long-term debt outstanding which represents a \$1,654,646 or 4.2% decrease from the prior year. The City's changes in long-term debt by type of debt are as follows:

	Primary Government Long-Term Debt						Total Percentage Change
	Governmental Activities		Business-Type Activities		Total		
	2012	2011	2012	2011	2012	2011	
Capital lease obligations	\$1,070,488	\$939,842	-	-	\$1,070,488	\$939,842	13.9%
Notes payable	11,184	17,284	\$34,328,137	\$36,238,726	34,339,321	36,256,010	-5.3%
Landfill closure liability	-	-	393,575	374,703	393,575	374,703	5.0%
Meter deposit liability	-	-	339,409	309,054	339,409	309,054	9.8%
Accrued comp absences	1,069,432	995,157	277,018	269,123	1,346,450	1,264,280	6.5%
Totals	<u>\$2,151,104</u>	<u>\$1,952,283</u>	<u>\$35,338,139</u>	<u>\$37,191,606</u>	<u>\$37,489,243</u>	<u>\$39,143,889</u>	-4.2%

For the year ended June 30, 2012, the following significant long-term debt transactions occurred:

- The DCUA issued 3 new notes payable for a Heil packer body for solid waste dept, a brushloader for solid waste dept, and 2 Chevy trucks for water/wastewater depts.
- Seven new capital leases were approved by the City for 4 police Tahoes with equipment, a tractor with brush hog, 3 Dodge trucks for streets dept, 3 Dodge trucks for parks dept, 2 tractors for parks dept, a field groomer for DMSC, and a forklift for city garage dept.

Unaudited

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Unemployment Rates – To date, the most current Employment Securities Commission Research Analysis Data is posted for December 2012. The United States Unemployment Rate for December 2012 is 7.8%. The State of Oklahoma Unemployment Rate for December 2012 is 5.1%. The Durant/Bryan County Unemployment Rate for December 2012 is 4.7% . The Durant/Bryan County twelve month unemployment average for 2012 is 4.6%. Bryan County posted their number of employed workforce at 18,828 for December, 2012.

Sales Tax Collection – Sales tax collections in fiscal year 2012-2013 increased over the previous fiscal year by 0.99% while sales tax collections for the fiscal year of 2011-2012 reflect a 1.88% increase over the same period in 2010-2011.

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

Projects Completed In The Current Fiscal Year

Eagle Suspensions Phase III Expansion – The third leaf spring manufacturing heat treating line was installed in 2012. An additional 86 crates of heat treating and forming equipment arrived from China in February, 2012 and was installed over a five week period in March, 2012. The new heat treating line is currently in operation. New Processing Equipment Investment - \$5Million to \$6 Million Dollars/Number of New Jobs Projected at 40 for 2013-2014.

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

Texoma Manufacturing LLC Expansion – Texoma Manufacturing LLC became the third company to receive a job creation loan from the Durant Industrial Authority in August, 2011. The \$1,000,000 job creation loan carries specific workforce criteria which must be met and reported to the Durant Industrial Authority Board to maintain loan eligibility. This six year job creation loan will be paid in full no later than August 31, 2018. Mr. Crain completed his fourth building expansion in 2012 adding a total of 47,000 square feet to his business complex. Texoma Manufacturing LLC represents over a \$4 Million

Dollar business investment for the Durant community. Mr. Crain hired between 80-90 new employees in the first year of operation with a payroll of \$1.6 Million Dollars.

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

StoneBrook Park Housing Development Phase II - Jim Petty, owner and developer of StoneBrook Park Housing Development, acquired additional land adjoining StoneBrook Park Housing Development Phase I to construct Phase II of this affordable energy housing development. Construction was completed in 2012 and all 39 homes within StoneBrook Park Phases I and II are occupied.

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

Hope for Homes Faith Based Community Outreach – Hope for Homes is a faith based community outreach project to assist the elderly, low income and disabled with needed home repairs. The volunteers are provided through the Group Cares Mission Trips of Loveland, Colorado who specialize in home repair with faith based youth mission trips. A team of 256 teenagers and adults from six states participated as volunteers. All building supplies required for the Hope for Homes Project were all purchased locally at the four lumberyards in Durant and provided at no charge to the homeowner. The Durant Industrial Authority contributed \$2,500 from its promotional fund to the Hope for Homes faith based community outreach project. No City of Durant sales tax dollars were used in this community project funding. This project was highly successful with thirty-eight homes repaired during the week of July 8-14, 2012.

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

Unaudited

Projects In Process For Upcoming Fiscal Year

LaQuinta Inn & Suites – Kishor Keval has purchased property for a new 68 room 4 story LaQuinta Inn & Suites at 417 Criswell Drive. Construction of the new hotel started in March 2012 and will be the first LaQuinta Inn & Suites built in the State of Oklahoma using the 2012 architectural design and color scheme. The total project investment is \$4 Million Dollars and will create 30 new jobs. The planned grand opening is scheduled for April 2013.

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

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

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

Hitchcock Distributing - Mr. Hitchcock and I have been working together in planning a possible new site for the expansion of his distribution center. Mr. Hitchcock is working with an architectural and engineering firm that designs refrigerated distribution centers for his products. I have met with project consultants Gene Schwartz from St. Louis, Missouri, and Tex Burrows from Temple, Texas, several times and provided them with information concerning industrial park land and incentive programs available for the new refrigerated distribution center project. The total project investment will be over \$4 Million Dollars for this 2013-2014 project.

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

ONEOK Partners, L.P. 16” Natural Gas Liquids (NGL) Sterling III Pipeline, L.L.C. Construction will begin on March 23, 2013 for the 16” Natural Gas Liquids (NGL) Sterling III Pipeline, L.L.C. ONEOK. Construction will begin at the Red River and travel north through Durant in March and April 2013. A right-of-way easement on Durant Industrial Authority West Industrial Park property has been granted to ONEOK Partners.

The Tile Shop - The Tile Shop has 64 stores in 20 states and has four distribution centers. The new Durant Tile Shop Distribution Center is their only distribution center that will be served by rail. The Tile Shop buys their stone and ceramic products direct from over twenty countries around the world and manufactures their own setting and maintenance products for sale in their retail stores. The demolition and new construction started on Monday, January 21, 2013 in the former Hale Halsell facility and should be completed by April 1, 2013. The engineering, building and design of their new 34,000 square foot manufacturing facility is in process. The distribution center is expected to be operational by April - May 2013. The manufacturing facility is expected to be operational by June - July 2013.

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

Discount Tire Store – A North Texas gentlemen has purchased commercial property in Durant and will begin construction on a 7,000 square foot discount tire and service center in April 2013.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Durant City Manager by phone at (580) 931-6605, or the Durant City Treasurer at (580) 931-6651, or by mail at City of Durant, P.O. Box 578, Durant, Oklahoma 74702-0578.

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**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Statement of Net Assets– June 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Durant Industrial Authority	Durant Community Facilities Authority
ASSETS:					
Cash and cash equivalents	\$8,733,638	\$8,483,717	\$17,217,355	\$20,066	\$1,135,692
Investments	3,780,600	83,896	3,864,496	1,458,208	-
Accounts receivable, net of allowance	-	1,535,586	1,535,586	-	-
Franchise tax receivable	63,380	-	63,380	-	-
Court fine receivable, net of allowance	23,226	-	23,226	-	-
Internal balances	181,529	(181,529)	-	-	-
Due to/from component unit	283,625	-	283,625	(112,048)	(171,577)
Due from other governments	2,871,269	-	2,871,269	-	-
Notes receivable	286,677	-	286,677	1,824,014	-
Other receivables	60,574	-	60,574	-	-
Capital assets:					
Land and construction in progress	6,112,345	9,142,790	15,255,135	1,779,392	266,000
Other capital assets, net of depreciation	48,685,975	44,981,376	93,667,351	16,354	-
Unamortized bond issuance costs	-	557,315	557,315	-	226,548
Total assets	71,082,838	64,603,151	135,685,989	4,985,986	1,456,663
LIABILITIES:					
Accounts payable	1,515,488	442,271	1,957,759	14,520	85
Retainage payable	257,455	-	257,455	-	-
Accrued payroll liabilities	461,160	77,280	538,440	8,426	-
Accrued interest payable	-	358,971	358,971	-	70,537
Due to other governments	1,880	-	1,880	-	-
Claims liability	505,139	-	505,139	-	-
Deferred revenue	6,742	-	6,742	9,260	-
Long-term liabilities:					
Due within one year	572,930	2,587,017	3,159,947	131,261	1,086,083
Due in more than one year	1,578,174	32,751,122	34,329,296	1,654,110	12,887,968
OPEB obligation	284,023	76,468	360,491	3,641	-
Total liabilities	5,182,991	36,293,129	41,476,120	1,821,218	14,044,673
NET ASSETS:					
Invested in capital assets, net of related debt	53,716,648	27,108,192	80,824,840	1,066,463	266,000
Restricted	7,027,626	816,106	7,843,732	-	-
Unrestricted	5,155,573	385,724	5,541,297	2,098,305	(12,854,010)
Total net assets	\$65,899,847	\$28,310,022	\$94,209,869	\$3,164,768	(\$12,588,010)

See accompanying notes to the basic financial statements.

CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Statement of Activities –Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Durant Industrial Authority	Durant Community Facilities Authority
					Governmental Activities	Business-Type Activities	Total		
Primary Government:									
Governmental activities:									
General government	\$4,695,120	\$252,241	\$33,398	\$200	(\$4,409,281)	-	(\$4,409,281)	-	-
Public safety	8,901,863	344,205	815,501	315,268	(7,426,889)	-	(7,426,889)	-	-
Public works	2,986,598	2,020	139,606	143,976	(2,700,996)	-	(2,700,996)	-	-
Culture and recreation	2,572,127	240,255	44,885	485,564	(1,801,423)	-	(1,801,423)	-	-
Cemetery	186,601	57,225	488	-	(128,888)	-	(128,888)	-	-
Industrial development (Payment to DIA)	918,050	-	-	-	(918,050)	-	(918,050)	-	-
Community development (Payment to DCFA)	1,521,952	-	-	-	(1,521,952)	-	(1,521,952)	-	-
Interest on long-term debt	37,738	-	-	-	(37,738)	-	(37,738)	-	-
Total governmental activities	21,820,049	895,946	1,033,878	945,008	(18,945,217)	-	(18,945,217)	-	-
Business-type activities:									
Water	2,759,222	3,615,315	-	189,375	-	\$1,045,468	1,045,468	-	-
Sewer	2,684,548	1,891,153	-	285,792	-	(507,603)	(507,603)	-	-
Sanitation	2,432,994	4,272,144	-	-	-	1,839,150	1,839,150	-	-
Airport	1,061,933	803,224	-	2,620,193	-	2,361,484	2,361,484	-	-
Federal building	29,328	25,704	-	-	-	(3,624)	(3,624)	-	-
Governmental interest on long-term debt	329,571	-	-	-	-	(329,571)	(329,571)	-	-
Industrial development (Payment to DIA)	736,007	-	-	-	-	(736,007)	(736,007)	-	-
Total business-type activities	10,033,603	10,607,540	-	3,095,360	-	3,669,297	3,669,297	-	-
Total primary government	\$31,853,652	\$11,503,486	\$1,033,878	\$4,040,368	(18,945,217)	3,669,297	(15,275,920)	-	-
Component Units:									
Industrial development	\$1,792,973	-	\$25,200	\$37,973	-	-	-	(\$1,729,800)	-
Community development	775,493	-	-	-	-	-	-	-	(\$775,493)
Total component units	\$2,568,466	-	\$25,200	\$37,973	-	-	-	(1,729,800)	(775,493)
General revenues:									
Taxes:									
Sales and use taxes					14,189,109	-	14,189,109	-	-
Franchise and public service taxes					804,527	-	804,527	-	-
E-911 taxes					307,780	-	307,780	-	-
Intergovernmental revenue not restricted to specific programs					292,321	-	292,321	-	-
Investment income					50,667	43,255	93,922	5,422	3,171
Miscellaneous					138,391	216,949	355,340	1,292,806	-
Payments received from primary government					-	-	-	1,654,057	1,521,952
Payments received from component unit					313,372	159,577	472,949	-	-
Transfers - Internal activity					5,310,816	(5,310,816)	-	-	-
Total general revenues and transfers					21,406,983	(4,891,035)	16,515,948	2,952,285	1,525,123
Change in net assets					2,461,766	(1,221,738)	1,240,028	1,222,485	749,630
Net assets - beginning					63,438,081	29,531,760	92,969,841	1,942,283	(13,337,640)
Net assets - ending					\$65,899,847	\$28,310,022	\$94,209,869	\$3,164,768	(\$12,588,010)

See accompanying notes to the basic financial statements.

**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Governmental Funds Balance Sheet - June 30, 2012

	Special Revenue Funds			Capital Project Funds			Other Governmental Funds	Total Governmental Funds
	General	1/4% Economic Development Fund	5/8% Sales Tax Education Fund	Capital Improvement Fund	1% Sales Tax Revenue Fund	DWRF Community Center & Library Fund		
ASSETS:								
Cash and cash equivalents	\$1,831,088	\$3,422,412	-	\$1,331,486	\$49,204	\$497,986	\$305,611	\$7,437,787
Investments	786,512	1,471,747	-	791,092	21,159	-	164,603	3,235,113
Receivables:								
Due from other funds	1,490	-	-	224,502	-	-	2,638	228,630
Due from component unit	-	-	-	283,625	-	-	-	283,625
Due from other governments	1,006,717	100,013	\$261,544	807,652	400,052	-	295,291	2,871,269
Notes receivable	-	-	-	286,677	-	-	-	286,677
Franchise tax receivable	63,380	-	-	-	-	-	-	63,380
Court fines receivable, net	23,226	-	-	-	-	-	-	23,226
Other receivables	6,503	-	-	-	-	-	53,653	60,156
Total assets	\$3,718,916	\$4,994,172	\$261,544	\$3,725,034	\$470,415	\$497,986	\$821,796	\$14,489,863
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Accounts payable	\$287,475	-	-	\$1,161,523	-	\$42,297	\$7,339	\$1,498,634
Retainage payable	-	-	-	257,455	-	-	-	257,455
Accrued payroll liabilities	437,379	-	-	-	-	-	20,615	457,994
Due to other funds	2,638	-	-	-	-	-	2,867	5,505
Due to other governments	1,880	-	-	-	-	-	-	1,880
Deferred revenue	62,969	-	-	299,201	-	-	-	362,170
Total liabilities	792,341	-	-	1,718,179	-	42,297	30,821	2,583,638
Fund Balances:								
Restricted	-	\$4,895,920	\$261,544	557,969	\$469,629	294,895	547,669	7,027,626
Assigned	2,029,912	98,252	-	1,448,886	786	160,794	243,306	3,981,936
Unassigned	896,663	-	-	-	-	-	-	896,663
Total fund balances	2,926,575	4,994,172	261,544	2,006,855	470,415	455,689	790,975	11,906,225
Total liabilities and fund balances	\$3,718,916	\$4,994,172	\$261,544	\$3,725,034	\$470,415	\$497,986	\$821,796	\$14,489,863

See accompanying notes to the basic financial statements.

CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Governmental Funds Statement of Changes in Fund Balances – Year Ended June 30, 2012

	Special Revenue Funds			Capital Project Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	1/4% Economic Development Fund	5/8% Sales Tax Education Fund	Capital Improvement Fund	1% Sales Tax Revenue Fund	DWRF Community Center & Library Fund		
Revenues:								
Taxes	\$7,636,567	\$761,442	\$2,026,993	-	\$3,045,750	-	\$1,830,664	\$15,301,416
Intergovernmental	1,387,611	-	-	\$3,559,776	-	-	156,856	5,104,243
Charges for services	310,502	-	-	-	-	-	92,734	403,236
Licenses and permits	225,579	-	-	-	-	-	-	225,579
Fines and forfeitures	256,311	-	-	-	-	-	-	256,311
Investment income	8,929	17,326	-	14,348	206	\$513	1,637	42,959
Miscellaneous:								
Reimbursements	18,341	-	-	-	-	-	-	18,341
Donations	11,400	-	-	130,000	-	435,564	-	576,964
Other	116,939	-	-	34,284	-	-	-	151,223
Total Revenues	9,972,179	778,768	2,026,993	3,738,408	3,045,956	436,077	2,081,891	22,080,272
Expenditures:								
Current:								
General government	2,336,094	-	2,030,083	-	-	-	-	4,366,177
Public safety	7,249,356	-	-	-	-	-	732,399	7,981,755
Public works	1,405,543	-	-	-	-	-	-	1,405,543
Culture and recreation	1,863,219	-	-	-	-	-	-	1,863,219
Cemetery	144,741	-	-	-	-	-	-	144,741
Capital outlay	122,066	-	-	8,842,138	-	155,850	134,239	9,254,293
Debt service:								
Principal retirement	6,100	-	-	489,311	-	-	-	495,411
Interest and fiscal charges	-	-	-	37,385	-	-	-	37,385
Total Expenditures	13,127,119	-	2,030,083	9,368,834	-	155,850	866,638	25,548,524
Excess (deficiency) of revenues over expenditures	(3,154,940)	778,768	(3,090)	(5,630,426)	3,045,956	280,227	1,215,253	(3,468,252)
Other Financing Sources (Uses):								
Transfers in	3,058,307	-	-	6,045,380	-	79,830	619,994	9,803,511
Transfers out	(39,038)	-	-	(323,875)	(3,056,635)	-	(5,017)	(3,424,565)
Transfers from component unit	39,047	17,500	-	173,918	-	-	-	230,465
Transfers to component unit	-	(918,050)	-	-	-	-	(1,521,952)	(2,440,002)
Proceeds from issuance of debt	-	-	-	621,559	-	-	-	621,559
Total Other Financing Sources (Uses)	3,058,316	(900,550)	-	6,516,982	(3,056,635)	79,830	(906,975)	4,790,968
Net change in fund balances	(96,624)	(121,782)	(3,090)	886,556	(10,679)	360,057	308,278	1,322,716
Fund balances - beginning	3,023,199	5,115,954	264,634	1,120,299	481,094	95,632	482,697	10,583,509
Fund balances - ending	\$2,926,575	\$4,994,172	\$261,544	\$2,006,855	\$470,415	\$455,689	\$790,975	\$11,906,225

See accompanying notes to the basic financial statements.

CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Changes in Fund Balances:

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

Total fund balances - governmental funds	\$11,906,225
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$62,626,134.	<u>54,791,573</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Grants receivable	324,201
Court fines receivable	<u>31,227</u>
	<u>355,428</u>
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.	
Net assets of the Internal Service Fund	1,311,695
Internal service fund balance resulting from net revenues reported in business-type activities	<u>(41,596)</u>
	<u>1,270,099</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Capital lease obligations	(1,065,690)
Notes payable	(11,184)
OPEB obligation	(284,023)
Accrued compensated absences	<u>(1,062,581)</u>
	<u>(2,423,478)</u>
Net assets of governmental activities	<u><u>\$65,899,847</u></u>

See accompanying notes to the basic financial statements

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Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds \$1,322,716

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

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

Capital assets contributed by discretely presented component units	44,934
Capital assets transferred from other funds	46,834
Capital assets transferred to other funds	(1,900)
Capital assets donated	15,000
Capital asset purchases capitalized	4,852,781
Capital assets disposed	(17,944)
Depreciation expense	(2,615,632)
	<u>2,324,073</u>

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

Deferred revenue	(302,095)
	<u>(302,095)</u>

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

Debt proceeds received	(621,559)
Debt principal payments	495,411
	<u>(126,148)</u>

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

Change in OPEB obligations	(94,911)
Change in accrued compensated absences	(75,039)
	<u>(169,950)</u>

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

Total change in net assets of the internal service fund	(841,480)
Net revenues (expenses) of internal service fund reported in business-type activities	254,650
	<u>(586,830)</u>

Change in net assets of governmental activities \$2,461,766

See accompanying notes to the basic financial statements.

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BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

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Proprietary Funds Statement of Net Assets - June 30, 2012

	Enterprise Funds				Internal Service Funds
	Utilities Authority	Airport Authority	Non-Major Federal Building	Total	
	Fund	Fund	Fund		
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$550	\$23,406	\$90,373	\$114,329	\$1,295,851
Restricted cash and cash equivalents	7,255,141	91,977	-	7,347,118	-
Investments	-	10,065	38,863	48,928	545,487
Restricted investments	34,968	-	-	34,968	-
Accounts receivable, net of allowance	1,439,538	96,048	-	1,535,586	418
Total current assets	<u>8,730,197</u>	<u>221,496</u>	<u>129,236</u>	<u>9,080,929</u>	<u>1,841,756</u>
Noncurrent Assets:					
Restricted Assets:					
Cash and cash equivalents	1,022,270	-	-	1,022,270	-
Capital assets:					
Land and other non-depreciable assets	2,138,704	7,004,086	-	9,142,790	-
Other capital assets, net of depreciation	41,298,360	3,666,000	17,016	44,981,376	6,747
Unamortized debt issuance costs	549,315	8,000	-	557,315	-
Total noncurrent assets	<u>45,008,649</u>	<u>10,678,086</u>	<u>17,016</u>	<u>55,703,751</u>	<u>6,747</u>
Total assets	<u>53,738,846</u>	<u>10,899,582</u>	<u>146,252</u>	<u>64,784,680</u>	<u>1,848,503</u>
LIABILITIES:					
Current Liabilities:					
Accounts payable	388,547	53,250	474	442,271	16,854
Accrued payroll liabilities	75,676	1,604	-	77,280	3,166
Due to other funds	223,125	-	-	223,125	-
Accrued interest payable	356,142	2,829	-	358,971	-
Estimated liability for claims	-	-	-	-	505,139
Current Portion of:					
Meter deposit liability	67,882	-	-	67,882	-
Capital lease payable	-	-	-	-	1,570
Notes payable	2,405,953	66,609	-	2,472,562	-
Landfill closure liability	18,871	-	-	18,871	-
Accrued compensated absences	27,607	95	-	27,702	685
Total current liabilities	<u>3,563,803</u>	<u>124,387</u>	<u>474</u>	<u>3,688,664</u>	<u>527,414</u>
Noncurrent liabilities:					
Meter deposit liability	271,527	-	-	271,527	-
Capital lease payable	-	-	-	-	3,228
Notes payable	31,665,989	189,586	-	31,855,575	-
Landfill closure liability	374,704	-	-	374,704	-
OPEB obligation	76,468	-	-	76,468	-
Accrued compensated absences	248,460	856	-	249,316	6,166
Total noncurrent liabilities	<u>32,637,148</u>	<u>190,442</u>	<u>-</u>	<u>32,827,590</u>	<u>9,394</u>
Total liabilities	<u>36,200,951</u>	<u>314,829</u>	<u>474</u>	<u>36,516,254</u>	<u>536,808</u>
NET ASSETS:					
Invested in capital assets, net of related debt	16,601,285	10,489,891	17,016	27,108,192	1,949
Restricted for debt service	794,958	21,148	-	816,106	-
Unrestricted	141,652	73,714	128,762	344,128	1,309,746
Total net assets	<u>\$17,537,895</u>	<u>\$10,584,753</u>	<u>\$145,778</u>	<u>\$28,268,426</u>	<u>\$1,311,695</u>

Total net assets of enterprise funds

\$28,268,426

Amounts reported for business-type activities in the Statement of Net Assets are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. An interfund receivable or payable has been recorded in the business-type activities for its share of the net income or the loss of the internal service funds.

Net assets of the Internal Service Funds

41,596

Net assets of business-type activities

\$28,310,022

See accompanying notes to the basic financial statements.

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Proprietary Funds Statement of Changes in Net Assets - Year Ended June 30, 2012

	Enterprise Funds				Internal Service Funds
	Utilities Authority	Airport Authority	Non-Major Federal Building	Total	
	Fund	Fund	Fund		
Operating Revenues:					
Charges for services:					
Water charges	\$3,390,595	-	-	\$3,390,595	-
Sewer charges	1,790,448	-	-	1,790,448	-
Water and sewer taps	155,052	-	-	155,052	-
Penalties	111,400	-	-	111,400	-
Non-payment fees	126,200	-	-	126,200	-
Sanitation charges	3,784,131	-	-	3,784,131	-
Landfill gate fees	117,360	-	-	117,360	-
Lab tests	26,710	-	-	26,710	-
Airport	-	\$803,224	-	803,224	-
Rentals	61,390	-	\$25,704	87,094	-
Transfer station fees	235,442	-	-	235,442	-
Recyclable products	8,200	-	-	8,200	-
Self insurance charges	-	-	-	-	\$1,893,976
Miscellaneous	145,178	8,381	-	153,559	636,236
Total operating revenues	<u>9,952,106</u>	<u>811,605</u>	<u>25,704</u>	<u>10,789,415</u>	<u>2,530,212</u>
Operating Expenses:					
Public works administration	139,544	-	-	139,544	-
Water/sewer line maintenance	804,100	-	-	804,100	-
Water treatment plant	826,062	-	-	826,062	-
Wastewater treatment	724,662	-	-	724,662	-
Collection - solid waste	1,007,334	-	-	1,007,334	-
General government	148,492	-	-	148,492	-
Lake Durant	33,769	-	-	33,769	-
Disposal - solid waste	924,915	-	-	924,915	-
Airport	-	807,628	-	807,628	-
Federal building	-	-	28,919	28,919	-
Claims expense	-	-	-	-	3,376,643
Depreciation expense	2,007,076	131,816	409	2,139,301	2,404
Total operating expenses	<u>6,615,954</u>	<u>939,444</u>	<u>29,328</u>	<u>7,584,726</u>	<u>3,379,047</u>
Operating income (loss)	3,336,152	(127,839)	(3,624)	3,204,689	(848,835)
Non-Operating Revenues (Expenses):					
Investment income	42,033	753	469	43,255	7,708
Miscellaneous	2,000	-	-	2,000	-
Gain (Loss) on sale of capital assets	33,074	-	-	33,074	-
Amortization expense	(48,809)	(2,400)	-	(51,209)	-
Interest expense and fiscal charges	(1,338,738)	(21,094)	-	(1,359,832)	(353)
Total non-operating revenues (expenses)	<u>(1,310,440)</u>	<u>(22,741)</u>	<u>469</u>	<u>(1,332,712)</u>	<u>7,355</u>
Net income (loss) before contributions and transfers	2,025,712	(150,580)	(3,155)	1,871,977	(841,480)
Capital contributions	1,031,269	3,085,042	-	4,116,311	-
Transfers in	2,174,497	-	-	2,174,497	-
Transfers out	(8,521,340)	(32,103)	-	(8,553,443)	-
Transfers from component unit	159,577	-	-	159,577	-
Transfers to component unit	(736,007)	-	-	(736,007)	-
Change in net assets	(3,866,292)	2,902,359	(3,155)	(967,088)	(841,480)
Total net assets - beginning	21,404,187	7,682,394	148,933	29,235,514	2,153,175
Total net assets - ending	<u>\$17,537,895</u>	<u>\$10,584,753</u>	<u>\$145,778</u>	<u>\$28,268,426</u>	<u>\$1,311,695</u>
Change in net assets - enterprise funds				(967,088)	
Amounts reported for business-type activities in the Statement of Activities are different because:					
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. An interfund receivable or payable to has been recorded in the business-type activities for its share of the net income or loss of the internal service funds.					
Change in net assets of the Internal Service Fund					
				(254,650)	
Change in net assets of the business-type activities				<u>(\$1,221,738)</u>	

See accompanying notes to the basic financial statements.

**CITY OF DURANT, OKLAHOMA
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Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2012

	Enterprise Funds			Total	Internal Service Funds
	Utilities Authority Fund	Airport Authority Fund	Non-Major Federal Building Fund		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$9,988,455	749,311	29,376	\$10,767,142	-
Payments to suppliers	(2,072,776)	(725,858)	(29,500)	(2,828,134)	(\$3,076,993)
Payments to employees	(2,355,367)	(46,177)	-	(2,401,544)	(92,238)
Receipts of customer meter deposits	147,738	-	-	147,738	-
Customer meter deposits refunded or applied	(117,383)	-	-	(117,383)	-
Other receipts (payments)	218,760	-	-	218,760	2,531,194
Net Cash Provided by (Used in) Operating Activities	5,809,427	(22,724)	(124)	5,786,579	(638,037)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	2,174,497	-	-	2,174,497	-
Transfers to other funds	(8,521,340)	(32,103)	-	(8,553,443)	-
Transfers from component unit	159,577	-	-	159,577	-
Transfers to component unit	(736,007)	-	-	(736,007)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(6,923,273)	(32,103)	-	(6,955,376)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(6,751)	-	-	(6,751)	-
Proceeds from sale of capital assets	34,430	-	-	34,430	-
Proceeds from issuance of capital debt	457,805	-	-	457,805	-
Principal paid on capital debt	(2,306,153)	(62,241)	-	(2,368,394)	(1,602)
Interest and fiscal charges paid on capital debt	(1,359,422)	(21,786)	-	(1,381,208)	(353)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(3,180,091)	(84,027)	-	(3,264,118)	(1,955)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of investments	83,276	43,808	1,518	128,602	222,551
Interest and dividends	42,033	753	469	43,255	7,708
Net Cash Provided by (Used in) Investing Activities	125,309	44,561	1,987	171,857	230,259
Net Increase (Decrease) in Cash and Cash Equivalents	(4,168,628)	(94,293)	1,863	(4,261,058)	(409,733)
Balances - beginning of the year	12,446,589	209,676	88,510	12,744,775	1,705,584
Balances - end of the year	\$8,277,961	\$115,383	\$90,373	\$8,483,717	\$1,295,851
Reconciliation to Statement of Net Assets:					
Cash and cash equivalents	\$550	\$23,406	\$90,373	\$114,329	\$1,295,851
Current restricted cash and cash equivalents	7,255,141	91,977	-	7,347,118	-
Noncurrent restricted cash and cash equivalents	1,022,270	-	-	1,022,270	-
Total Cash and Cash Equivalents	\$8,277,961	\$115,383	\$90,373	\$8,483,717	\$1,295,851
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$3,336,152	(\$127,839)	(\$3,624)	\$3,204,689	(\$848,835)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	2,007,076	131,816	409	2,139,301	2,404
Other non-operating revenues	2,000	-	-	2,000	-
Change in assets and liabilities:					
Receivables	36,349	(62,294)	3,672	(22,273)	982
Accounts payable	135,695	34,859	(581)	169,973	10,069
Accrued payroll liabilities	(6,583)	38	-	(6,545)	92
Due to other funds	216,760	-	-	216,760	-
Estimated liability for claims	-	-	-	-	198,015
Landfill closure liability	18,872	-	-	18,872	-
Meter deposit liability	30,355	-	-	30,355	-
OPEB obligation	25,552	-	-	25,552	-
Accrued compensated absences	7,199	696	-	7,895	(764)
Net Cash Provided by (Used in) Operating Activities	\$5,809,427	(22,724)	(124)	\$5,786,579	(638,037)
Noncash activities:					
Contributed capital assets received	\$1,031,269	\$3,085,042	-	\$4,116,311	-

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

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

Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities

generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation of the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net assets and activities is reported on the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

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

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

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

Governmental Funds:

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

Major Funds:

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

Special Revenue Funds:

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

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Capital Project Funds:

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

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

Special Revenue Funds:

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

Capital Project Funds:

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

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

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

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

Proprietary Funds:

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

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

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

3. Cash, Cash Equivalents, Deposits and Investments

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

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

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The City of Durant is governed by the deposit and investment limitations of state law. The deposits and investments held at June 30, 2012 are as follows:

Deposits and Investments

PRIMARY GOVERNMENT:

<u>Type of Deposits and Investments</u>	<u>Maturities</u>	<u>Carrying Value</u>
Demand deposits		\$9,132,189
Time deposit	08/01/12	565,461
Time deposit	07/10/12	464,429
Time deposit	07/02/12	1,019,100
Time deposit	07/02/12	286,276
Time deposit	09/20/12	1,022,705
Time deposit	12/01/12	462,400
Time deposit	02/04/13	44,125
Cash on hand		2,705
	<u>Credit Rating</u>	
Mutual Funds - First United Money Market	n/a	8,082,461
Total		<u><u>\$21,081,851</u></u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents		\$ 17,217,355
Investments		3,864,496
		<u><u>\$ 21,081,851</u></u>

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COMPONENT UNITS:

Durant Industrial Authority:

<u>Type of Deposits and Investments</u>	<u>Maturities</u>	<u>Carrying Value</u>
Demand deposits		\$ -
Time deposit	9/16/2012	80,001
Time deposit	8/1/2012	504,393
Time deposit	8/8/2012	542,369
Time deposit	8/8/2012	331,445
	<u>Credit Rating</u>	
Mutual Funds	AAAm	20,066
		<u><u>\$ 1,478,274</u></u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents		\$ 20,066
Investments		1,458,208
		<u><u>\$ 1,478,274</u></u>

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Durant Community Facilities Authority:		Carrying
<u>Type of Deposits and Investments</u>		<u>Value</u>
Demand deposits		\$ 685,833
	Credit	
	Rating	
Mutual Funds	AAAm	449,859
Total		<u>\$ 1,135,692</u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents		\$ 1,135,692
		<u>\$ 1,135,692</u>

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

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. As of June 30, 2012, the City’s deposits were fully collateralized.

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

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

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

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

Restricted Cash and Investments - The amounts reported as restricted assets of the Enterprise Funds on the statement of net assets are comprised of amounts held by the Durant City Utilities Authority and Durant Airport Authority for utility deposits (refunded upon termination of service or applied to final bill) and amounts held by the trustee bank related to debt activity. The restricted assets as of June 30, 2012 are as follows:

	Current Cash and cash Equivalents	Non-current Cash and cash Equivalents	Current Investments
Utility Deposits	\$ 304,441	\$ -	\$ 34,968
OWRB Accounts (DCUA):			
Utility Authority Bond Account	(17,514)	-	-
FAP Debt Service Reserve Account	-	141,131	-
FAP Debt Service Account	108,535	-	-
Utility Authority Debt Service Account	439,839	-	-
Utility Authority Debt Service Reserve Account	-	572,507	-
Debt Service Account	237,244	-	-
Debt Service Reserve Account	-	308,632	-
2009A Principal Account	104,781	-	-
2009A Interest Account	123,931	-	-
2009A Construction Account	255,675	-	-
2009B Principal Account	35,199	-	-
2009B Interest Account	42,684	-	-
2009B Construction Account	128,317	-	-
2010 Note Proceeds Account	1,097	-	-
2010 Principal Account	17,500	-	-
2010 Interest Account	19,130	-	-
2010 Construction Account	4,669,134	-	-
2006 Interest Account	6,267	-	-
2006 Principal Account	21,120	-	-
2007 Revenue Account	4,462	-	-
2007 Project Account	611,452	-	-
2007 Principal Account	70,364	-	-
2007 Interest Account	71,483	-	-
First United Accounts (DAA):			
Interest Account	6,244	-	-
Principal Account	17,733	-	-
Construction Account	68,000	-	-
Total Restricted Assets	<u>\$ 7,347,118</u>	<u>\$ 1,022,270</u>	<u>\$ 34,968</u>

4. Accounts Receivable

	Receivable	Allowance for Bad Debts	Net Receivable
Governmental Activities:			
Court Fines Receivable	<u>\$ 232,255</u>	<u>\$ (209,029)</u>	<u>\$ 23,226</u>
Business-Type Activities:			
Airport Receivables	<u>\$ 96,223</u>	<u>\$ (175)</u>	<u>\$ 96,048</u>
Utility Receivables	<u>\$ 1,451,981</u>	<u>\$ (12,443)</u>	<u>\$ 1,439,538</u>

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5. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$5,000 is used to report capital assets with the exception of buildings and infrastructure assets which have a threshold of \$25,000. Capital assets are reported at actual or estimated historical cost. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, bridges, drainage systems and traffic signal systems were not capitalized. Infrastructure assets acquired since that date are recorded at cost. Donated capital assets are recorded at their fair value at the date of donation. For the year ended June 30, 2012, capital assets balances changed as follows:

Primary Government:

	Balance at July 1, 2011	Additions and Transfers	Disposals and Transfers	Balance at June 30, 2012
Governmental activities:				
Non-depreciable:				
Land	\$ 5,005,578	\$ 44,934	\$ -	\$ 5,050,512
Construction-in-progress	2,316,367	2,920,192	(4,174,726)	1,061,833
Total non-depreciable assets at historical cost	<u>7,321,945</u>	<u>2,965,126</u>	<u>(4,174,726)</u>	<u>6,112,345</u>
Depreciable:				
Buildings	19,803,332	3,026,046	(49,500)	22,779,878
Improvements	2,373,401	-	-	2,373,401
Machinery and equipment	9,558,652	2,100,039	(649,156)	11,009,535
Infrastructure	74,028,671	1,120,624	-	75,149,295
Total depreciable assets at historical cost	<u>105,764,056</u>	<u>6,246,709</u>	<u>(698,656)</u>	<u>111,312,109</u>
Less accumulated depreciation				
Buildings	(2,384,241)	(524,404)	49,500	(2,859,145)
Improvements	(1,616,223)	(58,361)	-	(1,674,584)
Machinery and equipment	(5,216,991)	(788,146)	629,312	(5,375,825)
Infrastructure	(51,391,896)	(1,324,684)	-	(52,716,580)
Total accumulated depreciation	<u>(60,609,351)</u>	<u>(2,695,595)</u>	<u>678,812</u>	<u>(62,626,134)</u>
Net depreciable assets	<u>45,154,705</u>	<u>3,551,114</u>	<u>(19,844)</u>	<u>48,685,975</u>
Governmental activities capital assets, net	<u>\$ 52,476,650</u>	<u>\$ 6,516,240</u>	<u>\$ (4,194,570)</u>	<u>\$ 54,798,320</u>
Business-type activities:				
Non-depreciable:				
Land	\$ 1,724,994	\$ -	\$ -	\$ 1,724,994
Construction-in-progress	4,951,813	3,582,584	(1,116,601)	7,417,796
Total non-depreciable assets at historical cost	<u>6,676,807</u>	<u>3,582,584</u>	<u>(1,116,601)</u>	<u>9,142,790</u>
Depreciable:				
Buildings	32,222,019	-	-	32,222,019
Improvements	7,742,842	-	-	7,742,842
Machinery and equipment	9,007,997	576,936	(783,811)	8,801,122
Utility property and improvements	33,525,161	1,080,143	-	34,605,304
Total depreciable assets at historical cost	<u>82,498,019</u>	<u>1,657,079</u>	<u>(783,811)</u>	<u>83,371,287</u>
Less accumulated depreciation				
Buildings	(12,636,128)	(1,104,197)	-	(13,740,325)
Improvements	(6,807,411)	(45,617)	-	(6,853,028)
Machinery and equipment	(6,932,611)	(323,528)	782,455	(6,473,684)
Utility property and improvements	(10,656,915)	(665,959)	-	(11,322,874)
Total accumulated depreciation	<u>(37,033,065)</u>	<u>(2,139,301)</u>	<u>782,455</u>	<u>(38,389,911)</u>
Net depreciable assets	<u>45,464,954</u>	<u>(482,222)</u>	<u>(1,356)</u>	<u>44,981,376</u>
Business-type capital assets, net	<u>\$ 52,141,761</u>	<u>\$ 3,100,362</u>	<u>\$ (1,117,957)</u>	<u>\$ 54,124,166</u>

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Component Units:

	Balance at July 1, 2011	Additions and Transfers	Deductions and Transfers	Balance at June 30, 2012
COMPONENT UNITS:				
Durant Industrial Authority:				
Non-depreciable:				
Land	\$1,824,327	-	(\$44,935)	\$1,779,392
Total non-depreciable assets at historical cost	<u>1,824,327</u>	<u>-</u>	<u>(44,935)</u>	<u>1,779,392</u>
Depreciable:				
Machinery and equipment	34,631	-	-	34,631
Total depreciable assets at historical cost	<u>34,631</u>	<u>-</u>	<u>-</u>	<u>34,631</u>
Less accumulated depreciation				
Machinery and equipment	(12,506)	(5,771)	-	(18,277)
Total accumulated depreciation	<u>(12,506)</u>	<u>(5,771)</u>	<u>-</u>	<u>(18,277)</u>
Net depreciable assets	<u>22,125</u>	<u>(5,771)</u>	<u>-</u>	<u>16,354</u>
Durant Industrial Authority capital assets, net	<u>\$1,846,452</u>	<u>(\$5,771)</u>	<u>(44,935)</u>	<u>\$1,795,746</u>
Durant Community Facilities Authority:				
Non-depreciable:				
Land	\$266,000	-	-	\$266,000
Durant Community Facilities Authority capital assets, net	<u>\$266,000</u>	<u>-</u>	<u>-</u>	<u>\$266,000</u>

Depreciation:

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

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

Governmental Activities:		Business-Type Activities:	
General government	\$ 100,551	Water	\$ 740,078
Public safety	446,793	Sewer	1,094,159
Public works	1,384,587	Sanitation	172,839
Culture and recreation	648,476	Airport	131,816
Cemetery	35,225	Federal building	409
Total depreciation	<u>\$ 2,615,632</u>	Total depreciation	<u>\$ 2,139,301</u>

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6. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2012, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>	<u>Amounts Due Within a Year</u>
Governmental Activities:					
Capital Lease Obligations	\$939,842	\$621,559	\$490,913	\$1,070,488	\$459,887
Notes Payable	17,284	-	6,100	11,184	6,100
Accrued Compensated Absences	995,157	74,275	-	1,069,432	106,943
Total Governmental Activities	<u>\$1,952,283</u>	<u>\$695,834</u>	<u>\$497,013</u>	<u>\$2,151,104</u>	<u>\$572,930</u>
Business-type Activities:					
Notes Payable	\$36,238,726	\$457,805	\$2,368,394	\$34,328,137	\$2,472,562
Landfill Closure Liability	374,703	18,872	-	393,575	18,871
Meter Deposit Liability	309,054	147,738	117,383	339,409	67,882
Accrued Compensated Absences	269,123	7,895	-	277,018	27,702
Total Business-Type Activities	<u>\$37,191,606</u>	<u>\$632,310</u>	<u>\$2,485,777</u>	<u>\$35,338,139</u>	<u>\$2,587,017</u>
Component Unit Debt:					
Durant Industrial Authority:					
Notes Payable	\$2,115,643	-	\$350,721	\$1,764,922	\$129,216
Accrued Compensated Absences	19,990	\$459	-	20,449	2,045
Total Durant Industrial Authority	<u>2,135,633</u>	<u>459</u>	<u>350,721</u>	<u>1,785,371</u>	<u>131,261</u>
Durant Community Facilities Authority:					
Notes Payable	\$1,350,288	-	\$96,434	\$1,253,854	\$101,083
Revenue Bonds Payable	14,425,000	\$14,115,000	14,425,000	14,115,000	985,000
Total Durant Community Facilities Authority	<u>15,775,288</u>	<u>14,115,000</u>	<u>14,521,434</u>	<u>15,368,854</u>	<u>1,086,083</u>
Total Component Unit Debt	<u>\$17,910,921</u>	<u>\$14,115,459</u>	<u>\$14,872,155</u>	<u>\$17,154,225</u>	<u>\$1,217,344</u>

Governmental activities long-term debt:

Capital Lease Obligations:

\$183,603 capital lease with First United Bank for 6 police vehicles, payable in monthly installments of \$5,324, final payment due May 20, 2014, with interest at 2.79%	\$114,295
\$298,410 capital lease with Landmark Bank for a pumper truck, payable in monthly installments of \$4,173, final payment due September 20, 2014, with interest at 3.25%	102,648
\$202,370 capital lease with Vision Bank for DMSC field lighting, payable in monthly installments of \$2,145, final payment due March 20, 2018, with interest at 4.91%	110,351
\$134,770 capital lease with Vision Bank for 2 backhoes, payable in monthly installments of \$2,528, final payment due November 21, 2012, with interest at 4.75%	10,011
\$25,338 capital lease with AT&T Capital Services for City Hall phone system, payable in monthly installments of \$510, final payment due November 1, 2012, with interest at 7.71%	2,322

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\$300,000 capital lease with Landmark Bank for Storm Siren System, payable in monthly installments of \$5,497, final payment due April 15, 2014, with interest at 3.79%	111,617
\$147,343 capital lease with Landmark Bank for 5 police vehicles, payable in monthly installments of \$4,295, final payment due March 15, 2013, with interest at 3.15%	33,864
\$6,400 capital lease with IKON Office Solutions for City Hall copier, payable in monthly installments of \$150, final payment due May 12, 2015, with interest at 5.75%	4,798
\$215,391 capital lease with First United Bank for PD & 911 equipment, payable in monthly installments of \$6,433, final payment due January 2, 2013, with interest at 4.58%	25,728
\$144,601 capital lease with Landmark Bank for 4 police vehicles, payable in monthly installments of \$4,215, final payment due May 20, 2015, with interest at 3.204%	136,808
\$38,974 capital lease with Vision Bank for a tractor and brush hog, payable in monthly installments of \$1,151, final payment due October 13, 2014, with interest at 3.95%	29,665
\$69,309 capital lease with First United Bank for 3 street vehicles, payable in monthly installments of \$2,001, final payment due November 22, 2014, with interest at 2.50%	54,354
\$144,123 capital lease with First United Bank for 3 parks/general vehicles, payable in monthly installments of \$4,234, final payment due May 20, 2015, with interest at 2.90%	136,377
\$145,847 capital lease with First United Bank for 2 park tractors, payable in monthly installments of \$4,239, final payment due March 20, 2015, with interest at 2.90%	130,314
\$17,169 capital lease with First United Bank for a field groomer, payable in monthly installments of \$499, final payment due March 20, 2015, with interest at 2.90%	15,327
\$61,537 capital lease with First United Bank for a forklift, payable in monthly installments of \$1,112, final payment due September 20, 2016, with interest at 3.249%	<u>52,009</u>
Total Capital Lease Obligations	<u>\$1,070,488</u>
Current portion	\$459,887
Non-current portion	<u>610,601</u>
Total Capital Lease Obligations	<u>\$1,070,488</u>

Notes Payable:

10283 CDBG ED 01 Note Payable with Oklahoma Department of Commerce dated January 14, 2003, original amount of \$61,000 with an annual interest rate of 0%, due in monthly installments of \$508 beginning July 1, 2004, final installment due June 1, 2014	<u>\$11,184</u>
Current portion	\$6,100
Non-current portion	<u>5,084</u>
Total Notes Payable	<u>\$11,184</u>

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Accrued Compensated Absences:

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

Current portion	\$106,943
Non-current portion	<u>962,489</u>
Total Accrued Compensated Absences	<u>\$1,069,432</u>

Business-type activities long-term debt:

Notes Payable:

Note Payable to Oklahoma Water Resources Board dated September 24, 2001, original amount of \$1,805,000 with a variable interest rate ranging from 2.345% to 4.445%, due in semi-annual principal installments each March 15 and September 15 ranging from \$27,100 to \$135,300 beginning March 15, 2002, final installment due September 15, 2020	\$1,037,700
Note Payable to Oklahoma Water Resources Board dated March 25, 2003, original amount of \$6,990,000 with a variable interest rate ranging from 2.345% to 4.445%, due in semi-annual principal installments each March 15 and September 15 ranging from \$116,100 to \$548,700 beginning September 15, 2003, final installment due September 15, 2020	4,207,500
Note Payable to Oklahoma Water Resources Board dated March 25, 2003, original amount of \$4,127,524 with an annual interest rate of 0%, admin fee of 0.5%, due in semi-annual principal installments each March 15 and September 15 of \$114,653 beginning September 15, 2003, final installment due March 15, 2021	2,063,762
Note Payable to Oklahoma Water Resources Board dated March 10, 2004, original amount of \$6,792,000 with an annual interest rate of 3.5%, due in semi-annual installments each March 15 and September 15 of \$278,284 beginning September 15, 2006, final installment due March 15, 2021.	4,266,473
Note Payable to Oklahoma Water Resources Board dated April 16, 2004, original amount of \$2,131,976 with an annual interest rate of 0%, admin fee of 0.5%, due in semi-annual principal installments each March 15 and September 15 of \$62,705 beginning September 15, 2004, final installment due March 15, 2021	1,128,569
Note Payable to Oklahoma Water Resources Board dated April 16, 2004, original amount of \$3,635,000 with a variable interest rate ranging from 2.345% to 4.445%, due in semi-annual principal installments each March 15 and September 15 ranging from \$59,900 to \$296,000 beginning September 15, 2004, final installment due September 15, 2020	2,269,800
Note Payable to First United Bank dated November 1, 2005, original amount of \$595,000 with an annual interest rate of 6.9%, due in semi-annual installments of \$41,514, final installment due November 1, 2015	256,195
Sales Tax & Utility Revenue Note to First United Trust Bank dated August 28, 2007, original amount of \$5,610,000 with an annual interest rate of 4.490%, due in semi-annual installments with principal ranging from \$80,000 to \$215,000, final installment due September 1, 2027	4,750,000

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Sales Tax & Utility Revenue Note to Bank of America dated September 11, 2006, original amount of \$1,505,000 with an annual interest rate of 4.095%, due in monthly installments with principal ranging from \$7,400 to \$13,700, final installment due June 15, 2018	867,400
Sales Tax & Utility Revenue Note to First United Trust Bank dated September 1, 2009, original amount of \$6,000,000 with an annual interest rate of 4.45%, due in semi-annual installments with principal ranging from \$90,000 to \$225,000, final installment due September 1, 2029	5,525,000
Sales Tax & Utility Revenue Note to First United Trust Bank dated September 1, 2009, original amount of \$2,000,000 with an annual interest rate of 4.589%, due in semi-annual installments with principal ranging from \$25,000 to \$75,000, final installment due September 1, 2029	1,845,000
Sales Tax & Utility Revenue Note to First United Trust Bank dated November 1, 2010, original amount of \$6,000,000 with an annual interest rate of 3.95%, due in semi-annual installments with principal ranging from \$100,000 to \$215,000, final installment due November 1, 2030	5,685,000
Note Payable to First United Bank for 4 vehicles dated November 12, 2009, original amount of \$67,108 with an annual interest rate of 3.25%, due in monthly installments of \$1,959, final installment due November 10, 2012	4,011
Note Payable to Landmark Bank for sanitation truck dated May 30, 2012, original amount of \$291,814 with an annual interest rate of 3.012%, due in monthly installments of \$5,241, final installment due May 20, 2017	282,548
Note Payable to First United Bank for a brushloader dated August 15, 2011, original amount of \$126,017 with an annual interest rate of 3.249%, due in monthly installments of \$2,279, final installment due August 20, 2016	104,518
Note Payable to Vision Bank for 2 vehicles dated March 1, 2012, original amount of \$39,974 with an annual interest rate of 3.29%, due in monthly installments of \$1,169, final installment due March 1, 2015	<u>34,661</u>
Total Notes Payable	<u>\$34,328,137</u>
Current portion	\$2,472,562
Non-current portion	<u>31,855,575</u>
Total Notes Payable	<u>\$34,328,137</u>

Accrued Compensated Absences:

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

Current portion	\$27,702
Non-current portion	<u>249,316</u>
Total Accrued Compensated Absences	<u>\$277,018</u>

Meter Deposit Liability:

Meter deposit liability reported in the business-type activities:

Current portion	\$67,882
Non-current portion	<u>271,527</u>
Total Meter Deposit Liability	<u>\$339,409</u>

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Landfill Closure Liability:

Landfill closure liability reported in the business-type activities:

Current portion	\$18,871
Non-current portion	<u>374,704</u>
Total Landfill Closure Liability	<u>\$393,575</u>

Component Unit long-term debt:

Notes Payable (DIA):

Notes payable of the Durant Industrial Authority to ODOC dated February 23, 2000, original amount of \$300,000 with an annual interest rate of 0%, due in monthly installments of \$1,250, final installment due February 1, 2023.	\$156,250
Notes payable of the Durant Industrial Authority to ODOC dated April 29, 2004, original amount of \$400,000 with an annual interest rate of 0%, due in monthly installments of \$1,667, final installment due January 1, 2025.	246,666
Notes payable of the Durant Industrial Authority to ODOC dated May 8, 2003, original amount of \$500,000 with an annual interest rate of 0%, due in monthly installments of \$2,083, final installment due January 1, 2024.	283,333
Notes payable of the Durant Industrial Authority to John and Cheryl Jackson dated February 20, 2003, for land, original amount of \$700,000 with an annual interest rate of 5.5%, due in monthly installments of \$4,815, final installment due February 20, 2023.	462,810
Notes payable of the Durant Industrial Authority to ODOC dated August 25, 2006, original amount of \$400,000 with an annual interest rate of 0%, due in monthly installments of \$1,667, final installment due December 1, 2026.	314,229
Notes payable of the Durant Industrial Authority to ODOC dated November 8, 2006, original amount of \$399,956 with an annual interest rate of 0%, due in monthly installments of \$1,666, final installment due September 1, 2027.	<u>301,634</u>
	<u>\$1,764,922</u>
Current portion	\$129,216
Non-current portion	<u>1,635,706</u>
Total Notes Payable	<u>\$1,764,922</u>

Notes Payable (DCFA):

Sales Tax Revenue Note (of DCFA) to First United Bank dated February 1, 2007, original amount of \$1,275,000 with an annual interest rate of 5.6%, due in monthly installments of \$9,099, final installment due October 30, 2024. Final draw-downs equal \$1,085,320.	\$967,177
Notes payable of the Durant Community Facilities Authority to City of Durant dated September 2, 2008, original amount of \$235,430 with an annual interest rate of 0%, due in monthly installments of \$1,962, final installment due September 2, 2018	147,530

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Notes payable of the Durant Community Facilities Authority to City of Durant dated September 2, 2008, original amount of \$222,320 with an annual interest rate of 4.91%, due in monthly installments of \$2,348, final installment due September 2, 2018	<u>139,147</u>
	<u>\$1,253,854</u>
Current portion	\$101,083
Non-current portion	<u>1,152,771</u>
Total Notes Payable	<u>\$1,253,854</u>

Revenue Bonds Payable (DCFA):

Refunding revenue bonds payable of the Durant Community Facilities Authority dated December 22, 2011, original amount of \$14,115,000 with an annual interest rate of 3.1%, due in semi-annual principal installments each May 1 and November 1 ranging from \$350,000 to \$735,000 beginning November 1, 2012, final installment due November 1, 2024	\$14,115,000
Unamortized Loss	<u>(1,394,803)</u>
Total	<u>\$12,720,197</u>
Current portion	\$985,000
Non-current portion	<u>11,735,197</u>
Total Revenue Bonds Payable	<u>\$12,720,197</u>

Accrued Compensated Absences (DIA):

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

Current portion	\$2,045
Non-current portion	<u>18,404</u>
Total Accrued Compensated Absences	<u>\$20,449</u>

Long-term debt service requirements to maturity:

Year Ending June 30,	Governmental Activities			
	Capital Lease Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2013	459,887	29,979	6,100	-
2014	374,841	15,371	5,084	-
2015	175,556	5,285	-	-
2016	37,107	1,977	-	-
2017	23,097	467	-	-
2018	-	-	-	-
Total	\$ 1,070,488	\$ 53,079	\$ 11,184	\$ -

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Business-Type Activities

Year Ending June 30,	Notes Payable	
	Principal	Interest
2013	2,472,562	1,164,574
2014	2,551,470	1,089,026
2015	2,649,846	1,010,314
2016	2,692,076	925,454
2017	2,700,078	842,139
2018-2022	12,157,105	2,947,290
2023-2027	6,030,000	1,403,313
2028-2031	3,075,000	218,647
Total	<u>\$ 34,328,137</u>	<u>\$ 9,600,757</u>

Component Units

Durant Industrial Authority

Year Ending June 30,	Notes Payable	
	Principal	Interest
2013	129,216	24,627
2014	135,023	22,757
2015	136,999	20,781
2016	139,087	18,694
2017	141,292	16,489
2018-2022	744,137	44,766
2023-2027	319,335	609
2028	19,833	-
Total	<u>\$ 1,764,922</u>	<u>\$ 148,723</u>

Durant Community Facilities Authority

Year Ending June 30,	Notes Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2013	101,083	59,826	985,000	427,723
2014	105,426	55,482	915,000	399,590
2015	110,013	50,897	895,000	371,767
2016	114,740	46,168	935,000	343,868
2017	119,970	40,939	980,000	314,495
2018-2022	463,534	131,000	5,855,000	1,072,445
2023-2025	239,088	16,841	3,550,000	167,245
Total	<u>\$ 1,253,854</u>	<u>\$ 401,153</u>	<u>\$ 14,115,000</u>	<u>\$ 3,097,133</u>

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Non-Commitment Debt:

<u>Original Debt</u>	<u>Project</u>	<u>Remaining Accreted Value</u>
<i>Durant Industrial Authority:</i>		
\$4,200,000	(1) Cardinal FG Company Tax Apportionment Bonds dated May 8, 2003	\$217,100
\$1,000,000	(1) Cardinal FG Company Tax Apportionment Bonds dated March 24, 2004	<u>\$61,167</u>
	Total DIA Non-Commitment Debt	<u>\$278,267</u>

(1) Cardinal FG Company Tax Apportionment Bonds

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

Tax Increment Financing (TIF) incremental taxes received during the year ended June 30, 2012, totaled \$1,199,240.

Advance Refunding:

On December 22, 2011, the City issued \$14.1 million Series 2011 Sales Tax Revenue Refunding Bonds with an interest rate of 3.1% to refund \$13,785,000 of outstanding 2004 Series Sales Tax Revenue Bonds, with an average interest rate of 5.75%. The net proceeds of \$13,871,941 (after payment of \$235,610 of issuance costs, \$7,000 of other service fees and \$449 to an interest account) plus an additional \$1,912,096 of 2004 Series fund monies were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 Series bonds. As a result, the 2004 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,450,594. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2025 using the straight line method. The City completed the refunding to reduce its total debt service payments over the next seven years by \$682,115 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$731,662.

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Defeased Bonds Outstanding:

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

2004 Series Sales Tax Revenue Bonds (DCFA) – Defeased	\$13,785,000
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Landfill Closure Liability:

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

The \$393,575 reported as accrued landfill closure cost liability at June 30, 2012, represents the cumulative amount of such costs reported to date based on the use of 54.4% of the estimated capacity of the landfill. The Authority will recognize the remaining estimated costs of closure and post-closure care in the amount of \$330,403 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2012. The Authority expects to close the landfill in the year 2015 and actual costs may be higher or lower at that time due to inflation, changes in technology or changes in regulations.

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

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged three cents (or 69%) of future sales tax revenues and net utility revenues to repay the \$6,000,000 of the 2010 Sales Tax and Utility Revenue Note, \$6,000,000 of the 2009A Sales Tax and Utility Revenue Note, \$2,000,000 of the 2009B Sales Tax and Utility Revenue Note, \$5,610,000 of the 2007 Sales Tax Revenue Note, \$1,505,000 of the Series 2006 Sales Tax and Utility Revenue Note, \$1,805,000 of the 2001 OWRB FAP Promissory Note, \$6,990,000 of the 2003B OWRB CWSRF Note, \$4,127,524 of the 2003A OWRB BF Note, \$2,131,976 of the 2004 OWRB ORF, \$6,792,000 of the 2004 OWRB DW, and \$3,635,000 2004B OWRB Note. Proceeds from the notes provided for the purchase or construction of capital assets. The notes are payable from pledged sales tax revenues and net utility revenues. The notes are payable through 2030, 2029, 2029, 2027, 2018, 2021, 2021, 2021, 2021, 2021, 2021, respectively. The total principal and interest payable for the remainder of the life of these notes are \$43,180,274. Pledged sales taxes in the current year were \$9,137,242 and net utility revenues were \$2,812,899. Maximum annual debt service payments of \$3,569,378 for the applicable debt were 30% of pledged sales taxes and net utility revenues.

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Sales Tax Revenue Pledge – Component Unit (DCFA) – The City has pledged one-half cent of future sales tax revenues to repay the \$14,115,000 of the 2011 Refunding Sales Tax Revenue Bonds, the \$1,275,000 of the 2007 Sales Tax Revenue Note, the \$235,430 of the Note Payable to the City for paving, and the \$222,320 of the Note Payable to the City for lighting. Proceeds from the notes provided for the purchase or construction of capital assets. The notes are payable from pledged sales tax revenue. The notes are payable through 2024, 2025, 2018, and 2018, respectively. The total principal and interest for the remainder of the life of these notes are \$18,867,140. Pledged sales taxes received in the current year were \$1,521,952. Current annual debt service payments of \$1,332,441 for the applicable debt were 87.5% of pledged and transferred sales taxes.

Debt Service Coverage Requirement:

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

Gross Revenue Available for Debt Service:	
Charges for services	\$5,447,495
Investment income	42,033
Sales tax pledged (3 cents)	9,137,242
Total Gross Revenues Available	14,626,770
Operating Expenses:	
Operations	2,676,629
Total Operating Expenses	2,676,629
Net Revenues Available for Debt Service	\$11,950,141
Debt Service Requirements:	
Maximum annual debt service on all DUA parity debt	\$3,569,378
Computed Coverage	335%
Coverage Requirement	125%

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

Reserve Account Balance Requirements:

The reserve account requirements for the various OWRB notes were met as follows:

	SERIES 2001 OWRB NOTE PAYABLE	SERIES 2003B OWRB NOTE PAYABLE	SERIES 2004B OWRB NOTE PAYABLE
Required Balance	\$141,657	\$574,338	\$309,877
Balance in Trustee Account, June 30, 2012	141,131	572,507	308,632
Excess of account balance over (under) required balance	(\$526)	(\$1,831)	(\$1,245)

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

7. Net Assets and Fund Balances

Net Assets:

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

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

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

Fund Balances

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

- a. *Nonspendable* – includes amounts that cannot be spend because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints place on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance. The City currently reports no committed fund balance.
- d. *Assigned* – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.

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

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

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

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

	General Fund	1/4% Economic Development Fund	5/8% Sales Tax Education Fund	Capital Improvement Fund	1% Sales Tax Revenue Fund	DWRF Community Center & Library Fund	Other Governmental Funds	Total
Fund Balance:								
Restricted For:								
Economic development	-	\$4,895,920	-	-	-	-	-	\$4,895,920
Education	-	-	\$261,544	-	-	-	-	261,544
Capital improvements and debt service	-	-	-	\$557,969	\$469,629	-	-	1,027,598
Cemetery	-	-	-	-	-	-	\$178,674	178,674
Capital projects - grants	-	-	-	-	-	-	93,667	93,667
Multi-sports complex	-	-	-	-	-	-	101,599	101,599
SOSU capital projects	-	-	-	-	-	-	101,599	101,599
Public safety	-	-	-	-	-	-	21,430	21,430
Community center & library	-	-	-	-	-	\$294,895	-	294,895
Library	-	-	-	-	-	-	50,700	50,700
Sub-total Restricted	-	4,895,920	261,544	557,969	469,629	294,895	547,669	7,027,626
Assigned to:								
Economic development	-	98,252	-	-	-	-	-	98,252
Capital improvements and debt service	-	-	-	1,448,886	786	-	-	1,449,672
Public safety	-	-	-	-	-	-	115	115
Community center & library	-	-	-	-	-	160,794	-	160,794
Library	-	-	-	-	-	-	1,154	1,154
Recreation	\$11,098	-	-	-	-	-	-	11,098
Insurance	136,806	-	-	-	-	-	-	136,806
Christmas lighting	349	-	-	-	-	-	-	349
Beautification	32,735	-	-	-	-	-	-	32,735
Cemetery	8,316	-	-	-	-	-	1,767	10,083
Capital projects - grants	-	-	-	-	-	-	251	251
E911 services	-	-	-	-	-	-	240,019	240,019
Budget balancing purposes	1,840,608	-	-	-	-	-	-	1,840,608
Sub-total Assigned	2,029,912	98,252	-	1,448,886	786	160,794	243,306	3,981,936
Unassigned	896,663	-	-	-	-	-	-	896,663
Total Fund Balance	\$ 2,926,575	\$ 4,994,172	\$ 261,544	\$ 2,006,855	\$ 470,415	\$ 455,689	\$ 790,975	\$ 11,906,225

Enterprise Funds:

Restricted For Debt Service	<u>\$816,106</u>
Total Enterprise Fund Restrictions	<u>\$816,106</u>

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Net assets restricted for debt service in the Enterprise Funds as of June 30, 2012, consisted of the following:

Enterprise Funds:	
2009A Trust Accounts	\$228,712
2009B Trust Accounts	77,883
2010 Trust Accounts	37,727
2006 Trust Accounts	27,387
2007 Trust Accounts	146,309
Utility Authority Bond Account	(17,514)
CWSRF Trust Accounts	545,876
FAP Trust Accounts	249,666
FAPCW Trust Accounts	1,012,346
DAA Trust Accounts	<u>23,977</u>
Restricted per bond indenture	\$2,332,369
Less: Accrued interest payable	(358,971)
Less: Accounts payable	(135,022)
Less: Portion of debt (reserve balances)	<u>(1,022,270)</u>
Total Restricted for Debt Service	<u><u>\$816,106</u></u>

Restricted Net Assets – Governmental Activities

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

Fund	Restricted By	Amount
1/4% Economic Development Fund	Enabling legislation	\$ 4,895,920
5/8% Sales Tax Education Fund	Enabling legislation	261,544
1% Sales Tax Revenue Fund	Enabling legislation	469,629
1/4% Sales Tax M.S. Fund	Enabling legislation	101,599
1/4% Sales Tax SOSU Fund	Enabling legislation	101,599
Capital Improvement Fund	Enabling legislation	557,969
DWRF Community Center & Library Fund	External parties	294,895
R.L. Williams Library Fund	External parties	50,700
CDBG Fund	External parties	93,667
Drug Enforcement Fund	State statutes and/or debt indentures	21,430
Cemetery Care Fund	State statutes and/or debt indentures	178,674
		<u><u>7,027,626</u></u>

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8. Internal and Interfund Balances and Transfers

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

Transfers:

Internal transfers between funds and activities for the year ended June 30, 2012 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	Capital Improvement	\$31,760	Capital purchase
General Fund	Cemetery Care Fund	7,278	Statutory transfer (12.5%)
1% Sales Tax Revenue Fund	Capital Improvement	1,112,425	Capital projects/debt service
1% Sales Tax Revenue Fund	Durant City Utilities Authority	1,944,210	Sales tax transfer
Capital Improvement Fund	CDBG Fund	93,588	Reimbursement of expenses
Capital Improvement Fund	Durant City Utilities Authority	230,287	Debt payments
Special 911 Tax Fund	General Fund	4,017	Operational subsidy
Cemetery Care Fund	General Fund	1,000	Cemetery annual interest
Durant Airport Authority Fund	General Fund	32,103	Operational subsidy
Durant City Utilities Authority	General Fund	2,613,785	Sales tax transfer
Durant City Utilities Authority	Special 911 Tax Fund	519,128	Operational subsidy
Durant City Utilities Authority	Capital Improvement	4,826,918	Reimbursement of Note financing
Durant City Utilities Authority	Capital Improvement	74,277	Capital projects
Durant City Utilities Authority	DWRF Com Ctr & Lib Fund	79,830	Maintenance reserve
Durant City Utilities Authority	General Fund	89,221	Operational subsidy
Durant City Utilities Authority	General Fund	318,181	Reimbursement of expenses
		\$11,978,008	

Reconciliation to fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$9,803,511	(\$3,424,565)	\$6,378,946
Enterprise Funds	2,174,497	(8,553,443)	(6,378,946)
Total	\$11,978,008	(\$11,978,008)	\$0

Reconciliation to statement of activities:

	<u>Governmental</u>	<u>Business-Type</u>
Net transfers	\$6,378,946	(\$6,378,946)
Reclassification of capital asset activity	(\$4,116,311)	4,116,311
Reclassification of activities at the govt-wide statements	3,048,181	(3,048,181)
Total Transfers - Internal Activity	\$5,310,816	(\$5,310,816)

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Interfund Balances:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
E911 Fund	General Fund	\$ 1,490	Deposit of county 911 taxes to wrong fund
General Fund	E911 Fund	2,500	Service fees posted to wrong account
Cemetery Care Fund	General Fund	138	Transfer not yet made for 12.5% of cemetery revenues
CDBG Fund	Capital Improvement Fund	1,377	Negative share of pooled cash
Durant City Utilities Authority	Capital Improvement Fund	223,125	Negative share of pooled cash
Total		<u>\$ 228,630</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Internal Service Funds Reconciliation</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 228,630	\$ (5,505)	\$ (41,596)	\$ 181,529
Proprietary Funds	-	(223,125)	41,596	(181,529)
Total	<u>\$ 228,630</u>	<u>\$ (228,630)</u>	<u>\$ -</u>	<u>\$ -</u>

9. Sales and Property Tax

Sales Tax:

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

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

Property Tax:

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

10. Risk Management

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

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

Claims Liability Analysis – Internal Service Funds:

The claims liabilities related to the risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standards No. 5, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Such accrued losses include an estimated liability for incurred but not reported claims based on past historical experience.

For the risk management internal service self-insurance funds, changes in the estimated claims liability for the City from July 1, 2009, to June 30, 2012, are as follows:

	Employee Health	Worker's Compensation	Total Internal Service
Claims liability, July 1, 2009	\$177,509	\$8,408	\$185,917
Claims incurred and changes in estimates	1,960,589	619,281	2,579,870
Claims paid	<u>(1,891,437)</u>	<u>(586,667)</u>	<u>(2,478,104)</u>
Claims liability, July 1, 2010	246,661	41,022	287,683
Claims incurred and changes in estimates	1,850,743	410,507	2,261,250
Claims paid	<u>(1,819,158)</u>	<u>(422,651)</u>	<u>(2,241,809)</u>
Claims liability, July 1, 2011	278,246	28,878	307,124
Claims incurred and changes in estimates	2,313,410	799,286	3,112,696
Claims paid	<u>(2,194,212)</u>	<u>(720,469)</u>	<u>(2,914,681)</u>
Claims liability, June 30, 2012	<u>\$397,444</u>	<u>\$107,695</u>	<u>505,139</u>
Assets available to pay claims at June 30, 2012	<u>\$1,584,994</u>	<u>\$135,578</u>	<u>\$1,720,572</u>

11. Contingencies

Litigation:

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

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Federal and State Award Programs:

The City of Durant participates in various federal or state grant/loan programs from year to year. In 2012, the City's involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

12. Outstanding Notes Receivable – Component Units

The City has two outstanding notes receivable and the component units have six outstanding notes receivable as of June 30, 2012.

The Capital Improvement Fund executed a \$235,430 note receivable in September 2008 with the Durant Community Facilities Authority at a zero percent (0%) interest rate, due in 120 monthly installments of \$1,962, beginning October 1, 2008 \$147,530

The Capital Improvement Fund executed a \$222,320 note receivable in September 2008 with the Durant Community Facilities Authority at a 4.91% interest rate, due in 120 monthly installments of \$2,348. DCFA agreed to bring current all monthly installments from the date City made its first payment to the bank (March 2008), maturity date March 2018 139,147

Total Notes Receivable – City of Durant \$286,677

The Durant Industrial Authority executed a \$400,000 note receivable in April 2004 with Cardinal FG Company at a zero percent (0%) interest rate, due in 240 monthly installments of \$1,667, maturity date January 2025 250,692

The Durant Industrial Authority executed a \$399,956 note receivable in November 2006 with Eagle Suspensions, Inc at a zero percent (0%) interest rate, due in 240 monthly installments of \$1,666, maturity date September 2027 301,634

The Durant Industrial Authority executed a \$400,000 note receivable in August 2006 with Earth Biofuels at a zero percent (0%) interest rate, due in 240 monthly installments of \$1,667, maturity date October 2023 271,688

The Durant Industrial Authority executed a \$1,000,000 note receivable in June 2011 with Texoma Manufacturing at a 5.5% interest rate (subject to forgiveness for the first year related to providing jobs), due in monthly installments of \$13,889 beginning October 1, 2012, with balance due upon maturity on September 1, 2018. Total drawdowns to date equal \$1,000,000. 1,000,000

Total Notes Receivable – DIA \$1,824,014

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Improvement Fund:				
DCFA - Paving Project at DMSC	\$170,687	-	\$23,157	\$147,530
DCFA - Lighting Project at DMSC	159,937	-	20,790	139,147
DIA:				
Cardinal FG Company	272,240	-	21,548	250,692
Eagle Suspension	17,500	-	17,500	-
Eagle Suspension	321,631	-	19,997	301,634
Earth Biofuels	271,688	-	-	271,688
Texoma Manufacturing	81,950	918,050	-	1,000,000
Total	<u>\$1,295,633</u>	<u>918,050</u>	<u>\$102,992</u>	<u>\$2,110,691</u>

13. Pension Plan Participation

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

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

Firefighters’ Plan:

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

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

For 2012, the City’s annual required contribution was \$238,391 for the OFPRS plan and was equal to the City’s actual contribution. The state made on-behalf payments of \$468,122 (or 26.6% of covered payroll) for the fiscal year. These on-behalf payments are reported as both revenues and expenses in the Statement of Changes in Fund Balance.

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Police Plan:

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

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

For 2012, the City's annual required contribution was \$255,498 for the OPPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$228,330 (or 10.9% of covered payroll) for the fiscal year. These on-behalf payments are reported as both revenues and expenses in the Statement of Changes in Fund Balance.

Summary of Contributions:

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

OMRF Defined Benefit Plan:

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

1. Plan Description

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

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2. Eligibility Factors, Contribution Methods and Benefit Provisions

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	Full-time, non-uniformed employees of the City or Authority upon hire if less than age 60.
b. Contribution Requirements:	
- Authorization	By City ordinance
- Actuarially Determined	Yes
- Employer Rate	9.78% of covered payroll (13% for City Manager and Assistant City Manager)
- Employee Rate	3.5% of covered payroll
c. Period Required to Vest	7 years of credited service
d. Eligibility for Distribution	- Normal retirement at age 65 with 7 years of service - Early retirement at age 55 with 7 years of service - Disability retirement upon disability with 7 years of service - Death benefit with 7 years of service for married employees
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service.
f. Benefit Determination Methods:	
- Normal Retirement	2.625% of final average salary multiplied by credited years of service.
- Early Retirement	Actuarially reduced benefit based upon age and years of service at termination.
- Disability Retirement	Same as normal retirement.
- Death Benefit	50% of employee's accrued benefit, but terminates upon spouse re-marriage.
- Prior to 7 Years Service	Return of employee contributions with accrued interest.
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

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B. Annual Pension Costs

1. Current Year Contribution Information

For the year ended June 30, 2012, the City's annual pension cost of \$526,633 was equal to the City's required and actual contributions.

2. Actuarial Assumptions:

<u>Date of Last Actuarial Valuation</u>	<u>For Plan Year July 1, 2012</u>
a. Actuarial Cost Method	Entry age normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	Rates by age
d. Post Retirement Cost-of-Living Increase	None
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase.
f. Mortality	UP 94 mortality
g. Asset Valuation Method	Actuarial method

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

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

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

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OMRF Defined Contribution Plan:

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

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

For the year ended June 30, 2012, the City contributed \$0 to the plan, while the employee contributions totaled \$89,973.

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

Funded Status and Funding Progress

As of January 1, 2012 the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$16,016,658
Actuarial value of plan assets	<u>14,530,494</u>
Overfunded (Unfunded) actuarial accrued liability (UAAL)	<u>\$ (1,486,164)</u>
Funded ratio (actuarial value of plan assets/AAL)	90.7%
Annual covered payroll (active plan members)	5,027,404
UAAL as a percentage of covered payroll	29.6%

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

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14. Postemployment Healthcare Plan

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

Funding Policy. The contribution requirements of plan members and the City are established by the City Council. Annual health insurance premium amounts are established by the city council. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012, the actuarially expected City contribution in the form of net age adjustment was \$114,774 to the Plan. Plan members receiving benefits contributed \$0 of the total premiums in FY 2012.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to for the year ended June 30, 2012:

Normal Cost	\$	97,018
Interest on Net OPEB Obligation		11,221
Amortization of Net OPEB Obligation		(23,219)
Amortization of Actuarial Accrued Liability (AAL)		29,754
Annual OPEB cost (expense)		114,774
Expected net benefits during the year		-
Increase in net OPEB obligation		114,774
Net OPEB obligation - beginning of year		249,358
Net OPEB obligation - end of year	\$	364,132

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$129,490	6.0%	\$121,226
6/30/11	136,396	6.0%	249,358
6/30/12	114,774	0.0%	364,132

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

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

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

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

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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2012

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$2,124,000	\$2,133,759	\$2,724,698	\$590,939
Resources (Inflows):				
Taxes	7,597,069	7,597,069	7,636,567	39,498
Intergovernmental	469,688	576,879	594,441	17,562
Charges for services	68,000	68,937	120,302	51,365
Fines and Forfeitures	329,000	329,000	256,311	(72,689)
Licenses and Permits	121,500	121,500	225,579	104,079
Investment Income	12,000	12,000	8,006	(3,994)
Miscellaneous	110,187	142,853	146,192	3,339
Other Financing Sources	2,613,785	2,624,185	2,613,785	(10,400)
Total Resources	11,321,229	11,472,423	11,601,183	128,760
Amounts available for appropriation	13,445,229	13,606,182	14,325,881	719,699
Charges to Appropriations (Outflows):				
City Administration	732,412	758,089	734,567	23,522
City Clerk	584,585	587,219	571,180	16,039
City Treasurer	134,943	129,943	121,655	8,288
City Attorney	201,381	179,981	138,665	41,316
General Government	2,040,587	1,908,189	501,998	1,406,191
Police	3,469,638	3,590,150	3,420,571	169,579
Animal Control	96,817	96,817	88,567	8,250
Fire	2,752,455	2,850,044	2,726,146	123,898
Municipal Court	86,414	84,414	84,116	298
Civil Emergency Management	228,953	232,130	207,253	24,877
Community Development	378,104	378,104	334,613	43,491
Streets	808,078	853,784	801,195	52,589
City Garage	281,285	286,285	266,888	19,397
Parks, Recreation and General Services	722,685	696,463	617,504	78,959
Swimming Pool	96,924	96,924	85,559	11,365
Public Library	600,716	636,572	618,715	17,857
Senior Citizens Center	19,316	19,316	15,841	3,475
Other Financing Uses - Transfers Out	209,936	221,758	221,758	-
Total Charges to Appropriations	13,445,229	13,606,182	11,556,791	2,049,391
Ending Budgetary Fund Balance	\$ -	\$ -	\$2,769,090	\$2,769,090

See accompanying notes to budgetary comparison schedules.

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Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2012, Continued

SPECIAL REVENUE - 1/4% ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$5,081,212	\$5,081,212	\$5,115,954	\$34,742
Resources (Inflows):				
Taxes	754,383	754,383	761,442	7,059
Investment income	20,000	20,000	17,326	(2,674)
Transfers in - component unit	35,000	1,035,000	17,500	(1,017,500)
Amounts available for appropriation	<u>5,890,595</u>	<u>6,890,595</u>	<u>5,912,222</u>	<u>(978,373)</u>
Charges to appropriations (outflows):				
Economic development	5,890,595	5,890,595	-	5,890,595
Transfers out - component unit	-	1,000,000	918,050	81,950
Total Charges to Appropriations	<u>5,890,595</u>	<u>6,890,595</u>	<u>918,050</u>	<u>5,972,545</u>
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>\$4,994,172</u>	<u>\$4,994,172</u>

See accompanying notes to budgetary comparison schedules

SPECIAL REVENUE - 5/8% SALES TAX EDUCATION FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	-	-	\$264,634	\$264,634
Resources (Inflows):				
Taxes	\$1,998,815	\$2,030,084	2,026,993	(3,091)
Amounts available for appropriation	<u>1,998,815</u>	<u>2,030,084</u>	<u>2,291,627</u>	<u>261,543</u>
Charges to appropriations (outflows):				
General government	1,998,815	2,030,084	2,030,083	1
Total Charges to Appropriations	<u>1,998,815</u>	<u>2,030,084</u>	<u>2,030,083</u>	<u>1</u>
Ending Budgetary Fund Balance	<u>-</u>	<u>-</u>	<u>\$261,544</u>	<u>\$261,544</u>

See accompanying notes to budgetary comparison schedules

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Footnotes to Budgetary Comparison Schedules:

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

	<u>General Fund</u>
Total budgetary amounts available for appropriation	\$14,325,881
Current year on-behalf payments made by state	696,452
Capital contributions by grantor	96,718
Beginning budgetary fund balance	<u>(2,724,698)</u>
Actual revenues and transfers per Statement of Revenues and Expenditures and Changes in Fund Balance	<u>\$12,394,353</u>
Total revenues	9,780,568
Transfers in	<u>2,613,785</u>
	<u>\$12,394,353</u>
Total budgetary charges to appropriations	\$11,556,791
Net difference in prior year and current year payroll accruals	31,819
Capital contributions by grantor	96,718
Current year on-behalf payments made by state	<u>696,452</u>
Actual expenditures and transfers per Statement of Revenues and Expenditures and Changes in Fund Balance	<u>\$12,381,780</u>
Total expenditures	12,160,022
Transfers out	31,760
Interaccount transfers	<u>189,998</u>
	<u>\$12,381,780</u>

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Schedule of Retirement Plan Contributions – OMRF Defined Benefit Plan

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

Required Supplementary Information - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry Age	Unfunded (Overfunded) AAL	Funded Ratio	(1) Covered Payroll	AAL as a Percentage of Covered Payroll
1/1/02	\$10,478,536	\$7,924,677	\$(2,553,859)	132.2%	\$2,915,155	(87.6%)
1/1/03	\$9,622,026	\$7,832,262	\$(1,789,764)	122.9%	\$2,724,369	(65.7%)
1/1/04	\$8,714,667	\$7,235,475	\$(1,479,192)	120.4%	\$2,708,951	(54.6%)
1/1/05	\$10,482,368	\$9,516,337	\$(966,031)	110.2%	\$3,293,172	(29.3%)
1/1/06	\$11,102,706	\$10,423,629	\$(679,077)	106.5%	\$3,426,919	(19.8%)
1/1/07	\$11,929,707	\$11,271,216	\$(658,491)	105.8%	\$3,781,637	(17.4%)
1/1/08	\$12,971,609	\$12,234,964	\$(736,645)	106.0%	\$3,975,471	(18.5%)
1/1/09	\$12,503,922	\$12,874,545	\$370,623	97.1%	\$3,977,619	9.3%
1/1/10	\$12,987,479	\$12,356,464	\$(631,015)	105.1%	\$4,324,926	(14.6%)
1/1/11	\$13,782,996	\$14,595,992	\$812,997	94.4%	\$4,497,284	18.1%
1/1/12	\$14,530,494	\$16,016,658	\$1,486,165	90.7%	\$5,027,404	29.6%

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

Required Supplementary Information – OPEB

OPEB Liability - Schedule of Funding Progress

Required Supplementary Information - Schedule of Funding Progress

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

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SUPPLEMENTARY INFORMATION

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Combining Balance Sheet – General Fund Accounts – June 30, 2012

GENERAL FUND ACCOUNTS							
<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>CEMETERY OPERATIONS ACCOUNT</u>	<u>BEAUTIFICATION ACCOUNT</u>	<u>CHRISTMAS LIGHTING ACCOUNT</u>	<u>INSURANCE CASH ACCOUNT</u>	<u>MULTI-SPORTS COMPLEX ACCOUNT</u>	<u>TOTALS</u>
Cash and cash equivalents	\$1,661,852	\$13,268	\$22,891	\$244	\$96,296	\$36,537	\$1,831,088
Investments	714,165	5,706	9,844	105	41,410	15,282	786,512
Due from other funds	1,490	-	-	-	-	-	1,490
Due from other governments	1,006,717	-	-	-	-	-	1,006,717
Franchise tax receivable	63,380	-	-	-	-	-	63,380
Court fines receivable, net	23,226	-	-	-	-	-	23,226
Other receivables	6,503	-	-	-	-	-	6,503
Total Assets	<u>\$3,477,333</u>	<u>\$18,974</u>	<u>\$32,735</u>	<u>\$349</u>	<u>\$137,706</u>	<u>\$51,819</u>	<u>\$3,718,916</u>
<u>LIABILITIES</u>							
Accounts payable	\$267,038	\$6,600	-	-	\$900	\$12,937	\$287,475
Accrued payroll liabilities	405,675	3,920	-	-	-	27,784	437,379
Due to other funds	2,500	138	-	-	-	-	2,638
Due to other governments	1,880	-	-	-	-	-	1,880
Deferred revenue	62,969	-	-	-	-	-	62,969
Total Liabilities	<u>740,062</u>	<u>10,658</u>	<u>-</u>	<u>-</u>	<u>900</u>	<u>40,721</u>	<u>792,341</u>
<u>FUND EQUITY</u>							
Fund Balance:							
Assigned	1,840,608	8,316	\$32,735	\$349	136,806	11,098	2,029,912
Unassigned	896,663	-	-	-	-	-	896,663
Total Fund Equity	<u>2,737,271</u>	<u>8,316</u>	<u>32,735</u>	<u>349</u>	<u>136,806</u>	<u>11,098</u>	<u>2,926,575</u>
Total Liabilities and Fund Equity	<u>\$3,477,333</u>	<u>\$18,974</u>	<u>\$32,735</u>	<u>\$349</u>	<u>\$137,706</u>	<u>\$51,819</u>	<u>\$3,718,916</u>

**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – Year Ended June 30, 2012

	GENERAL FUND ACCOUNTS						TOTALS
	GENERAL FUND	CEMETERY OPERATIONS ACCOUNT	BEAUTIFICATION ACCOUNT	CHRISTMAS LIGHTING ACCOUNT	INSURANCE CASH ACCOUNT	MULTI-SPORTS COMPLEX ACCOUNT	
REVENUES:							
Taxes	\$7,636,567	-	-	-	-	-	\$7,636,567
Intergovernmental	1,387,611	-	-	-	-	-	1,387,611
Charges for services	120,302	\$57,225	-	-	-	\$132,975	310,502
Licenses and permits	225,579	-	-	-	-	-	225,579
Fines and forfeitures	256,311	-	-	-	-	-	256,311
Investment income	8,006	72	\$113	\$3	\$465	270	8,929
Miscellaneous:							
Reimbursements	18,341	-	-	-	-	-	18,341
Donations	11,400	-	-	-	-	-	11,400
Other	116,451	488	-	-	-	-	116,939
Total Revenues	9,780,568	57,785	113	3	465	133,245	9,972,179
EXPENDITURES:							
Current:							
General government	2,064,097	-	783	1,063	270,151	-	2,336,094
Public safety	7,249,356	-	-	-	-	-	7,249,356
Public works	1,405,543	-	-	-	-	-	1,405,543
Culture, tourism and recreation	1,338,208	-	-	-	-	525,011	1,863,219
Cemetery	-	144,741	-	-	-	-	144,741
Capital outlay	96,718	-	-	-	-	25,348	122,066
Debt service:							
Principal retirement	6,100	-	-	-	-	-	6,100
Total Expenditures	12,160,022	144,741	783	1,063	270,151	550,359	13,127,119
Revenues over (under) expenditures	(2,379,454)	(86,956)	(670)	(1,060)	(269,686)	(417,114)	(3,154,940)
Other Financing Sources (Uses):							
Interaccount transfers	(189,998)	84,293	2,500	-	105,611	(2,406)	-
Transfers in	2,613,785	1,000	-	-	125,341	318,181	3,058,307
Transfers out	(31,760)	(7,278)	-	-	-	-	(39,038)
Transfer from component unit	-	-	-	-	39,047	-	39,047
Revenues and other sources over (under) expenditures and other uses	12,573	(8,941)	1,830	(1,060)	313	(101,339)	(96,624)
Fund Balance - beginning of year	2,724,698	17,257	30,905	1,409	136,493	112,437	3,023,199
Fund Balance - end of year	\$2,737,271	\$8,316	\$32,735	\$349	\$136,806	\$11,098	2,926,575

**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2012

<u>ASSETS</u>	<u>SPECIAL REVENUE FUNDS</u>				
	<u>SPECIAL 911 TAX FUND</u>	<u>R.L. WILLIAMS LIBRARY FUND</u>	<u>DRUG ENFORCEMENT FUND</u>	<u>DURANT LIBRARY AUTHORITY</u>	<u>HOME/FEMA GRANT FUND</u>
Cash and cash equivalents	\$148,665	\$6,344	\$22,259	\$21	\$21
Investments	63,931	45,480	-	9	9
Due from other funds	2,500	-	-	-	-
Due from other governments	-	-	-	-	-
Other receivable	53,653	-	-	-	-
Total Assets	<u>\$268,749</u>	<u>\$51,824</u>	<u>\$22,259</u>	<u>\$30</u>	<u>\$30</u>
 <u>LIABILITIES</u>					
Accounts payable	\$6,625	-	\$714	-	-
Accrued payroll liabilities	20,615	-	-	-	-
Due to other funds	1,490	-	-	-	-
Total Liabilities	<u>28,730</u>	<u>-</u>	<u>714</u>	<u>-</u>	<u>-</u>
 <u>FUND EQUITY</u>					
Fund Balance:					
Restricted	-	\$50,700	21,430	-	-
Assigned	240,019	1,124	115	\$30	\$30
Total Fund Equity	<u>240,019</u>	<u>51,824</u>	<u>21,545</u>	<u>30</u>	<u>30</u>
Total Liabilities and Fund Equity	<u>\$268,749</u>	<u>\$51,824</u>	<u>\$22,259</u>	<u>\$30</u>	<u>\$30</u>

(Continued)

**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2012, (Continued)

ASSETS	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUNDS		TOTALS
	1/4% SALES TAX M.S. FUND	1/4% SALES TAX SOSU FUND	GEMETERY CARE FUND	CDBG FUND	
Cash and cash equivalents	\$1,109	\$1,109	\$126,083	-	\$305,611
Investments	477	477	54,220	-	164,603
Due from other funds	-	-	138	-	2,638
Due from other governments	100,013	100,013	-	\$95,265	295,291
Other receivable	-	-	-	-	53,653
Total Assets	\$101,599	\$101,599	\$180,441	\$95,265	\$821,796
<u>LIABILITIES</u>					
Accounts payable	-	-	-	-	\$7,339
Accrued payroll liabilities	-	-	-	-	20,615
Due to other funds	-	-	-	\$1,377	2,867
Total Liabilities	-	-	-	1,377	30,821
<u>FUND EQUITY</u>					
Fund Balance:					
Restricted	\$101,599	\$101,599	\$178,674	93,667	547,669
Assigned	-	-	1,767	221	243,306
Total Fund Equity	101,599	101,599	180,441	93,888	790,975
Total Liabilities and Fund Equity	\$101,599	\$101,599	\$180,441	\$95,265	\$821,796

**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2012

	SPECIAL REVENUE FUNDS				
	SPECIAL 911 TAX FUND	R.L. WILLIAMS LIBRARY FUND	DRUG ENFORCEMENT FUND	DURANT LIBRARY AUTHORITY	HOME/FEMA GRANT FUND
REVENUES:					
Taxes	\$307,780	-	-	-	-
Intergovernmental	-	-	\$23,618	-	-
Charges for services	92,734	-	-	-	-
Investment income	385	\$576	48	-	-
Total Revenues	<u>400,899</u>	<u>576</u>	<u>23,666</u>	<u>-</u>	<u>-</u>
EXPENDITURES:					
Current:					
Public safety	702,597	-	29,802	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	<u>702,597</u>	<u>-</u>	<u>29,802</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	(301,698)	576	(6,136)	-	-
Other Financing Sources (Uses):					
Transfers in	519,128	-	-	-	-
Transfers out	(4,017)	-	-	-	-
Transfer to component unit	-	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	213,413	576	(6,136)	-	-
Fund Balance - beginning of year	26,606	51,248	27,681	\$30	\$30
Fund Balance - end of year	<u>\$240,019</u>	<u>\$51,824</u>	<u>\$21,545</u>	<u>\$30</u>	<u>\$30</u>

(Continued)

**CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2012, (Continued)

	<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL PROJECT FUNDS</u>		<u>TOTALS</u>
	<u>1/4% SALES TAX M.S. FUND</u>	<u>1/4% SALES TAX SOSU FUND</u>	<u>CEMETERY CARE FUND</u>	<u>CDBG FUND</u>	
REVENUES:					
Taxes	\$761,442	\$761,442	-	-	\$1,830,664
Intergovernmental	-	-	-	\$133,238	156,856
Charges for services	-	-	-	-	92,734
Investment income	-	-	\$627	1	1,637
Total Revenues	<u>761,442</u>	<u>761,442</u>	<u>627</u>	<u>133,239</u>	<u>2,081,891</u>
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	732,399
Capital outlay	-	-	-	134,239	134,239
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,239</u>	<u>866,638</u>
Revenues over (under) expenditures	761,442	761,442	627	(1,000)	1,215,253
Other Financing Sources (Uses):					
Transfers in	-	-	7,278	93,588	619,994
Transfers out	-	-	(1,000)	-	(5,017)
Transfer to component unit	(760,976)	(760,976)	-	-	(1,521,952)
Revenues and other sources over (under) expenditures and other uses	466	466	6,905	92,588	308,278
Fund Balance - beginning of year	101,133	101,133	173,536	1,300	482,697
Fund Balance - end of year	<u>\$101,599</u>	<u>\$101,599</u>	<u>\$180,441</u>	<u>\$93,888</u>	<u>790,975</u>

CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Statement of Net Assets – Internal Service Funds – June 30, 2012

	Internal Service Funds			Total
	Employee Health Fund	Worker's Compensation Fund	Info Tech Service Fund	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$1,115,366	\$95,743	\$84,742	\$1,295,851
Investments	469,210	39,835	36,442	545,487
Accounts receivable, net of allowance	418	-	-	418
Total current assets	<u>1,584,994</u>	<u>135,578</u>	<u>121,184</u>	<u>1,841,756</u>
Noncurrent Assets:				
Capital assets:				
Other capital assets, net of depreciation	-	-	6,747	6,747
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>6,747</u>	<u>6,747</u>
Total assets	<u>1,584,994</u>	<u>135,578</u>	<u>127,931</u>	<u>1,848,503</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	-	-	16,854	16,854
Accrued payroll liabilities	-	-	3,166	3,166
Estimated liability for claims	397,444	107,695	-	505,139
Accrued compensated absences - current	-	-	685	685
Capital lease payable - current	-	-	1,570	1,570
Accrued compensated absences - noncurrent	-	-	6,166	6,166
Capital lease payable - noncurrent	-	-	3,228	3,228
Total liabilities	<u>397,444</u>	<u>107,695</u>	<u>31,669</u>	<u>536,808</u>
NET ASSETS:				
Invested in capital assets, net of related debt	-	-	1,949	1,949
Unrestricted	1,187,550	27,883	94,313	1,309,746
Total net assets	<u>\$1,187,550</u>	<u>\$27,883</u>	<u>\$96,262</u>	<u>\$1,311,695</u>

Combining Statement of Changes in Net Assets–Internal Service Funds–Year Ended June 30, 2012

	Internal Service Funds			Total
	Employee Health Fund	Worker's Compensation Fund	Info Tech Service Fund	
Operating Revenues:				
Charges for services:				
Self insurance charges	\$1,534,771	\$359,205	-	\$1,893,976
Miscellaneous	359,905	3,453	\$272,878	636,236
Total operating revenues	<u>1,894,676</u>	<u>362,658</u>	<u>272,878</u>	<u>2,530,212</u>
Operating Expenses:				
Claims expense	2,313,410	799,286	-	3,112,696
Info tech services	-	-	263,947	263,947
Depreciation expense	-	-	2,404	2,404
Total operating expenses	<u>2,313,410</u>	<u>799,286</u>	<u>266,351</u>	<u>3,379,047</u>
Operating income (loss)	<u>(418,734)</u>	<u>(436,628)</u>	<u>6,527</u>	<u>(848,835)</u>
Non-Operating Revenues (Expenses):				
Investment income	6,036	1,280	392	7,708
Interest expense	-	-	(353)	(353)
Total non-operating revenues (expenses)	<u>6,036</u>	<u>1,280</u>	<u>39</u>	<u>7,355</u>
Change in net assets	<u>(412,698)</u>	<u>(435,348)</u>	<u>6,566</u>	<u>(841,480)</u>
Total net assets - beginning	<u>1,600,248</u>	<u>463,231</u>	<u>89,696</u>	<u>2,153,175</u>
Total net assets - ending	<u>\$1,187,550</u>	<u>\$27,883</u>	<u>\$96,262</u>	<u>\$1,311,695</u>

CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Schedule of Net Assets – DCUA Accounts – June 30, 2012

	Utilities Authority Fund Accounts		
	Utilities	UA	
	Authority	Bonds Sinking	Total
	Fund	Account	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$550	-	\$550
Restricted cash and cash equivalents	1,089,589	\$6,165,552	7,255,141
Restricted investments	34,968	-	34,968
Accounts receivable, net of allowance	1,439,538	-	1,439,538
Total current assets	<u>2,564,645</u>	<u>6,165,552</u>	<u>8,730,197</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and cash equivalents	-	1,022,270	1,022,270
Capital assets:			
Land and other non-depreciable assets	2,138,704	-	2,138,704
Other capital assets, net of depreciation	41,298,360	-	41,298,360
Unamortized debt issuance costs	549,315	-	549,315
Total noncurrent assets	<u>43,986,379</u>	<u>1,022,270</u>	<u>45,008,649</u>
Total assets	<u>46,551,024</u>	<u>7,187,822</u>	<u>53,738,846</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	253,525	135,022	388,547
Accrued payroll liabilities	75,676	-	75,676
Due to other funds	223,125	-	223,125
Accrued interest payable	356,142	-	356,142
Current Portion of:			
Meter deposit liability	67,882	-	67,882
Notes payable	2,405,953	-	2,405,953
Landfill closure liability	18,871	-	18,871
Accrued compensated absences	27,607	-	27,607
Total current liabilities	<u>3,428,781</u>	<u>135,022</u>	<u>3,563,803</u>
Noncurrent liabilities:			
Meter deposit liability	271,527	-	271,527
Notes payable	31,665,989	-	31,665,989
Landfill closure liability	374,704	-	374,704
OPEB obligation	76,468	-	76,468
Accrued compensated absences	248,460	-	248,460
Total noncurrent liabilities	<u>32,637,148</u>	<u>-</u>	<u>32,637,148</u>
Total liabilities	<u>36,065,929</u>	<u>135,022</u>	<u>36,200,951</u>
NET ASSETS:			
Invested in capital assets, net of related debt	10,525,889	6,075,396	16,601,285
Restricted for debt service	(182,446)	977,404	794,958
Unrestricted	141,652	-	141,652
Total net assets	<u>\$10,485,095</u>	<u>\$7,052,800</u>	<u>\$17,537,895</u>

CITY OF DURANT, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Combining Schedule of Revenues, Expenses, and Changes in Net Assets – DCUA Accounts – Year Ended June 30, 2012

	Utilities Authority Fund Accounts		Total
	Utilities	UA	
	Authority	Bonds Sinking	
	Fund	Account	
Operating Revenues:			
Charges for services:			
Water charges	\$3,390,595	-	\$3,390,595
Sewer charges	1,790,448	-	1,790,448
Water and sewer taps	155,052	-	155,052
Penalties	111,400	-	111,400
Non-payment fees	126,200	-	126,200
Sanitation charges	3,784,131	-	3,784,131
Landfill gate fees	117,360	-	117,360
Lab tests	26,710	-	26,710
Rentals	61,390	-	61,390
Transfer station fees	235,442	-	235,442
Recyclable products	8,200	-	8,200
Miscellaneous	145,178	-	145,178
Total operating revenues	<u>9,952,106</u>	<u>-</u>	<u>9,952,106</u>
Operating Expenses:			
Public works administration	139,544	-	139,544
Water/sewer line maintenance	804,100	-	804,100
Water treatment plant	826,062	-	826,062
Wastewater treatment	724,662	-	724,662
Collection - solid waste	1,007,334	-	1,007,334
General government	148,492	-	148,492
Lake Durant	33,769	-	33,769
Disposal - solid waste	924,915	-	924,915
Depreciation expense	2,007,076	-	2,007,076
Total operating expenses	<u>6,615,954</u>	<u>-</u>	<u>6,615,954</u>
Operating income (loss)	3,336,152	-	3,336,152
Non-Operating Revenues (Expenses):			
Investment income	4,348	\$37,685	42,033
Miscellaneous	2,000	-	2,000
Gain on sale of capital assets	33,074	-	33,074
Amortization expense	(48,809)	-	(48,809)
Interest expense and fiscal charges	(1,338,738)	-	(1,338,738)
Total non-operating revenues (expenses)	<u>(1,348,125)</u>	<u>37,685</u>	<u>(1,310,440)</u>
Net income (loss) before contributions and transfers	1,988,027	37,685	2,025,712
Capital contributions	1,031,269	-	1,031,269
Interaccount transfers	2,105,866	(2,105,866)	-
Transfers in	230,287	1,944,210	2,174,497
Transfers out	(4,152,227)	(4,369,113)	(8,521,340)
Transfers from component unit	-	159,577	159,577
Transfers to component unit	(736,007)	-	(736,007)
Change in net assets	467,215	(4,333,507)	(3,866,292)
Total net assets - beginning	10,017,880	11,386,307	21,404,187
Total net assets - ending	<u>\$10,485,095</u>	<u>\$7,052,800</u>	<u>\$17,537,895</u>

CITY OF DURANT, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES
JUNE 30, 2012

CITY OF DURANT, OKLAHOMA

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Durant, Oklahoma ("the City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

Arledge & Associates, P.C.
Edmond, Oklahoma
March 11, 2013



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

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

Compliance

We have audited the City of Durant, Oklahoma's (the "City") compliance 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, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

Schedule of Expenditure of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, and have issued our report thereon dated March 11, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our 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 the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Arledge & Associates, P.C.
Edmond, Oklahoma
March 11, 2013

CITY OF DURANT, OKLAHOMA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

<u>Federal Grantor/Pass through agency Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>		
Passed through Oklahoma Department of Commerce:		
Community Development Block Grants	14.228	\$ 133,238
Total U.S. Department of Housing and Urban Development		<u>133,238</u>
<u>U. S. DEPARTMENT OF JUSTICE:</u>		
Violence Against Women Formula Grants (ARRA)	16.588	32,300
Edward Byrne Memorial Justice Assistance Grant Program (ARRA)	16.804	6,083
Edward Byrne Memorial Justice Assistance Grant Program	16.738	9,805
Bulletproof Vest Partnership Program	16.607	6,000
Total U.S. Department of Justice		<u>54,188</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
Passed through Oklahoma Highway Safety Office:		
State and Community Highway Safety	20.600	16,859
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	3,301
Total Oklahoma Highway Safety Office		<u>20,160</u>
Passed through Oklahoma Department of Transportation:		
Highway Planning and Construction (ARRA)	20.205	161,598
Federal Aviation Administration:		
Airport Improvement Program	20.106	2,476,869
Total U.S. Department of Transportation		<u>2,658,627</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
Passed through Oklahoma Office of Homeland Security:		
Homeland Security Grant Program	97.073	96,718
Passed through Oklahoma Department of Civil Emergency Management:		
Emergency Management Performance Grants	97.042	27,130
Hazard Mitigation Grants	97.039	43,680
Total Oklahoma Department of Civil Emergency Management		<u>70,810</u>
Total U.S. Department of Homeland Security		<u>167,528</u>
Total Federal Awards		<u>\$ 3,013,581</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows for the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the basis of accounting consistent with the definition of federal awards expended in paragraph 205 of OMB Circular A-133.

CITY OF DURANT, OKLAHOMA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

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

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee? _____ yes X no

CITY OF DURANT, OKLAHOMA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

None

Internal Control Findings

None

SECTION II – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Compliance Findings

None

Internal Control Findings

None

CITY OF DURANT, OKLAHOMA

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

There were no audit findings in the prior year.