



# **THE CITY OF DURANT, OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2014**

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**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Durant, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

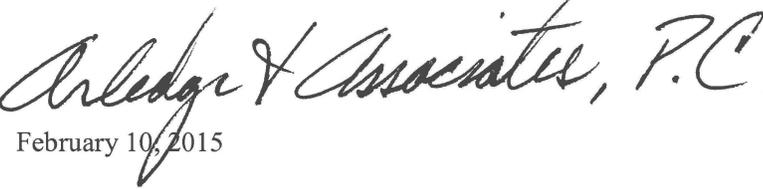
### *Other Information*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

  
February 10, 2015

**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, 2014. Please read it in conjunction with the City’s financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2014, the City’s total net position decreased by \$2,466,886 or 2.6% from the prior year.
- During the year, the City’s expenses for governmental activities were \$22,863,453 and were funded by program revenues of \$2,618,692 and further funded with taxes and other general revenues that totaled \$17,802,125.
- In the City’s business-type activities, such as utilities, total program revenues exceeded expenses by \$478,716.
- For budgetary reporting purposes, the General Fund reported revenues more than estimates by \$466,425 or 3.7%, while expenditures were under the final appropriations by \$2,325,523 or 16.1%.

### **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. Included in this report are government-wide statements for each of the three categories of activities, governmental, business-type, and discretely-presented component units. The government-wide financial statements present the complete financial picture of the City’s reporting entity from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt), and also include all deferred outflows and deferred inflows.

#### **Reporting the City as a Whole**

##### **The Statement of Net Position and the Statement of Activities**

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

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

Unaudited

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

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

### **Reporting the City's Most Significant Funds**

#### **Fund Financial Statements**

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

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

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

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

**Net Position**

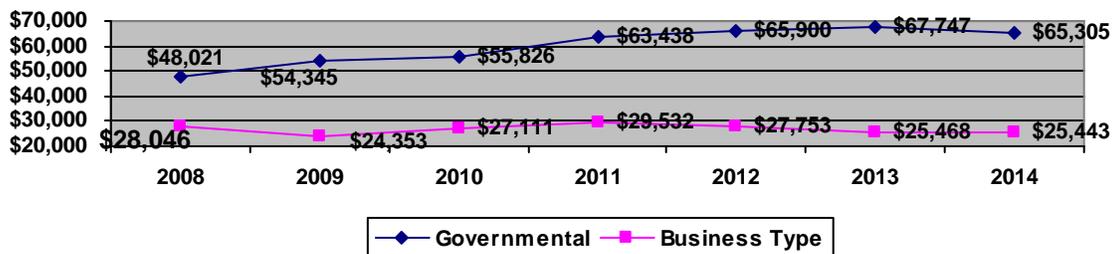
The City's combined net position decreased from \$93,215,182 to \$90,748,296 between fiscal years 2013 and 2014. Looking at the net position of governmental and business-type activities separately, governmental activities decreased \$2,442,636, while business-type activities decreased \$24,250.

**Table 1  
Net Position**

	Governmental		% Inc. Dec.	Business-type		% Inc. Dec.	Total		% Inc. Dec.
	Activities			Activities			Primary Government		
	2014	Restated 2013		2014	2013		2014	Restated 2013	
<b>Assets:</b>									
Current and other assets	\$ 15,073,776	\$ 15,072,363	-	\$ 4,811,450	\$ 6,417,970	-25%	\$ 19,885,226	\$ 21,490,333	-7%
Capital assets, net	55,583,313	56,854,358	-2%	52,928,833	53,381,961	-1%	108,512,146	110,236,319	-2%
<b>Total assets</b>	<b>70,657,089</b>	<b>71,926,721</b>	<b>-2%</b>	<b>57,740,283</b>	<b>59,799,931</b>	<b>-3%</b>	<b>128,397,372</b>	<b>131,726,652</b>	<b>-3%</b>
<b>Deferred Outflows of Resources:</b>									
Deferred amount on refunding	-	-	-	109,731	129,682	-15%	109,731	129,682	-15%
<b>Liabilities:</b>									
Long-term debt	2,315,225	1,879,900	23%	31,637,472	33,716,741	-6%	33,952,697	35,596,641	-5%
OPEB obligation	465,679	373,547	25%	125,375	100,571	25%	591,054	474,118	25%
Other liabilities	2,571,341	1,925,794	34%	643,715	644,599	-	3,215,056	2,570,393	25%
<b>Total liabilities</b>	<b>5,352,245</b>	<b>4,179,241</b>	<b>28%</b>	<b>32,406,562</b>	<b>34,461,911</b>	<b>-6%</b>	<b>37,758,807</b>	<b>38,641,152</b>	<b>-2%</b>
<b>Net Position:</b>									
Net investment in capital assets	54,508,108	56,103,986	-3%	26,319,064	25,042,774	5%	80,827,172	81,146,760	-
Restricted	6,274,246	6,878,723	-9%	-	-	-	6,274,246	6,878,723	-9%
Unrestricted	4,522,490	4,764,771	-5%	(875,612)	424,928	-306%	3,646,878	5,189,699	-30%
<b>Total net position</b>	<b>\$ 65,304,844</b>	<b>\$ 67,747,480</b>	<b>-4%</b>	<b>\$25,443,452</b>	<b>\$25,467,702</b>	<b>-</b>	<b>\$90,748,296</b>	<b>\$93,215,182</b>	<b>-3%</b>

Net position of the City's governmental activities decreased 3.6 percent to approximately \$65.3 million. However, \$60,782,354 of that net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net position amounted to \$4,522,490 at the end of this year. Net position of the business-type activities decreased 0.1 percent to approximately \$25.4 million. However, \$26,319,064 of net position is invested in capital assets. Consequently, unrestricted net position amounted to a deficit of \$875,612 at the end of the year.

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



Unaudited

**CITY OF DURANT, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
June 30, 2014**

**Changes in Net Position**

For the year ended June 30, 2014, net position of the primary government changed as follows:

**Table 2  
Changes in Net Position**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Revenues:									
Program revenues:									
Charges for services	\$ 881,815	\$ 958,748	-8%	\$ 10,448,082	\$ 10,486,078	-	\$ 11,329,897	\$ 11,444,826	-1%
Operating grants/contributions	1,185,344	1,264,959	-6%	-	-	-	1,185,344	1,264,959	-6%
Capital grants/contributions	551,533	2,088,360	-74%	618,789	951,031	-35%	1,170,322	3,039,391	-61%
General revenues:									
Sales and use taxes	15,073,535	14,365,333	5%	-	-	-	15,073,535	14,365,333	5%
Other taxes	1,037,590	1,095,000	-5%	-	-	-	1,037,590	1,095,000	-5%
Other general revenue	922,261	1,270,811	-27%	265,773	345,706	-23%	1,188,034	1,616,517	-27%
<b>Total revenues</b>	<b>19,652,078</b>	<b>21,043,211</b>	<b>-7%</b>	<b>11,332,644</b>	<b>11,782,815</b>	<b>-4%</b>	<b>30,984,722</b>	<b>32,826,026</b>	<b>-6%</b>
Program expenses:									
General government	4,648,246	4,703,024	-1%	-	-	-	4,648,246	4,703,024	-1%
Public safety	10,159,070	9,214,057	10%	-	-	-	10,159,070	9,214,057	10%
Public works	3,312,753	3,061,810	8%	-	-	-	3,312,753	3,061,810	8%
Culture and recreation	2,957,231	2,752,105	7%	-	-	-	2,957,231	2,752,105	7%
Cemetery	129,587	188,101	-31%	-	-	-	129,587	188,101	-31%
Industrial dev. (payment to DIA)	7,961	520,000	-98%	458,871	760,868	-40%	466,832	1,280,868	-64%
Community dev. (payment to DCFA)	1,615,746	1,556,020	4%	-	-	-	1,615,746	1,556,020	4%
Interest on long-term debt	32,859	29,690	11%	331,451	328,479	1%	364,310	358,169	2%
Water	-	-	-	2,715,111	3,047,564	-11%	2,715,111	3,047,564	-11%
Sewer	-	-	-	2,419,030	2,901,782	-17%	2,419,030	2,901,782	-17%
Sanitation	-	-	-	3,248,900	2,822,995	15%	3,248,900	2,822,995	15%
Airport	-	-	-	1,414,041	1,330,577	6%	1,414,041	1,330,577	6%
Federal building	-	-	-	751	4,307	-83%	751	4,307	-83%
<b>Total expenses</b>	<b>22,863,453</b>	<b>22,024,807</b>	<b>4%</b>	<b>10,588,155</b>	<b>11,196,572</b>	<b>-5%</b>	<b>33,451,608</b>	<b>33,221,379</b>	<b>1%</b>
Excess (deficiency) before transfers	(3,211,375)	(981,596)	227%	744,489	586,243	27%	(2,466,886)	(395,353)	524%
Transfers	768,739	2,871,248	-73%	(768,739)	(2,871,248)	73%	-	-	-
<b>Increase (decrease) in net position</b>	<b>(\$ 2,442,636)</b>	<b>\$ 1,889,652</b>	<b>-229%</b>	<b>\$ (24,250)</b>	<b>\$ (2,285,005)</b>	<b>99%</b>	<b>\$ (2,466,886)</b>	<b>(\$ 395,353)</b>	<b>-524%</b>

The City's governmental activities' decrease in net position of \$2,442,636 represents a 229% decrease in the change in net position from the prior year. The business-type activities' decrease in net position of \$24,250 represents a 99% increase in the change in net position from the prior year.

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

- Current and other assets of the business-type activities decreased by 25% due to a decrease in cash and cash equivalents related to the 2007, 2009A&B, 2010, and 2012A Revenue Notes (current year spending of construction accounts).
- OPEB obligation in both the governmental activities and business-type activities increased by 25% due to the City not funding the obligation as it is incurred.
- Long term debt of the governmental activities increased by 23% due to the issuance of approximately \$870,000 of new capital lease obligations.
- Other liabilities of the governmental activities increased by 34% due to an increase in claims liability of approximately \$900,000, related to employee health internal service fund activity.

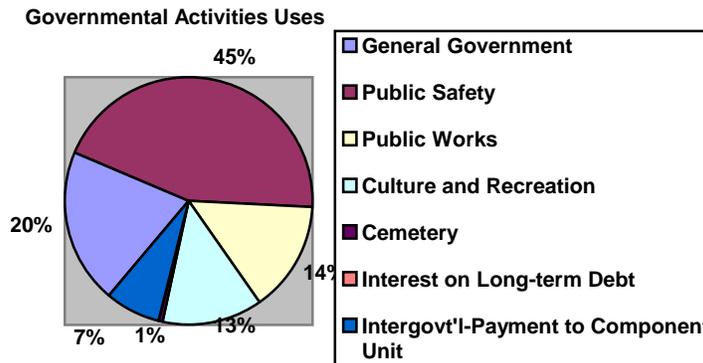
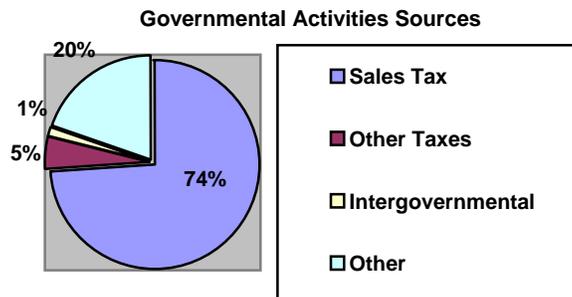
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- Governmental activities capital grants and contributions decreased 74% due to the decrease in grants from the Oklahoma Department of Transportation from prior year.
- Business-type activities capital grants and contributions decreased 35% due to the decrease in grants from the Federal Aviation Administration.
- Governmental activities other general revenues decreased 27% due to the decrease in payments received from the Durant Community Facilities Authority component unit of approximately \$349,000.
- Transfers changed significantly due to sales tax revenue that was transferred from the 1% Sales Tax Revenue Fund to business-type activities increasing from the prior year by approximately \$2,020,000 and sales tax revenue that was transferred back from the DCUA to the General Fund increasing from prior year by approximately \$1,150,000. In addition, the reclassification of capital asset activity between governmental and business-type activities increased by approximately \$527,000.

**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, 2014, the City’s governmental activities were funded as follows:



Unaudited

**CITY OF DURANT, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
June 30, 2014**

For the year ended June 30, 2014, total expenses for governmental activities amounted to \$22,863,453. Of these total expenses, taxpayers and other general revenues funded \$17,802,125, while those directly benefiting from the program funded \$1,736,877 from grants and other contributions and \$881,815 from charges for services.

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

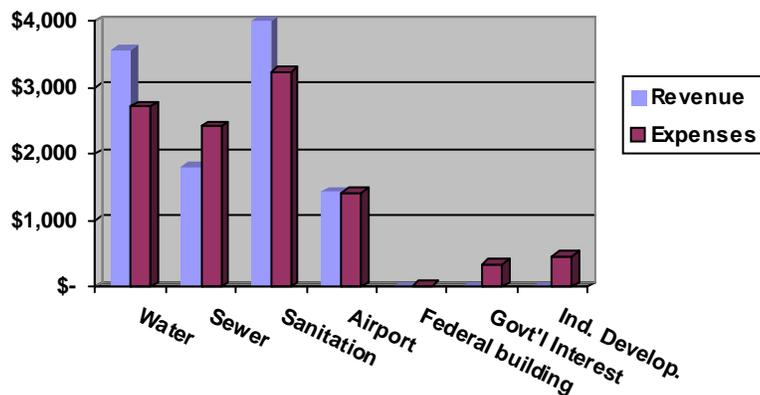
	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014-2013</u>	<u>2014</u>	<u>2013</u>	<u>2014-2013</u>
General government	\$4,648,246	\$4,703,024	-1.2%	(\$4,259,016)	(\$4,072,789)	4.6%
Public safety	10,159,070	9,214,057	10.3%	(8,885,299)	(7,592,904)	17.0%
Public works	3,312,753	3,061,810	8.2%	(3,094,735)	(1,448,648)	113.6%
Culture and recreation	2,957,231	2,752,105	7.5%	(2,278,240)	(2,369,060)	-3.8%
Cemetery	129,587	188,101	-31.1%	(70,905)	(123,629)	-42.6%
Industrial development - payments to DIA	7,961	520,000	-98.5%	(7,961)	(520,000)	-98.5%
Community development - payments to DCFA	1,615,746	1,556,020	3.8%	(1,615,746)	(1,556,020)	3.8%
Interest on long-term debt	32,859	29,690	10.7%	(32,859)	(29,690)	10.7%
<b>Total</b>	<b>\$22,863,453</b>	<b>\$22,024,807</b>	<b>3.8%</b>	<b>(\$20,244,761)</b>	<b>(\$17,712,740)</b>	<b>14.3%</b>

**Business-type Activities**

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

- Total business-type activities reported net revenues of \$478,716 for the year ended June 30, 2014.
- All individual activities reported net revenues for the year ended June 30, 2014, with the exception of sewer, federal building, governmental interest on long-term debt and industrial development (payment to DIA) which reported net expenses of \$613,210, \$751, \$331,451 and \$458,871, respectively.

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



Unaudited

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

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$12,352,387 or a 1.5% increase from the prior year. The enterprise funds reported net position of \$25,994,365 or a 1.5% increase from 2013.

Other fund highlights include:

- For the year ended June 30, 2014, the General Fund’s total fund balance increased by \$880,829 or 32.5%.
- The Capital Improvement Fund’s total fund balance decreased by \$1,353,669 due to a decrease in intergovernmental revenues and transfers from other funds from the prior year.

**General Fund Budgetary Highlights**

For the year ended June 30, 2014, the General Fund reported actual budgetary basis revenues above final estimates by \$466,425 or a 3.7% positive variance. General Fund actual budgetary basis expenditures were under final appropriations by \$2,325,523 or a 16.1% positive variance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2014, the City had \$108,512,146 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below).

	<b>Primary Government Capital Assets (Net of accumulated depreciation)</b>					
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b><u>Activities</u></b>		<b><u>Activities</u></b>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$5,787,699	\$5,181,512	\$1,724,994	\$1,724,994	\$7,512,693	\$6,906,506
Buildings	19,311,133	20,127,292	17,001,357	17,377,497	36,312,490	37,504,789
Improvements	1,075,979	1,047,816	323,715	673,936	1,399,694	1,721,752
Machinery & equipment	4,997,996	5,299,570	2,646,382	2,270,241	7,644,378	7,569,811
Infrastructure	23,364,070	24,356,040	30,258,976	30,688,327	53,623,046	55,044,367
Construction in progress	<u>1,046,436</u>	<u>842,128</u>	<u>973,409</u>	<u>646,966</u>	<u>2,019,845</u>	<u>1,489,094</u>
<b>Totals</b>	<u>\$55,583,313</u>	<u>\$56,854,358</u>	<u>\$52,928,833</u>	<u>\$53,381,961</u>	<u>\$108,512,146</u>	<u>\$110,236,319</u>

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

- The City placed in service two 2015 Caterpillar 12yd dump trucks totaling \$271,060.
- The City placed in service a street project related to the Safe Routes to School program totaling \$519,670.
- The City purchased old country club land totaling \$639,509.
- The DIA purchased 232 acres of land totaling \$876,883.
- The City placed in service the Airport South Hangar project totaling \$746,400.
- The City purchased a 2014 Caterpillar roll-off truck totaling \$184,000.

Unaudited

**CITY OF DURANT, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
June 30, 2014**

- The City placed in service the Airport Water Tower project totaling \$279,940.
- The City purchased a landfill trash compactor totaling \$401,786.

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 \$33,952,697 in long-term debt outstanding which represents a \$1,643,944 or 4.6% decrease from the prior year. The City's changes in long-term debt by type of debt are as follows:

	Primary Government Long-Term Debt						Total Percentage Change
	Governmental		Business-Type		Total		
	<u>Activities</u>		<u>Activities</u>		<u>Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014-2013</u>
Capital lease obligations	\$1,075,205	\$744,780	\$ -	\$ -	\$1,075,205	\$744,780	44.4%
Notes payable	-	5,592	30,657,409	32,591,786	30,657,409	32,597,378	-6.0%
Landfill closure liability	-	-	336,606	459,942	336,606	459,942	-26.8%
Meter deposit liability	-	-	381,794	363,640	381,794	363,640	5.0%
Accrued comp absences	<u>1,240,020</u>	<u>1,129,528</u>	<u>261,663</u>	<u>301,373</u>	<u>1,501,683</u>	<u>1,430,901</u>	4.9%
<b>Totals</b>	<u>\$2,315,225</u>	<u>\$1,879,900</u>	<u>\$31,637,472</u>	<u>\$33,716,741</u>	<u>\$33,952,697</u>	<u>\$35,596,641</u>	-4.6%

For the year ended June 30, 2014, the following significant long-term debt transactions occurred:

- The DCUA issued 2 new notes payable for a compactor and a roll-off truck for the solid waste department and the 2013 Utility System and Sales Tax Revenue Note, which refunded a previously issued OWRB loan.
- The City issued 4 new capital leases for 6 police vehicles, a garage lift, a dump truck and old country club property.

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 October 2014. The United States Unemployment Rate for October 2014 is 5.8%. The State of Oklahoma Unemployment Rate for September 2014 is 4.7%. The Durant/Bryan County Unemployment Rate for September 2014 is 4.3%. The Durant/Bryan County twelve month unemployment average for 2014 is 4.97%. Bryan County posted its number of employed workforce at 20,276 for September 2014.

**Sales Tax Collection** – Sales tax collections year-to-date for fiscal year 2014-2015 are up 3.07%. Sales tax collections in fiscal year 2013-2014 increased over the previous fiscal year of 2012-2013 by 3.84%, while sales tax collections for the fiscal year of 2012-2013 reflect a 2.24% increase. The city sales tax collection has increased five consecutive years since 2009-2010.

Unaudited

**The 2013 United States Census** listed the City of Durant as having a population of 16,891. This is a 6.5% increase over the 2010 United States Census population for Durant from 15,861. The 2013 United States Census listed the State of Oklahoma as having a population of 3,850,568. This is a 2.6% increase over the 2010 United States Census population for the State of Oklahoma of 3,751,357. In summary, Durant's rate of growth for 2010-2013 was well over double the State of Oklahoma, according to the 2013 United States Census Data for Population Growth.

### **Projects Completed In The Current Fiscal Year**

**Keystone XL TransCanada Pipeline Project** – Jim Prescott, Stakeholder Relations for Keystone Pipeline System for TransCanada, visited our office on numerous occasions over the past three years. Mr. Prescott asked us to help build community support for the Gulf Coast Project, the southern leg of the Keystone XL Pipeline. Gulf Coast Project is a 485-mile pipeline that delivers oil from Cushing, OK to refineries on the Gulf Coast in Texas. We 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 was constructed east of Durant in 2012-13. The economic impact for Durant and Bryan County during construction was significant, as construction required substantial purchases from local vendors and pipeline workers added millions to the local economy while they were in Oklahoma. In the years ahead, 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-inch crude oil pipeline spanning 1,179 miles from Northern Canada to Steele City, NE, where it would connect with the existing Keystone Pipeline System. Keystone XL is projected billions of private-sector dollars into the economy, creating an estimated 42,000 direct and indirect jobs. Once in operation, Keystone XL is estimated to contribute an additional \$5.2 billion in property taxes to communities along the route during the operating life of the pipeline.

**Discount Tire and Service Center** – Construction of the new Discount Tire and Service Center began in April 2013 and is now located at 501 Westside Drive. This 7,000 square foot discount tire and service center opened its doors for business February 10, 2014. The business employs eight staff members and is open six days a week.

**Overland Materials & Manufacturing Corporation** – Overland Materials & Manufacturing Corporation (formerly Southeastern Materials, LLC.) purchased a twenty acre site in the Durant Industrial Authority East Industrial Park in September 2013. In October 2013, Overland Materials & Manufacturing Corporation installed two tin horns, graveled entranceways, and some site gravel necessary to relocate the asphalt manufacturing plant on the property. Relocation of the asphalt manufacturing began in November 2013. This company and the Durant Industrial Authority worked together with Oklahoma Natural Gas on the installation of a new high pressure six inch gas pipeline that was installed on the DIA property, and the pipeline was laid to the asphalt processing plant facility. This building site is now home to a totally automated computerized asphalt blending operation on ten acres. The total jobs created for this project, both directly and indirectly, are 28, and the total investment was \$4M. Future aspects of this project include the construction of an office complex and maintenance building.

Unaudited

The City of Durant will also make application to the Oklahoma Department of Commerce for a \$500,000 Community Development Block Grant to rebuild Country Club Road to an industrial access road. The Durant Industrial Authority will fund \$500,000 to rebuild Country Club Road for Overland Materials and Manufacturing, and the City of Durant will provide the equipment and labor for this road improvement project.

**International House of Pancakes Restaurant** – Construction of the International House of Pancakes Restaurant began in August 2013, and the opening occurred December 26, 2013. The new restaurant employs 50 workers and is the second national chain family restaurant in our community. The grand opening ceremony and National Pancake Day was held on March 4, 2014.

**Khan's Fire Restaurant** – Demolition work began in September 2013 on the former Bruams Restaurant on First Avenue for a Khan's Fire Restaurant. The restaurant opened for business in December 2013 and currently has 14 employees in 2014. The Khan's Fire Restaurant is locally owned.

**GAMCO/Bohrick Expansion-** GAMCO/Bohrick added two new product lines to its manufacturing plant and increased its workforce by 15 new employees in 2013-2014. The company made an equipment investment of \$300,000-\$400,000 for these new jobs in Durant. The Durant Manufacturing facility is building industrial mirrors, with stainless steel frames as a new product line extension. GAMCO/Bohrick in Durant is at its highest level of employee staffing at 78 workers.

**McDonalds** – The owners of the McDonalds franchise demolished the current facility on West Main Street in January of 2014 and constructed a new McDonalds facility on the same site. The new store was completed in April 2014. The Durant McDonalds has an employee staffing of 110-115. The new facility has dual drive thru lanes, and 70% of the sales is by car window service.

**Heart and Medical Center Office Complex** - Construction began in September 2013 on the new Heart and Medical Center Office Complex on University Boulevard. Drs. Khetpal recruited two physicians from Canada specializing in internal medicine to staff this new facility. Our office was asked to write letters of support for each of the physician candidates. We provided contact information for engineering and design companies with expertise in medical clinic design. I was able to present contact information for three firms from the Dallas/Ft. Worth metroplex area that had meetings with the Khetpals. The Grand Opening of the 10,000 sf. Heart and Medical Center-Urgent Care occurred on October 31, 2014. The Heart and Medical Center-Urgent Care presently has 20 employees and will be adding 15 new employees for a total of 35. The \$1.5M project was completed in 2014.

**Texhoma Truss** - Texhoma Truss, LLC is a newly formed company with Panel Truss Company of Henderson, TX, This project began in August of 2014, and in October 2014, the truss equipment was installed at the Durant Regional Airport Industrial Park-former Stahl building. The manufacturing facility is a 50,000 sf. building. The Durant Industrial Authority funded \$35,000 in building renovation to the former Stahl building for a new office roof, dual electric service, and a new heating/air conditioning unit for the offices. The Texhoma Truss project is an investment of \$1M in new automation processing equipment. The number of employees for this company is currently 21.

Texhoma Truss added a 2<sup>nd</sup> shift in late 2014 to bring the total number of jobs to 26. This new company currently has a backlog of orders for the next 8-10 months on its books.

**ONEOK/Oklahoma Natural Gas (ONG) 6” Natural Gas Pipeline** - The 6” plastic service pipeline was installed in the Durant Industrial Authority East Industrial Park in 2014. The 6” plastic pipeline will service all new building activities in our East Industrial Park. It also provided natural gas to the Overland Materials & Manufacturing Corporation asphalt plant. The asphalt plant is a large consumer of natural gas used in heating the asphalt road material.

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

**Hitchcock Distributing** - Mr. Hitchcock and the Durant Industrial Authority continue to work together in planning a new site for the expansion of the beer distribution center. Mr. Hitchcock has selected a site at his present business location on West Arkansas Street. Mr. Hitchcock is working with an architectural and engineering firm that designs refrigerated distribution centers for his products. We have met with the project consultants Gene Schwartz from St. Louis, Missouri, and Tex Burrows from Temple, Texas, several times and provided them with information concerning incentive programs available for the new refrigerated distribution center. The total project investment is estimated to be \$4 Million Dollars for this 2014-2015 project. The Durant Industrial Authority will be funding a new city sewer line at a cost of \$50,000, and the city will provide the labor.

**DIA Build-To-Suit Distribution Center for The Tile Shop** - The Tile Shop Distribution Center outgrew its facility and began storing excess floor tile inventory in its parking lot. Phase II of The Tile Shop project began in 2014 with plans to construct an 88,000 sf. distribution center in early 2015. The City of Durant and the Durant Industrial Authority will be seeking a Community Development Block Grant for Economic Development Infrastructure (CDBG-EDIF Grant) for \$1M from the Oklahoma Department of Commerce and approximately \$1.2M in New Market Tax Credits. The Tile Shop has purchased the adjoining industrial property for future expansion in 2014. The remaining funding balance of the building and equipment will be provided by The Tile Shop. Presently, there are 35 employees at The Tile Shop. The new distribution center will add 30 new jobs in 2015, making the total Tile Shop workforce 65 employees.

**Economic Development Administration Grant for New 500,000 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 toward the construction of a new 500,000 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. The Durant Industrial Authority also provided \$500,000 in funds to support this community project.

**New Industrial Road – Waldron Drive – Durant Regional Airport** - The City of Durant has submitted its application for a Community Development Block Grant in the amount of \$500,000 to improve infrastructure on Waldron Drive based upon the 52 jobs created at PharmcareOK of Durant. The total business investment was \$750,000. The Durant Industrial Authority provided \$630,000 in additional funds to support this community street improvement project.

Unaudited

**New Industrial Road – Country Club Road – Overland Materials and Manufacturing Corporation** – The City of Durant has submitted its application for a Community Development Block Grant in the amount of \$500,000 to improve infrastructure on Country Club Road. The CDBG grant is based upon the 15-20 new direct and indirect jobs created at the Overland Materials and Manufacturing Corporation asphalt plant. The Durant Industrial Authority is providing \$500,000 in funds to support this industrial access road in matching the Community Development Block Grant. The City of Durant is providing the labor to build this 33 ft. wide industrial asphalt road with concrete curb and gutter.

**New Industrial Road – Crawford Street -Best Fenders** – The Durant Industrial Authority is providing \$110,000 to improve the infrastructure on Crawford Street, based upon the new jobs created at Best Fenders. Best Fenders has a workforce of 55 employees and \$1.7M in total payroll. Over the past eight years, this company has invested \$3.5M in equipment and facility. The City of Durant will provide the labor for this Crawford Street industrial access road. This will be a 2014-2015 project for the Durant Industrial Authority and the City of Durant.

**Bryan County Fairground Fence and Building Improvements** - The Durant Industrial Authority is providing \$50,000 to fund a new wrought iron fence at the Bryan County Fairgrounds and improvements to various buildings. This is a 2014-2015 project that supports our community, the Bryan County Fairgrounds, the Magnolia Festival, the Durant Round-up Club, and the Oklahoma State University Extension Office.

**BrucePac (former J.C. Potter Sausage Company)** - BrucePac, headquartered in Woodburn, Oregon, will be purchasing the closed, former J.C. Potter Sausage Company, in November 2014. The Durant Industrial Authority has been involved in the recruitment and support of this West Coast meat processing company. The BrucePac Company will be totally renovating the 140,000 sf. facility and adding an investment of \$15-20M. A projected May 2015 staffing and start up is planned. The company's plans are to hire 80 employees initially, and in late 2015, BrucePac will be adding a second shift and 40 new jobs. The Durant Industrial Authority has provided a Job Creation Forgivable Loan of \$700,000 for the first 70 employees hired at the newly renovated facility. The BrucePac Company's long range plans are to have a total project investment of approximately \$20M and a total workforce of 300 employees by the third year of operations.

**McCraw Minerals-Durant Depot Frac Sand** - The owner of McCraw Minerals, located in Telephone, TX, is currently in the process of securing three parcels of land in Durant that have rail access from the Genesee Wyoming Kiamichi Railroad. Mr. Mayfield McCraw has leased the former Earth Bio-diesel fuels facility and is purchasing the former Golden Peanut property to create a new company to clean, process, and store frac sand for natural gas and the oil energy drilling industry. The total jobs created in the first year will be 30 employees with a land, building, and equipment investment of \$7M. The average employee pay will be \$16.50 per hour. McCraw Minerals will be providing frac sand storage and trans load for the following businesses: McCraw Minerals in Durant, Alan Ritchey Sand Company in Yuba, OK and Cardinal Minerals in Coleman, OK.

Unaudited

**ETS-LINDGREN-** The ETS-LINDGREN Company, located in the Durant Regional Airport Industrial Park, will be expanding with a new Styrofoam manufacturing line in 2014-2015. The company will be adding new equipment in excess of \$1M and creating 15 new jobs in the facility. The ETS-LINDGREN company is located in our Industrial Park and manufactures absorbers. The new Styrofoam product will be a good business expansion for this company.

#### **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) 931-6601, or the Durant City Treasurer at (580) 931-6651, or by mail at City of Durant, P.O. Box 578, Durant, Oklahoma 74702-0578.

Unaudited

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2014**

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**CITY OF DURANT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2014

**Statement of Net Position– June 30, 2014**

	<b>Primary Government</b>			<b>Component Units</b>	
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Durant Industrial Authority</b>	<b>Durant Community Facilities Authority</b>
<b>ASSETS:</b>					
Cash and cash equivalents	\$7,394,401	\$4,710,982	\$12,105,383	\$342,671	\$1,056,204
Investments	3,714,725	7,691	3,722,416	1,619,343	-
Accounts receivable, net of allowance	-	1,442,828	1,442,828	-	-
Franchise tax receivable	60,924	-	60,924	-	-
Court fine receivable, net of allowance	12,633	-	12,633	-	-
Internal balances	1,350,051	(1,350,051)	-	-	-
Due to/from component unit	196,745	-	196,745	-	(196,745)
Due from other governments	2,077,595	-	2,077,595	-	-
Notes receivable	196,023	-	196,023	1,896,016	-
Other receivables	70,679	-	70,679	-	-
Capital assets:					
Land and construction in progress	6,834,135	2,698,403	9,532,538	1,673,856	266,000
Other capital assets, net of depreciation	48,749,178	50,230,430	98,979,608	4,810	-
<b>Total assets</b>	<b>70,657,089</b>	<b>57,740,283</b>	<b>128,397,372</b>	<b>5,536,696</b>	<b>1,125,459</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Deferred amount on refunding	-	109,731	109,731	-	1,171,634
<b>LIABILITIES:</b>					
Accounts payable	601,405	266,317	867,722	6,539	-
Accrued payroll liabilities	526,066	113,291	639,357	10,127	-
Accrued interest payable	-	264,107	264,107	608	61,041
Due to other governments	1,146	-	1,146	-	-
Claims liability	1,439,044	-	1,439,044	-	-
Unearned revenue	3,680	-	3,680	-	-
Long-term liabilities:					
Due within one year	545,543	3,068,244	3,613,787	132,681	1,005,013
Due in more than one year	1,769,682	28,569,228	30,338,910	1,416,579	12,257,316
OPEB obligation	465,679	125,375	591,054	5,970	-
<b>Total liabilities</b>	<b>5,352,245</b>	<b>32,406,562</b>	<b>37,758,807</b>	<b>1,572,504</b>	<b>13,323,370</b>
<b>NET POSITION:</b>					
Net investment in capital assets	54,508,108	26,319,064	80,827,172	1,281,044	266,000
Restricted	6,274,246	-	6,274,246	-	-
Unrestricted (deficit)	4,522,490	(875,612)	3,646,878	2,683,148	(11,292,277)
<b>Total net position</b>	<b>\$65,304,844</b>	<b>\$25,443,452</b>	<b>\$90,748,296</b>	<b>\$3,964,192</b>	<b>(\$11,026,277)</b>

See accompanying notes to the basic financial statements.

**CITY OF DURANT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2014

**Statement of Activities –Year Ended June 30, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Durant Industrial Authority	Durant Community Facilities Authority
					Governmental Activities	Business-Type Activities	Total		
<b>Primary Government:</b>									
Governmental activities:									
General government	\$ 4,648,246	\$ 305,649	\$ 83,581	\$ -	\$ (4,259,016)	\$ -	\$ (4,259,016)	\$ -	\$ -
Public safety	10,159,070	320,266	889,160	64,345	(8,885,299)	-	(8,885,299)	-	-
Public works	3,312,753	9,067	156,170	52,781	(3,094,735)	-	(3,094,735)	-	-
Culture and recreation	2,957,231	188,473	56,111	434,407	(2,278,240)	-	(2,278,240)	-	-
Cemetery	129,587	58,360	322	-	(70,905)	-	(70,905)	-	-
Industrial development (Payment to DIA)	7,961	-	-	-	(7,961)	-	(7,961)	-	-
Community development (Payment to DCFA)	1,615,746	-	-	-	(1,615,746)	-	(1,615,746)	-	-
Interest on long-term debt	32,859	-	-	-	(32,859)	-	(32,859)	-	-
<b>Total governmental activities</b>	<b>22,863,453</b>	<b>881,815</b>	<b>1,185,344</b>	<b>551,533</b>	<b>(20,244,761)</b>	<b>-</b>	<b>(20,244,761)</b>	<b>-</b>	<b>-</b>
Business-type activities:									
Water	2,715,111	3,481,013	-	84,383	-	\$850,285	850,285	-	-
Sewer	2,419,030	1,805,820	-	-	-	(613,210)	(613,210)	-	-
Sanitation	3,248,900	4,265,609	-	-	-	1,016,709	1,016,709	-	-
Airport	1,414,041	895,640	-	534,406	-	16,005	16,005	-	-
Federal building	751	-	-	-	-	(751)	(751)	-	-
Governmental interest on long-term debt	331,451	-	-	-	-	(331,451)	(331,451)	-	-
Industrial development (Payment to DIA)	458,871	-	-	-	-	(458,871)	(458,871)	-	-
<b>Total business-type activities</b>	<b>10,588,155</b>	<b>10,448,082</b>	<b>-</b>	<b>618,789</b>	<b>-</b>	<b>478,716</b>	<b>478,716</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 33,451,608</b>	<b>\$ 11,329,897</b>	<b>\$ 1,185,344</b>	<b>\$ 1,170,322</b>	<b>(20,244,761)</b>	<b>478,716</b>	<b>(19,766,045)</b>	<b>-</b>	<b>-</b>
<b>Component Units:</b>									
Industrial development	\$ 587,430	-	-	-	-	-	-	\$ (587,430)	-
Community development	648,042	-	-	-	-	-	-	-	\$ (648,042)
<b>Total component units</b>	<b>\$ 1,235,472</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(587,430)</b>	<b>(648,042)</b>
General revenues:									
Taxes:									
Sales and use taxes					15,073,535	-	15,073,535	-	-
Franchise and public service taxes					755,963	-	755,963	-	-
E-911 taxes					281,627	-	281,627	-	-
Intergovernmental revenue not restricted to specific programs					275,329	-	275,329	-	-
Investment income					21,201	12,007	33,208	2,421	1,269
Miscellaneous					248,167	253,766	501,933	38,375	-
Payments received from primary government					-	-	-	466,832	1,615,746
Payments received from component unit					377,564	-	377,564	-	-
Transfers - Internal activity					768,739	(768,739)	-	-	-
<b>Total general revenues and transfers</b>					<b>17,802,125</b>	<b>(502,966)</b>	<b>17,299,159</b>	<b>507,628</b>	<b>1,617,015</b>
Change in net position					(2,442,636)	(24,250)	(2,466,886)	(79,802)	968,973
Net position - beginning, restated					67,747,480	25,467,702	93,215,182	4,043,994	(11,995,250)
Net position - ending					<b>\$ 65,304,844</b>	<b>\$ 25,443,452</b>	<b>\$ 90,748,296</b>	<b>\$ 3,964,192</b>	<b>\$ (11,026,277)</b>

See accompanying notes to the basic financial statements.

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2014**

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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2014**

**Governmental Funds Balance Sheet - June 30, 2014**

	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		
<b>ASSETS:</b>							
Cash and cash equivalents	\$2,265,621	\$3,773,323	\$ -	\$180,020	\$86,912	\$528,922	\$6,834,798
Investments	1,030,522	1,717,952	-	553,743	39,570	130,667	3,472,454
Receivables:							
Due from other funds	1,490	-	-	839,481	-	2,638	843,609
Due from component unit	-	-	-	196,745	-	-	196,745
Due from other governments	932,550	92,871	250,347	161,632	371,486	268,709	2,077,595
Notes receivable	-	-	-	196,023	-	-	196,023
Franchise tax receivable	60,924	-	-	-	-	-	60,924
Court fines receivable, net	12,633	-	-	-	-	-	12,633
Other receivables	20,118	-	-	-	-	49,489	69,607
<b>Total assets</b>	<b>\$4,323,858</b>	<b>\$5,584,146</b>	<b>\$250,347</b>	<b>\$2,127,644</b>	<b>\$497,968</b>	<b>\$980,425</b>	<b>\$13,764,388</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:</b>							
Liabilities:							
Accounts payable	\$229,006	-	-	\$107,963	-	\$255,734	\$592,703
Accrued payroll liabilities	493,184	-	-	-	-	26,086	519,270
Due to other funds	2,638	-	-	-	-	41,833	44,471
Due to other governments	1,146	-	-	-	-	-	1,146
Unearned revenue	3,680	-	-	-	-	-	3,680
<b>Total liabilities</b>	<b>729,654</b>	<b>-</b>	<b>-</b>	<b>107,963</b>	<b>-</b>	<b>323,653</b>	<b>1,161,270</b>
Deferred Inflows of Resources							
Deferred revenue	6,132	-	-	161,632	-	82,967	250,731
Fund Balances:							
Restricted	-	\$5,102,310	\$250,347	-	\$496,942	424,647	6,274,246
Assigned	2,280,122	481,836	-	1,858,049	1,026	418,151	5,039,184
Unassigned (deficit)	1,307,950	-	-	-	-	(268,993)	1,038,957
<b>Total fund balances</b>	<b>3,588,072</b>	<b>5,584,146</b>	<b>250,347</b>	<b>1,858,049</b>	<b>497,968</b>	<b>573,805</b>	<b>12,352,387</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$4,323,858</b>	<b>\$5,584,146</b>	<b>\$250,347</b>	<b>\$2,127,644</b>	<b>\$497,968</b>	<b>\$980,425</b>	<b>\$13,764,388</b>

See accompanying notes to the basic financial statements.

**CITY OF DURANT, OKLAHOMA  
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**Governmental Funds Statement of Changes in Fund Balances – Year Ended June 30, 2014**

	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		
<b>Revenues:</b>							
Taxes	\$8,102,578	\$796,239	\$2,153,244	\$ -	\$3,184,959	\$1,874,105	\$16,111,125
Intergovernmental	1,335,567	-	-	962,459	-	185,276	2,483,302
Charges for services	243,454	-	-	-	-	103,515	346,969
Licenses and permits	284,555	-	-	-	-	-	284,555
Fines and forfeitures	239,379	-	-	-	-	-	239,379
Investment income	3,582	6,858	-	8,420	128	773	19,761
Miscellaneous:							
Reimbursements	21,028	-	-	-	-	-	21,028
Donations	33,635	-	-	-	-	3,534	37,169
Other	225,693	-	-	101,444	-	13,483	340,620
<b>Total Revenues</b>	<b>10,489,471</b>	<b>803,097</b>	<b>2,153,244</b>	<b>1,072,323</b>	<b>3,185,087</b>	<b>2,180,686</b>	<b>19,883,908</b>
<b>Expenditures:</b>							
Current:							
General government	2,034,748	-	2,178,791	-	-	58,406	4,271,945
Public safety	8,064,087	-	-	-	-	843,512	8,907,599
Public works	1,506,448	-	-	-	-	-	1,506,448
Culture and recreation	1,924,583	-	-	-	-	2,437	1,927,020
Cemetery	146,962	-	-	-	-	-	146,962
Capital outlay	10,263	-	-	3,672,529	-	557,216	4,240,008
Debt service:							
Principal retirement	6,100	-	-	535,346	-	-	541,446
Interest and fiscal charges	-	-	-	32,717	-	-	32,717
<b>Total Expenditures</b>	<b>13,693,191</b>	<b>-</b>	<b>2,178,791</b>	<b>4,240,592</b>	<b>-</b>	<b>1,461,571</b>	<b>21,574,145</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(3,203,720)</b>	<b>803,097</b>	<b>(25,547)</b>	<b>(3,168,269)</b>	<b>3,185,087</b>	<b>719,115</b>	<b>(1,690,237)</b>
<b>Other Financing Sources (Uses):</b>							
Transfers in	4,053,622	-	-	1,977,859	-	557,798	6,589,279
Transfers out	(33,504)	-	-	(1,095,122)	(3,135,559)	(5,313)	(4,269,498)
Transfers from component unit	64,431	218,668	-	64,429	-	-	347,528
Transfers to component unit	-	(7,961)	-	-	-	(1,615,746)	(1,623,707)
Proceeds from issuance of debt	-	-	-	867,434	-	-	867,434
<b>Total Other Financing Sources (Uses)</b>	<b>4,084,549</b>	<b>210,707</b>	<b>-</b>	<b>1,814,600</b>	<b>(3,135,559)</b>	<b>(1,063,261)</b>	<b>1,911,036</b>
<b>Net change in fund balances</b>	<b>880,829</b>	<b>1,013,804</b>	<b>(25,547)</b>	<b>(1,353,669)</b>	<b>49,528</b>	<b>(344,146)</b>	<b>220,799</b>
<b>Fund balances - beginning, restated</b>	<b>2,707,243</b>	<b>4,570,342</b>	<b>275,894</b>	<b>3,211,718</b>	<b>448,440</b>	<b>917,951</b>	<b>12,131,588</b>
<b>Fund balances - ending</b>	<b>\$3,588,072</b>	<b>\$5,584,146</b>	<b>\$250,347</b>	<b>\$1,858,049</b>	<b>\$497,968</b>	<b>\$573,805</b>	<b>\$12,352,387</b>

See accompanying notes to the basic financial statements.

**CITY OF DURANT, OKLAHOMA  
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**Fund Balance – Net Position:**

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

<b>Total fund balances - governmental funds</b>	<b>\$12,352,387</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$67,871,388.	<u>55,572,471</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Grants receivable	244,599
Court fines receivable	<u>6,132</u>
	<u>250,731</u>
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the net position of the internal service fund is included in governmental activities in the Statement of Net Position.	
Net position of the Internal Service Funds	(659,082)
Internal service fund interfund balance resulting from net revenues reported in business-type activities	<u>550,913</u>
	<u>(108,169)</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	(1,073,640)
OPEB obligation	(465,679)
Accrued compensated absences	<u>(1,223,257)</u>
	<u>(2,762,576)</u>
<b>Net position of governmental activities</b>	<b><u><u>\$65,304,844</u></u></b>

See accompanying notes to the basic financial statements

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

**Net change in fund balances - total governmental funds** \$220,799

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 expense to allocate those expenditures over the life of the assets:

Capital assets contributed by discretely presented component units	30,036
Capital assets transferred from other funds	53,771
Capital asset purchases capitalized	2,082,579
Capital assets disposed	(414,184)
Depreciation expense	(3,020,109)
	(1,267,907)

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

Change in deferred revenue	86,918
	86,918

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

Debt proceeds received	(867,434)
Debt fees paid	(508)
Debt principal payments	541,446
	(326,496)

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	(92,132)
Change in accrued compensated absences	(101,233)
	(193,365)

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

Total change in net position of the internal service funds	(1,375,678)
Net revenues of internal service fund reported in business-type activities	413,093
	(962,585)

**Change in net position of governmental activities** (\$2,442,636)

See accompanying notes to the basic financial statements.

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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS**

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**Proprietary Funds Statement of Net Position - June 30, 2014**

	Enterprise Funds			Total	Internal Service Funds
	Utilities Authority Fund	Airport Authority Fund	Non-Major Federal Building Fund		
<b>ASSETS:</b>					
Current Assets:					
Cash and cash equivalents	\$550	\$ -	\$16,891	\$17,441	\$559,603
Restricted cash and cash equivalents	4,608,040	85,501	-	4,693,541	-
Investments	-	-	7,691	7,691	242,271
Accounts receivable, net of allowance	1,368,502	74,326	-	1,442,828	1,072
Total current assets	<u>5,977,092</u>	<u>159,827</u>	<u>24,582</u>	<u>6,161,501</u>	<u>802,946</u>
Noncurrent Assets:					
Capital assets:					
Land and other non-depreciable assets	2,698,403	-	-	2,698,403	-
Other capital assets, net of depreciation	38,891,541	11,338,889	-	50,230,430	10,842
Total noncurrent assets	<u>41,589,944</u>	<u>11,338,889</u>	<u>-</u>	<u>52,928,833</u>	<u>10,842</u>
Total assets	<u>47,567,036</u>	<u>11,498,716</u>	<u>24,582</u>	<u>59,090,334</u>	<u>813,788</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Deferred amount on refunding	109,731	-	-	109,731	-
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts payable	230,074	36,243	-	266,317	8,702
Accrued payroll liabilities	111,028	2,263	-	113,291	6,796
Due to other funds	740,957	58,181	-	799,138	-
Accrued interest payable	262,812	1,295	-	264,107	-
Estimated liability for claims	-	-	-	-	1,439,044
Current Portion of:					
Meter deposit liability	76,359	-	-	76,359	-
Capital lease payable	-	-	-	-	1,565
Notes payable	2,872,600	76,288	-	2,948,888	-
Landfill closure liability	16,830	-	-	16,830	-
Accrued compensated absences	26,040	127	-	26,167	1,676
Total current liabilities	<u>4,336,700</u>	<u>174,397</u>	<u>-</u>	<u>4,511,097</u>	<u>1,457,783</u>
Noncurrent liabilities:					
Meter deposit liability	305,435	-	-	305,435	-
Notes payable	27,664,471	44,050	-	27,708,521	-
Landfill closure liability	319,776	-	-	319,776	-
OPEB obligation	125,375	-	-	125,375	-
Accrued compensated absences	234,358	1,138	-	235,496	15,087
Total noncurrent liabilities	<u>28,649,415</u>	<u>45,188</u>	<u>-</u>	<u>28,694,603</u>	<u>15,087</u>
Total liabilities	<u>32,986,115</u>	<u>219,585</u>	<u>-</u>	<u>33,205,700</u>	<u>1,472,870</u>
<b>NET POSITION:</b>					
Net investment in capital assets	15,016,307	11,302,757	-	26,319,064	9,277
Unrestricted (deficit)	(325,655)	(23,626)	24,582	(324,699)	(668,359)
Total net position	<u>\$14,690,652</u>	<u>\$11,279,131</u>	<u>\$24,582</u>	<u>\$25,994,365</u>	<u>(\$659,082)</u>

**Total net position of enterprise funds**

\$25,994,365

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

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

Net position of the Internal Service Funds

(550,913)

**Net position of business-type activities**

\$25,443,452

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Changes in Net Position - Year Ended June 30, 2014**

	Enterprise Funds				Internal Service Funds
	Utilities Authority	Airport Authority	Non-Major		
	Fund	Fund	Federal Building Fund	Total	
<b>Operating Revenues:</b>					
Charges for services:					
Water charges	\$3,253,880	\$ -	\$ -	\$3,253,880	\$ -
Sewer charges	1,701,453	-	-	1,701,453	-
Water and sewer taps	146,228	-	-	146,228	-
Penalties	105,944	-	-	105,944	-
Non-payment fees	175,411	-	-	175,411	-
Sanitation charges	3,648,612	-	-	3,648,612	-
Landfill gate fees	189,838	-	-	189,838	-
Lab tests	23,240	-	-	23,240	-
Airport	-	895,640	-	895,640	-
Rentals	69,434	-	-	69,434	-
Transfer station fees	302,527	-	-	302,527	-
Recyclable products	5,309	-	-	5,309	-
Self insurance charges	-	-	-	-	2,199,537
Miscellaneous	59,877	9,612	-	69,489	535,972
<b>Total operating revenues</b>	<b>9,681,753</b>	<b>905,252</b>	<b>-</b>	<b>10,587,005</b>	<b>2,735,509</b>
<b>Operating Expenses:</b>					
Public works administration	131,411	-	-	131,411	-
Utility billing	262,519	-	-	262,519	-
Water/sewer line maintenance	917,778	-	-	917,778	-
Water treatment plant	856,753	-	-	856,753	-
Wastewater treatment	679,207	-	-	679,207	-
Collection - solid waste	1,136,926	-	-	1,136,926	-
General government	162,692	-	-	162,692	-
Lake Durant	32,821	-	-	32,821	-
Disposal - solid waste	895,404	-	-	895,404	-
Airport	-	887,231	-	887,231	-
Federal building	-	-	444	444	-
Claims expense	-	-	-	-	4,109,347
Depreciation expense	2,096,056	432,557	307	2,528,920	3,138
<b>Total operating expenses</b>	<b>7,171,567</b>	<b>1,319,788</b>	<b>751</b>	<b>8,492,106</b>	<b>4,112,485</b>
<b>Operating income (loss)</b>	<b>2,510,186</b>	<b>(414,536)</b>	<b>(751)</b>	<b>2,094,899</b>	<b>(1,376,976)</b>
<b>Non-Operating Revenues (Expenses):</b>					
Investment income	11,780	194	33	12,007	1,440
Gain on sale of capital assets	31,143	-	83,700	114,843	-
Debt issuance costs	(71,270)	-	-	(71,270)	-
Interest expense and fiscal charges	(1,066,547)	(11,950)	-	(1,078,497)	(142)
<b>Total non-operating revenues (expenses)</b>	<b>(1,094,894)</b>	<b>(11,756)</b>	<b>83,733</b>	<b>(1,022,917)</b>	<b>1,298</b>
<b>Net income (loss) before contributions and transfers</b>	<b>1,415,292</b>	<b>(426,292)</b>	<b>82,982</b>	<b>1,071,982</b>	<b>(1,375,678)</b>
Capital contributions	1,462,314	686,970	-	2,149,284	-
Transfers in	4,189,591	152,652	-	4,342,243	-
Transfers out	(6,457,687)	(158,108)	(100,000)	(6,715,795)	-
Transfers to component unit	(458,871)	-	-	(458,871)	-
<b>Change in net position</b>	<b>150,639</b>	<b>255,222</b>	<b>(17,018)</b>	<b>388,843</b>	<b>(1,375,678)</b>
<b>Total net position - beginning</b>	<b>14,540,013</b>	<b>11,023,909</b>	<b>41,600</b>	<b>25,605,522</b>	<b>716,596</b>
<b>Total net position - ending</b>	<b>\$14,690,652</b>	<b>\$11,279,131</b>	<b>\$24,582</b>	<b>\$25,994,365</b>	<b>(\$659,082)</b>
<b>Change in net position - enterprise funds</b>				<b>\$388,843</b>	
Amounts reported for business-type activities in the Statement of Activities are different because:					
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. An interfund receivable or payable to has been recorded in the business-type activities for its share of the net income or loss of the internal service funds.					
Change in net position of the Internal Service Fund				(413,093)	
<b>Change in net position of the business-type activities</b>				<b>(\$24,250)</b>	

See accompanying notes to the basic financial statements.

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**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2014**

	Enterprise Funds			Total	Internal Service Funds
	Utilities Authority Fund	Airport Authority Fund	Non-Major Federal Building Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$9,861,736	\$901,690	\$ -	\$10,763,426	\$ -
Payments to suppliers	(2,534,067)	(816,417)	(529)	(3,351,013)	(\$3,041,486)
Payments to employees	(2,670,248)	(45,570)	-	(2,715,818)	(151,814)
Receipts of customer meter deposits	142,844	-	-	142,844	-
Customer meter deposits refunded or applied	(124,690)	-	-	(124,690)	-
Other receipts (payments)	337,978	49,781	-	387,759	2,734,437
Net Cash Provided by (Used in) Operating Activities	<u>5,013,553</u>	<u>89,484</u>	<u>(529)</u>	<u>5,102,508</u>	<u>(458,863)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	4,189,591	152,652	-	4,342,243	-
Transfers to other funds	(6,403,916)	(158,108)	(100,000)	(6,662,024)	-
Transfers to component unit	(458,871)	-	-	(458,871)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(2,673,196)</u>	<u>(5,456)</u>	<u>(100,000)</u>	<u>(2,778,652)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from sale of capital assets	34,565	-	100,000	134,565	-
Proceeds from issuance of capital debt	4,390,786	-	-	4,390,786	-
Payment of debt issuance costs	(71,270)	-	-	(71,270)	-
Principal paid on capital debt	(6,253,879)	(71,284)	-	(6,325,163)	(1,663)
Interest and fiscal charges paid on capital debt	(1,081,284)	(12,744)	-	(1,094,028)	(142)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(2,981,082)</u>	<u>(84,028)</u>	<u>100,000</u>	<u>(2,965,110)</u>	<u>(1,805)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sale of investments	-	-	173	173	144,606
Interest and dividends	11,780	194	33	12,007	1,440
Net Cash Provided by Investing Activities	<u>11,780</u>	<u>194</u>	<u>206</u>	<u>12,180</u>	<u>146,046</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(628,945)</u>	<u>194</u>	<u>(323)</u>	<u>(629,074)</u>	<u>(314,622)</u>
<b>Balances - beginning of the year</b>	<u>5,237,535</u>	<u>85,307</u>	<u>17,214</u>	<u>5,340,056</u>	<u>874,225</u>
<b>Balances - end of the year</b>	<u><u>\$4,608,590</u></u>	<u><u>\$85,501</u></u>	<u><u>\$16,891</u></u>	<u><u>\$4,710,982</u></u>	<u><u>\$559,603</u></u>
<b>Reconciliation to Statement of Net Position:</b>					
Cash and cash equivalents	\$550	-	\$16,891	\$17,441	\$559,603
Current restricted cash and cash equivalents	4,608,040	\$85,501	-	4,693,541	-
Total Cash and Cash Equivalents	<u><u>\$4,608,590</u></u>	<u><u>\$85,501</u></u>	<u><u>\$16,891</u></u>	<u><u>\$4,710,982</u></u>	<u><u>\$559,603</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$2,510,186	(\$414,536)	(\$751)	\$2,094,899	(\$1,376,976)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	2,096,056	432,557	307	2,528,920	3,138
Change in assets and liabilities:					
Receivables	179,983	(3,562)	-	176,421	(1,072)
Accounts payable	(9,717)	24,976	(85)	15,174	1,860
Accrued payroll liabilities	19,066	357	-	19,423	2,375
Due to other funds	337,978	49,781	-	387,759	-
Estimated liability for claims	-	-	-	-	902,553
Landfill closure liability	(123,336)	-	-	(123,336)	-
Meter deposit liability	18,154	-	-	18,154	-
OPEB obligation	24,804	-	-	24,804	-
Accrued compensated absences	(39,621)	(89)	-	(39,710)	9,259
Net Cash Provided by (Used in) Operating Activities	<u><u>\$5,013,553</u></u>	<u><u>\$89,484</u></u>	<u><u>(\$529)</u></u>	<u><u>\$5,102,508</u></u>	<u><u>(\$458,863)</u></u>
<b>Noncash activities:</b>					
Contributed capital assets received	<u><u>\$1,462,314</u></u>	<u><u>\$686,970</u></u>	<u><u>\$ -</u></u>	<u><u>\$2,149,284</u></u>	<u><u>\$ -</u></u>

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", as amended by Statement 61, and includes all component units for which the City is financially accountable.

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

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

The City of Durant is a Council/Manager form of government with a population of approximately 16,891 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. Currently this trust issues debt in its name for the acquisition of assets that benefit other governments.

## **2. Basis of Presentation and Accounting**

### *Government-Wide Financial Statements:*

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

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

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

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:*

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

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

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

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

*Proprietary Funds:*

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

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

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

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

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

The City of Durant is governed by the deposit and investment limitations of state law. The deposits and investments held at June 30, 2014 are as follows:

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**Deposits and Investments**

**PRIMARY GOVERNMENT:**

<u>Type of Deposits and Investments</u>	<u>Maturities</u>	<u>Carrying Value</u>
Demand deposits		\$6,995,870
Time deposit	07/10/14	1,022,527
Time deposit	07/10/14	287,150
Time deposit	07/15/14	465,875
Time deposit	08/13/14	411,434
Time deposit	09/21/14	1,026,647
Time deposit	12/03/14	464,288
Time deposit	02/04/15	44,495
Cash on hand		2,755
	<b><u>Credit Rating</u></b>	
Mutual Funds - First United Money Market	n/a	5,106,758
<b>Total</b>		<b><u><u>\$15,827,799</u></u></b>
<b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents		\$ 12,105,383
Investments		3,722,416
		<b><u><u>\$ 15,827,799</u></u></b>

**COMPONENT UNITS:**

**Durant Industrial Authority:**

<u>Type of Deposits and Investments</u>	<u>Maturities</u>	<u>Carrying Value</u>
Demand deposits		\$ 342,671
Time deposit	8/26/2014	239,254
Time deposit	8/13/2014	156,014
Time deposit	8/13/2014	544,274
Time deposit	8/13/2014	679,801
		<u>679,801</u>
		<b><u><u>\$ 1,962,014</u></u></b>
<b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents		\$ 342,671
Investments		1,619,343
		<b><u><u>\$ 1,962,014</u></u></b>

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<b>Durant Community Facilities Authority:</b>	
<b>Type of Deposits and Investments</b>	<b>Carrying Value</b>
Demand deposits	\$ 843,660
	<b>Credit Rating</b>
Mutual Funds - Goldman Sachs Financial Sq Trsy Oblig	AAAm 212,544
<b>Total</b>	<b><u>\$ 1,056,204</u></b>
<b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 1,056,204
	<b><u>\$ 1,056,204</u></b>

*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, 2014, the City’s deposits were fully collateralized.

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

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

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

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

*Restricted Cash and Investments* - The amounts reported as restricted assets of the Enterprise Funds on the statement of net position are comprised of amounts held by the Durant City Utilities Authority and Durant Airport Authority for utility deposits (refunded upon termination of service or applied to final bill) and amounts held by the trustee bank related to debt activity. The restricted assets as of June 30, 2014 are as follows:

	<u>Current Cash and cash Equivalents</u>
Utility Deposits	\$ 381,794
OWRB Accounts (DCUA):	
Utility Authority Bond Account	(795,011)
2009A Principal Account	94,263
2009A Interest Account	97,422
2009A Construction Account	72,767
2009B Principal Account	32,804
2009B Interest Account	34,898
2009B Construction Account	26,059
2010 Note Proceeds Account	1,102
2010 Principal Account	37,726
2010 Interest Account	40,018
2010 Construction Account	2,352,736
2012A Principal Account	212,878
2012A Interest Account	40,320
2012A Construction Account	1,260,467
2013 Note Proceeds Account	1
2013 Principal Account	110,135
2013 Interest Account	21,341
2006 Interest Account	2,367
2006 Principal Account	11,671
2007 Revenue Account	4,483
2007 Project Account	422,074
2007 Principal Account	80,605
2007 Interest Account	65,120
First United Accounts (DAA):	
Interest Account	3,222
Principal Account	13,953
Construction Account	68,326
Total Restricted Assets	<u>\$ 4,693,541</u>

**4. Accounts Receivable**

	Receivable	Allowance for Bad Debts	Net Receivable
Governmental Activities:			
Court Fines Receivable	\$ 126,333	\$ (113,700)	\$ 12,633
Business-Type Activities:			
Airport Receivables	\$ 74,326	\$ -	\$ 74,326
Utility Receivables	\$ 1,387,480	\$ (18,978)	\$ 1,368,502

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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, 2014, capital assets balances changed as follows:

**Primary Government:**

	Balance at July 1, 2013	Additions and Transfers	Disposals and Transfers	Balance at June 30, 2014
Governmental activities:				
Non-depreciable:				
Land	\$ 5,181,512	\$ 775,873	\$ (169,686)	\$ 5,787,699
Construction-in-progress	842,128	748,449	(544,141)	1,046,436
Total non-depreciable assets at historical cost	<u>6,023,640</u>	<u>1,524,322</u>	<u>(713,827)</u>	<u>6,834,135</u>
Depreciable:				
Buildings	23,571,224	-	(560,000)	23,011,224
Improvements	2,784,954	107,550	-	2,892,504
Machinery and equipment	11,501,308	602,071	(395,238)	11,708,141
Infrastructure	78,489,027	519,670	-	79,008,697
Total depreciable assets at historical cost	<u>116,346,513</u>	<u>1,229,291</u>	<u>(955,238)</u>	<u>116,620,566</u>
Less accumulated depreciation				
Buildings	(3,443,932)	(586,974)	330,815	(3,700,091)
Improvements	(1,737,138)	(79,387)	-	(1,816,525)
Machinery and equipment	(6,201,738)	(882,856)	374,449	(6,710,145)
Infrastructure	(54,132,987)	(1,511,640)	-	(55,644,627)
Total accumulated depreciation	<u>(65,515,795)</u>	<u>(3,060,857)</u>	<u>705,264</u>	<u>(67,871,388)</u>
Net depreciable assets	<u>50,830,718</u>	<u>(1,831,566)</u>	<u>(249,974)</u>	<u>48,749,178</u>
Governmental activities capital assets, net	<u>\$ 56,854,358</u>	<u>\$ (307,244)</u>	<u>\$ (963,801)</u>	<u>\$ 55,583,313</u>
Business-type activities:				
Non-depreciable:				
Land	\$ 1,724,994	\$ -	\$ -	\$ 1,724,994
Construction-in-progress	646,966	1,352,783	(1,026,340)	973,409
Total non-depreciable assets at historical cost	<u>2,371,960</u>	<u>1,352,783</u>	<u>(1,026,340)</u>	<u>2,698,403</u>
Depreciable:				
Buildings	32,222,019	746,400	(108,400)	32,860,019
Improvements	7,742,842	-	(15,860)	7,726,982
Machinery and equipment	9,022,861	796,500	(414,890)	9,404,471
Utility property and improvements	42,696,310	279,940	-	42,976,250
Total depreciable assets at historical cost	<u>91,684,032</u>	<u>1,822,840</u>	<u>(539,150)</u>	<u>92,967,722</u>
Less accumulated depreciation				
Buildings	(14,844,522)	(1,106,240)	92,100	(15,858,662)
Improvements	(7,068,906)	(350,221)	15,860	(7,403,267)
Machinery and equipment	(6,752,620)	(363,168)	357,699	(6,758,089)
Utility property and improvements	(12,007,983)	(709,291)	-	(12,717,274)
Total accumulated depreciation	<u>(40,674,031)</u>	<u>(2,528,920)</u>	<u>465,659</u>	<u>(42,737,292)</u>
Net depreciable assets	<u>51,010,001</u>	<u>(706,080)</u>	<u>(73,491)</u>	<u>50,230,430</u>
Business-type capital assets, net	<u>\$ 53,381,961</u>	<u>\$ 646,703</u>	<u>\$ (1,099,831)</u>	<u>\$ 52,928,833</u>

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**Component Units:**

	<u>Balance at July 1, 2013</u>	<u>Additions and Transfers</u>	<u>Deductions and Transfers</u>	<u>Balance at June 30, 2014</u>
<b>COMPONENT UNITS:</b>				
<b>Durant Industrial Authority:</b>				
Non-depreciable:				
Land	\$1,779,392	\$876,883	(\$982,419)	\$1,673,856
Total non-depreciable assets at historical cost	<u>1,779,392</u>	<u>876,883</u>	<u>(982,419)</u>	<u>1,673,856</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	(24,049)	(5,772)	-	(29,821)
Total accumulated depreciation	<u>(24,049)</u>	<u>(5,772)</u>	<u>-</u>	<u>(29,821)</u>
Net depreciable assets	<u>10,582</u>	<u>(5,772)</u>	<u>-</u>	<u>4,810</u>
Durant Industrial Authority capital assets, net	<u>\$1,789,974</u>	<u>\$871,111</u>	<u>(\$982,419)</u>	<u>\$1,678,666</u>
<b>Durant Community Facilities Authority:</b>				
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 3-15 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	\$ 140,895	Water	\$ 816,741
Public safety	572,779	Sewer	1,106,484
Public works	1,559,868	Sanitation	172,831
Culture and recreation	716,369	Airport	432,557
Cemetery	33,336	Federal building	307
Total depreciation	<u>\$ 3,023,247</u>	Total depreciation	<u>\$ 2,528,920</u>

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

For the year ended June 30, 2014, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within a Year
<b>Governmental Activities:</b>					
Capital Lease Obligations	\$744,780	\$867,434	\$537,009	\$1,075,205	\$421,541
Notes Payable	5,592	-	5,592	-	-
Accrued Compensated Absences	1,129,528	223,445	112,953	1,240,020	124,002
Total Governmental Activities	<u>\$1,879,900</u>	<u>\$1,090,879</u>	<u>\$655,554</u>	<u>\$2,315,225</u>	<u>\$545,543</u>
<b>Business-type Activities:</b>					
Notes Payable	\$32,591,786	\$4,390,786	\$6,325,163	\$30,657,409	\$2,948,888
Landfill Closure Liability	459,942	-	123,336	336,606	16,830
Meter Deposit Liability	363,640	142,844	124,690	381,794	76,359
Accrued Compensated Absences	301,373	20,565	60,275	261,663	26,167
Total Business-Type Activities	<u>\$33,716,741</u>	<u>\$4,554,195</u>	<u>\$6,633,464</u>	<u>\$31,637,472</u>	<u>\$3,068,244</u>
<b>Component Unit Debt:</b>					
<b>Durant Industrial Authority:</b>					
Notes Payable	\$1,657,372	\$ -	\$119,113	\$1,538,259	\$131,581
Accrued Compensated Absences	18,658	1,866	9,523	11,001	1,100
Total Durant Industrial Authority	<u>1,676,030</u>	<u>1,866</u>	<u>128,636</u>	<u>1,549,260</u>	<u>132,681</u>
<b>Durant Community Facilities Authority:</b>					
Notes Payable	\$1,152,768	-	\$105,439	\$1,047,329	\$110,013
Revenue Bonds Payable	13,130,000	-	915,000	12,215,000	895,000
Total Durant Community Facilities Authority	<u>14,282,768</u>	<u>-</u>	<u>1,020,439</u>	<u>13,262,329</u>	<u>1,005,013</u>
Total Component Unit Debt	<u>\$15,958,798</u>	<u>\$1,866</u>	<u>\$1,149,075</u>	<u>\$14,811,589</u>	<u>\$1,137,694</u>

*Governmental activities long-term debt:*

Capital Lease Obligations:

\$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%	\$12,181
\$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%	69,652
\$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%	1,565

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\$144,601 capital lease with Landmark Bank for 4 police vehicles, payable in monthly installments of \$4,215, final payment due May 20, 2015, with interest at 3.204%	45,626
\$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%	4,565
\$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%	9,960
\$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%	44,230
\$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%	37,689
\$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%	4,433
\$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%	29,030
\$115,943 capital lease with First United Bank for a backhoe, payable in monthly installments of \$2,080, final payment due October 20, 2017, with interest at 2.89%	79,072
\$202,733 capital lease with First United Bank for 6 police vehicles, payable in monthly installments of \$5,862, final payment due September 20, 2016, with interest at 2.59%	153,526
\$58,641 capital lease with Landmark Bank for a garage lift, payable in monthly installments of \$1,698, final payment due August 6, 2016, with interest at 2.75%	42,853
\$271,060 capital lease with Vision Bank for a dump truck, payable in monthly installments of \$4,837, final payment due March 20, 2019, with interest at 2.679%	258,376
\$335,000 capital lease with Ronald F. Arnett for Old Country Club property, payable in monthly installments of \$6,000, final payment due September 1, 2018, with interest at 2.87%	<u>282,447</u>
Total Capital Lease Obligations	<u>\$1,075,205</u>
Current portion	\$421,541
Non-current portion	<u>653,664</u>
Total Capital Lease Obligations	<u>\$1,075,205</u>

Accrued Compensated Absences:

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

Current portion	\$124,002
Non-current portion	<u>1,116,018</u>
Total Accrued Compensated Absences	<u>\$1,240,020</u>

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*Business-type activities long-term debt:*

Notes Payable:

Note Payable (DCUA) to Oklahoma Water Resources Board dated March 25, 2003, original amount of \$4,127,524 with an annual interest rate of 0%, admin fee of 0.5%, due in semi-annual principal installments each March 15 and September 15 of \$114,653 beginning September 15, 2003, final installment due March 15, 2021	\$1,605,148
Note Payable (DCUA) 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	877,776
Note Payable (DAA) 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	120,338
Sales Tax & Utility Revenue Note (DCUA) 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	4,310,000
Sales Tax & Utility Revenue Note (DCUA) to Bank of America dated September 11, 2006, original amount of \$1,505,000 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	603,800
Sales Tax & Utility Revenue Note (DCUA) to First United Trust Bank dated September 1, 2009, original amount of \$6,000,000 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	5,095,000
Sales Tax & Utility Revenue Note (DCUA) to First United Trust Bank dated September 1, 2009, original amount of \$2,000,000 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	1,705,000
Sales Tax & Utility Revenue Note (DCUA) to First United Trust Bank dated November 1, 2010, original amount of \$6,000,000 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	5,255,000
Note Payable (DCUA) 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	175,394
Note Payable (DCUA) 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	57,287

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Note Payable (DCUA) to First Texoma National Bank for a water truck dated August 14, 2012, original amount of \$41,988 with an annual interest rate of 2.667%, due in monthly installments of \$1,216, final installment due August 14, 2015	16,735
Sales Tax & Utility Revenue Note (DCUA) to First United Trust Bank dated December 20, 2012, original amount of \$7,500,000 annual interest rate of 2.35%, due in semi-annual installments with principal ranging from \$300,000 to \$495,000, final installment due October 1, 2021	6,845,000
Note Payable (DCUA) 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	9,268
Sales Tax & Utility Revenue Note (DCUA) to First United Trust Bank dated July 24, 2013, original amount of \$3,805,000 annual interest rate of 2.06%, due in semi-annual installments with principal ranging from \$60,000 to \$255,000, final installment due October 1, 2021	3,530,000
Note Payable (DCUA) to Vision Bank for a compactor dated August 21, 2013, original amount of \$401,786 with an annual interest rate of 1.915%, due in monthly installments of \$11,497, final installment due August 20, 2016	292,496
Note Payable (DCUA) to Vision Bank for a roll-off truck dated January 9, 2014, original amount of \$184,000 with an annual interest rate of 1.925%, due in monthly installments of \$5,269, final installment due January 20, 2017	<u>159,167</u>
Total Notes Payable	<u>\$30,657,409</u>
Current portion	\$2,948,888
Non-current portion	<u>27,708,521</u>
Total Notes Payable	<u>\$30,657,409</u>

Accrued Compensated Absences:

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

Current portion	\$26,167
Non-current portion	<u>235,496</u>
Total Accrued Compensated Absences	<u>\$261,663</u>

Meter Deposit Liability:

Meter deposit liability reported in the business-type activities:

Current portion	\$76,359
Non-current portion	<u>305,435</u>
Total Meter Deposit Liability	<u>\$381,794</u>

Landfill Closure Liability:

Landfill closure liability reported in the business-type activities:

Current portion	\$16,830
Non-current portion	<u>319,776</u>
Total Landfill Closure Liability	<u>\$336,606</u>

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*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.	\$127,500
Notes payable of the Durant Industrial Authority to ODOC dated April 29, 2004, original amount of \$400,000 with an annual interest rate of 0%, due in monthly installments of \$1,667, final installment due January 1, 2025.	208,333
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.	235,416
Notes payable of the Durant Industrial Authority to John and Cheryl Jackson dated February 20, 2003, for land, original amount of \$700,000 with an annual interest rate of 5.5%, due in monthly installments of \$4,815, final installment due February 20, 2023.	397,622
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.	306,083
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>263,305</u>
	<u>\$1,538,259</u>
Current portion	\$131,581
Non-current portion	<u>1,406,678</u>
Total Notes Payable	<u>\$1,538,259</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.	\$852,504
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.	100,444
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>94,381</u>
	<u>\$1,047,329</u>
Current portion	\$110,013
Non-current portion	<u>937,316</u>
Total Notes Payable	<u>\$1,047,329</u>

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Revenue Bonds Payable (DCFA):

Refunding revenue bonds payable of the Durant Community Facilities Authority dated December 22, 2011, original amount of \$14,115,000 with an annual interest rate of 3.1%, due in semi-annual principal installments each May 1 and November 1 ranging from \$350,000 to \$735,000 beginning November 1, 2012, final installment due November 1, 2024

	<u>\$12,215,000</u>
Current portion	\$895,000
Non-current portion	<u>11,320,000</u>
Total Revenue Bonds Payable	<u>\$12,215,000</u>

Accrued Compensated Absences (DIA):

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

Current portion	\$1,100
Non-current portion	<u>9,901</u>
Total Accrued Compensated Absences	<u>\$11,001</u>

*Long-term debt service requirements to maturity:*

<b>Governmental Activities</b>		
Year Ending June 30,	Capital Lease Obligations	
	Principal	Interest
2015	\$ 421,541	\$ 25,652
2016	269,179	15,640
2017	194,699	8,215
2018	134,784	3,494
2019	<u>55,002</u>	<u>533</u>
Total	<u>\$ 1,075,205</u>	<u>\$ 53,534</u>

<b>Business-Type Activities</b>		
Year Ending June 30,	Notes Payable	
	Principal	Interest
2015	\$ 2,948,888	\$ 981,562
2016	2,963,336	899,105
2017	2,820,014	818,771
2018	2,786,117	742,247
2019	2,679,717	667,137
2020-2024	9,604,337	2,270,511
2025-2029	5,925,000	878,850
2030-2031	<u>930,000</u>	<u>32,291</u>
Total	<u>\$ 30,657,409</u>	<u>\$ 7,290,474</u>

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		<b>Component Units</b>	
		Durant Industrial Authority	
		Notes Payable	
Year Ending June 30,		Principal	Interest
2015		\$ 131,581	\$ 20,950
2016		138,908	18,872
2017		141,103	16,677
2018		143,422	14,359
2019		145,871	11,909
2020-2024		654,381	20,392
2025-2029		171,660	-
2030		11,333	-
Total		\$ 1,538,259	\$ 103,159

		Durant Community Facilities Authority			
		Notes Payable		Revenue Bonds Payable	
Year Ending June 30,		Principal	Interest	Principal	Interest
2015		\$ 110,013	\$ 50,897	\$ 895,000	\$ 371,767
2016		114,740	46,168	935,000	343,868
2017		119,970	40,939	980,000	314,495
2018		115,923	35,591	1,040,000	283,728
2019		84,517	30,942	1,095,000	251,022
2020-2024		465,075	80,858	6,535,000	693,548
2025		37,091	450	735,000	11,392
Total		\$ 1,047,329	\$ 285,845	\$ 12,215,000	\$ 2,269,820

*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	\$12,375,000
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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.

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The \$336,606 reported as accrued landfill closure cost liability at June 30, 2014, represents the cumulative amount of such costs reported to date based on the use of 62.07% 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 \$205,653 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 2014. The Authority expects to close the landfill in the year 2027 and actual costs may be higher or lower at that time due to inflation, changes in technology or changes in regulations.

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

**Pledge of Future Revenues**

*Sales Tax and Utility Net Revenues Pledge* - The City has pledged three cents (or 69%) of future sales tax revenues and net utility revenues to repay the \$6,000,000 of the 2010 Sales Tax and Utility Revenue Note, \$6,000,000 of the 2009A Sales Tax and Utility Revenue Note, \$2,000,000 of the 2009B Sales Tax and Utility Revenue Note, \$5,610,000 of the 2007 Sales Tax Revenue Note, \$1,505,000 of the Series 2006 Sales Tax and Utility Revenue Note, \$4,127,524 of the 2003A OWRB BF Note, \$2,131,976 of the 2004 OWRB ORF, \$6,792,000 of the 2004 OWRB DW, \$7,500,000 of the 2012A Utility System and Sales Tax Note, and \$3,805,000 of the 2013 Sales Tax and Utility Revenue 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, 2022, and 2021 respectively. The total principal and interest payable for the remainder of the life of these notes are \$37,087,850. Pledged sales taxes in the current year were \$9,556,132 and net utility revenues were \$176,104. Maximum annual debt service payments of \$3,693,098 for the applicable debt were 38% of pledged sales taxes and net utility revenues.

*Sales Tax Revenue Pledge – Component Unit (DCFA)* – The City has pledged one-half cent of future sales tax revenues to repay the \$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 \$15,817,994. Pledged sales taxes received in the current year were \$1,615,746. Current annual debt service payments of \$1,475,499 for the applicable debt were 91% 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:

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Gross Revenue Available for Debt Service:	
Charges for services	\$5,207,505
Investment income	11,780
Sales tax pledged (3 cents)	9,556,132
Total Gross Revenues Available	14,775,417
Operating Expenses:	
Operations	5,043,181
Total Operating Expenses	5,043,181
Net Revenues Available for Debt Service	\$9,732,236
Debt Service Requirements:	
Maximum annual debt service on all DUA parity debt	\$3,693,098
Computed Coverage	264%
Coverage Requirement	125%

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

**7. Net Position and Fund Balances**

*Net Position:*

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

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

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

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*Fund Balances*

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

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

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

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

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

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	General Fund	1/4% Economic Development Fund	5/8% Sales Tax Education Fund	Capital Improvement Fund	1% Sales Tax Revenue Fund	Other Governmental Funds	Total
Fund Balance:							
Restricted For:							
Economic development	\$ -	\$5,102,310	\$ -	\$ -	\$ -	\$ -	\$5,102,310
Education	-	-	250,347	-	-	-	250,347
Capital improvements and debt service	-	-	-	-	496,942	-	496,942
Cemetery	-	-	-	-	-	148,362	148,362
Capital projects - grants	-	-	-	-	-	23,850	23,850
Multi-sports complex	-	-	-	-	-	94,457	94,457
SOSU capital projects	-	-	-	-	-	94,457	94,457
Public safety	-	-	-	-	-	7,189	7,189
Community center & library	-	-	-	-	-	1,900	1,900
Library	-	-	-	-	-	54,432	54,432
Sub-total Restricted	-	5,102,310	250,347	-	496,942	424,647	6,274,246
Assigned to:							
Economic development	-	481,836	-	-	-	-	481,836
Capital improvements and debt service	-	-	-	1,858,049	1,026	-	1,859,075
Public safety	-	-	-	-	-	144	144
Community center & library	-	-	-	-	-	321,208	321,208
Library	-	-	-	-	-	1,539	1,539
Insurance	\$123,112	-	-	-	-	-	123,112
Christmas lighting	349	-	-	-	-	-	349
Beautification	29,839	-	-	-	-	-	29,839
Cemetery	11,032	-	-	-	-	2,318	13,350
Recreation	48,053	-	-	-	-	-	48,053
Capital projects - grants	-	-	-	-	-	55	55
E911 services	-	-	-	-	-	92,887	92,887
Budget balancing purposes	2,067,737	-	-	-	-	-	2,067,737
Sub-total Assigned	2,280,122	481,836	-	1,858,049	1,026	418,151	5,039,184
Unassigned (deficit)	1,307,950	-	-	-	-	(268,993)	1,038,957
Total Fund Balance	\$ 3,588,072	\$ 5,584,146	\$ 250,347	\$ 1,858,049	\$ 497,968	\$ 573,805	\$12,352,387

**Restricted Net Position – Governmental Activities**

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

Fund	Restricted By	Amount
1/4% Economic Development Fund	Enabling legislation	\$ 5,102,310
5/8% Sales Tax Education Fund	Enabling legislation	250,347
1% Sales Tax Revenue Fund	Enabling legislation	496,942
1/4% Sales Tax M.S. Fund	Enabling legislation	94,457
1/4% Sales Tax SOSU Fund	Enabling legislation	94,457
DWRF Community Center & Library Fund	External parties	1,900
R.L. Williams Library Fund	External parties	54,432
HOME/FEMA Grant Fund	External parties	23,850
Drug Enforcement Fund	State statutes and/or debt indentures	7,189
Cemetery Care Fund	State statutes and/or debt indentures	148,362
		\$ 6,274,246

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**Prior Period Adjustments**

Beginning net position was restated as of June 30, 2014, as follows:

	Fund Level	Government-Wide
	Capital Improvement Plan Fund	Governmental Activities
Beginning fund balance/net position, as previously reported	\$3,253,737	\$67,789,499
Overstatement of due from other governments	(42,019)	(42,019)
Beginning fund balance/net position, restated	\$3,211,718	\$67,747,480

**8. Internal and Interfund Balances and Transfers**

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

*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2014 were as follows:

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<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	Capital Improvement	\$31,401	Capital purchase
General Fund	Cemetery Care Fund	2,103	Statutory transfer (12.5%)
1% Sales Tax Revenue Fund	Capital Improvement	30,418	Capital projects/debt service
1% Sales Tax Revenue Fund	Durant City Utilities Authority	3,105,141	Sales tax transfer
Capital Improvement Fund	CDBG Fund	163,324	Reimbursement of expenses
Capital Improvement Fund	Durant City Utilities Authority	931,798	Debt payments
Special 911 Tax Fund	General Fund	5,113	Operational subsidy
Cemetery Care Fund	General Fund	200	Cemetery annual interest
Federal Building Fund	Capital Improvement	100,000	Operational subsidy
Durant Airport Authority Fund	General Fund	5,456	Reimbursement of expenses
Durant Airport Authority Fund	Durant City Utilities Authority	152,652	Debt payments
Durant City Utilities Authority	General Fund	3,479,394	Sales tax transfer
Durant City Utilities Authority	Special 911 Tax Fund	312,371	Operational subsidy
Durant City Utilities Authority	Governmental activities	53,771	Capital asset activity
Durant City Utilities Authority	Capital Improvement	1,230,254	Reimbursement of Note financing
Durant City Utilities Authority	Capital Improvement	585,786	Debt payments
Durant City Utilities Authority	DWRF Com Ctr & Lib Fund	80,000	Maintenance reserve
Durant City Utilities Authority	Durant Airport Authority Fund	152,652	Debt payments
Durant City Utilities Authority	General Fund	448,394	Operational subsidy
Durant City Utilities Authority	General Fund	115,065	Reimbursement of expenses
		\$10,985,293	

**Reconciliation to fund financial statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$6,589,279	(\$4,269,498)	\$2,319,781
Enterprise Funds	4,342,243	(6,715,795)	(2,373,552)
Total	\$10,931,522	(\$10,985,293)	(53,771)

**Reconciliation to statement of activities:**

	<u>Governmental</u>	<u>Business-Type</u>
Net transfers	\$2,319,781	(\$2,373,552)
Record capital asset purchases from business-type	53,771	-
Reclassification of capital asset activity	(2,149,283)	2,149,283
Reclassification of activities at the govt-wide statements	544,470	(544,470)
Total Transfers - Internal Activity	\$768,739	(\$768,739)

*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 initially 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	40,343	Negative share of pooled cash
Durant City Utilities Authority	Capital Improvement Fund	740,957	Negative share of pooled cash
Durant Airport Authority	Capital Improvement Fund	58,181	Negative share of pooled cash
Total		\$ 843,609	

**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	\$ 843,609	\$ (44,471)	\$ 550,913	\$ 1,350,051
Proprietary Funds	-	(799,138)	(550,913)	(1,350,051)
Total	\$ 843,609	\$ (843,609)	\$ -	\$ -

## **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. Claims Administrative Services and the City signed an agreement for these services, effective November 22, 2011. For health and life, the City has a third-party administrator for the claims process. Claims up to \$45,000 per individual are self-funded with stop-loss insurance up to \$1,688,550 for the group as a whole. 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.

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For the risk management internal service self-insurance funds, changes in the estimated claims liability for the City from July 1, 2011, to June 30, 2014, are as follows:

	Employee Health	Worker's Compensation	Total Internal Service
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	(2,194,212)	(720,469)	(2,914,681)
Claims liability, July 1, 2012	397,444	107,695	505,139
Claims incurred and changes in estimates	2,531,983	989,790	3,521,773
Claims paid	(2,564,634)	(925,787)	(3,490,421)
Claims liability, July 1, 2013	364,793	171,698	536,491
Claims incurred and changes in estimates	3,328,265	439,772	3,768,037
Claims paid	(2,311,224)	(554,260)	(2,865,484)
Claims liability, June 30, 2014	<u>\$1,381,834</u>	<u>\$57,210</u>	<u>\$1,439,044</u>
Assets available to pay claims at June 30, 2014	<u>\$476,669</u>	<u>\$294,359</u>	<u>\$771,028</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.

### *Federal and State Award Programs:*

The City of Durant participates in various federal or state grant/loan programs from year to year. In 2014, the City's involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

## 12. Outstanding Notes Receivable – Component Units

The City has two outstanding notes receivable and the component units have five outstanding notes receivable as of June 30, 2014.

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

\$100,444

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The Capital Improvement Fund executed a \$222,320 note receivable in September 2008 with the Durant Community Facilities Authority at a 4.91% interest rate, due in 120 monthly installments of \$2,348. DCFA agreed to bring current all monthly installments from the date City made its first payment to the bank (March 2008), maturity date March 2018 95,579

Total Notes Receivable – City of Durant \$196,023

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 \$212,359

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 261,638

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 \$520,000 note receivable in August 2012 with PharmcareOK at a zero percent (0%) interest rate, due in 120 monthly installments of \$4,333, maturity date January 2023 442,000

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. 708,331

Total Notes Receivable – DIA \$1,896,016

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	\$123,987	\$ -	\$23,543	\$100,444
DCFA - Lighting Project at DMSC	118,509	-	22,930	95,579
DIA:				
Cardinal FG Company	232,360	-	20,001	212,359
Abbott Family LLC/Pharmcare	494,000	-	52,000	442,000
Eagle Suspension	281,636	-	19,998	261,638
Earth Biofuels	271,688	-	-	271,688
Texoma Manufacturing	874,999	-	166,668	708,331
Total	<u>\$2,397,179</u>	<u>\$ -</u>	<u>\$305,140</u>	<u>\$2,092,039</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 49-100, 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 9% to the plan. The City is required by state law to contribute 14% 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 2014, the City's annual required contribution was \$249,291 for the OFPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$536,404 (or 30.0% of covered payroll) for the fiscal year. These on-behalf payments are reported as both revenues and expenditures in the Statement of Changes in Fund Balance.

#### *Police Plan:*

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

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

For 2014, the City's annual required contribution was \$295,817 for the OPPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$272,147 (or 12.1% of covered payroll) for the fiscal year. These on-behalf payments are reported as both revenues and expenditures in the Statement of Changes in Fund Balance.

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*Summary of Contributions:*

Fiscal Year	Oklahoma Police Pension and Retirement System		Oklahoma Firefighter's Pension and Retirement System	
	Required Contribution	Percentage Contributed	Required Contribution	Percentage Contributed
2006	\$144,583	100%	\$153,064	100%
2007	\$154,240	100%	\$159,272	100%
2008	\$172,521	100%	\$178,881	100%
2009	\$183,106	100%	\$194,976	100%
2010	\$217,107	100%	\$207,548	100%
2011	\$230,815	100%	\$215,426	100%
2012	\$255,498	100%	\$238,391	100%
2013	\$248,964	100%	\$223,541	100%
2014	\$295,817	100%	\$249,291	100%

*OMRF Defined Benefit Plan:*

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

1. Plan Description

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

2. Eligibility Factors, Contribution Methods and Benefit Provisions

<u>Provision</u>	<u>OMRF Plan</u>
a. Eligible to Participate	Full-time, non-uniformed employees of the City or Authority upon hire if less than age 60.
b. Contribution Requirements:	
- Authorization	By City ordinance
- Actuarially Determined	Yes
- Employer Rate	9.89% 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	<ul style="list-style-type: none"> <li>- Normal retirement at age 65 with 7 years of service</li> <li>- Early retirement at age 55 with 7 years of service</li> <li>- Disability retirement upon disability with 7 years of service</li> <li>- Death benefit with 7 years of service for married employees</li> </ul>

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- |                                   |   |
|-----------------------------------|---|
| 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. |

**B. Annual Pension Costs**

1. Current Year Contribution Information

For the year ended June 30, 2014, the City's annual pension cost of \$528,290 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, 2014</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

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

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

<u>Period Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2006	\$348,151	100%	-
June 30, 2007	\$407,799	100%	-
June 30, 2008	\$420,681	100%	-
June 30, 2009	\$457,395	100%	-
June 30, 2010	\$408,497	100%	-
June 30, 2011	\$351,079	100%	-
June 30, 2012	\$526,633	100%	-
June 30, 2013	\$577,577	100%	-
June 30, 2014	\$528,290	100%	-

*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, 2014, the City contributed \$0 to the plan, while the employee contributions totaled \$106,279.

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

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**Funded Status and Funding Progress**

As of January 1, 2014 the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$18,547,109
Actuarial value of plan assets	<u>17,102,249</u>
Overfunded (Unfunded) actuarial accrued liability (UAAL)	<u>\$ (1,444,860)</u>
Funded ratio (actuarial value of plan assets/AAL)	92.2%
Annual covered payroll (active plan members)	\$4,936,396
UAAL as a percentage of covered payroll	29.3%

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.

**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 2014, the actuarially expected City contribution in the form of net age adjustment was \$113,752 to the Plan. Plan members receiving benefits contributed \$18,553 of the total premiums in FY 2014.

*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, 2014:

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Normal Cost	\$	92,216
Interest on Net OPEB Obligation		20,781
Amortization of Net OPEB Obligation		(21,087)
Amortization of Actuarial Accrued Liability (AAL)		40,395
Annual OPEB cost (expense)		132,305
Expected net benefits during the year		(18,553)
Increase in net OPEB obligation		113,752
Net OPEB obligation - beginning of year		483,272
Net OPEB obligation - end of year	\$	597,024

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>
6/30/12	\$114,774	0.0%	\$364,132
6/30/13	119,140	0.0%	483,272
6/30/14	113,752	0.0%	597,024

*Funded Status and Funding Progress.* As of July 1, 2014, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$1,019,441, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,019,441. The covered payroll (annual payroll of active employees covered by the plan) was \$8.67 million, and the ratio of the UAAL to the covered payroll was 10 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, 2014, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.3 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 7.35 percent initially, reduced by decrements to an ultimate rate of 4.87 percent in 2060. The UAAL is being amortized over 30 years based on a level percent-of-pay basis. The remaining amortization period at July 1, 2014, was twenty-six years. As of the date of this valuation, there are no plan assets. Retiree premiums are paid as they come due from general operating assets of the City.

### **15. New Accounting Pronouncements**

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the City's consideration of the impact of these pronouncements are described below:

Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*. GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. The Statement is effective for fiscal years ended June 30, 2015.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement 68*. GASB No. 71 addresses an issue regarding application of the transition provisions of GASB No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Statement is effective for fiscal years ended June 30, 2015 and should be implemented simultaneously with GASB No. 68.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2014**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$1,636,466	\$1,940,273	\$2,995,438	\$1,055,165
<b>Resources (Inflows):</b>				
Taxes	7,728,258	7,728,258	8,102,578	374,320
Intergovernmental	488,681	513,371	527,016	13,645
Charges for services	76,300	76,300	82,177	5,877
Fines and Forfeitures	277,500	277,500	239,379	(38,121)
Licenses and Permits	276,000	276,000	284,555	8,555
Investment Income	3,000	3,000	3,325	325
Miscellaneous	147,530	186,647	253,906	67,259
Other Financing Sources	3,444,829	3,444,829	3,479,394	34,565
Total Resources	<u>12,442,098</u>	<u>12,505,905</u>	<u>12,972,330</u>	<u>466,425</u>
<b>Amounts available for appropriation</b>	<u>14,078,564</u>	<u>14,446,178</u>	<u>15,967,768</u>	<u>1,521,590</u>
<b>Charges to Appropriations (Outflows):</b>				
City Administration	778,230	762,264	719,352	42,912
City Clerk	344,291	372,051	273,606	98,445
City Treasurer	134,770	137,270	131,678	5,592
City Attorney	119,650	119,650	105,320	14,330
General Government	1,931,492	2,066,210	518,755	1,547,455
Police	4,063,091	4,141,597	4,002,567	139,030
Animal Control	96,930	98,592	86,191	12,401
Fire	2,814,735	2,860,421	2,792,612	67,809
Municipal Court	85,732	89,732	88,492	1,240
Civil Emergency Management	257,831	266,156	243,548	22,608
Community Development	395,404	421,396	395,794	25,602
Streets	898,657	901,386	824,554	76,832
City Garage	336,981	341,713	277,288	64,425
Parks, Recreation and General Services	820,727	820,727	737,790	82,937
Swimming Pool	104,450	104,450	66,039	38,411
Public Library	631,133	658,895	600,610	58,285
Senior Citizens Center	19,116	25,036	23,778	1,258
Other Financing Uses - Transfers Out	245,344	258,632	232,681	25,951
Total Charges to Appropriations	<u>14,078,564</u>	<u>14,446,178</u>	<u>12,120,655</u>	<u>2,325,523</u>
<b>Ending Budgetary Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,847,113</u>	<u>3,847,113</u>

See accompanying notes to budgetary comparison schedules.

Unaudited

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**Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2014, Continued**

<b>SPECIAL REVENUE - 1/4% ECONOMIC DEVELOPMENT FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$4,474,266	\$4,484,059	\$4,570,342	\$86,283
Resources (Inflows):				
Taxes	776,285	776,285	796,239	19,954
Investment income	5,000	5,000	6,858	1,858
Transfers in - component unit	217,768	217,768	218,668	900
Amounts available for appropriation	<u>5,473,319</u>	<u>5,483,112</u>	<u>5,592,107</u>	<u>108,995</u>
Charges to appropriations (outflows):				
Economic development	5,473,319	5,475,151	-	5,475,151
Transfers out - component unit	-	7,961	7,961	-
Total Charges to Appropriations	<u>5,473,319</u>	<u>5,483,112</u>	<u>7,961</u>	<u>5,475,151</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,584,146</u>	<u>\$5,584,146</u>
<b>SPECIAL REVENUE - 5/8% SALES TAX EDUCATION FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$275,894	\$275,894
Resources (Inflows):				
Taxes	1,998,815	2,178,771	2,153,244	(25,527)
Investment income	-	-	-	-
Amounts available for appropriation	<u>1,998,815</u>	<u>2,178,771</u>	<u>2,429,138</u>	<u>250,367</u>
Charges to appropriations (outflows):				
General government	1,998,815	2,178,771	2,178,791	(20)
Total Charges to Appropriations	<u>1,998,815</u>	<u>2,178,771</u>	<u>2,178,791</u>	<u>(20)</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$250,347</u>	<u>\$250,347</u>

See accompanying notes to budgetary comparison schedules

Unaudited

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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	\$15,967,768
Current year on-behalf payments made by state	808,551
Beginning budgetary fund balance	<u>( 2,995,438)</u>
Actual revenues and transfers per Statement of Revenues and Expenditures and Changes in Fund Balance	<u>\$13,780,881</u>
Total revenues	\$10,301,487
Transfers in	<u>3,479,394</u>
	<u>\$13,780,881</u>
Total budgetary charges to appropriations	\$12,120,655
Net difference in prior year and current year payroll accruals	48,502
Current year on-behalf payments made by state	<u>808,551</u>
Actual expenditures and transfers per Statement of Revenues and Expenditures and Changes in Fund Balance	<u>\$12,977,708</u>
Total expenditures	12,745,027
Transfers out	31,401
Interaccount transfers	<u>201,280</u>
	<u>\$12,977,708</u>

4. There was one immaterial expenditure that exceeded appropriations in the 5/8% Sales Tax Education Fund in the general government department in the amount of \$20.

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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
1/1/05	\$10,482,368	\$9,516,337	(\$966,031)	110.2%	\$3,293,172	(29.3%)
1/1/06	\$11,102,706	\$10,423,629	(\$679,077)	106.5%	\$3,426,919	(19.8%)
1/1/07	\$11,929,707	\$11,271,216	(\$658,491)	105.8%	\$3,781,637	(17.4%)
1/1/08	\$12,971,609	\$12,234,964	(\$736,645)	106.0%	\$3,975,471	(18.5%)
1/1/09	\$12,503,922	\$12,874,545	\$370,623	97.1%	\$3,977,619	9.3%
1/1/10	\$12,987,479	\$12,356,464	(\$631,015)	105.1%	\$4,324,926	(14.6%)
1/1/11	\$13,782,996	\$14,595,992	\$812,997	94.4%	\$4,497,284	18.1%
1/1/12	\$14,530,494	\$16,016,658	\$1,486,165	90.7%	\$5,027,404	29.6%
1/1/13	\$15,641,413	\$17,071,178	\$1,429,765	91.6%	\$4,938,107	29.0%
1/1/14	\$17,102,249	\$18,547,109	\$1,444,860	92.2%	\$4,936,396	29.3%

(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%)
7/1/12	\$0	\$1,209,728	\$1,209,728	0%	\$8,576,000	(12%)
7/1/13	\$0	\$1,019,441	\$1,019,441	0%	\$8,667,000	(10%)

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**SUPPLEMENTARY INFORMATION**

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**Combining Balance Sheet – General Fund Accounts – June 30, 2014**

	GENERAL FUND ACCOUNTS						TOTALS
	GENERAL FUND	CEMETERY OPERATIONS ACCOUNT	BEAUTI-FICATION ACCOUNT	CHRISTMAS LIGHTING ACCOUNT	INSURANCE CASH ACCOUNT	MULTI-SPORTS COMPLEX ACCOUNT	
<b>ASSETS:</b>							
Cash and cash equivalents	\$2,095,702	\$12,736	\$20,504	\$240	\$84,596	\$51,843	\$2,265,621
Investments	953,615	5,799	9,335	109	38,516	23,148	1,030,522
Due from other funds	1,490	-	-	-	-	-	1,490
Due from other governments	932,550	-	-	-	-	-	932,550
Franchise tax receivable	60,924	-	-	-	-	-	60,924
Court fines receivable, net	12,633	-	-	-	-	-	12,633
Other receivables	20,118	-	-	-	-	-	20,118
<b>Total Assets</b>	<b>\$4,077,032</b>	<b>\$18,535</b>	<b>\$29,839</b>	<b>\$349</b>	<b>\$123,112</b>	<b>\$74,991</b>	<b>\$4,323,858</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:</b>							
<b>Liabilities:</b>							
Accounts payable	\$216,461	\$2,490	\$ -	\$ -	\$ -	\$10,055	\$229,006
Accrued payroll liabilities	471,426	4,875	-	-	-	16,883	493,184
Due to other funds	2,500	138	-	-	-	-	2,638
Due to other governments	1,146	-	-	-	-	-	1,146
Unearned revenue	3,680	-	-	-	-	-	3,680
<b>Total Liabilities</b>	<b>695,213</b>	<b>7,503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,938</b>	<b>729,654</b>
<b>Deferred Inflows of Resources:</b>							
Deferred revenue	6,132	-	-	-	-	-	6,132
<b>Fund Balances:</b>							
Assigned	2,067,737	11,032	29,839	349	123,112	48,053	2,280,122
Unassigned	1,307,950	-	-	-	-	-	1,307,950
<b>Total Fund Balances</b>	<b>3,375,687</b>	<b>11,032</b>	<b>29,839</b>	<b>349</b>	<b>123,112</b>	<b>48,053</b>	<b>3,588,072</b>
<b>Total Liabilities, Deferred Inflows and Fund Balance:</b>	<b>\$4,077,032</b>	<b>\$18,535</b>	<b>\$29,839</b>	<b>\$349</b>	<b>\$123,112</b>	<b>\$74,991</b>	<b>\$4,323,858</b>

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**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – Year Ended June 30, 2014**

	GENERAL FUND ACCOUNTS						TOTALS
	GENERAL FUND	CEMETERY OPERATIONS ACCOUNT	BEAUTIFICATION ACCOUNT	CHRISTMAS LIGHTING ACCOUNT	INSURANCE CASH ACCOUNT	MULTI-SPORTS COMPLEX ACCOUNT	
<b>REVENUES:</b>							
Taxes	\$8,102,578	\$ -	\$ -	\$ -	\$ -	\$ -	\$8,102,578
Intergovernmental	1,335,567	-	-	-	-	-	1,335,567
Charges for services	82,177	58,360	-	-	-	\$102,917	243,454
Licenses and permits	284,555	-	-	-	-	-	284,555
Fines and forfeitures	239,379	-	-	-	-	-	239,379
Investment income	3,325	29	43	-	146	39	3,582
<b>Miscellaneous:</b>							
Reimbursements	21,028	-	-	-	-	-	21,028
Donations	21,500	-	-	-	-	12,135	33,635
Other	211,378	322	-	-	13,337	656	225,693
<b>Total Revenues</b>	<b>10,301,487</b>	<b>58,711</b>	<b>43</b>	<b>-</b>	<b>13,483</b>	<b>115,747</b>	<b>10,489,471</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
General government	1,732,244	-	1,449	-	301,055	-	2,034,748
Public safety	8,064,087	-	-	-	-	-	8,064,087
Public works	1,506,448	-	-	-	-	-	1,506,448
Culture, tourism and recreation	1,436,148	-	-	-	-	488,435	1,924,583
Cemetery	-	146,962	-	-	-	-	146,962
Capital outlay	-	-	-	-	-	10,263	10,263
<b>Debt service:</b>							
Principal retirement	6,100	-	-	-	-	-	6,100
<b>Total Expenditures</b>	<b>12,745,027</b>	<b>146,962</b>	<b>1,449</b>	<b>-</b>	<b>301,055</b>	<b>498,698</b>	<b>13,693,191</b>
Revenues over (under) expenditures	(2,443,540)	(88,251)	(1,406)	-	(287,572)	(382,951)	(3,203,720)
<b>Other Financing Sources (Uses):</b>							
Interaccount transfers	(201,280)	88,849	-	-	115,935	(3,504)	-
Transfers in	3,479,394	200	-	-	125,634	448,394	4,053,622
Transfers out	(31,401)	(2,103)	-	-	-	-	(33,504)
Transfer from component unit	-	-	-	-	64,431	-	64,431
Revenues and other sources over (under) expenditures and other uses	803,173	(1,305)	(1,406)	-	18,428	61,939	880,829
Fund Balance - beginning of year	2,572,514	12,337	31,245	349	104,684	(13,886)	2,707,243
Fund Balance - end of year	<u>\$3,375,687</u>	<u>\$11,032</u>	<u>\$29,839</u>	<u>\$349</u>	<u>\$123,112</u>	<u>\$48,053</u>	<u>\$3,588,072</u>

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**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2014**

<b>ASSETS</b>	<b>SPECIAL REVENUE FUNDS</b>				
	<b>SPECIAL 911 TAX FUND</b>	<b>R.L. WILLIAMS LIBRARY FUND</b>	<b>DRUG ENFORCEMENT FUND</b>	<b>DURANT LIBRARY AUTHORITY</b>	<b>HOME/FEMA GRANT FUND</b>
Cash and cash equivalents	\$66,271	\$11,561	\$7,333	\$21	\$16,426
Investments	30,172	44,625	-	9	7,479
Due from other funds	2,500	-	-	-	-
Due from other governments	-	-	-	-	-
Other receivable	48,359	-	-	-	-
Total Assets	<u>\$147,302</u>	<u>\$56,186</u>	<u>\$7,333</u>	<u>\$30</u>	<u>\$23,905</u>
<b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>					
Liabilities:					
Accounts payable	\$26,839	\$245	\$ -	\$ -	\$ -
Accrued payroll liabilities	26,086	-	-	-	-
Due to other funds	1,490	-	-	-	-
Total Liabilities	<u>54,415</u>	<u>245</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:					
Deferred revenue	-	-	-	-	-
Fund Balance:					
Restricted	-	54,432	7,189	-	23,850
Assigned	92,887	1,509	144	30	55
Unassigned (deficit)	-	-	-	-	-
Total Fund Balance	<u>92,887</u>	<u>55,941</u>	<u>7,333</u>	<u>30</u>	<u>23,905</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$147,302</u>	<u>\$56,186</u>	<u>\$7,333</u>	<u>\$30</u>	<u>\$23,905</u>

(Continued)

**CITY OF DURANT, OKLAHOMA  
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**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2014, (Continued)**

<u>ASSETS</u>	<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL PROJECT FUNDS</u>			<u>TOTALS</u>
	<u>1/4% SALES TAX M.S. FUND</u>	<u>1/4% SALES TAX SOSU FUND</u>	<u>DWRP COMMUNITY CENTER &amp; LIBRARY FUND</u>	<u>CEMETERY CARE FUND</u>	<u>CDBG FUND</u>	
Cash and cash equivalents	\$1,090	\$1,090	\$321,685	\$103,445	\$ -	\$528,922
Investments	496	496	293	47,097	-	130,667
Due from other funds	-	-	-	138	-	2,638
Due from other governments	92,871	92,871	-	-	\$82,967	268,709
Other receivable	-	-	1,130	-	-	49,489
<b>Total Assets</b>	<b><u>\$94,457</u></b>	<b><u>\$94,457</u></b>	<b><u>\$323,108</u></b>	<b><u>\$150,680</u></b>	<b><u>\$82,967</u></b>	<b><u>\$980,425</u></b>
<b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$228,650	\$255,734
Accrued payroll liabilities	-	-	-	-	-	26,086
Due to other funds	-	-	-	-	40,343	41,833
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>268,993</u></b>	<b><u>323,653</u></b>
Deferred Inflows of Resources:						
Deferred revenue	-	-	-	-	82,967	82,967
Fund Balance:						
Restricted	94,457	94,457	1,900	148,362	-	424,647
Assigned	-	-	321,208	2,318	-	418,151
Unassigned (deficit)	-	-	-	-	(268,993)	(268,993)
<b>Total Fund Balance</b>	<b><u>94,457</u></b>	<b><u>94,457</u></b>	<b><u>323,108</u></b>	<b><u>150,680</u></b>	<b><u>(268,993)</u></b>	<b><u>573,805</u></b>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<b><u>\$94,457</u></b>	<b><u>\$94,457</u></b>	<b><u>\$323,108</u></b>	<b><u>\$150,680</u></b>	<b><u>\$82,967</u></b>	<b><u>\$980,425</u></b>

**CITY OF DURANT, OKLAHOMA  
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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2014**

	SPECIAL REVENUE FUNDS				
	SPECIAL 911 TAX FUND	R.L. WILLIAMS LIBRARY FUND	DRUG ENFORCEMENT FUND	DURANT LIBRARY AUTHORITY	HOME/FEMA GRANT FUND
REVENUES:					
Taxes	\$281,627	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	1,079	11,287	-	82,256
Charges for services	103,515	-	-	-	-
Investment income	187	143	10	-	25
Miscellaneous	13,483	3,534	-	-	-
Total Revenues	<u>398,812</u>	<u>4,756</u>	<u>11,297</u>	<u>-</u>	<u>82,281</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	58,406
Public safety	830,360	-	13,152	-	-
Culture, tourism and recreation	-	2,437	-	-	-
Capital outlay	-	-	-	-	-
Total Expenditures	<u>830,360</u>	<u>2,437</u>	<u>13,152</u>	<u>-</u>	<u>58,406</u>
Revenues over (under) expenditures	(431,548)	2,319	(1,855)	-	23,875
Other Financing Sources (Uses):					
Transfers in	312,371	-	-	-	-
Transfers out	(5,113)	-	-	-	-
Transfer to component unit	-	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	(124,290)	2,319	(1,855)	-	23,875
Fund Balance - beginning of year	217,177	53,622	9,188	30	30
Fund Balance - end of year	<u>\$92,887</u>	<u>\$55,941</u>	<u>\$7,333</u>	<u>\$30</u>	<u>\$23,905</u>

(Continued)

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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2014, (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>DWRP COMMUNITY CENTER &amp; LIBRARY FUND</u>	<u>CEMETERY CARE FUND</u>	<u>CDBG FUND</u>	
REVENUES:						
Taxes	\$796,239	\$796,239	\$ -	\$ -	\$ -	\$1,874,105
Intergovernmental	-	-	-	-	90,654	185,276
Charges for services	-	-	-	-	-	103,515
Investment income	-	-	140	267	1	773
Miscellaneous	-	-	-	-	-	17,017
Total Revenues	<u>796,239</u>	<u>796,239</u>	<u>140</u>	<u>267</u>	<u>90,655</u>	<u>2,180,686</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	58,406
Public safety	-	-	-	-	-	843,512
Culture, tourism and recreation	-	-	-	-	-	2,437
Capital outlay	-	-	-	33,917	523,299	557,216
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,917</u>	<u>523,299</u>	<u>1,461,571</u>
Revenues over (under) expenditures	796,239	796,239	140	(33,650)	(432,644)	719,115
Other Financing Sources (Uses):						
Transfers in	-	-	80,000	2,103	163,324	557,798
Transfers out	-	-	-	(200)	-	(5,313)
Transfer to component unit	<u>(807,873)</u>	<u>(807,873)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,615,746)</u>
Revenues and other sources over (under) expenditures and other uses	(11,634)	(11,634)	80,140	(31,747)	(269,320)	(344,146)
Fund Balance - beginning of year	106,091	106,091	242,968	182,427	327	917,951
Fund Balance - end of year	<u>\$94,457</u>	<u>\$94,457</u>	<u>\$323,108</u>	<u>\$150,680</u>	<u>(\$268,993)</u>	<u>\$573,805</u>

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**Combining Statement of Net Position – Internal Service Funds – June 30, 2014**

	Internal Service Funds			Total
	Employee Health Fund	Worker's Compensation Fund	Info Tech Service Fund	
<b>ASSETS:</b>				
Current Assets:				
Cash and cash equivalents	\$334,421	\$203,250	\$21,932	\$559,603
Investments	141,176	91,109	9,986	242,271
Accounts receivable, net of allowance	1,072	-	-	1,072
Total current assets	<u>476,669</u>	<u>294,359</u>	<u>31,918</u>	<u>802,946</u>
Noncurrent Assets:				
Capital assets:				
Other capital assets, net of depreciation	-	-	10,842	10,842
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>10,842</u>	<u>10,842</u>
Total assets	<u>476,669</u>	<u>294,359</u>	<u>42,760</u>	<u>813,788</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	-	-	8,702	8,702
Accrued payroll liabilities	-	-	6,796	6,796
Estimated liability for claims	1,381,834	57,210	-	1,439,044
Accrued compensated absences - current	-	-	1,676	1,676
Capital lease payable - current	-	-	1,565	1,565
Accrued compensated absences - noncurrent	-	-	15,087	15,087
Total liabilities	<u>1,381,834</u>	<u>57,210</u>	<u>33,826</u>	<u>1,472,870</u>
<b>NET POSITION:</b>				
Net investment in capital assets	-	-	9,277	9,277
Unrestricted	(905,165)	237,149	(343)	(668,359)
Total net position	<u>(\$905,165)</u>	<u>\$237,149</u>	<u>\$8,934</u>	<u>(\$659,082)</u>

**Combining Statement of Changes in Net Position—Internal Service Funds—Year Ended  
June 30, 2014**

	Internal Service Funds			Total
	Employee Health Fund	Worker's Compensation Fund	Info Tech Service Fund	
<b>Operating Revenues:</b>				
Charges for services:				
Self insurance charges	\$1,356,549	\$842,988	\$ -	\$2,199,537
Miscellaneous	245,286	328	290,358	535,972
Total operating revenues	<u>1,601,835</u>	<u>843,316</u>	<u>290,358</u>	<u>2,735,509</u>
<b>Operating Expenses:</b>				
Claims expense	3,328,265	439,772	-	3,768,037
Info tech services	-	-	341,310	341,310
Depreciation expense	-	-	3,138	3,138
Total operating expenses	<u>3,328,265</u>	<u>439,772</u>	<u>344,448</u>	<u>4,112,485</u>
<b>Operating income (loss)</b>	<u>(1,726,430)</u>	<u>403,544</u>	<u>(54,090)</u>	<u>(1,376,976)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Investment income	1,201	182	57	1,440
Interest expense	-	-	(142)	(142)
Total non-operating revenues (expenses)	<u>1,201</u>	<u>182</u>	<u>(85)</u>	<u>1,298</u>
<b>Change in net position</b>	<u>(1,725,229)</u>	<u>403,726</u>	<u>(54,175)</u>	<u>(1,375,678)</u>
<b>Total net position - beginning</b>	<u>820,064</u>	<u>(166,577)</u>	<u>63,109</u>	<u>716,596</u>
<b>Total net position - ending</b>	<u>(\$905,165)</u>	<u>\$237,149</u>	<u>\$8,934</u>	<u>(\$659,082)</u>

**CITY OF DURANT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2014

**Combining Schedule of Net Position – DCUA Accounts – June 30, 2014**

	Utilities Authority Fund Accounts		
	Utilities	UA	Total
	Authority	Bonds Sinking	
	Fund	Account	
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$550	\$ -	\$550
Restricted cash and cash equivalents	968,114	3,639,926	4,608,040
Accounts receivable, net of allowance	1,368,502	-	1,368,502
Total current assets	<u>2,337,166</u>	<u>3,639,926</u>	<u>5,977,092</u>
Noncurrent Assets:			
Capital assets:			
Land and other non-depreciable assets	2,698,403	-	2,698,403
Other capital assets, net of depreciation	38,891,541	-	38,891,541
Total noncurrent assets	<u>41,589,944</u>	<u>-</u>	<u>41,589,944</u>
Total assets	<u>43,927,110</u>	<u>3,639,926</u>	<u>47,567,036</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Unamortized loss on refunding	109,731	-	109,731
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	230,074	-	230,074
Accrued payroll liabilities	111,028	-	111,028
Due to other funds	740,957	-	740,957
Accrued interest payable	262,812	-	262,812
Current Portion of:			
Meter deposit liability	76,359	-	76,359
Notes payable	2,872,600	-	2,872,600
Landfill closure liability	16,830	-	16,830
Accrued compensated absences	26,040	-	26,040
Total current liabilities	<u>4,336,700</u>	<u>-</u>	<u>4,336,700</u>
Noncurrent liabilities:			
Meter deposit liability	305,435	-	305,435
Notes payable	27,664,471	-	27,664,471
Landfill closure liability	319,776	-	319,776
OPEB obligation	125,375	-	125,375
Accrued compensated absences	234,358	-	234,358
Total noncurrent liabilities	<u>28,649,415</u>	<u>-</u>	<u>28,649,415</u>
Total liabilities	<u>32,986,115</u>	<u>-</u>	<u>32,986,115</u>
<b>NET POSITION:</b>			
Net investment in capital assets	12,098,186	2,918,121	15,016,307
Restricted for debt service	(721,805)	721,805	-
Unrestricted	(325,655)	-	(325,655)
Total net position	<u>\$11,050,726</u>	<u>\$3,639,926</u>	<u>\$14,690,652</u>

**CITY OF DURANT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2014

**Combining Schedule of Revenues, Expenses, and Changes in Net Position – DCUA Accounts – Year Ended June 30, 2014**

	Utilities Authority Fund Accounts		
	Utilities	UA	Total
	Authority	Bonds Sinking	
Fund	Account		
<b>Operating Revenues:</b>			
Charges for services:			
Water charges	\$3,253,880	\$ -	\$3,253,880
Sewer charges	1,701,453	-	1,701,453
Water and sewer taps	146,228	-	146,228
Penalties	105,944	-	105,944
Non-payment fees	175,411	-	175,411
Sanitation charges	3,648,612	-	3,648,612
Landfill gate fees	189,838	-	189,838
Lab tests	23,240	-	23,240
Rentals	69,434	-	69,434
Transfer station fees	302,527	-	302,527
Recyclable products	5,309	-	5,309
Miscellaneous	59,877	-	59,877
Total operating revenues	<u>9,681,753</u>	<u>-</u>	<u>9,681,753</u>
<b>Operating Expenses:</b>			
Public works administration	131,411	-	131,411
Utility billing	262,519	-	262,519
Water/sewer line maintenance	917,778	-	917,778
Water treatment plant	856,753	-	856,753
Wastewater treatment	679,207	-	679,207
Collection - solid waste	1,136,926	-	1,136,926
General government	162,692	-	162,692
Lake Durant	32,821	-	32,821
Disposal - solid waste	895,404	-	895,404
Depreciation expense	2,096,056	-	2,096,056
Total operating expenses	<u>7,171,567</u>	<u>-</u>	<u>7,171,567</u>
<b>Operating income</b>	2,510,186	-	2,510,186
<b>Non-Operating Revenues (Expenses):</b>			
Investment income	1,280	\$10,500	11,780
Gain on disposal of capital assets	31,143	-	31,143
Debt issuance costs	-	(71,270)	(71,270)
Interest expense and fiscal charges	(1,066,547)	-	(1,066,547)
Total non-operating revenues (expenses)	<u>(1,034,124)</u>	<u>(60,770)</u>	<u>(1,094,894)</u>
<b>Net income (loss) before contributions and transfers</b>	1,476,062	(60,770)	1,415,292
Capital contributions	1,462,314	-	1,462,314
Interaccount transfers	3,110,847	(3,110,847)	-
Transfers in	422,615	3,766,976	4,189,591
Transfers out	(5,227,433)	(1,230,254)	(6,457,687)
Transfers to component unit	(458,871)	-	(458,871)
<b>Change in net position</b>	785,534	(634,895)	150,639
<b>Total net position - beginning</b>	10,265,192	4,274,821	14,540,013
<b>Total net position - ending</b>	<u>\$11,050,726</u>	<u>\$3,639,926</u>	<u>\$14,690,652</u>

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

**June 30, 2014**

CITY OF DURANT, OKLAHOMA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 10, 2015.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Arledge & Associates, P.C.*  
February 10, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Durant, Oklahoma's (the "City's") 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, 2014. 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.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 10, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

  
February 10, 2015

CITY OF DURANT, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014

<u>Federal Grantor/Pass through agency Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant #</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
<b>U. S. DEPARTMENT OF COMMERCE:</b>				
Investments for Public Works and Economic Development Facilities	11.300	08-01-04781	\$ 950,000	\$ 1,417
<b>Total U.S. Department of Commerce</b>			<u>950,000</u>	<u>1,417</u>
<b>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>				
Passed through Oklahoma Department of Commerce:				
Community Development Block Grant	14.228	15246 CDBG 12	90,654	90,654
Community Development Block Grant	14.228	15659 CDBG ED 13	82,967	82,967
Total Oklahoma Department of Commerce			<u>173,621</u>	<u>173,621</u>
Passed through Oklahoma Housing Finance Agency:				
HOME Investment Partnerships Program	14.239	1368-HOME-11	262,500	82,256
<b>Total U.S. Department of Housing and Urban Development</b>			<u>436,121</u>	<u>255,877</u>
<b>U. S. DEPARTMENT OF JUSTICE:</b>				
Bulletproof Vest Partnership Program	16.607	2012BUBX12063897	7,695	2,263
Bulletproof Vest Partnership Program	16.607	2013BUBX13070362	7,282	6,864
<b>Total U.S. Department of Justice</b>			<u>14,977</u>	<u>9,127</u>
<b>U. S. DEPARTMENT OF INTERIOR:</b>				
Passed through Oklahoma Department of Tourism and Recreation:				
Outdoor Recreation Acquisition, Development and Planning	15.916	2011 LWCF 40-01195	179,995	65,407
<b>Total U.S. Department of Interior</b>			<u>179,995</u>	<u>65,407</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>				
Passed through Oklahoma Highway Safety Office:				
State and Community Highway Safety-Traffic	20.600	AL-14-03-02-11	46,000	16,770
State and Community Highway Safety-Traffic	20.600	PT-13-03-06-10	32,000	4,051
Total Oklahoma Highway Safety Office			<u>78,000</u>	<u>20,821</u>
Passed through Oklahoma Department of Transportation:				
Highway Planning and Construction	20.205	SRS-155F (710) ST	200,000	52,781
Total Oklahoma Department of Transportation			<u>200,000</u>	<u>52,781</u>
<b>Total U.S. Department of Transportation</b>			<u>278,000</u>	<u>73,602</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>				
Passed through Oklahoma Office of Homeland Security				
State Homeland Security Program	97.073	OKOHS # 260-108	1,249	1,249
State Homeland Security Program	97.073	OKOHS # 460.026	3,669	3,669
Total Oklahoma Department of Transportation			<u>4,918</u>	<u>4,918</u>
Assistance to Firefighters Grant	97.044	EMW-2012-FO-06903	56,142	2,387
Passed through Oklahoma Department of Civil Emergency Management:				
Hazard Mitigation Grant	97.039	FEMA-1678-DR-OK	62,297	41,913
Emergency Management Performance Grants	97.042	EMPG 12-13	22,000	12,000
Emergency Management Performance Grants	97.042	EMPG 13-14	30,000	30,000
Emergency Management Performance Grants	97.042	EMPG-14 (AEL#19GN00FUEL)	5,000	5,000
Emergency Management Performance Grants	97.042	AEL #12-TR-00-TEQP	6,000	6,000
Emergency Management Performance Grants	97.042	EMPG-14 Extra Proj Training	1,325	1,325
			<u>126,622</u>	<u>96,238</u>
<b>Total U.S. Department of Homeland Security</b>			<u>187,682</u>	<u>103,543</u>
<b>Total Federal Awards</b>			<u>\$ 2,046,775</u>	<u>\$ 508,973</u>

CITY OF DURANT, OKLAHOMA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014

**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, 2014. 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 position or cash flows of 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 government-wide financial statements.

CITY OF DURANT, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

SECTION I – SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
Reportable condition(s) identified  
not considered to be material weaknesses? \_\_\_\_\_ 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  
Reportable condition(s) identified  
not considered to be material weakness(es)? \_\_\_\_\_ yes  X  none reported

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

Any audit findings disclosed that are required  
to be reported in accordance with  
OMB 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>
14.228	Community Development Block Grant/State's Program and Non-entitlement Grants in Hawaii
14.239	Home Investment Partnerships 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, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

Compliance Findings

None

Internal Control Findings

None

SECTION III – 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, 2014

No matters were reportable.