



City of McAlester, Oklahoma

**COMPREHENSIVE ANNUAL FINANCIAL REPORT AND
ACCOMPANYING INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

THE CITY OF MCALESTER, OKLAHOMA

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

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

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

CITY OF MCALESTER, OKLAHOMA
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Introduction Section

City of McAlester

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

January 6, 2015

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

It is required by state statute that every general-purpose government publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accounts. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014.

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

The City's financial statements have been audited by Finley and Cook, a firm of licensed certified public accountants. The independent audit was conducted to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent auditor has issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2014. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

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

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

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

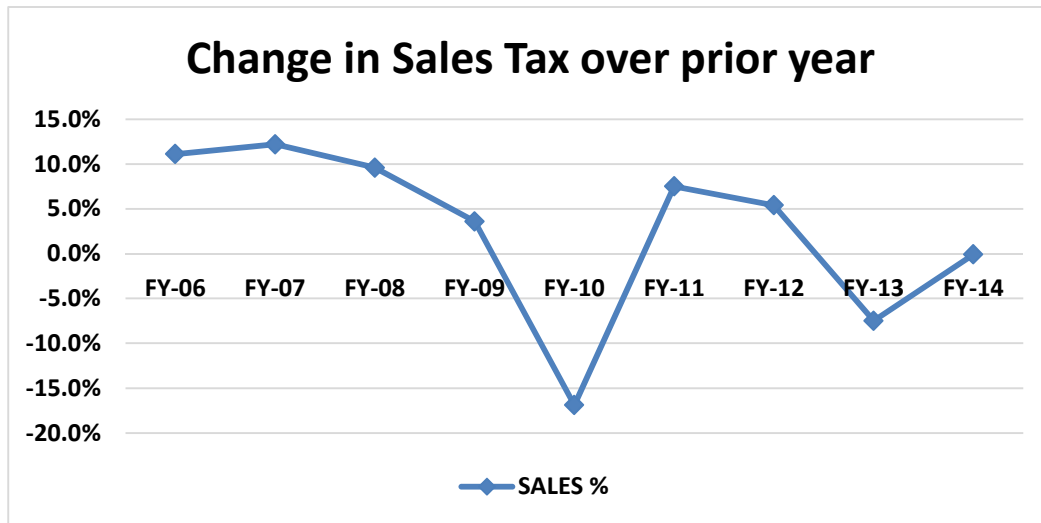
Local Economy

Positioned in the center of Southeast Oklahoma, the City of McAlester is the largest community within the Choctaw Nation and serves as a regional hub for industry, tourism, retail, and healthcare. With a trade area of 70,000 people, McAlester boasts a thriving economy that is continuously creating new business opportunities.

Where the Ouachita foothills meets the Eufaula Lake reservoir, McAlester contains a scenic and memorable backdrop for outdoor enthusiasts to enjoy. Within the City limits, the historic Old Town and Downtown districts promote local culture and provide a variety of retail options to residents.

Some of the essential employers that contribute to the City's diverse economy include the McAlester Army Ammunition Plant, Spirit Aerosystems, Berry Plastics, Choctaw Defense, the McAlester Regional Health Center, National Oilwell Varco, the Oklahoma State Penitentiary, and Tucker Energy.

Sales tax represents 57% of the City's total General Fund Revenue, excluding transfers. Even though sales tax numbers have decreased for the fiscal year, sales tax collections shows signs of stabilization. McAlester's local economy has demonstrated resiliency and strength. Therefore, the economic outlook remains optimistic. Annual trends in City sales tax are illustrated below:



Major Initiatives

With cooperation and leadership from the mayor and council, city management and staff, many major projects were successful in fiscal year 2013-14. We have continued our dedication to major street improvements projects. With previous year's savings on refinancing our 1999A bond and issuance of new bond money assigned to street projects, CIP#1 at \$794,000 kicked off the beginning of the numerous street projects identified. CIP#2 is in the design stage, an engineering firm has been hired and is planned as a \$1,740,000 project with a portion located on A Street and a portion located on Sixth Street. The future street projects will be CIP#3 at \$2,290,000 on Second Street, CIP#4 at \$2,641,000 located on Sixth Street and South Avenue, and CIP#5 at \$4,832,000 located on Washington Avenue.

This year was a banner year for the City in providing quality of life projects and activities for our community. Chaddick Park received a major playground upgrade from dated equipment that only accommodated 30 children to state of the art handicap accessible equipment that will accommodate 120 children. Our Movies in the Park series that was held at Chaddick Park was a huge success and fun activity for our community.

With grants and continued community support, the following projects were implemented. The Union Pacific Trails project in North Town provides an alternative walking trail for citizens who want to learn the history of McAlester on their outings. The addition of a Disc Golf Course, adjacent to Rotary Park, will be a local option for disc golf sports enthusiasts and will encourage tourism. The new dog park named Central Bark was a

much needed community addition and is used daily. And finally, the Firewise Program is affording equipment to the citizens of McAlester to improve the appearance and safety of their property at no cost.

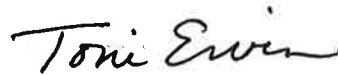
The preparation of this Comprehensive Annual Financial Report is a combined effort of the Finance Department and the professional assistance of Crawford & Associates, P.C. Our sincere appreciation is extended to all who contributed to its preparation.

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

Respectfully Submitted,



Peter Stasiak
City Manager



Toni Ervin
Chief Finance Officer

CITY OF MCALESTER, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2014

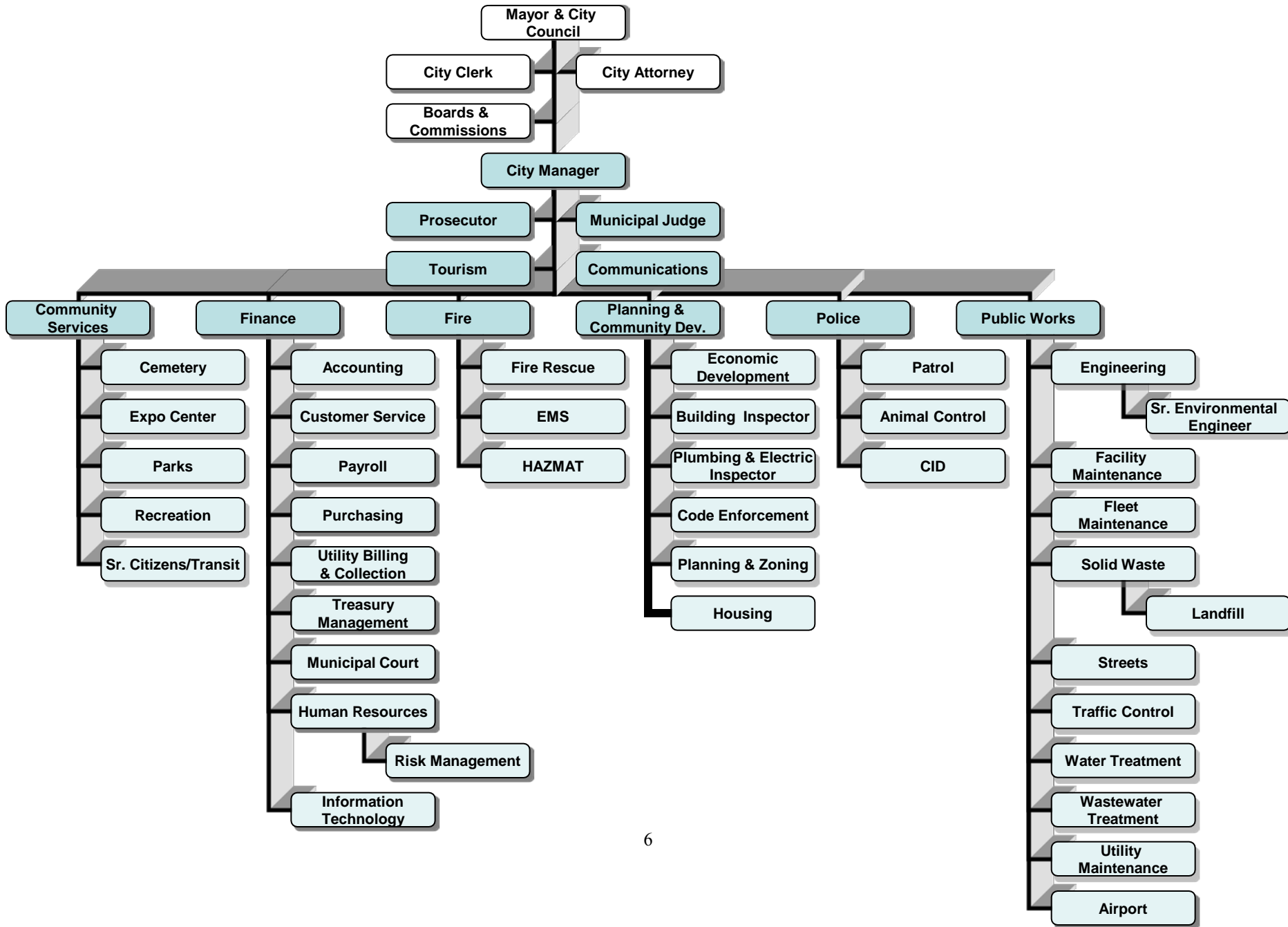
City Council

Steve Harrison, Mayor
Weldon Smith, Member Ward 1
John Titsworth, Member Ward 2
Travis Read, Member Ward 3
Robert Karr, Member Ward 4
Buddy Garvin, Member Ward 5
Jason Barnett, Member Ward 6

Administration

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

City of McAlester Organizational Chart



Financial Section



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of McAlester
McAlester, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McAlester, Oklahoma (the "City") as of and for the year ended June 30, 2014, and the related notes to the basic 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McAlester Regional Health Center Authority (the "Authority"), which represents 99.9% of the total assets, net position, and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 auditors' 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 auditors consider 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinions

In our opinion, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the 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.

Emphasis of Matters

Adoption of New Accounting Standards

As described in Note 13 to the financial statements in 2014, the City adopted new accounting guidance of the Governmental Accounting Standards Board (GASB) as follows: Statement No. 67, *Financial Reporting for Pension Plans—An Amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Net Position

As more fully discussed in Note 8 to the financial statements, the beginning net positions of the governmental activities, business-type activities, and enterprise funds, along with certain fund balances of governmental funds, were restated due to the reclassification of certain revenue bonds and bond activity from enterprise funds and business-type activities to governmental funds and governmental activities. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, budgetary comparison information, the schedule of funding progress—defined benefit retirement plan, the schedule of changes in net pension liability and related ratios, the schedule of employer contributions, and the schedule of investment returns 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 GASB, 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, 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.

(Continued)

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters, Continued

Other Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory and statistical sections, as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 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 the City's internal control over financial reporting and compliance.

Handwritten signature in cursive script that reads "Finley + Cook, PLLC".

Shawnee, Oklahoma
January 6, 2015

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As management of the City of McAlester, we offer readers this narrative overview and analysis of the financial activities of the City of McAlester for the fiscal year ended June 30, 2014. We encourage readers to use this information in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's overall financial position improved during the year ended June 30, 2014. Total net position increased by \$3,673,126 and the City's total government-wide assets and deferred outflows continuing to exceed its total liabilities at June 30, 2014, by \$26,012,821 which represents its total government-wide net position.
- The City's governmental activities experienced a current year increase in net position of \$3,485,084, while business-type activities experienced a current year increase in net position of \$188,042. However, while overall financial condition did improve from the prior year, there are still several areas of concern and conditions that are worth noting in terms of the City's financial position. These concerns or conditions include the following:
 - While the City has total government-wide net position amounting to \$26,012,821, it is segregated by \$16,116,141 in a net investment in capital assets and \$9,671,931 of net position restricted for various purposes, thus leaving the City with a \$224,749 of an unrestricted net position, split by a \$331,766 of an unrestricted net position (deficit) located in the City's governmental activities and \$556,515 of unrestricted net position in the City's business-type activities. This negative balance is indicative of the McAlester Public Works Authority (MPWA) issuing revenue bonded indebtedness (reported in the governmental activities in the government-wide financial statements) for the benefit of entities not included within the City's primary government, primarily school system improvements and economic development activities. The capital assets related to the debt for the school system improvements and economic development are not shown in these financial statements, but rather in each of those entities separate financial statements. Most of this debt is expected to be retired from future dedicated sales tax collections. The result of reporting the long-term debt without corresponding capital assets is to report an unrestricted net position (deficit).
 - At June 30, 2014, the City's governmental funds reported combined ending fund balances of \$34,671,130. That net amount is the result of \$5,987 non-spendable fund balance, \$28,542,781 in restricted fund balance, \$3,510,329 of assigned fund balance, and \$2,612,033 in unassigned fund balance.
 - All activity of the revenue bonds issued by the McAlester Public Works Authority were previously reported in an enterprise fund and as business-type activities; however, these revenue bonds were related to activities and capital improvements of the City's governmental activities including street and drainage improvements, along with activities for the benefit of entities not included within the City's primary government, primarily school system improvements and economic development activities. Therefore, these activities are now being reported in the governmental funds and governmental activities.
 - On June 30, 2013, the City effectively halted the admission of new employees into its single employer defined benefit pension plan, in order to freeze the plan's liabilities at their current levels. In its place, the City has created a single employer defined contribution plan for its employees, which is administered by the Oklahoma Municipal Retirement Fund (OMRF).

- The City has implemented GASB Statement 67-Financial Reporting for Pension Plans, during this fiscal year, which requires new and additional disclosures, and additional Required Supplementary Information schedules related to the funded status of the City's single employer pension plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The governmental-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities

This discussion and analysis is intended to serve as an introduction to the City of McAlester's basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 20 & 21, respectively) report information about the City as a whole and about its activities in a way that helps answer questions. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

- Governmental activities -- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities -- The City's activities that charge a fee to customers to help cover all or most of the cost of certain services it provides. The City's water, sewer, and solid waste collections utilities, along with its airport activities, are reported here.
- Discretely-presented component units -- These account for activities of the City's reporting entity that do not meet the criteria for blending, and include the Regional Health Center Authority and the Parking Authority.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. The City of McAlester, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of McAlester can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds -- Most of the City's basic services are reported in governmental funds, which focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. These funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds -- When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Enterprise funds are one type of proprietary funds and are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and solid waste collection, disposal services, and airport services. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

For the year ended June 30, 2014, net position for the governmental activities and business-type activities increased \$3,673,126. The results indicate the City, as a whole, improved its financial condition from the prior year.

The City of McAlester's Change in Net Position

	Governmental Activities	Business-type Activities	Total
Beginning net position (deficit), restated	\$ (3,496,917)	\$ 25,836,612	\$ 22,339,695
Increase in net position	3,485,084	188,042	3,673,126
Ending net position	\$ (11,833)	\$ 26,024,654	\$ 26,012,821

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

The City of McAlester's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	(Restated) 2013	2014	(Restated) 2013	2014	(Restated) 2013
Assets:						
Current and other assets	\$ 37,554,887	\$ 31,112,450	\$ 6,004,915	\$ 6,084,278	\$ 43,559,802	\$ 37,196,728
Capital assets	30,201,974	30,845,763	26,848,160	27,067,882	57,050,134	57,913,645
Total assets	67,756,861	61,958,213	32,853,075	33,152,160	100,609,936	95,110,373
Deferred Outflows of Resources:						
Deferred outflow on refunding	1,004,449	1,118,150	-	-	1,004,449	1,118,150
Liabilities:						
Long-term liabilities	66,943,076	64,990,322	5,849,461	6,223,238	72,792,537	71,213,560
Other liabilities	1,830,067	1,582,958	978,960	1,092,310	2,809,027	2,675,268
Total liabilities	68,773,143	66,573,280	6,828,421	7,315,548	75,601,564	73,888,828
Net position:						
Net investment in capital assets	(9,351,998)	(9,975,157)	25,468,139	25,309,905	16,116,141	15,334,748
Restricted	9,671,931	9,774,023	-	-	9,671,931	9,774,023
Unrestricted (deficit)	(331,766)	(3,295,783)	556,515	526,707	224,749	(2,769,076)
Total net position	\$ (11,833)	\$ (3,496,917)	\$ 26,024,654	\$ 25,836,612	\$ 26,012,821	\$ 22,339,695

The significant decline in the size of the governmental activity unrestricted net position (deficit) is primarily the result of receiving proceeds from sale of capital assets of \$1,350,000 and a decrease in revenue bonds outstanding of \$1,225,000 related to non-capital school and economic development debt.

The largest portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This year the net investment in capital assets amounted to approximately \$16.1 million. Although the City's investment in its capital assets is reported

**MANAGEMENT'S DISCUSSION & ANALYSIS
CITY OF MCALESTER, OKLAHOMA
JUNE 30, 2014**

net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the City's net position, approximately \$9.7 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is generally considered to be available to be used to meet the government's ongoing obligations to citizens and creditors. For the current year, this unrestricted net position amounted to approximately \$224,749. The governmental activities deficit balance of \$331,766 is indicative of the McAlester Public Works Authority (MPWA) issuing revenue bonded indebtedness for the benefit of entities not included within the City's primary government, primarily school system improvements and economic development activities. Most of this debt is expected to be retired from future dedicated sales tax collections. However, the result of reporting the long-term debt without corresponding capital assets is to report an unrestricted net position (deficit).

The City of McAlester's Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2014	(Restated) 2013	2014	(Restated) 2013	2014	(Restated) 2013
Revenues:						
Program revenues:						
Charges for Services	\$ 3,538,079	\$ 2,905,487	\$ 8,746,434	\$ 9,719,309	\$ 12,284,513	\$ 12,624,796
Grants & Contributions	1,219,239	1,211,012	-	-	1,219,239	1,211,012
Capital Grants & Contributions	314,587	231,653	72,772	665,393	387,359	897,046
General Revenues:						
Sales & Use Tax	13,950,434	14,056,846	-	-	13,950,434	14,056,846
Other Taxes	1,686,195	1,692,003	-	-	1,686,195	1,692,003
Other General Revenues	1,797,294	512,456	59,618	133,089	1,856,912	645,545
Total Revenues	22,505,828	20,609,457	8,878,824	10,517,791	31,384,652	31,127,248
Program Expenses:						
Legislature	92,698	119,631	-	-	92,698	119,631
Administration	2,633,457	2,593,075	-	-	2,633,457	2,593,075
Public safety	8,269,035	8,398,927	-	-	8,269,035	8,398,927
Community services	2,176,495	2,692,851	-	-	2,176,495	2,692,851
Administration services	1,011,076	1,073,174	-	-	1,011,076	1,073,174
Health and welfare	256,902	277,730	-	-	256,902	277,730
Public works	2,764,212	2,641,505	-	-	2,764,212	2,641,505
Economic development	243,467	334,831	-	-	243,467	334,831
Interest on long-term debt	2,603,604	2,365,317	-	-	2,603,604	2,365,317
Water	-	-	2,504,280	2,699,541	2,504,280	2,699,541
Sewer	-	-	1,534,532	1,633,520	1,534,532	1,633,520
Sanitation	-	-	3,291,636	3,836,266	3,291,636	3,836,266
Airport	-	-	330,132	322,386	330,132	322,386
Total Expenses	20,050,946	20,497,041	7,660,580	8,491,713	27,711,526	28,988,754
Revenues in excess of expenses	2,454,882	112,416	1,218,244	2,026,078	3,673,126	2,138,494
Net Transfers	1,030,202	913,496	(1,030,202)	(913,496)	-	-
Increase in Net Position	\$ 3,485,084	\$ 1,025,912	\$ 188,042	\$ 1,112,582	\$ 3,673,126	\$ 2,138,494

For the year ended June 30, 2014, on a government-wide basis, the City experienced an improvement in its financial condition resulting in an increase in total net position of \$3,673,126. The increase in the change in net position can be attributable to an increase in other general revenues related to proceeds from sale of capital assets of \$1,350,000.

The City's current year governmental activities increase in net position of \$3,485,084 represents a significant change from the increase in net position of \$1,025,912 experienced in the prior year. This year's increase in the change in net position from the prior year change can be attributable in large part to receiving proceeds from sale of capital assets of \$1,350,000.

The business-type activities experienced a current year increase in net position of \$188,042, and represents a significant change from the increase in net position of \$1,112,582 experienced in the prior year. This year's decrease in the change in net position from the prior year change can be attributable in large part to a decrease in charges for services utility revenue.

In reviewing the activity net (expense)/revenue, all business-type functions, with the exception of sanitation and airport, (water and sewer) charges for services more than covered all related expenses.

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 \$34,671,130. However, that net amount is the result of \$5,987 in non-spendable fund balance, \$28,542,781 in restricted fund balance, \$3,510,329 of assigned fund balance, and \$2,612,033 in unassigned fund balance.

For the reasons discussed previously in regards to business-type activities, the enterprise funds reported combined net position of approximately \$26 million.

The General Fund's total fund balance increased by \$312,448, or 13.3%, which is a decrease from the change in fund balance of prior year. This is in large part due to a slight decrease in current year sales tax, an increase in expenses, and a decrease in net transfers in.

The McAlester Public Works Authority enterprise fund reported an increase in net position, after transfers and capital contributions of \$134,787 for the year.

General Fund Budgetary Highlights

For the year ended June 30, 2014, the General Fund reported actual budgetary basis amounts available for appropriations above final estimates by \$1,941,000 or a 13.0% positive variance. This variance is due to the City only appropriating \$1,055,690 of actual \$2,698,546 beginning budgetary fund balance. General Fund actual expenditures were under final appropriations by \$853,939 or a 5.7% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the City had approximately \$57.1 million invested in capital assets including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net decrease of \$863,511 from last year.

Below are details regarding the City's capital assets for the years ended June 30, 2014 and 2013.¹

¹ For more detailed information on capital asset activity please refer to page 45-46, Note 5. Capital Assets and Depreciation

² For more detailed information on long-term debt activity please refer to page 47-53, Note 7. Long-Term Debt and Debt Service Requirements

The City of McAlester's Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 680,937	\$ 675,209	\$ 212,571	\$ 212,571	\$ 893,508	\$ 887,780
Buildings and Improvements	7,321,732	7,243,526	6,058,074	5,923,049	13,379,806	13,166,575
Machinery and Equipment	10,623,812	10,049,451	3,519,990	3,402,339	14,143,802	13,451,790
Infrastructure	63,526,061	62,885,125	-	-	63,526,061	62,885,125
Utility Property	-	-	45,430,877	43,431,999	45,430,877	43,431,999
Water rights contracts	-	-	719,075	719,075	719,075	719,075
Construction-in-progress	601,185	108,115	686,231	1,769,285	1,287,416	1,877,400
Totals	82,753,727	80,961,426	56,626,818	55,458,318	139,380,545	136,419,744
Less Depreciation	(52,551,753)	(50,115,663)	(29,778,658)	(28,390,436)	(82,330,411)	(78,506,099)
Totals, Net	\$ 30,201,974	\$ 30,845,763	\$ 26,848,160	\$ 27,067,882	\$ 57,050,134	\$ 57,913,645

This year's more significant capital asset additions include \$158,061 for Mallard & Flamingo Street Project, \$969,113 for Residual Handling Improvements, \$145,249 for 2013 CDBG Water Improvements, \$267,656 for a 12" Water Main-Taylor Bus. Park, \$433,884 for Sewer Extension Project at 14th St & Hwy 69, \$170,165 for 8" Water Main Project, \$524,844 for 17th Street Project, \$417,615 for Street Projects, and \$131,615 for C130 Aircraft Parking Project.

Debt Administration

At year-end, the City had \$72.9 million in long-term debt outstanding, which represents a \$1,566,227 increase from the prior year.²

The City of McAlester's Long-term Debt

	Governmental Activities		Business-type Activities		Totals	
	2014	(Restated) 2013	2014	(Restated) 2013	2014	(Restated) 2013
Capital leases payable	\$ 42,779	\$ 80,443	\$ -	\$ -	\$ 42,779	\$ 80,443
Claims liability	503,641	555,221	-	-	503,641	555,221
Accrued compensation	2,096,308	2,079,675	239,902	275,577	2,336,210	2,355,252
Notes Payable	-	-	450,905	613,683	450,905	613,683
Revenue Bonds Payable	64,122,887	62,046,923	-	-	64,122,887	62,046,923
Landfill Closure and Post-Closure	-	-	3,663,494	3,622,531	3,663,494	3,622,531
Net pension benefit obligation	317,585	380,934	95,441	117,660	413,026	498,594
Contract obligation	-	-	754,165	942,707	754,165	942,707
Water contract obligations	-	-	174,951	201,587	174,951	201,587
Deposits subject to refund	-	-	470,603	449,493	470,603	449,493
Totals	\$ 67,083,200	\$ 65,143,196	\$ 5,849,461	\$ 6,223,238	\$ 72,932,661	\$ 71,366,434

The MPWA issued \$4,910,000 of 2014 Utility System & Sales Tax Revenue Bonds to provide funds to pay the cost and expenses of certain street improvements benefiting the City.

The 2002 Revenue Bonds contain \$746,818, \$704,610, \$664,799, and \$920,949 (par value) of capital appreciation bonds. The accreted value of the first three bonds is \$3,930,000 each, and will require three

separate \$3,930,000 payments maturing February 1, 2031, February 1, 2032 and February 1, 2033. The fourth bond will mature on February 1, 2034 and require a payment of \$5,770,000. No payments are required to be made on these bonds until maturity.

ECONOMIC OUTLOOK

In fiscal year 2013-2014, the City of McAlester revenues met our budget projections with sales tax revenues showing signs of stabilization. McAlester has a strong foundation of employers that contribute to the City's stable economy. They include the McAlester Army Ammunition Plant, Spirit Aerosystems, Berry Plastics, Choctaw Defense, the McAlester Regional Health Center, National Oilwell Varco, the Oklahoma State Penitentiary, and Tucker Energy. Our economic outlook remains positive.

The City of McAlester continues to prioritize services for our community. First, major street improvement projects are underway funded by the 2013 and 2014 bond issuance. Second, by prioritizing capital improvements and infrastructure repairs, the City is able to fund much-needed projects and equipment. Third, with the support of our council, management, staff, and the community, the City of McAlester put together numerous quality of life projects in 2013-2014. Great new handicap accessible playground equipment was installed at Chadick Park where we also held our Movies in the Park series. This was a big hit and a very popular family fun activity for our community. With grants and contributions from our community, the City completed the Union Pacific Trails project in North Town, a Disc Golf course, a community garden, a Firewise safety program, and a dog park called Central Bark.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 1st and Washington, McAlester, Oklahoma or phone at (918) 423-9300.

BASIC FINANCIAL STATEMENTS

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

Government-Wide Statement of Net Position– June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 32,137,335	\$ 3,343,011	\$ 35,480,346	\$ 21,377,807
Investments	1,734,206	-	1,734,206	3,579,031
Accounts receivable, net of allowance	-	1,038,736	1,038,736	12,128,125
Estimated amounts due from third-party payers	-	-	-	104,035
Franchise tax receivable	56,667	-	56,667	-
Ambulance receivable, net of allowance	115,347	-	115,347	-
Court fines receivable, net of allowance	1,326,109	-	1,326,109	-
Due from other governments	1,941,292	-	1,941,292	-
Prepaid expenses	5,987	-	5,987	1,558,672
Other receivables	57,331	-	57,331	-
Internal balances	100,745	(100,745)	-	-
Inventory	-	-	-	2,139,929
Investment in joint venture	-	1,723,913	1,723,913	4,498,671
Restitution receivable:				
Due within one year	5,541	-	5,541	-
Due in more than one year	74,327	-	74,327	-
Notes receivable:				
Due within one year	-	-	-	30,400
Due in more than one year	-	-	-	220,823
Capital assets:				
Land and other non-depreciable assets	1,282,122	1,617,877	2,899,999	1,253,445
Other capital assets, net of depreciation	28,919,852	25,230,283	54,150,135	22,393,489
Total assets	67,756,861	32,853,075	100,609,936	69,284,427
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflow on refunding	1,004,449	-	1,004,449	-
LIABILITIES:				
Accounts payable	639,935	365,082	1,005,017	3,972,326
Accrued payroll liabilities	345,903	41,854	387,757	5,921,766
Accrued interest payable	842,079	3,049	845,128	-
Escrow deposit liabilities	-	511,199	511,199	-
Unearned revenue	2,150	57,776	59,926	-
Long-term liabilities:				
Due within one year	3,929,044	818,273	4,747,317	894,012
Due in more than one year	63,014,032	5,031,188	68,045,220	695,975
Total liabilities	68,773,143	6,828,421	75,601,564	11,484,079
NET POSITION:				
Net investment in capital assets	(9,351,998)	25,468,139	16,116,141	22,056,947
Restricted	9,671,931	-	9,671,931	547,885
Unrestricted (deficit)	(331,766)	556,515	224,749	35,195,516
Total net position	\$ (11,833)	\$ 26,024,654	\$ 26,012,821	\$ 57,800,348

See accompanying notes to the basic financial statements.

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

Government-Wide Statement of Activities –Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
Legislature	\$ 92,698	\$ -	\$ -	\$ -	\$ (92,698)	\$ -	\$ (92,698)	\$ -
Administration	2,633,457	1,379,607	9,023	5,891	(1,238,936)	-	(1,238,936)	-
Public safety	8,269,035	1,753,602	952,484	35,143	(5,527,806)	-	(5,527,806)	-
Community services	2,176,495	108,181	22,001	13,553	(2,032,760)	-	(2,032,760)	-
Administration services	1,011,076	284,712	-	-	(726,364)	-	(726,364)	-
Health and welfare	256,902	-	61,870	-	(195,032)	-	(195,032)	-
Public works	2,764,212	11,977	173,861	-	(2,578,374)	-	(2,578,374)	-
Economic development	243,467	-	-	260,000	16,533	-	16,533	-
Interest on long-term debt	2,603,604	-	-	-	(2,603,604)	-	(2,603,604)	-
Total governmental activities	20,050,946	3,538,079	1,219,239	314,587	(14,979,041)	-	(14,979,041)	-
Business-type activities:								
Water	2,504,280	4,102,106	-	72,772	-	1,670,598	1,670,598	-
Sewer	1,534,532	1,633,623	-	-	-	99,091	99,091	-
Sanitation	3,291,636	2,918,401	-	-	-	(373,235)	(373,235)	-
Airport	330,132	92,304	-	-	-	(237,828)	(237,828)	-
Total business-type activities	7,660,580	8,746,434	-	72,772	-	1,158,626	1,158,626	-
Total primary government	\$27,711,526	\$12,284,513	\$1,219,239	\$387,359	(14,979,041)	1,158,626	(13,820,415)	-
Component Units:								
Parking	\$ 1,943	\$ 7,241	\$ -	\$ -				5,298
Hospital	81,178,885	84,784,235	-	12,091				3,617,441
Total Component Units	\$ 81,180,828	\$ 84,791,476	\$ -	\$ 12,091				3,622,739
General revenues:								
Taxes:								
Sales and use taxes					13,950,434	-	13,950,434	-
Franchise and public service taxes					607,578	-	607,578	-
Hotel/motel taxes					447,768	-	447,768	-
E-911 taxes					630,849	-	630,849	-
Intergovernmental revenue not restricted to specific programs					291,828	-	291,828	-
Investment income					69,007	13,945	82,952	381,120
Miscellaneous					1,436,459	45,673	1,482,132	-
Transfers - Internal activity					1,030,202	(1,030,202)	-	-
Total general revenues and transfers					18,464,125	(970,584)	17,493,541	381,120
Change in net position					3,485,084	188,042	3,673,126	4,003,859
Net position (deficit) - beginning, restated					(3,496,917)	25,836,612	22,339,695	53,796,489
Net position (deficit) - ending					\$ (11,833)	\$ 26,024,654	\$26,012,821	\$ 57,800,348

See accompanying notes to the basic financial statements.

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

Governmental Funds Balance Sheet - June 30, 2014

	General Fund	Special Revenue	Capital Project	Debt Service		Other Governmental Funds	Total Governmental Funds
		Reserve Fund	Capital Improvement Plan Fund	Dedicated Sales Tax - MPWA	Bond Trustee Fund		
ASSETS:							
Cash and cash equivalents	\$ 3,089,847	\$ 2,776,565	\$ 585,931	\$ 657,295	\$ 18,870,850	\$ 6,114,820	\$ 32,095,308
Investments	-	869,373	321,475	-	-	543,358	1,734,206
Receivables:							
Due from other funds	-	-	800,000	-	-	25,000	825,000
Due from other governments	1,131,283	-	5,553	499,200	-	305,256	1,941,292
Franchise tax receivable	56,667	-	-	-	-	-	56,667
Court fines receivable, net of allowance	1,326,109	-	-	-	-	-	1,326,109
Ambulance receivable, net of allowance	115,347	-	-	-	-	-	115,347
Prepaid expenses	5,987	-	-	-	-	-	5,987
Other receivables	1,955	-	-	-	-	55,376	57,331
Total assets	\$ 5,727,195	\$ 3,645,938	\$ 1,712,959	\$ 1,156,495	\$ 18,870,850	\$ 7,043,810	\$ 38,157,247
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$ 250,664	\$ -	\$ 245,398	\$ -	\$ -	\$ 120,036	\$ 616,098
Accrued payroll liabilities	325,802	-	-	-	-	14,920	340,722
Due to other funds	1,215,350	-	-	-	-	25,000	1,240,350
Unearned revenue	2,150	-	-	-	-	-	2,150
Total liabilities	1,793,966	-	245,398	-	-	159,956	2,199,320
Deferred Inflows of Resources:							
Deferred revenue	1,266,367	-	5,553	-	-	14,877	1,286,797
Fund Balances:							
Nonspendable	5,987	-	-	-	-	-	5,987
Restricted	-	3,472,802	800,000	1,156,495	18,870,850	4,242,634	28,542,781
Assigned	48,842	173,136	662,008	-	-	2,626,343	3,510,329
Unassigned	2,612,033	-	-	-	-	-	2,612,033
Total fund balances	2,666,862	3,645,938	1,462,008	1,156,495	18,870,850	6,868,977	34,671,130
Total liabilities, deferred inflows and fund balances	\$ 5,727,195	\$ 3,645,938	\$ 1,712,959	\$ 1,156,495	\$ 18,870,850	\$ 7,043,810	\$ 38,157,247

See accompanying notes to the basic financial statements.

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

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

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

Total fund balances - governmental funds	\$	34,671,130
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 \$52,551,753		30,201,974
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:		
Grants receivable		20,430
Court fines receivable, net of allowance for doubtful accounts of \$1,326,108		1,250,907
Ambulance receivable, net of allowance for doubtful accounts of \$1,592,561		15,460
		1,286,797
Certain long-term assets are not a current financial resource and, therefore, are not reported in the fund financial statement, but are included in the governmental activities of the Statement of Net Position:		
Restitution receivable		79,868
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Accrued interest payable		(842,079)
Capital lease obligations payable		(42,779)
Revenue bonds payable, net of discount of \$140,124		(63,982,763)
Deferred outflow on refunding		1,004,449
Accrued compensated absences		(2,070,845)
Net pension benefit obligation		(317,585)
		(66,251,602)
Net position of governmental activities	\$	(11,833)

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

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances – Year Ended June 30, 2014

	General Fund	Special Revenue	Capital Project	Debt Service		Other Governmental Funds	Total Governmental Funds
		Reserve Fund	Capital Improvement Plan Fund	Dedicated Sales Tax - MPWA	Bond Trustee Fund		
Revenues:							
Taxes	\$ 8,846,991	\$ -	\$ -	\$ 3,807,349	\$ -	\$ 2,982,289	\$ 15,636,629
Intergovernmental	1,464,771	-	-	-	-	369,038	1,833,809
Charges for services	2,130,662	-	233,180	-	-	331,634	2,695,476
Fines and forfeitures	787,160	-	-	-	-	-	787,160
Licenses and permits	141,489	-	-	-	-	-	141,489
Investment income	23,284	17,211	763	5,384	1,121	21,244	69,007
Miscellaneous	80,142	-	6,605	-	-	47,124	133,871
Total Revenues	13,474,499	17,211	240,548	3,812,733	1,121	3,751,329	21,297,441
Expenditures:							
Current:							
Legislature	92,698	-	-	-	-	-	92,698
Administration	2,455,164	-	-	1,500	-	18,826	2,475,490
Public safety	7,333,554	-	-	-	-	528,210	7,861,764
Community services	1,859,274	-	-	-	-	2,883	1,862,157
Administration services	446,697	-	-	-	-	564,017	1,010,714
Health and welfare	254,596	-	-	-	-	-	254,596
Public works	1,169,200	-	-	-	-	-	1,169,200
Economic development	-	-	-	-	-	217,067	217,067
Capital outlay	553,273	-	938,186	-	524,844	491,811	2,508,114
Debt service:							
Principal retirement	-	-	37,664	-	3,170,000	-	3,207,664
Interest and fiscal charges	-	-	2,882	-	2,145,334	-	2,148,216
Bond issue costs	-	-	-	-	83,603	-	83,603
Total Expenditures	14,164,456	-	978,732	1,500	5,923,781	1,822,814	22,891,283
Excess (deficiency) of revenues over expenditures	(689,957)	17,211	(738,184)	3,811,233	(5,922,660)	1,928,515	(1,593,842)
Other Financing Sources (Uses):							
Transfers in	1,760,943	-	665,547	-	5,622,417	72,799	8,121,706
Transfers out	(758,538)	-	(324,751)	(4,082,736)	-	(1,543,071)	(6,709,096)
Proceeds from sale of capital assets	-	-	-	-	-	1,350,000	1,350,000
Bond proceeds	-	-	-	-	4,910,000	-	4,910,000
Total Other Financing Sources (Uses)	1,002,405	-	340,796	(4,082,736)	10,532,417	(120,272)	7,672,610
Net change in fund balances	312,448	17,211	(397,388)	(271,503)	4,609,757	1,808,243	6,078,768
Fund balances - beginning, restated	2,354,414	3,628,727	1,859,396	1,427,998	14,261,093	5,060,734	28,592,362
Fund balances - ending	\$ 2,666,862	\$ 3,645,938	\$ 1,462,008	\$ 1,156,495	\$ 18,870,850	\$ 6,868,977	\$ 34,671,130

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
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Reconciliation of Governmental Funds and Government-Wide Financial Statements:

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

Net change in fund balances - total governmental funds \$ 6,078,768

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

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

Capital asset purchases capitalized	2,474,617
Capital asset purchases for business-type activities	(688,360)
Capital assets contributed	5,891
Book value on capital assets disposed	153
Depreciation expense	(2,436,090)
	(643,789)

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

Change in restitution revenue	(5,541)
Change in deferred revenue	163,836
	158,295

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

Revenue bond proceeds	(4,910,000)
Revenue bond principal payments	3,170,000
Accretion of capital appreciation revenue bonds	(335,964)
Capital lease obligation principal payments	37,664
	(2,038,300)

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

Accrued interest expense	7,027
Amortization of deferred outflow on refunding	(126,451)
Accrued compensated absences expenses	(13,815)
Accrued net pension benefit obligation	63,349
	(69,890)

Change in net position of governmental activities \$ 3,485,084

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
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As of and for the Year Ended June 30, 2014

Proprietary Funds Statement of Net Position - June 30, 2014

	Enterprise Funds			Internal Service Funds
	McAlester Public Works Authority	McAlester Airport Authority	Total	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 2,194,904	\$ 166,305	\$ 2,361,209	\$ 42,027
Restricted cash and cash equivalents	981,802	-	981,802	-
Due from other funds	-	-	-	516,095
Accounts receivable, net of allowance	1,029,579	9,157	1,038,736	-
Total current assets	<u>4,206,285</u>	<u>175,462</u>	<u>4,381,747</u>	<u>558,122</u>
Noncurrent Assets:				
Investment in joint venture	1,723,913	-	1,723,913	-
Capital assets:				
Land and other non-depreciable assets	1,273,417	344,460	1,617,877	-
Other capital assets, net of depreciation	22,509,993	2,720,290	25,230,283	-
Total noncurrent assets	<u>25,507,323</u>	<u>3,064,750</u>	<u>28,572,073</u>	<u>-</u>
Total Assets	<u>29,713,608</u>	<u>3,240,212</u>	<u>32,953,820</u>	<u>558,122</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	362,992	2,090	365,082	23,837
Accrued payroll liabilities	39,384	2,470	41,854	5,181
Due to other funds	100,745	-	100,745	-
Escrow deposit liability	511,199	-	511,199	-
Interest payable	2,596	453	3,049	-
Unearned revenue	57,776	-	57,776	-
Landfill closure and postclosure liability	366,349	-	366,349	-
Due to depositors	94,121	-	94,121	-
Notes payable	67,590	50,353	117,943	-
Contract obligation	188,542	-	188,542	-
Water rights contract obligation	27,328	-	27,328	-
Accrued compensated absences	21,707	2,283	23,990	2,546
Total current liabilities	<u>1,840,329</u>	<u>57,649</u>	<u>1,897,978</u>	<u>31,564</u>
Noncurrent Liabilities:				
Claims liability	-	-	-	503,641
Landfill closure and post-closure liability	3,297,145	-	3,297,145	-
Due to depositors	376,482	-	376,482	-
Net pension benefit obligation	92,549	2,892	95,441	-
Notes payable	127,779	205,183	332,962	-
Contract obligation	565,623	-	565,623	-
Water rights contract obligation	147,623	-	147,623	-
Accrued compensated absences	195,367	20,545	215,912	22,917
Total noncurrent liabilities	<u>4,802,568</u>	<u>228,620</u>	<u>5,031,188</u>	<u>526,558</u>
Total liabilities	<u>6,642,897</u>	<u>286,269</u>	<u>6,929,166</u>	<u>558,122</u>
NET POSITION:				
Net investment in capital assets	22,658,925	2,809,214	25,468,139	-
Unrestricted	411,786	144,729	556,515	-
Total net position	<u>\$ 23,070,711</u>	<u>\$ 2,953,943</u>	<u>\$ 26,024,654</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

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

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position - Year Ended June 30, 2014

	Enterprise Funds			Internal Service Funds
	McAlester Public Works Authority	McAlester Airport Authority	Total	
Operating Revenues:				
Charges for services:				
Water	\$ 2,883,430	\$ -	\$ 2,883,430	\$ -
Sewer	1,560,293	-	1,560,293	-
Sanitation	2,484,200	-	2,484,200	-
Water taps	30,172	-	30,172	-
Sewer taps	11,700	-	11,700	-
Water districts	1,074,603	-	1,074,603	-
Landfill	2,742	-	2,742	-
Penalties	8,576	-	8,576	-
Recycle fees	31,913	-	31,913	-
Subtitle "D" fees	333,321	-	333,321	-
Airport rents and fees	-	92,304	92,304	-
Self insurance charges	-	-	-	1,236,847
Miscellaneous	-	-	-	28,679
Total operating revenues	<u>8,420,950</u>	<u>92,304</u>	<u>8,513,254</u>	<u>1,265,526</u>
Operating Expenses:				
Utility office	488,862	-	488,862	-
Interdepartmental	685,331	-	685,331	-
Sanitation	1,908,041	-	1,908,041	-
Engineering	339,680	-	339,680	-
Sewer	718,007	-	718,007	-
Water	877,794	-	877,794	-
Utility maintenance	873,453	-	873,453	-
Landfill	226,655	-	226,655	-
Airport	-	167,979	167,979	-
Fleet maintenance	-	-	-	614,263
Claims expense	-	-	-	651,263
Depreciation expense	1,238,031	150,191	1,388,222	-
Total operating expenses	<u>7,355,854</u>	<u>318,170</u>	<u>7,674,024</u>	<u>1,265,526</u>
Operating income (loss)	1,065,096	(225,866)	839,230	-
Non-Operating Revenues (Expenses):				
Investment income	13,945	-	13,945	-
Interest expense and fiscal charges	(9,516)	(11,962)	(21,478)	-
Miscellaneous revenue	34,196	11,477	45,673	-
Gain on joint venture	34,922	-	34,922	-
Total non-operating revenues (expenses)	<u>73,547</u>	<u>(485)</u>	<u>73,062</u>	<u>-</u>
Net income (loss) before contributions and transfers	1,138,643	(226,351)	912,292	-
Capital contributions	556,745	131,615	688,360	-
Transfers in	328,141	147,991	476,132	-
Transfer out	(1,888,742)	-	(1,888,742)	-
Change in net position	134,787	53,255	188,042	-
Total net position - beginning, restated	22,935,924	2,900,688	25,836,612	-
Total net position - ending	<u>\$ 23,070,711</u>	<u>\$2,953,943</u>	<u>\$ 26,024,654</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
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As of and for the Year Ended June 30, 2014

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

	Enterprise Funds			Internal Service Funds
	McAlester Public Works Authority	McAlester Airport Authority	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 8,932,117	\$ 96,111	\$ 9,028,228	\$ -
Payments to suppliers	(4,071,709)	(40,909)	(4,112,618)	(1,021,616)
Payments to employees	(2,235,728)	(126,567)	(2,362,295)	(288,159)
Receipts of customer meter deposits	128,735	-	128,735	-
Refund of customer meter deposits	(107,625)	-	(107,625)	-
Other receipts (payments)	69,418	11,477	80,895	1,333,835
Net Cash Provided by (Used in) Operating Activities	<u>2,715,208</u>	<u>(59,888)</u>	<u>2,655,320</u>	<u>24,060</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	328,141	147,991	476,132	-
Transfers to other funds	(1,888,742)	-	(1,888,742)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(1,560,601)</u>	<u>147,991</u>	<u>(1,412,610)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(480,140)	-	(480,140)	-
Principal payment of capital debt	(329,738)	(48,218)	(377,956)	-
Interest and fiscal charges paid on capital debt	(10,095)	(12,022)	(22,117)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(819,973)</u>	<u>(60,240)</u>	<u>(880,213)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	13,945	-	13,945	-
Net Cash Provided by Investing Activities	<u>13,945</u>	<u>-</u>	<u>13,945</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	348,579	27,863	376,442	24,060
Balances - beginning of the year, restated	<u>2,828,127</u>	<u>138,442</u>	<u>2,966,569</u>	<u>17,967</u>
Balances - end of the year	<u>\$ 3,176,706</u>	<u>\$ 166,305</u>	<u>\$ 3,343,011</u>	<u>\$ 42,027</u>

See accompanying notes to the basic financial statements.

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

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2014, (Continued)

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>McAlester Public Works Authority</u>	<u>McAlester Airport Authority</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,065,096	\$ (225,866)	\$ 839,230	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	1,238,031	150,191	1,388,222	-
Other non-operating revenues (expenses)	69,118	11,477	80,595	-
Change in assets and liabilities:				
Receivables, net	506,812	3,807	510,619	-
Due from other funds	-	-	-	68,309
Investment in joint venture	(55,114)	-	(55,114)	-
Accounts payable	(100,784)	384	(100,400)	5,870
Accrued payroll liabilities	(15,767)	(899)	(16,666)	(1,357)
Due to other funds	300	-	300	-
Escrow deposit liability	308	-	308	-
Claims liability	-	-	-	(51,580)
Unearned revenue	4,047	-	4,047	-
Due to depositors	21,110	-	21,110	-
Landfill closure liability	40,963	-	40,963	-
Pension benefit obligation	(20,908)	(1,311)	(22,219)	-
Accrued compensated absences	(38,004)	2,329	(35,675)	2,818
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,715,208</u>	<u>\$ (59,888)</u>	<u>\$ 2,655,320</u>	<u>\$ 24,060</u>
Noncash capital and related financing activities:				
Capital assets contributed from governmental funds	<u>\$ 556,745</u>	<u>\$ 131,615</u>	<u>\$ 688,360</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
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As of and for the Year Ended June 30, 2014

Statement of Fiduciary Net Position – Pension Trust Fund - June 30, 2014

	Defined Benefit Retirement Plan and Trust Fund
ASSETS:	
Cash and cash equivalents	\$ 268,900
Investments:	
Corporate bonds	541,414
Fixed rate capital securities	26,000
Mortgage and asset backed securities	261,334
Government treasury securities	1,482,483
Mutual funds	873,539
Preferred stocks	152,503
Common stocks	10,189,522
Interest receivable	13,594
Other receivable	271
	13,809,560
 Total assets	 13,809,560
 NET POSITION:	
Held in trust for employee pension benefits	\$ 13,809,560

Statement of Changes in Fiduciary Net Position – Pension Trust Fund - Year Ended June 30, 2014

	Defined Benefit Retirement Plan and Trust Fund
ADDITIONS:	
Contribution from employer	\$ 580,226
Investment income	266,940
Reimbursements	71,351
Realized and unrealized gain on investments	2,177,524
	3,096,041
 DEDUCTIONS:	
Benefits paid to participants or beneficiaries	992,995
Administrative expenses	148,960
	1,141,955
 Change in net position held in trust for employees' pension benefits	 1,954,086
 Net position - beginning	 11,855,474
 Net position - ending	 \$ 13,809,560

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
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As of and for the Year Ended June 30, 2014

Discretely Presented Component Units Combining Statement of Net Position - June 30, 2014

	Component Units		
	Public Trusts		
	McAlester Regional Health Center Authority	McAlester Parking Authority	Total Component Units
ASSETS:			
Cash and cash equivalents	\$ 21,322,856	\$ 54,951	\$ 21,377,807
Investments	3,579,031	-	3,579,031
Accounts receivable, net	12,128,105	20	12,128,125
Estimated amounts due from third-party payers	104,035	-	104,035
Inventory	2,139,929	-	2,139,929
Investment in joint venture	4,498,671	-	4,498,671
Prepaid expenses	1,558,672	-	1,558,672
Notes receivable:			
Due within one year	30,400	-	30,400
Due in more than one year	220,823	-	220,823
Capital assets:			
Land and construction in progress	1,253,445	-	1,253,445
Other capital assets, net of depreciation	22,393,489	-	22,393,489
Total assets	<u>69,229,456</u>	<u>54,971</u>	<u>69,284,427</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	3,972,142	184	3,972,326
Accrued payroll payable	5,921,766	-	5,921,766
Long-term liabilities:			
Due within one year	894,012	-	894,012
Due in more than one year	695,975	-	695,975
Total liabilities	<u>11,483,895</u>	<u>184</u>	<u>11,484,079</u>
NET POSITION:			
Net investment in capital assets	22,056,947	-	22,056,947
Restricted for capital acquisitions and debt service	119,474	-	119,474
Restricted for workers' compensation claims	403,411	-	403,411
Restricted for specific operating activities	25,000	-	25,000
Unrestricted	35,140,729	54,787	35,195,516
Total net position	<u>\$ 57,745,561</u>	<u>\$ 54,787</u>	<u>\$ 57,800,348</u>

See accompanying notes to the basic financial statements.

CITY OF MCALESTER, OKLAHOMA
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Discretely Presented Component Units Combining Statement of Activities - Year Ended June 30, 2014

	Component Units		
	Public Trusts		
	McAlester Regional Health Center Authority	McAlester Parking Authority	Total Component Units
Operating Revenues:			
Charges for services	\$ -	\$ 7,241	\$ 7,241
Net patient service revenue	79,400,230	-	79,400,230
Miscellaneous	4,595,634	-	4,595,634
	<u>83,995,864</u>	<u>7,241</u>	<u>84,003,105</u>
Total Operating Revenues			
Operating Expenses:			
Parking	-	1,943	1,943
Health and welfare	81,127,386	-	81,127,386
	<u>81,127,386</u>	<u>1,943</u>	<u>81,129,329</u>
Total Operating Expenses			
Net Operating Income	2,868,478	5,298	2,873,776
Non-Operating Revenues (Expenses):			
Investment income	381,120	-	381,120
Income from joint ventures	788,371	-	788,371
Interest expense and fiscal agent fees	(51,499)	-	(51,499)
	<u>1,117,992</u>	<u>-</u>	<u>1,117,992</u>
Net Non-Operating Revenues (Expenses)			
Net Income Before Transfers and Contributions	3,986,470	5,298	3,991,768
Gifts to Purchase Capital Assets and Other Capital Gifts	12,091	-	12,091
	<u>3,998,561</u>	<u>5,298</u>	<u>4,003,859</u>
Changes in net position			
Total net position - beginning	53,747,000	49,489	53,796,489
Total net position - ending	<u>\$ 57,745,561</u>	<u>\$ 54,787</u>	<u>\$ 57,800,348</u>

See accompanying notes to the basic financial statements.

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

- Legislative – the City Council is a seven-member governing body. Mayor is elected by the citizens at large and other six members are elected by ward.
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Manager, confirmed by the City Council.

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

Component Units:

Because the component units are financially accountable to the City, the City's governing body serves as the trustees for these public trusts, and they are all managed by the same management team of the City, when active, the following component units are blended into the City's primary government presentation as funds of the primary government for reporting purposes:

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

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

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

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

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

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

All 5 of the above component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City may have also leased certain existing assets at the creation of the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

Joint Venture:

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

B. Basis of Presentation and Accounting

Government-Wide Financial Statements:

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

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

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

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- Administration services – abatements and licenses and permits
- Health and welfare – nutrition operating grant
- Airport – rental fees and fuel sales
- Public works – gas excise and vehicle tax shared by the State and street cuts
- Economic development – operating contribution

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

Governmental Funds:

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

Major Funds:

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

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

Special Revenue Funds:

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

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Capital Project Funds:

- Police Equipment Fund – accounts for revenues and capital expenditures related to Local Law Enforcement Block Grants.
- State Forfeiture Fund – accounts for revenues received from state drug forfeitures restricted for equipment purchases.
- Cemetery Perpetual Care – accounts for 12.5% of all cemetery revenues which are legally restricted for cemetery capital outlay.
- CDBG Grants Fund – accounts for revenues and capital expenditures related to CDBG grants.
- Federal Forfeiture Fund – Accounts for revenues received from federal drug forfeitures restricted for equipment purchases.
- Fire Improvement Grant Fund – accounts for revenues and capital expenditures related to fire grants.
- Technology Fund – accounts for revenues received from a technology fee restricted for technology capital purchases and upgrades.

Debt Service Fund:

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

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

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

Proprietary Funds:

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds and internal service funds. Enterprise funds are used to account for business-like activities provided to the general public. Internal service funds are used to account for business-type activities provided within the government. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability.

The City's enterprise funds include the following major funds:

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

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- McAlester Airport Authority Fund - that currently accounts for airport fees and grants used in providing airport services.

The City's internal service funds include the following:

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

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

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

Fiduciary Fund:

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

C. Cash, Cash Equivalents, and Investments

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

D. Inventories

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

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

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E. Capital Assets and Depreciation

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

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

Depreciable capital assets are depreciated on a straight-line basis over useful lives. The range of estimated useful lives by type of asset is as follows:

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

F. Long-Term Debt

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

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

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

G. Compensated Absences

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

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H. Fund Balances and Net Position

Net Position:

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

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

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

Fund Statements:

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

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

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It is the City's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The only exception to this policy is for assigned interest income in governmental funds other than the General Fund. In those funds, interest income is used first before other revenues. Proprietary fund and fiduciary fund equity is classified the same as in the government-wide statements.

I. Interfund Activities and Balances

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

J. Use of Estimates

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

2. Deposits and Investments

Primary Government Deposits and Investments:

At June 30, 2014, the primary government held the following deposits and investments:

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Type of Deposits and Investments - Primary Government	Carrying Value	Maturities in Years				
		On Demand	Less Than One	1 - 5	6 - 10	More Than 10
Deposits:						
Petty Cash	\$ 4,860	\$ 4,860	\$ -	\$ -	\$ -	\$ -
Demand deposits	16,604,636	16,604,636	-	-	-	-
Demand deposits - pension trust funds	268,900	268,900	-	-	-	-
Time deposits	1,734,206	-	1,734,206	-	-	-
	<u>18,612,602</u>	<u>16,878,396</u>	<u>1,734,206</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Credit Rating					
Investments:						
Bond Trustee Accounts:						
Federated Treasury Obligations Fund IS #68	AAAm	1,099,451	1,099,451	-	-	-
Federated Treasury Obligations Ser Class #398	AAAm	8,846,851	8,846,851	-	-	-
Federated Government Obligations Tax Managed Fund #637	AAAm	4,891,874	4,891,874	-	-	-
Goldman Sachs Financial Square Federal Fund Admin Shares #521	AAAm	3,562,674	3,562,674	-	-	-
Autobahn Funding Commercial Paper	N/A	470,000	470,000	-	-	-
Pension Trust Funds:						
Allianz Fix Inc Shrs: Series M (FXIMX) - Money Market	N/A	288,943	288,943	-	-	-
Allianz Fix Inc Shrs: Series C (FXICX) - Money Market	N/A	288,982	288,982	-	-	-
Invesco Premier Ptf Instl (IPPXX) - Money Market	N/A	186,719	186,719	-	-	-
Legg Mason WA Inst Lquid Res A -Money Market	N/A	108,895	108,895	-	-	-
Corporate Bonds	AA	15,264	-	15,264	-	-
Corporate Bonds	AA+	15,054	-	-	15,054	-
Corporate Bonds	A	31,216	-	-	14,715	16,501
Corporate Bonds	A-	102,627	-	59,459	-	43,168
Corporate Bonds	BBB+	65,157	-	15,336	33,461	16,360
Corporate Bonds	BBB	80,204	-	15,153	15,715	49,336
Corporate Bonds	BBB-	131,517	-	-	99,519	31,998
Corporate Bonds	BB	100,375	-	-	-	100,375
Fixed Rate Capital Securities	BBB	26,000	-	-	-	26,000
United States Treasury Notes	AAA	1,482,483	-	915,391	392,654	174,438
Mortgage and asset backed securities	N/A	261,334	-	-	-	261,334
Preferred Stocks	N/A	31,273	31,273	-	-	-
Preferred Stocks	BB+	121,230	121,230	-	-	-
Common Stocks	N/A	10,189,522	10,189,522	-	-	-
		<u>32,397,645</u>	<u>30,086,414</u>	<u>15,264</u>	<u>1,005,339</u>	<u>571,118</u>
Total Deposits and Investments		<u>\$ 51,010,247</u>	<u>\$ 46,964,810</u>	<u>\$ 1,749,470</u>	<u>\$ 1,005,339</u>	<u>\$ 571,118</u>
Reconciliation to Statement of Net Position:						
Cash and cash equivalents		\$ 35,480,346				
Investments		1,734,206				
Add: Fiduciary Fund cash and cash equivalents		268,900				
Add: Fiduciary Fund investments		13,526,795				
		<u>\$ 51,010,247</u>				

Deposit and Investment Risks

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

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

At June 30, 2014, the City was not exposed to custodial credit risk as defined above.

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

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

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

Retirement Plan Investments:

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

Class	Maximum Percent	Minimum Percent	Target Percent
Domestic Equities	44.00	30.00	42.00
International Equities	16.00	0.00	8.00
Fixed Income	70.00	40.00	N/A
Cash	30.00	0.00	N/A

However, Morgan Stanley, the portfolio manager, has discretion in the actual allocation of assets within the retirement plan portfolio.

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

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

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

	Current Cash and cash Equivalents
Utility Deposits	\$ 470,603
Lowe's Escrow Account	511,199
Total Restricted Assets	\$ 981,802

Component Units Deposits and Investments:

McAlester Regional Health Center Authority

Deposits

At June 30, 2014, approximately \$19,163,000 of the Authority's bank balances were uninsured with collateral held by the pledging financial institution and \$1,912,000 of the Authority's bank balances were uninsured and uncollateralized.

3. Investment in Joint Venture

As discussed in Note 1A, the City participates (with equity interest) in the Association for Landfill Financial Assurance (ALFA). ALFA has been approved by the ODEQ as an allowable financial assurance mechanism under existing federal and state laws and regulations. As a member of ALFA, the City is required to deposit certain amounts on an annual basis into an escrow fund to be pooled with other ALFA members. The annual amount due from each member is based on the members' total estimated current cost of closure and post-closure care of the landfill, including adjustments due to inflation or resulting from any changes in the closure or the required 30 year post-closure care plan, plus any additional amount for contingencies as determined by ALFA. For the year ended June 30, 2014, the "Investment in joint venture" balance changed as follows:

Beginning Investment in Joint Venture	\$ 1,668,799
Current Year Contributions	-
Gain from Joint Venture	55,114
Ending Investment in Joint Venture	\$ 1,723,913

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

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4. Receivables

Primary Government Accounts Receivables:

Accounts receivable of the business-type activities consists of customers utilities, airport rental accounts receivable, and airport grant receivable. Accounts receivable of the governmental activities consists of franchise tax, police fines and ambulance receivables. Receivables detail at June 30, 2014, is as follows:

	General Fund		<u>MPWA</u>	<u>Airport</u>	<u>Total</u>
	<u>Ambulance</u>	<u>Court</u>			
Accounts receivable	\$ 1,707,908	\$ 2,652,217	\$ 3,023,057	\$ 9,157	\$ 7,392,339
Allowance for doubtful accounts	<u>(1,592,561)</u>	<u>(1,326,108)</u>	<u>(1,993,478)</u>	<u>-</u>	<u>(\$4,912,147)</u>
Accounts receivable, net	<u>\$ 115,347</u>	<u>\$ 1,326,109</u>	<u>\$ 1,029,579</u>	<u>\$ 9,157</u>	<u>\$ 2,480,192</u>

Component Units:

McAlester Regional Health Center Authority

Patient receivable balances at June 30, 2014 were as follows:

	<u>MRHCA</u>
Medicare	\$ 3,225,348
Medicaid	2,021,647
Other third-party payers	11,695,047
Patients	11,550,643
Allowance for doubtful accounts	<u>(16,364,580)</u>
Accounts receivable, net	<u>\$ 12,128,105</u>

Outstanding Notes Receivable – Economic Development

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

The following schedule shows the current year activity related to this note receivable:

Note Receivable	Balance	Additions	Deductions	Balance
	<u>June 30, 2013</u>			<u>June 30, 2014</u>
McAlester Foundation	<u>\$ 553,044</u>	<u>\$ -</u>	<u>\$ 553,044</u>	<u>\$ -</u>

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5. Capital Assets and Depreciation

For the year ended June 30, 2014, capital assets balances changed as follows:

	(Restated) Balance at June 30, 2013	Additions	Disposals	Balance at June 30, 2014
Governmental activities:				
Non-depreciable:				
Land	\$ 675,209	\$ 5,891	\$ (163)	\$ 680,937
Construction-in-progress	108,115	956,998	(463,928)	601,185
Total non-depreciable assets at historical cost	<u>783,324</u>	<u>962,889</u>	<u>(464,091)</u>	<u>1,282,122</u>
Depreciable:				
Buildings	5,350,398	-	-	5,350,398
Other improvements	1,893,128	78,206	-	1,971,334
Machinery and equipment	9,916,824	706,988	-	10,623,812
Infrastructure	63,017,752	508,309	-	63,526,061
Total depreciable assets at historical cost	<u>80,178,102</u>	<u>1,293,503</u>	<u>-</u>	<u>81,471,605</u>
Less accumulated depreciation				
Buildings	(3,102,633)	(151,748)	-	(3,254,381)
Other improvements	(1,109,017)	(78,577)	-	(1,187,594)
Machinery and equipment	(7,361,965)	(647,254)	-	(8,009,219)
Infrastructure	(38,542,048)	(1,558,511)	-	(40,100,559)
Total accumulated depreciation	<u>(50,115,663)</u>	<u>(2,436,090)</u>	<u>-</u>	<u>(52,551,753)</u>
Net depreciable assets	<u>30,062,439</u>	<u>(1,142,587)</u>	<u>-</u>	<u>28,919,852</u>
Governmental activities capital assets, net	<u>\$ 30,845,763</u>	<u>\$ (179,698)</u>	<u>\$ (464,091)</u>	<u>\$ 30,201,974</u>
Business-type activities				
Non-depreciable:				
Land	\$ 212,571	\$ -	\$ -	\$ 212,571
Water rights contracts	719,075	-	-	719,075
Construction-in-progress	1,769,285	761,163	(1,844,217)	686,231
Total non-depreciable assets at historical cost	<u>2,700,931</u>	<u>761,163</u>	<u>(1,844,217)</u>	<u>1,617,877</u>
Depreciable:				
Buildings	2,773,061	-	-	2,773,061
Other improvements	3,149,988	135,025	-	3,285,013
Machinery and equipment	3,402,339	117,651	-	3,519,990
Utility property	43,431,999	1,998,878	-	45,430,877
Total depreciable assets at historical cost	<u>52,757,387</u>	<u>2,251,554</u>	<u>-</u>	<u>55,008,941</u>
Less accumulated depreciation				
Buildings	(1,449,130)	(69,045)	-	(1,518,175)
Other improvements	(1,708,775)	(112,622)	-	(1,821,397)
Machinery and equipment	(1,921,990)	(294,712)	-	(2,216,702)
Utility property	(23,310,541)	(911,843)	-	(24,222,384)
Total accumulated depreciation	<u>(28,390,436)</u>	<u>(1,388,222)</u>	<u>-</u>	<u>(29,778,658)</u>
Net depreciable assets	<u>24,366,951</u>	<u>863,332</u>	<u>-</u>	<u>25,230,283</u>
Business-type capital assets, net	<u>\$ 27,067,882</u>	<u>\$ 1,624,495</u>	<u>\$ (1,844,217)</u>	<u>\$ 26,848,160</u>

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	Balance at June 30, 2013	Additions	Transfers	Disposals	Balance at June 30, 2014
Component Units (MRHCA):					
Non-depreciable:					
Land	\$ 909,448	\$ -	\$ -	\$ -	\$ 909,448
Construction-in-progress	537,037	504,441	(697,481)	-	343,997
Total non-depreciable assets at historical cost	<u>1,446,485</u>	<u>504,441</u>	<u>(697,481)</u>	<u>-</u>	<u>1,253,445</u>
Depreciable:					
Land improvements	1,351,361	-	107,575	-	1,458,936
Buildings and improvements	36,669,454	195,731	589,906	-	37,455,091
Machinery and equipment	29,240,953	1,709,512	-	(7,281)	30,943,184
Total depreciable assets at historical cost	<u>67,261,768</u>	<u>1,905,243</u>	<u>697,481</u>	<u>(7,281)</u>	<u>69,857,211</u>
Less accumulated depreciation					
Land improvements	(1,018,790)	(50,364)	-	-	(1,069,154)
Buildings and improvements	(22,919,281)	(1,282,773)	-	-	(24,202,054)
Machinery and equipment	(19,929,242)	(2,270,553)	-	7,281	(22,192,514)
Total accumulated depreciation	<u>(43,867,313)</u>	<u>(3,603,690)</u>	<u>-</u>	<u>7,281</u>	<u>(47,463,722)</u>
Net depreciable assets	<u>23,394,455</u>	<u>(1,698,447)</u>	<u>697,481</u>	<u>-</u>	<u>22,393,489</u>
Component Unit capital assets, net	<u>\$ 24,840,940</u>	<u>\$ (1,194,006)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,646,934</u>

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

Depreciation expense charged to governmental activities:

Administration	\$ 203,403
Public safety	407,439
Community services	308,681
Public works	1,516,567
Total governmental activities depreciation expense	<u>\$ 2,436,090</u>

Depreciation expense charged to business-type activities:

Water	\$ 628,037
Sewer	278,899
Sanitation	331,095
Airport	150,191
Total business-type activities depreciation expense	<u>\$ 1,388,222</u>

6. Economic Development Liabilities

Economic Development Agreement – Lowe's

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

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

No payments were made to Lowe’s out of the escrow account during fiscal year 08-09. \$200,000 was paid to Lowe’s in March 2010. In addition, \$400,000 was paid to Lowe’s in FY 10-11. No payments were made to Lowe’s out of the escrow account during fiscal year 11-12, fiscal year 12-13 or fiscal year 13-14. The City has recorded on the financial statements of McAlester Public Works Authority an escrow deposit liability in the amount of \$511,199, which includes interest earned on the deposit. This amount is considered a current liability of the MPWA.

7. Long-Term Debt and Debt Service Requirements

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

	(Restated) Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
Governmental Activities:					
Capital Lease Obligations	\$ 80,443	\$ -	\$ 37,664	\$ 42,779	\$ 39,413
Revenue Bonds Payable	62,046,923	5,245,964	3,170,000	64,122,887	3,680,000
Accrued Compensated Absences	2,079,675	117,164	100,531	2,096,308	209,631
Claims Liability	555,221	651,263	702,843	503,641	-
Pension Benefit Obligation	380,934	-	63,349	317,585	-
Total Governmental Long-Term Debt	\$ 65,143,196	\$ 6,014,391	\$ 4,074,387	\$ 67,083,200	\$ 3,929,044
			Less: Unamortized Discount	(140,124)	
				\$ 66,943,076	
Business-type Activities:					
Landfill Closure and Post-closure Liability	\$ 3,622,531	\$ 40,963	\$ -	\$ 3,663,494	\$ 366,349
Due to Depositors	449,493	128,735	107,625	470,603	94,121
Pension Benefit Obligation	117,660	-	22,219	95,441	-
Notes Payable	613,683	-	162,778	450,905	117,943
Contract Obligations	942,707	-	188,542	754,165	188,542
Water Contract Obligations	201,587	-	26,636	174,951	27,328
Accrued Compensated Absences	275,577	49,038	84,713	239,902	23,990
Total Business-type Long-Term Debt	\$ 6,223,238	\$ 218,736	\$ 592,513	\$ 5,849,461	\$ 818,273

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Governmental activities long-term debt:

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

Capital Lease Obligations:

\$180,987 capital lease with First National Bank for street dept freightliner, payable in monthly installments of \$3,379, final payment due July 28, 2015, with interest at 4.55%, paid from the Capital Improvement Plan Fund \$ 42,779

Capital Lease Obligations:

Current portion	\$ 39,413
Noncurrent portion	<u>3,366</u>
Total Capital Lease Obligations	<u>\$ 42,779</u>

Revenue Bonds Payable:

2002 Series Utility System Revenue Bonds:

Term bonds in the amount of \$15,365,000 dated July 1, 2002, issued by McAlester Public Works Authority and used for streets, secured by utility revenue and pledged sales tax, total principal due at maturity, interest rate at 4.30%, final maturity February 1, 2034, paid from Bond Trustee Fund. 12,770,000

Capital appreciation bonds in the face amount of \$3,037,176 dated July 1, 2003, issued by McAlester Public Works Authority and used for streets, secured by utility revenue and pledged sales tax, principal maturing at the accreted value of \$17,560,000, interest rate at 4.30%, final maturity February 1, 2034. Interest is accreted (or added to the principal balance) until maturity, at which time, the entire principal balance of \$17,560,000 will be due and payable. 17,560,000

Less: Unaccreted portion	<u>(11,612,113)</u>
Principal outstanding at year end	<u>5,947,887</u>

2003A Series Sales Tax Revenue Bonds:

Term Bonds in the amount of \$7,000,000 dated July 1, 2003, issued by McAlester Public Works Authority and used for education, secured by pledged sales tax, total principal due at maturity, initial interest rate at 2.10% increasing to 5.50%, final maturity September 1, 2018, paid from Bond Trustee Fund. 3,265,000

2011 Taxable Series Sales Tax Revenue Refunding Bonds:

Serial Bonds in the amount of \$5,490,000 dated December 1, 2011, issued by McAlester Public Works Authority and used for economic development, secured by pledged sales tax, principal maturing annually ranging from \$180,000 to \$445,000, interest rate at 2.695%, final maturity September 1, 2018, paid from Bond Trustee Fund 3,780,000

2012 Taxable Series Utility System & Sales Tax Revenue Refunding Notes:

Serial Bonds in the amount of \$26,120,000 dated December 28, 2012, issued by McAlester Public Works Authority and used for streets, secured by utility revenues and pledged sales tax, principal maturing semi-annually ranging from \$85,000 to \$1,275,000, interest rate at 3.8%, final maturity February 1, 2027, paid from Bond Trustee Fund 24,740,000

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2013 Series Utility System & Sales Tax Revenue Notes:

Serial Bonds in the amount of \$8,890,000 dated June 1, 2013, issued by McAlester Public Works Authority and used for streets, secured by utility revenues and pledged sales tax, principal maturing semi-annually ranging from \$125,000 to \$1,205,000, interest rate at 3.53%, final maturity February 1, 2028, paid from Bond Trustee Fund 8,710,000

2014 Series Utility System & Sales Tax Revenue Notes:

Serial Bonds in the amount of \$4,910,000 dated May 20, 2014, issued by McAlester Public Works Authority and used for streets, secured by utility revenues and pledged sales tax, principal maturing semi-annually ranging from \$95,000 to \$435,000, interest rate at 3.40%, final maturity February 1, 2029, paid from Bond Trustee Fund 4,910,000

Total Revenue Bonds Payable \$ 64,122,887

Current portion \$ 3,680,000

Noncurrent portion 60,442,887

Total Revenue Bonds Payable \$ 64,122,887

Unamortized bond discount (140,124)

Total Revenue Bonds Payable, net \$ 63,982,763

Accrued Compensated Absences:

Current portion \$ 209,631

Noncurrent portion 1,886,677

Total Accrued Compensated Absences \$ 2,096,308

Claims Liability:

Current portion \$ -

Non-current portion 503,641

Total Claims Liability \$ 503,641

Pension Benefit Obligation:

Current portion \$ -

Non-current portion 317,585

Total Pension Benefit Obligation \$ 317,585

Business-type activities long-term debt:

Notes Payable:

1999 CDBG-EDIF Promissory Note with Oklahoma Department of Commerce dated September 19, 2000, original amount of \$275,000 with an annual interest rate of 0.00%, due in monthly installments of \$1,146, final installment November 1, 2021. \$ 101,979

2006 CDBG-ED Promissory Note with Oklahoma Department of Commerce dated October 1, 2006, original amount of \$125,000, reduced to \$67,800, with an annual interest rate of 0.00%, due in monthly installments of \$282.50, final installment October 1, 2026. 42,940

MAA Note Payable with First National Bank and used for airport, renewed on August 15, 2013, original line of credit amount of \$405,325, with an annual interest rate of 4.25%, due in monthly installments of \$5,020, final balloon installment August 15, 2016. 255,536

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PWA Note Payable for caterpillar & trash compactor for landfill with First National Bank dated December 14, 2009, original amount of \$455,000 with an annual interest rate of 4.7%, due in monthly installments of \$8,524, final installment December 14, 2014.	<u>50,450</u>
Total Notes Payable	<u>\$ 450,905</u>
Current portion	\$ 117,943
Non-current portion	<u>332,962</u>
Total Notes Payable	<u>\$ 450,905</u>
Water Rights Contract:	
1987 contract with U.S. Army Corps of Engineers for water rights dated December 11, 1987, original amount of \$719,075 with an annual interest rate of 2.59% due in annual installments of \$31,859, final installment December 12, 2019.	<u>\$ 174,951</u>
Current portion	\$ 27,328
Non-current portion	<u>147,623</u>
Total Water Rights Contract	<u>\$ 174,951</u>
Contract Obligation:	
2011 contract with Utility Service Co., Inc. for renovation of water storage tanks dated January 17, 2011, original amount of \$1,456,000 with an annual interest rate of 0%, due in annual installments of \$188,542, final installment January 17, 2018.	<u>\$ 754,165</u>
Current portion	\$ 188,542
Non-current portion	<u>565,623</u>
Total Water Rights Contract	<u>\$ 754,165</u>
Landfill Closure and Post-Closure Liability:	
A \$3,663,494 accrued liability has been recognized in the McAlester Public Works Authority to represent the total estimated amount owed by the Authority for closure and postclosure requirements dictated by the U.S. Environmental Protection Agency and the Oklahoma Department of Environmental Quality regulations and represented the cumulative amount of such costs reported to date based on the use of approximately 75.46% of the estimated capacity of the landfill. It is estimated that an additional \$1,191,219 will be recognized as closure and postclosure expense between the current balance sheet date and the date the landfill is expected to be filled to capacity. However, the actual cost of closure and postclosure may be higher due to inflation, changes in technology, or changes in landfill laws and regulation. The restricted use of the landfill has extended its life. The estimated remaining landfill life is now 38 years.	
Current portion	\$ 366,349
Noncurrent portion	<u>3,297,145</u>
Total Landfill Closure and Postclosure Liability	<u>\$ 3,663,494</u>
Accrued Compensated Absences:	
Current portion	\$ 23,990
Noncurrent portion	<u>215,912</u>
Total Accrued Compensated Absences	<u>\$ 239,902</u>

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Deposits Subject to Refund:	
Current portion	\$ 94,121
Noncurrent portion	<u>376,482</u>
Total Deposits Subject to Refund	<u>\$ 470,603</u>

Net Pension Obligation:	
Current portion	\$ -
Non-current portion	<u>95,441</u>
Total Net Pension Obligation	<u>\$ 95,441</u>

Debt Service Requirements to Maturity

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

Year Ended June 30,	<u>Governmental Activity Debt</u>			
	<u>Capital Lease Obligations Payable</u>		<u>Revenue Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 39,413	\$ 1,133	\$ 3,680,000	\$ 2,242,341
2016	3,366	13	3,840,000	2,152,800
2017	-	-	4,015,000	2,005,139
2018	-	-	4,190,000	1,849,211
2019	-	-	4,495,000	1,667,890
2020-2024	-	-	16,130,000	6,340,232
2025-2029	-	-	20,630,000	2,514,538
2030-2034	-	-	<u>4,232,176</u>	<u>14,583,769</u>
Total	<u>\$ 42,779</u>	<u>\$ 1,146</u>	61,212,176	33,355,920
Accreted Portion of Debt			<u>2,910,711</u>	<u>(2,910,711)</u>
			<u>\$ 64,122,887</u>	<u>\$ 30,445,209</u>

Year Ended June 30,	<u>Business-Type Activity Debt</u>			
	<u>Notes Payable</u>		<u>Contract Obligation Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 117,943	\$ 10,583	\$ 188,542	\$ -
2016	69,675	7,705	188,541	-
2017	169,788	1,065	188,541	-
2018	17,140	-	188,541	-
2019	17,140	-	-	-
2020-2024	50,179	-	-	-
2025-2027	<u>9,040</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 450,905</u>	<u>\$ 19,353</u>	<u>\$ 754,165</u>	<u>\$ -</u>

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Year Ended June 30,	<u>Water Rights Contract Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 27,328	\$ 4,591
2015	28,044	3,874
2016	28,780	3,139
2017	29,534	2,385
2018	30,308	1,610
2019	<u>30,957</u>	<u>934</u>
Total	<u>\$ 174,951</u>	<u>\$ 16,533</u>

Component Units have the following long-term debt at June 30, 2014:

	Balance June 30, 2013	Additions	Deductions	Transfers	Balance June 30, 2014	Amounts Due Within One Year
Component Unit Activities (MRHCA):						
Capital Lease Obligations	\$ 850,137	\$ -	\$ 469,715	\$ -	\$ 380,422	\$ 287,557
Notes Payable to Vendors	72,031	-	72,031	-	-	-
Notes Payable to Banks	902,900	499,000	192,335	-	1,209,565	606,455
Total Component Unit Debt	<u>\$ 1,825,068</u>	<u>\$ 499,000</u>	<u>\$ 734,081</u>	<u>\$ -</u>	<u>\$ 1,589,987</u>	<u>\$ 894,012</u>

Notes Payable to Banks (MRHCA):

The notes payable to banks are due between December 2014 and December 2022, payable monthly, including interest at rates of 3.25% to 5.50%. The notes are secured by real estate and certain capital assets. The debt service requirements as of June 30, 2014, are as follows:

Year Ended June 30,	<u>Discretely Presented Component Unit Debt</u>	
	<u>Notes Payable to Banks</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 606,455	\$ 34,240
2016	155,571	21,254
2017	154,918	15,779
2018	148,793	10,124
2019	30,682	6,639
2020-2023	<u>113,146</u>	<u>9,954</u>
Total	<u>\$ 1,209,565</u>	<u>\$ 97,990</u>

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Capital Lease Obligations (MRHCA):

The McAlester Regional Health Center Authority is obligated under leases for equipment that are accounted for as capital leases. The following is a schedule by year of future minimum lease payments under the capital leases, including interest at rates of 0.5% to 8.3% together with the present value of the future minimum lease payments as of June 30, 2014:

Year Ended June 30,	<u>Capital Lease Obligations Payable</u>
2015	\$ 295,553
2016	93,733
Total minimum lease payments	<u>389,286</u>
Less amount representing interest	<u>8,864</u>
Present value of future minimum lease payments	<u><u>\$ 380,422</u></u>

8. Fund Balances

The following table shows the fund balance classifications as shown on the Governmental Funds Balance Sheet:

	<u>General Fund</u>	<u>Reserve Fund</u>	<u>Capital Improvement Plan Fund</u>	<u>Dedicated Sales Tax - MPWA</u>	<u>Bond Trustee Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance:							
Nonspendable:							
Prepaid items	\$ 5,987	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,987
Restricted For:							
Grant purposes	-	-	-	-	-	581	581
Juvenile programs	-	-	-	-	-	6,598	6,598
Tourism	-	-	-	-	-	25,000	25,000
E911	-	-	-	-	-	1,280,349	1,280,349
Economic development	-	-	-	-	-	1,008,547	1,008,547
Other	-	-	-	-	-	25,974	25,974
Police capital outlay	-	-	-	-	-	58,311	58,311
Cemetery	-	-	-	-	-	326,827	326,827
Technology improvements	-	-	-	-	-	187,284	187,284
Emergencies	-	3,472,802	-	-	-	-	3,472,802
Capital improvements:							
Economic development-bond repayment	-	-	800,000	-	-	-	800,000
Economic development - trustee accounts	-	-	-	-	40,992	-	40,992
Streets - trustee accounts	-	-	-	-	11,677,718	-	11,677,718
Debt Service	-	-	-	1,156,495	7,152,140	1,323,163	9,631,798
Sub-total Restricted	-	3,472,802	800,000	1,156,495	18,870,850	4,242,634	28,542,781
Assigned to:							
Tourism	-	-	-	-	-	598,813	598,813
Economic development	-	-	-	-	-	1,994,461	1,994,461
Other	-	-	-	-	-	32,744	32,744
Police capital outlay	-	-	-	-	-	325	325
Capital improvements	-	-	662,008	-	-	-	662,008
Emergencies	-	173,136	-	-	-	-	173,136
Nutrition services	48,842	-	-	-	-	-	48,842
Sub-total Assigned	48,842	173,136	662,008	-	-	2,626,343	3,510,329
Unassigned	2,612,033	-	-	-	-	-	2,612,033
Total Fund Balance	<u>\$ 2,666,862</u>	<u>\$ 3,645,938</u>	<u>\$ 1,462,008</u>	<u>\$ 1,156,495</u>	<u>\$ 18,870,850</u>	<u>\$ 6,868,977</u>	<u>\$ 34,671,130</u>

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Restricted Net Position – Governmental Activities

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

Fund	Restricted By	Amount
Juvenile Fine Fund	State statutes and/or debt indentures	\$ 6,598
State Forfeiture Fund	State statutes and/or debt indentures	3,301
Cemetery Perpetual Care Fund	State statutes and/or debt indentures	326,827
Federal Forfeiture Fund	State statutes and/or debt indentures	45,371
Capital Improvement Plan Fund	State statutes and/or debt indentures	800,000
		<u>\$ 1,182,097</u>
Dedicated Sales Tax - MPWA	External parties (voters)	\$ 1,156,495
E911 Fund	External parties (voters)	1,280,349
Reserve Fund	External parties (voters)	3,472,802
Tourism / SE Expo Fund	External parties (voters)	25,000
Economic Development Fund	External parties (voters)	1,008,547
Gifts & Contributions Fund	External parties (donors)	25,974
Sales Tax - Schools Fund	External parties (voters)	1,323,163
Fire Improvement Grant Fund	External parties (grantors)	260
Police Equipment Fund	External parties (grantors)	9,639
CDBG Fund	External parties (grantors)	321
Technology Fund	External parties (voters)	187,284
		<u>\$ 8,489,834</u>

Prior Period Adjustments

Beginning fund balance and net position were restated as of June 30, 2014 as follows:

	Fund Level	Fund Level	Government-Wide	
	Bond Trustee Fund	MPWA	Governmental Activities	Business-Type Activities
Beginning net position, as previously reported	\$ -	\$ (24,427,988)	\$ 43,866,995	\$ (21,527,300)
Reclassification of Bond Trustee Accounts from an enterprise fund to a governmental fund	14,261,093	(14,261,093)	14,261,093	(14,261,093)
Reclassification of revenue bond activity/balances from an enterprise fund & business-type activities to governmental activities	-	61,625,005	(61,625,005)	61,625,005
Beginning net position, restated	<u>\$ 14,261,093</u>	<u>\$ 22,935,924</u>	<u>\$ (3,496,917)</u>	<u>\$ 25,836,612</u>

All activity of the revenue bonds issued by the McAlester Public Works Authority were previously reported in an enterprise fund and as business-type activities; however, these revenue bonds were related to activities and capital improvements of the City's governmental activities including street and drainage improvements, along with activities for the benefit of entities not included within the City's primary government, primarily school system improvements and economic development activities. Therefore, these activities are now being reported in the governmental funds and governmental activities.

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9. Dedicated Tax Revenues and Pledges of Future Revenues

Sales and Use Tax

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

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

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged one and one-half cents (or 42.86%) of future sales tax revenues to repay \$64,122,887 of Series 2002, 2003, 2011, 2012, 2013 and 2014 Sales Tax and Utility System Bonds. Proceeds from the bonds provided financing for capital assets, economic development, and school related capital contributions. The 2003A and 2011 bonds are payable solely from pledged sales tax revenues. The 2002, 2012, 2013 and 2014 bonds and the 1999 loan are payable from pledged sales tax revenues and further secured by net water, wastewater, and sanitation revenues. The bonds are payable anywhere from 2018 through 2034. The total principal and interest payable for the remainder of the life of these bonds is \$94,568,096, which includes \$17,560,000 of accreted bonds. Pledged sales taxes transferred in the current year were \$5,622,417 and the net utility revenues were \$2,303,127. Debt service payments of \$5,315,334, excluding accreted interest, for the current fiscal year were 94.5% of the pledged and transferred sales taxes and 67.1% of both pledged and transferred sales taxes and utility revenues.

10. Internal and Interfund Balances and Transfers

Transfers:

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

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Transfer From	Transfer To	Amount	Nature of Transfer
General Fund	McAlester Airport Authority	\$ 147,991	Operating transfer
General Fund	Capital Improvement Plan Fund	610,547	Transfer for capital improvements
Capital Improvement Plan Fund	MPWA	324,751	Debt service payments
Dedicated Sales Tax Fund	Bond Trustee Fund	4,082,736	Debt payments to trustee bank
Sales Tax - Schools Fund	Bond Trustee Fund	645,801	Debt payments to trustee bank
Economic Development Fund	Bond Trustee Fund	893,880	Debt payments to trustee bank
Economic Development Fund	MPWA	3,390	Trustee bank fiscal agent fees
MPWA	General Fund	1,760,943	Operating transfer
MPWA	CDBG Grants Fund	72,799	Matching grant monies
MPWA	Capital Improvement Plan Fund	55,000	Transfer for capital improvements
		\$ 8,597,838	

	Transfers In	Transfers Out	Net Transfers/ Internal Activity
Reconciliation to Fund Financial Statements:			
Governmental Funds	\$ 8,121,706	\$ (6,709,096)	\$ 1,412,610
Enterprise Funds	476,132	(1,888,742)	(1,412,610)
Total Transfers	\$ 8,597,838	\$ (8,597,838)	\$ -

	Governmental	Business-Type
Reconciliation to statement of activities:		
Net transfers	\$ 1,412,610	\$ (1,412,610)
Reclassification of grant revenue between activities	72,772	(72,772)
Reclassification of charges for services revenue between activities	233,180	(233,180)
Reclassification of capital asset purchases between activities	(688,360)	688,360
Total Transfers - Internal Activity	\$ 1,030,202	\$ (1,030,202)

Balances:

Interfund receivables and payables at June 30, 2014, were as follows:

Due From	Due To	Amount	Nature of Interfund Balance
General Fund	Capital Improvement Plan Fund	\$ 800,000	Bond related issues
General Fund	Fleet Maintenance Fund	22,806	GF share of payroll liability
General Fund	Workers Compensation Fund	392,544	GF share of claims liability
Juvenile Fine Fund	Gifts & Contributions Fund	25,000	Park donation
MPWA	Fleet Maintenance Fund	7,817	GF share of payroll liability
MPWA	Workers Compensation Fund	92,928	GF share of claims liability
		\$ 1,341,095	

	Due From Other Fund	Due To Other Funds	Internal Service Funds Reconciliation	Net Activity/ Internal Balances
Reconciliation to Fund Financial Statements:				
Governmental Funds	\$ 825,000	\$ (1,240,350)	\$ 516,095	\$ 100,745
Enterprise Funds	-	(100,745)	-	(100,745)
Total Interfund Balances	\$ 825,000	\$ (1,341,095)	\$ 516,095	\$ -

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

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11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

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

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

Claims Liability Analysis

The claims liabilities related to the above noted risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standard No. 5, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. For workers’ compensation, changes in the claims liability for the City from July 1, 2011 to June 30, 2014 are as follows:

	<u>Total Claims Liability</u>
Claims liability, July 1, 2011	\$ 319,759
Claims incurred	475,561
Claims paid	<u>(385,821)</u>
Claims liability, July 1, 2012	409,499
Claims incurred	362,992
Claims paid	<u>(217,270)</u>
Claims liability, June 30, 2013	555,221
Claims incurred	651,263
Claims paid	<u>(702,843)</u>
Claims liability, June 30, 2014	<u><u>\$ 503,641</u></u>

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12. Contingencies

Litigation:

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

Federal and State Award Programs:

The City of McAlester participates in various federal or state grant/loan programs from year to year. In 2013, the City's involvement in federal and state award programs was significant. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

ODEQ Consent Orders:

The City of McAlester is currently under two Consent Orders from the Oklahoma Department of Environmental Quality (ODEQ) related to the water treatment plant: Case No. 07-233 and Case 09-241.

Case 07-233 relates to disinfection by-products (DBP's). The City continues to work on this Consent Order and the Water Treatment Plant (WTP) is approaching compliance. Compliance was required by July 1, 2013 but ODEQ extended the deadline for the engineering report to be submitted by January 1, 2014. The report was reviewed by ODEQ resulting in comments that were addressed in an Engineering Report submitted to ODEQ on July 31, 2014. The City is currently working with Tetra Tech and Severn Trent Services to develop a Corrective Action Plan (CAP) to be submitted to ODEQ for review and approval, as the next step to achieving compliance with Case No. 07-233.

Case 09-241 relates to the discharge from the plant's backwash lagoons. The project included construction of the WTP's Residual Handling facilities, substantially completed in November 2013. This is identified as Task D of Case No. 09-241. ODEQ has been notified and will need to be included in the final review and acceptance. The City will be working with STS to be in compliance with ODEQ's Permit for discharge requirements.

13. Pension Plan Participation

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

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

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

The City contributes to the City of McAlester Employees' Retirement System (the "System"), which is a single employer defined benefit pension plan administered by the City of McAlester City Council. All non-union full-time City employees that were employed prior to July 1, 2013 participate in the System. The City's retirement ordinance requires that actuarial valuations be performed annually to determine if the City's fixed contribution rate is adequate to fund the actuarially determined contribution requirement. The System does not issue separate annual financial statements. On June 30, 2013 the Defined Benefit Pension Plan was frozen for all non-uniform active participants.

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

Year established and governing authority	1995 by City Council Ordinance
Determination of Contribution requirements	Actuarially determined
Employer	13.6% of Payroll (\$507,902 annual required contribution)
Plan members	None required
Funding of administrative costs	Investment earnings
Period required to vest	10 years
Eligibility for distribution	Age 55 with ten years credited service. Annual rate of retirement starts at 5% at age 56.
Provisions for:	
Disability benefits	Yes
Death benefits	Yes

A. Annual Required Contributions

Actuarial assumptions:

Valuation date	July 1, 2014
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level Dollar
Amortization period	Liability pre-2009, 12 years remaining, closed; liability post-2009, 30 years remaining, open
Actuarial asset valuation method	5-year weighted average market value, recognizing gains and losses at the rate of 20% per year.
Investment rate of return	7.2%
Projected salary increases	Frozen at this time

B. Summary of Significant Accounting Policies and Plan Asset Matters

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

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Asset Valuation Method - The actuarial value of assets is a 5-year weighted average market value, recognizing gains and losses at the rate of 20% per year, beginning with the market value of assets as of July 1, 1999. For the last two years, due to market conditions, the plan's market value asset performance was much greater than the assumed investment return assumption of 7.2%. The estimated annual rate of return on the market value of assets for the year ending June 30, 2014 was a gain of 19.3%, as compared to a gain of 14.5% for the year ended June 30, 2013. The estimated annual rate of return on the actuarial value of assets for the year ending June 30, 2014 was a gain of 11.4%, as compared to a gain of 5.3% for the year ended June 30, 2013.

C. Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation to the Plan for the fiscal year ended June 30, 2014 was as follows:

	<u>2014</u>
Annual pension cost	\$ 494,660
Contributions made	<u>(580,226)</u>
Increase (decrease) in pension benefit obligation	(85,566)
Pension benefit obligation beginning of year	<u>498,570</u>
Pension benefit obligation end of year	<u>\$ 413,004</u>

D. Trend Information

McAlester Employees' Retirement System			
Fiscal Year	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation (Asset)
2012	875,888	101.1%	453,219
2013	922,567	95.1%	498,570
* 2014	494,660	117.3%	413,004

* Considered closed and frozen at this point

Funded Status and Funding Progress

As of July 1, 2014, the funded status of the McAlester Employees' Retirement System defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$16,609,575
Actuarial value of plan assets	<u>12,169,761</u>
Overfunded (Unfunded) actuarial accrued liability (UAAL)	<u>\$ (4,439,814)</u>
Funded ratio (actuarial value of plan assets/AAL)	73.3%
Annual covered payroll (active plan members)	\$4,097,667
UAAL as a percentage of covered payroll	108.3%

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.

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GASB 67 Pension Disclosures

Since the System does not issue separate financial statements, note disclosures required to be presented in accordance with GASB 67 are being reported in the City's notes to the financial statements. Additional disclosures required by GASB 67 follow.

Additional Accounting Policies, Actuarial Assumptions and Methods (GASB 67)

For GASB Statement 67 purposes, the method used to value investments is the market value (fair value).

GASB Statement 67 also requires the use of the Entry Age Normal actuarial cost method. Since this plan has been frozen, the method used for funding shown on page 57 (Projected Unit Credit) generates the same pension liability as the Entry Age Normal method.

The plan's policy in regard to the allocation of invested assets is established by the City Council. The current asset allocation policy is 70% equity investments, 25% fixed income investments, and 5% cash. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimate of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	4.9%
International equity	1.2%
Fixed income	1.0%
Cash	0.1%
Total	7.2%

The discount rate used to measure the total pension liability was 7.20%. The City has, on average, made contributions that exceed the ARC over the past five years. If the City continues to contribute in this fashion, the plan will always be sufficiently funded to pay benefits due. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The annual money-weighted rate of return, net of expenses paid from the trust, was 19.3%.

The following presents the net pension liability calculated using the discount rate of 7.20 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.20 percent) or 1% point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate	1% Increase (8.20%)
City's Total Pension Liability			
Total Pension Liability	\$ 18,480,207	\$ 16,609,575	\$ 15,038,314
Plan Fiduciary Net Pension	\$ 13,809,560	\$ 13,809,560	\$ 13,809,560
City's Net Pension Liability	\$ 4,670,647	\$ 2,800,015	\$ 1,228,754

Fiduciary Plan Net Position as a % of total pension liability is 83.1%

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Firefighter Pension System:

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

The State made on-behalf payments to the Oklahoma Firefighter's Pension and Retirement System of \$636,769 (or 30.0% of covered payroll).

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

Funding Policy. OFPRS plan members are required to contribute 9% of their annual salary to the plan. The City is required by state law to contribute 14% of the members' annual salary. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Police Pension System:

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

The State made on-behalf payments to the Oklahoma Police Pension and Retirement System of \$254,525 (or 11.5% of covered payroll).

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

Funding Policy. OPPRS plan members are required to contribute 9% of their annual salary to the plan. The City is required by state law to contribute 14% of the members' annual salary. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

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Summary of Contributions:

Oklahoma Firefighter's Pension and Retirement System			Oklahoma Police Pension and Retirement System		
Fiscal Year	Required Contribution	Percentage Contributed	Fiscal Year	Required Contribution	Percentage Contributed
2012	263,781	100%	2012	282,222	100%
2013	271,937	100%	2013	290,215	100%
2014	289,425	100%	2014	288,315	100%

OMRF Defined Contribution Plan:

Effective July 1, 2013, the City has also provided a defined contribution plan and trust known as the City of McAlester 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 JPMorgan Chase Bank. 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. By City ordinance, the City, as employer, shall contribute to the Fund an amount equal to 50% of the Participant's contributions under the City's Deferred Compensation Plan 457. The Employer match shall be limited to 6.00% of these Participant's earnings effective July 1, 2013. 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 shall reduce the Employer contribution. The authority to establish and amend the provisions of the plan rests with the City Council.

For the year ended June 30, 2014, the City contributed \$246,167 to the plan.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	GENERAL FUND (BUDGETARY BASIS)			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ -	\$ 1,055,690	\$ 2,698,546	\$ 1,642,856
Resources (Inflows):				
TAXES:				
Sales tax	7,513,716	7,513,716	7,571,363	57,647
Use tax	699,445	699,445	629,114	(70,331)
Franchise tax	462,720	462,720	640,490	177,770
Total Taxes	8,675,881	8,675,881	8,840,967	165,086
INTERGOVERNMENTAL:				
Alcoholic beverage tax	111,455	111,455	134,345	22,890
Tobacco/cigarette tax	149,280	149,280	157,472	8,192
Gas excise tax	34,588	34,588	33,167	(1,421)
Vehicle tax	126,607	126,607	140,646	14,039
Grant revenue	15,000	175,000	27,658	(147,342)
Asset forfeiture - advance reimbursement	-	-	15,000	15,000
Total Intergovernmental	436,930	596,930	508,288	(88,642)
CHARGES FOR SERVICES:				
Court costs	319,136	319,136	307,618	(11,518)
Cemetery opening/closing	24,890	24,890	28,022	3,132
Incarceration fee	-	-	2,155	2,155
Cemetery fees	12,000	12,000	18,075	6,075
Swimming pool revenue	14,090	14,090	17,586	3,496
Ambulance revenue	443,016	443,016	434,885	(8,131)
False alarms	-	-	25	25
Street cuts	5,000	5,000	11,977	6,977
Recreation fees	6,000	6,000	11,075	5,075
Oil and gas leases	985,022	985,022	1,199,474	214,452
Abatements	19,979	19,979	15,302	(4,677)
Rental property	600	600	-	(600)
Rental rooms	5,180	5,180	4,990	(190)
Burgular alarms	6,920	6,920	8,615	1,695
Complex concessions	14,000	14,000	8,913	(5,087)
Complex rental	19,500	19,500	18,610	(890)
Total Charges for Services	1,875,333	1,875,333	2,087,322	211,989
FINES AND FORFEITURES	757,186	757,186	759,814	2,628
LICENSES AND PERMITS	107,855	107,855	141,189	33,334
INVESTMENT INCOME	27,400	27,400	23,284	(4,116)
MISCELLANEOUS:				
Auctions	19,900	19,900	1,027	(18,873)
Hay sales	1,000	1,000	-	(1,000)
Vendors	500	500	762	262
Cemetery lots	16,500	16,500	13,278	(3,222)
Demolitions	4,400	4,400	90	(4,310)
Court admin fee	3,522	3,522	3,993	471
Miscellaneous	6,500	6,500	3,162	(3,338)
Credit card payment fees	6,800	6,800	9,510	2,710
Restitution reimbursements	5,500	5,500	5,541	41
Reimbursements	35,500	35,500	42,779	7,279
Total Miscellaneous	100,122	100,122	80,142	(19,980)
OTHER FINANCING SOURCES:				
Transfers from other funds	1,522,943	1,760,943	1,760,943	-
Total Other Financing Sources	1,522,943	1,760,943	1,760,943	-
Amounts available for appropriation	13,503,650	14,957,340	16,900,495	1,943,155

(Continued)

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	GENERAL FUND (BUDGETARY BASIS)			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
LEGISLATURE:				
Mayor and Council:				
Personal services	4,889	4,889	4,791	98
Materials and supplies	7,000	4,621	1,908	2,713
Other services and charges	92,350	92,350	86,075	6,275
TOTAL LEGISLATURE	104,239	101,860	92,774	9,086
ADMINISTRATION:				
City Manager:				
Personal services	272,574	277,351	272,664	4,687
Materials and supplies	2,900	2,668	1,693	975
Other services and charges	50,750	65,782	64,998	784
Capital outlay	25,000	2,705	2,705	-
Total City Manager	351,224	348,506	342,060	6,446
Finance:				
Personal services	225,528	235,890	234,911	979
Materials and supplies	3,500	3,263	2,815	448
Other services and charges	4,400	6,150	5,595	555
Total Finance	233,428	245,303	243,321	1,982
City Clerk:				
Personal services	88,227	88,929	85,954	2,975
Materials and supplies	600	600	481	119
Other services and charges	19,270	19,270	5,999	13,271
Total City Clerk	108,097	108,799	92,434	16,365
City Attorney:				
Personal services	22,843	22,846	22,842	4
Materials and supplies	200	198	-	198
Other services and charges	76,000	162,064	161,063	1,001
Total City Attorney	99,043	185,108	183,905	1,203
Court:				
Personal services	154,020	145,410	142,926	2,484
Materials and supplies	1,200	1,200	443	757
Other services and charges	15,200	50,516	49,722	794
Total Court	170,420	197,126	193,091	4,035
Interdepartmental:				
Personal services	348,090	33,382	-	33,382
Materials and supplies	53,500	50,795	46,332	4,463
Other services and charges	848,860	790,859	662,660	128,199
Total Interdepartmental	1,250,450	875,036	708,992	166,044
Information Services:				
Personal services	69,560	71,566	70,649	917
Materials and supplies	4,063	4,063	3,791	272
Other services and charges	76,350	70,587	61,818	8,769
Capital outlay	11,000	11,000	10,985	15
Total Information Services	160,973	157,216	147,243	9,973

(Continued)

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(Continued)

	GENERAL FUND (BUDGETARY BASIS)			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
ADMINISTRATION, (Continued):				
CID:				
Personal services	612,450	581,160	554,650	26,510
Materials and supplies	8,600	8,600	5,905	2,695
Other services and charges	5,500	5,500	3,135	2,365
Total CID	<u>626,550</u>	<u>595,260</u>	<u>563,690</u>	<u>31,570</u>
TOTAL ADMINISTRATION	<u>3,000,185</u>	<u>2,712,354</u>	<u>2,474,736</u>	<u>237,618</u>
PUBLIC SAFETY:				
Patrol:				
Personal services	2,544,092	2,602,809	2,595,310	7,499
Materials and supplies	160,927	188,812	182,273	6,539
Other services and charges	153,779	124,456	121,087	3,369
Total Patrol	<u>2,858,798</u>	<u>2,916,077</u>	<u>2,898,670</u>	<u>17,407</u>
Animal Control:				
Personal services	38,961	41,088	40,271	817
Materials and supplies	6,750	6,342	5,474	868
Other services and charges	5,350	4,524	3,940	584
Capital outlay	-	7,940	7,599	341
Total Animal Control	<u>51,061</u>	<u>59,894</u>	<u>57,284</u>	<u>2,610</u>
Communications:				
Personal services	168,911	206,913	204,902	2,011
Materials and supplies	2,000	2,000	1,294	706
Other services and charges	2,000	2,000	1,791	209
Total Communications	<u>172,911</u>	<u>210,913</u>	<u>207,987</u>	<u>2,926</u>
Fire:				
Personal services	2,827,767	3,022,335	3,005,592	16,743
Materials and supplies	66,968	68,080	62,620	5,460
Other services and charges	104,150	187,053	180,823	6,230
Total Fire	<u>2,998,885</u>	<u>3,277,468</u>	<u>3,249,035</u>	<u>28,433</u>
EMS:				
Materials and supplies	46,804	48,515	43,699	4,816
Other services and charges	111,186	45,750	42,066	3,684
Total EMS	<u>157,990</u>	<u>94,265</u>	<u>85,765</u>	<u>8,500</u>
TOTAL PUBLIC SAFETY	<u>6,239,645</u>	<u>6,558,617</u>	<u>6,498,741</u>	<u>59,876</u>
COMMUNITY SERVICES:				
Parks:				
Personal services	578,520	735,318	712,757	22,561
Materials and supplies	117,636	107,906	107,103	803
Other services and charges	68,304	112,063	110,352	1,711
Total Parks	<u>764,460</u>	<u>955,287</u>	<u>930,212</u>	<u>25,075</u>
Swimming Pools:				
Personal services	85,469	82,170	68,407	13,763
Materials and supplies	40,000	40,000	38,690	1,310
Other services and charges	5,000	8,515	8,515	-
Total Swimming Pools	<u>130,469</u>	<u>130,685</u>	<u>115,612</u>	<u>15,073</u>

(Continued)

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(Continued)

	GENERAL FUND (BUDGETARY BASIS)			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
COMMUNITY SERVICES, (Continued):				
Recreation:				
Personal services	183,812	184,762	178,136	6,626
Materials and supplies	23,088	24,653	24,152	501
Other services and charges	28,105	25,398	24,308	1,090
Total Recreation	<u>235,005</u>	<u>234,813</u>	<u>226,596</u>	<u>8,217</u>
Cemetery:				
Personal services	295,198	308,766	306,858	1,908
Materials and supplies	23,125	24,712	20,594	4,118
Other services and charges	15,875	18,709	18,569	140
Total Cemetery	<u>334,198</u>	<u>352,187</u>	<u>346,021</u>	<u>6,166</u>
Facility Maintenance:				
Personal services	184,892	157,821	156,136	1,685
Materials and supplies	52,574	65,460	60,333	5,127
Other services and charges	27,400	68,257	65,576	2,681
Total Facility Maintenance	<u>264,866</u>	<u>291,538</u>	<u>282,045</u>	<u>9,493</u>
TOTAL COMMUNITY SERVICES	<u>1,728,998</u>	<u>1,964,510</u>	<u>1,900,486</u>	<u>64,024</u>
ADMINISTRATIVE SERVICES:				
Planning & Community Development:				
Personal services	177,388	222,023	209,996	12,027
Materials and supplies	7,528	9,528	6,721	2,807
Other services and charges	98,793	102,808	49,314	53,494
Capital outlay	-	230,581	-	230,581
Total Planning & Community Development	<u>283,709</u>	<u>564,940</u>	<u>266,031</u>	<u>298,909</u>
Human Resources/Risk Management:				
Personal services	133,956	140,692	124,509	16,183
Materials and supplies	31,658	34,608	27,549	7,059
Other services and charges	23,387	31,800	27,451	4,349
Total Human Resources/Risk Management	<u>189,001</u>	<u>207,100</u>	<u>179,509</u>	<u>27,591</u>
TOTAL ADMINISTRATIVE SERVICES	<u>472,710</u>	<u>772,040</u>	<u>445,540</u>	<u>326,500</u>
PUBLIC WORKS:				
Streets:				
Personal services	604,501	796,056	790,975	5,081
Materials and supplies	406,903	366,632	330,224	36,408
Other services and charges	102,500	149,904	149,347	557
Capital outlay	-	541,398	426,615	114,783
Total Streets	<u>1,113,904</u>	<u>1,853,990</u>	<u>1,697,161</u>	<u>156,829</u>
TOTAL PUBLIC WORKS	<u>1,113,904</u>	<u>1,853,990</u>	<u>1,697,161</u>	<u>156,829</u>
OTHER FINANCING USES:				
Transfers to other funds	843,969	993,969	993,963	6
Total Charges to Appropriations	<u>13,503,650</u>	<u>14,957,340</u>	<u>14,103,401</u>	<u>853,939</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,797,094</u>	<u>\$ 2,797,094</u>

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	SPECIAL REVENUE - RESERVE FUND (Budgetary Basis)			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 3,628,727	\$ 3,628,727
Resources (Inflows):				
Investment income	38,000	38,000	17,211	(20,789)
Amounts available for appropriation	<u>38,000</u>	<u>38,000</u>	<u>3,645,938</u>	<u>3,607,938</u>
Charges to appropriations (outflows):				
Transfers out	-	-	-	-
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Budgetary Fund Balance	<u>\$ 38,000</u>	<u>\$ 38,000</u>	<u>\$ 3,645,938</u>	<u>\$ 3,607,938</u>

Footnotes to Budgetary Comparison Schedules:

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

	<u>General Fund</u>
Sources/Inflows of resources	
Actual amounts (budgetary basis) "available appropriation" from the budgetary comparison schedule	\$16,900,495
Differences – budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(2,698,546)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(1,760,942)
The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted.	891,295
The City reports the Nutrition Account as part of the General Fund in the fund financial statements, but are not included in the budget to actual.	61,870
The City reports grant revenue for assets contributed by grantors in the General Fund in the fund financial statements, but are not budgeted.	

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The City budgets for revenues on the modified cash basis of accounting, rather than on the modified accrual basis.	<u>80,327</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$13,474,499</u>
Uses/Outflows of resources	
Actual amounts (budgetary basis) “total charges to appropriations” from the budgetary comparison schedule	\$14,103,401
Differences – budget to GAAP:	
The City budgets for payroll and miscellaneous accrued liabilities on the modified cash basis, rather than on the modified accrual basis.	(90,873)
The City reports on-behalf payments made by state in the General Fund in the fund financial statements, but are not budgeted.	891,295
The City reports the Nutrition Account as part of the General Fund in the fund financial statements, but are not included in the budget to actual.	254,596
The City reports capital outlay for assets contributed by grantors in the General Fund in the fund financial statements, but are not budgeted.	
Transfers to other funds and component units are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(993,963)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$14,164,456</u>
	<u>Reserve Fund</u>
Sources/Inflows of resources	
Actual amounts (budgetary basis) “available appropriation” from the budgetary comparison schedule	\$3,645,938
Differences – budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(3,628,727)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$17,211</u>

4. For the year ended June 30, 2014, the City complied, in all material respects, with the applicable budget laws.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (AUUL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2005	7,832,545	9,483,292	1,650,747	82.6%	4,555,872	36.2%
7/1/2006	8,201,138	10,499,055	2,297,917	78.1%	4,071,060	56.4%
7/1/2007	8,777,906	11,058,765	2,280,859	79.4%	4,523,484	50.4%
7/1/2008	9,233,904	11,532,207	2,298,303	80.1%	4,082,914	56.3%
7/1/2009	9,779,352	13,164,083	3,384,731	74.3%	4,326,276	78.2%
7/1/2010	9,990,470	14,807,371	4,816,901	67.5%	4,274,311	112.7%
7/1/2011	10,503,533	15,986,289	5,482,756	65.7%	4,037,185	135.8%
7/1/2012	10,763,608	16,807,499	6,043,891	64.0%	4,108,795	147.1%
7/1/2013	11,320,333	16,127,470	4,807,137	70.2%	4,264,310	112.7%
* 7/1/2014	12,169,761	16,609,575	4,439,814	73.3%	4,097,667	108.3%

Trend Schedule of Employer Contributions

McAlester Employees' Retirement System			
Fiscal Year	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation (Asset)
2005	441,700	0.6%	480,720
2006	473,699	101%	470,216
2007	516,115	81%	569,651
2008	533,593	99.5%	572,508
2009	518,694	116.3%	487,961
2010	657,455	102.6%	470,753
2011	806,226	101.0%	462,795
2012	875,888	101.1%	453,219
2013	922,567	95.1%	498,570
* 2014	494,660	117.3%	413,004

* Considered closed and frozen at this point

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Schedule of Changes in Net Pension Liability and Related Ratios

Last Fiscal Year

		2014
Total pension liability		
Service cost	\$	-
Interest		1,125,249
Changes of benefit terms		-
Differences between expected and actual experience		354,880
Changes of assumptions		-
Benefit payments, including refunds of member contributions		(992,995)
Net change in total pension liability		487,134
Total pension liability - beginning		16,127,470
Total pension liability - ending (a)	\$	16,614,604
Plan fiduciary net position		
Contributions - employer	\$	580,226
Contributions - member		-
Net investment income		2,444,464
Benefit payments, including refunds of member contributions		(992,995)
Administrative expense		(148,960)
Other		71,351
Net change in plan fiduciary net position		1,954,086
Plan fiduciary net position - beginning		11,855,474
Plan fiduciary net position - ending (b)	\$	13,809,560
Net pension liability - ending (a) - (b)	\$	2,805,044
Plan fiduciary net position as a percentage of the total pension liability		83.1%
Covered employee payroll at beginning of year	\$	4,264,310
Net pension liability as a percentage of covered-employee payroll		65.8%

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available. In addition, the plan was frozen on July 1, 2013.

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Schedule of Employer Contributions	Last Fiscal Year
	<u>2014</u>
Actuarially determined contribution	\$ 507,902
Contributions in relation to the actuarially determined contribution	580,226
Contribution deficiency (excess)	<u>\$ (72,324)</u>
Covered employee payroll at beginning of year	\$ 4,264,310
Contributions as a percentage of covered-employee payroll	13.6%

Notes to Schedule:

1. Only the current fiscal year is presented because 10-year data is not yet available; plan frozen on July 1, 2013.
2. Valuation Date: July 1, 2014
3. Actuarially determined contribution rate is calculated as of July 1 prior to the end of the fiscal year in which contributions are reported
4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Projected Unit Credit
 - Amortization method - Level dollar, post 2009 liabilities open, pre 2009 liabilities closed
 - Remaining amortization period - Closed part = 12 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 5 years
 - Salary increases - Frozen at this time
 - Investment rate of return - 7.20%, net of pension plan investment expense

Schedule of Investment Returns	Last Fiscal Year
	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	19.30%

Note to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MCALESTER, OKLAHOMA
ANNUAL FINANCIAL REPORT
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Combining Balance Sheet, General Fund Accounts – June 30, 2014

	<u>General Fund</u>	<u>Nutrition Account</u>	<u>Total General Fund</u>
ASSETS:			
Cash and cash equivalents	\$ 3,040,335	\$ 49,512	\$ 3,089,847
Receivables:			
Due from other governments	1,126,438	4,845	1,131,283
Franchise tax receivable	56,667	-	56,667
Court fines receivable, net of allowance	1,326,109	-	1,326,109
Ambulance receivable, net of allowance	115,347	-	115,347
Prepaid expenses	5,987	-	5,987
Other receivables, net of allowance	1,955	-	1,955
Total assets	<u>\$ 5,672,838</u>	<u>\$ 54,357</u>	<u>\$ 5,727,195</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 249,033	\$ 1,631	\$ 250,664
Accrued payroll liabilities	321,918	3,884	325,802
Due to other funds	1,215,350	-	1,215,350
Unearned revenue	2,150	-	2,150
Total liabilities	<u>1,788,451</u>	<u>5,515</u>	<u>1,793,966</u>
Deferred inflows of resources:			
Deferred revenue	<u>1,266,367</u>	<u>-</u>	<u>1,266,367</u>
Fund Balances:			
Nonspendable	5,987	-	5,987
Assigned	-	48,842	48,842
Unassigned	<u>2,612,033</u>	<u>-</u>	<u>2,612,033</u>
Total fund balances	<u>2,618,020</u>	<u>48,842</u>	<u>2,666,862</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 5,672,838</u>	<u>\$ 54,357</u>	<u>\$ 5,727,195</u>

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

	General Fund	Nutrition Account	Total General Fund
Revenues:			
Taxes	\$ 8,846,991	\$ -	\$ 8,846,991
Intergovernmental	1,402,901	61,870	1,464,771
Charges for services	2,130,662	-	2,130,662
Fines and forfeitures	787,160	-	787,160
Licenses and permits	141,489	-	141,489
Investment income	23,284	-	23,284
Miscellaneous	80,142	-	80,142
Total Revenues	13,412,629	61,870	13,474,499
Expenditures:			
Current:			
Legislature	92,698	-	92,698
Administration	2,455,164	-	2,455,164
Public safety	7,333,554	-	7,333,554
Community services	1,859,274	-	1,859,274
Administration services	446,697	-	446,697
Health and welfare	-	254,596	254,596
Public works	1,169,200	-	1,169,200
Capital outlay	553,273	-	553,273
Total Expenditures	13,909,860	254,596	14,164,456
Excess (deficiency) of revenues over expenditures	(497,231)	(192,726)	(689,957)
Other Financing Sources (Uses):			
Transfers in	1,760,943	-	1,760,943
Transfers out	(758,538)	-	(758,538)
Interaccount transfers	(235,425)	235,425	-
Total Other Financing Sources (Uses)	766,980	235,425	1,002,405
Net change in fund balances	269,749	42,699	312,448
Fund balances - beginning	2,348,271	6,143	2,354,414
Fund balances - ending	\$ 2,618,020	\$ 48,842	\$ 2,666,862

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

	SPECIAL REVENUE FUNDS				
	JUVENILE FINE FUND	TOURISM/ SE EXPO FUND	E-911 FUND	ECONOMIC DEVELOPMENT FUND	GIFTS & CONTRIBUTIONS FUND
<u>ASSETS</u>					
Cash and cash equivalents	\$ 31,598	\$ 635,527	\$ 1,236,422	\$ 2,356,148	\$ 41,394
Investments	-	-	-	543,358	-
Receivables:					
Due from other funds	-	-	-	-	25,000
Due from other governments	-	40,779	-	124,800	14,877
Other receivable	-	-	55,376	-	-
 Total Assets	<u>\$ 31,598</u>	<u>\$ 676,306</u>	<u>\$ 1,291,798</u>	<u>\$ 3,024,306</u>	<u>\$ 81,271</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 47,861	\$ 2,386	\$ 20,073	\$ 7,676
Accrued payroll liabilities	-	4,632	9,063	1,225	-
Due to other funds	25,000	-	-	-	-
 Total Liabilities	<u>25,000</u>	<u>52,493</u>	<u>11,449</u>	<u>21,298</u>	<u>7,676</u>
Deferred Inflows of Resources:					
Deferred revenue	-	-	-	-	14,877
Fund Balances:					
Restricted	6,598	25,000	1,280,349	1,008,547	25,974
Assigned	-	598,813	-	1,994,461	32,744
 Total fund balances	<u>6,598</u>	<u>623,813</u>	<u>1,280,349</u>	<u>3,003,008</u>	<u>58,718</u>
 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 31,598</u>	<u>\$ 676,306</u>	<u>\$ 1,291,798</u>	<u>\$ 3,024,306</u>	<u>\$ 81,271</u>

(Continued)

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

	CAPITAL PROJECT FUNDS				
	POLICE EQUIPMENT FUND	STATE FORFEITURE FUND	CEMETERY PERPETUAL CARE FUND	CDBG GRANTS FUND	FEDERAL FORFEITURE FUND
<u>ASSETS</u>					
Cash and cash equivalents	\$ 9,639	\$ 3,626	\$ 361,517	\$ 7,671	\$ 45,371
Investments	-	-	-	-	-
Receivables:					
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Other receivable	-	-	-	-	-
Total Assets	<u>\$ 9,639</u>	<u>\$ 3,626</u>	<u>\$ 361,517</u>	<u>\$ 7,671</u>	<u>\$ 45,371</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 34,690	\$ 7,350	\$ -
Accrued payroll liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>34,690</u>	<u>7,350</u>	<u>-</u>
Deferred Inflows of Resources:					
Deferred revenue	-	-	-	-	-
Fund Balances:					
Restricted	9,639	3,301	326,827	321	45,371
Assigned	-	325	-	-	-
Total fund balances	<u>9,639</u>	<u>3,626</u>	<u>326,827</u>	<u>321</u>	<u>45,371</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 9,639</u>	<u>\$ 3,626</u>	<u>\$ 361,517</u>	<u>\$ 7,671</u>	<u>\$ 45,371</u>

(Continued)

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

	<u>CAPITAL PROJECT FUNDS</u>		<u>DEBT SERVICE FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>FIRE IMPROVEMENT GRANT FUND</u>	<u>TECHNOLOGY FUND</u>	<u>SALES TAX - SCHOOLS FUND</u>	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 260	\$ 187,284	\$ 1,198,363	\$ 6,114,820
Investments	-	-	-	543,358
Receivables:				
Due from other funds	-	-	-	25,000
Due from other governments	-	-	124,800	305,256
Other receivable	-	-	-	55,376
 Total Assets	<u>\$ 260</u>	<u>\$ 187,284</u>	<u>\$ 1,323,163</u>	<u>\$ 7,043,810</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 120,036
Accrued payroll liabilities	-	-	-	14,920
Due to other funds	-	-	-	25,000
 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,956</u>
Deferred Inflows of Resources:				
Deferred revenue	-	-	-	14,877
Fund Balances:				
Restricted	260	187,284	1,323,163	4,242,634
Assigned	-	-	-	2,626,343
 Total fund balances	<u>260</u>	<u>187,284</u>	<u>1,323,163</u>	<u>6,868,977</u>
 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 260</u>	<u>\$ 187,284</u>	<u>\$ 1,323,163</u>	<u>\$ 7,043,810</u>

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

	SPECIAL REVENUE FUNDS				
	JUVENILE FINE FUND	TOURISM/ SE EXPO FUND	E-911 FUND	ECONOMIC DEVELOPMENT FUND	GIFTS & CONTRIBUTIONS FUND
Revenues:					
Taxes	\$ -	\$ 447,768	\$ 630,849	\$ 951,836	\$ -
Intergovernmental	-	-	-	260,000	21,000
Charges for services	22,670	127,921	-	-	-
Investment income	-	-	6,332	8,486	2
Miscellaneous	-	100	-	5,000	42,024
Total Revenues	22,670	575,789	637,181	1,225,322	63,026
Expenditures:					
Current:					
Administration	-	-	-	-	18,826
Public safety	25,339	-	502,871	-	-
Community services	-	-	-	-	-
Administrative services	-	564,017	-	-	-
Economic development	-	-	-	217,067	-
Capital outlay	-	-	28,840	158,015	73,484
Total Expenditures	25,339	564,017	531,711	375,082	92,310
Excess (deficiency) of revenues over expenditures	(2,669)	11,772	105,470	850,240	(29,284)
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(897,270)	-
Proceeds from sale of capital assets	-	-	-	1,350,000	-
Total Other Financing Sources (Uses)	-	-	-	452,730	-
Net change in fund balances	(2,669)	11,772	105,470	1,302,970	(29,284)
Fund balances - beginning	9,267	612,041	1,174,879	1,700,038	88,002
Fund balances - ending	\$ 6,598	\$ 623,813	\$ 1,280,349	\$ 3,003,008	\$ 58,718

(Continued)

CITY OF MCALESTER, OKLAHOMA
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Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Nonmajor Governmental Funds – Year Ended June 30, 2014 (Continued)

	CAPITAL PROJECT FUNDS				
	POLICE EQUIPMENT FUND	STATE FORFEITURE FUND	CEMETERY PERPETUAL CARE FUND	CDBG GRANTS FUND	FEDERAL FORFEITURE FUND
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	192	-	72,772	15,074
Charges for services	-	-	5,900	-	-
Investment income	-	107	198	-	255
Miscellaneous	-	-	-	-	-
Total Revenues	<u>-</u>	<u>299</u>	<u>6,098</u>	<u>72,772</u>	<u>15,329</u>
Expenditures:					
Current:					
Administration	-	-	-	-	-
Public safety	-	-	-	-	-
Community services	-	-	2,883	-	-
Administrative services	-	-	-	-	-
Economic development	-	-	-	-	-
Capital outlay	16,816	-	45,283	145,250	20,923
Total Expenditures	<u>16,816</u>	<u>-</u>	<u>48,166</u>	<u>145,250</u>	<u>20,923</u>
Excess (deficiency) of revenues over expenditures	(16,816)	299	(42,068)	(72,478)	(5,594)
Other Financing Sources (Uses):					
Transfers in	-	-	-	72,799	-
Transfers out	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,799</u>	<u>-</u>
Net change in fund balances	(16,816)	299	(42,068)	321	(5,594)
Fund balances - beginning	26,455	3,327	368,895	-	50,965
Fund balances - ending	<u>\$ 9,639</u>	<u>\$ 3,626</u>	<u>\$ 326,827</u>	<u>\$ 321</u>	<u>\$ 45,371</u>

(Continued)

CITY OF MCALESTER, OKLAHOMA
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As of and for the Year Ended June 30, 2014

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Nonmajor Governmental Funds – Year Ended June 30, 2014 (Continued)

	<u>CAPITAL PROJECT FUNDS</u>		<u>DEBT SERVICE FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>FIRE IMPROVEMENT GRANT FUND</u>	<u>TECHNOLOGY FUND</u>	<u>SALES TAX - SCHOOLS FUND</u>	
Revenues:				
Taxes	\$ -	\$ -	\$ 951,836	\$ 2,982,289
Intergovernmental	-	-	-	369,038
Charges for services	-	175,143	-	331,634
Investment income	-	-	5,864	21,244
Miscellaneous	-	-	-	47,124
Total Revenues	-	175,143	957,700	3,751,329
Expenditures:				
Current:				
Administration	-	-	-	18,826
Public safety	-	-	-	528,210
Community services	-	-	-	2,883
Administrative services	-	-	-	564,017
Economic development	-	-	-	217,067
Capital outlay	-	3,200	-	491,811
Total Expenditures	-	3,200	-	1,822,814
Excess (deficiency) of revenues over expenditures	-	171,943	957,700	1,928,515
Other Financing Sources (Uses):				
Transfers in	-	-	-	72,799
Transfers out	-	-	(645,801)	(1,543,071)
Proceeds from sale of capital assets	-	-	-	1,350,000
Total Other Financing Sources (Uses)	-	-	(645,801)	(120,272)
Net change in fund balances	-	171,943	311,899	1,808,243
Fund balances - beginning	260	15,341	1,011,264	5,060,734
Fund balances - ending	\$ 260	\$ 187,284	\$ 1,323,163	\$ 6,868,977

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Combining Schedule of Net Position, MPWA Accounts – June 30, 2014

	Enterprise Fund - MPWA		Total
	McAlester Public Works Authority Operating Account	Landfill Reserve Account	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 1,025,524	\$ 1,169,380	\$ 2,194,904
Restricted cash and cash equivalents	981,802	-	981,802
Accounts receivable, net of allowance	1,004,885	24,694	1,029,579
Total current assets	3,012,211	1,194,074	4,206,285
Noncurrent Assets:			
Investment in joint venture	1,723,913	-	1,723,913
Capital assets:			
Land and other non-depreciable assets	1,273,417	-	1,273,417
Other capital assets, net of depreciation	22,509,993	-	22,509,993
Total noncurrent assets	25,507,323	-	25,507,323
Total Assets	28,519,534	1,194,074	29,713,608
LIABILITIES:			
Current Liabilities:			
Accounts payable	338,662	24,330	362,992
Accrued payroll liabilities	39,384	-	39,384
Due to other funds	100,745	-	100,745
Escrow deposit liability	511,199	-	511,199
Interest payable	2,596	-	2,596
Unearned revenue	57,776	-	57,776
Landfill closure and postclosure liability	366,349	-	366,349
Due to depositors	94,121	-	94,121
Notes payable	67,590	-	67,590
Contract obligation	188,542	-	188,542
Water rights contract obligation	27,328	-	27,328
Accrued compensated absences	21,707	-	21,707
Total current liabilities	1,815,999	24,330	1,840,329
Noncurrent Liabilities:			
Landfill closure and post-closure liability	3,297,145	-	3,297,145
Due to depositors	376,482	-	376,482
Pension benefit obligation	92,549	-	92,549
Notes payable	127,779	-	127,779
Contract obligation	565,623	-	565,623
Water rights contract obligation	147,623	-	147,623
Accrued compensated absences	195,367	-	195,367
Total noncurrent liabilities	4,802,568	-	4,802,568
Total liabilities	6,618,567	24,330	6,642,897
NET POSITION:			
Net investment in capital assets	22,658,925	-	22,658,925
Unrestricted (deficit)	(757,958)	1,169,744	411,786
Total net position	\$ 21,900,967	\$ 1,169,744	\$ 23,070,711

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

	Enterprise Fund - MPWA		
	McAlester Public Works Authority Operating Account	Landfill Reserve Account	Total
Operating Revenues:			
Charges for services:			
Water	\$ 2,883,430	\$ -	\$ 2,883,430
Sewer	1,560,293	-	1,560,293
Sanitation	2,484,200	-	2,484,200
Water taps	30,172	-	30,172
Sewer taps	11,700	-	11,700
Water districts	1,074,603	-	1,074,603
Landfill	2,742	-	2,742
Penalties	-	8,576	8,576
Recycle fees	31,913	-	31,913
Subtitle "D" fees	-	333,321	333,321
Total operating revenues	<u>8,079,053</u>	<u>341,897</u>	<u>8,420,950</u>
Operating Expenses:			
Utility office	488,862	-	488,862
Interdepartmental	685,331	-	685,331
Sanitation	1,908,041	-	1,908,041
Engineering	339,680	-	339,680
Sewer	718,007	-	718,007
Water	877,794	-	877,794
Utility maintenance	873,453	-	873,453
Landfill	168,662	57,993	226,655
Depreciation expense	1,238,031	-	1,238,031
Total operating expenses	<u>7,297,861</u>	<u>57,993</u>	<u>7,355,854</u>
Operating income	781,192	283,904	1,065,096
Non-Operating Revenues (Expenses):			
Investment income	8,388	5,557	13,945
Interest expense and fiscal charges	(9,516)	-	(9,516)
Miscellaneous revenue	34,196	-	34,196
Gain on joint venture	34,922	-	34,922
Total non-operating revenues (expenses)	<u>67,990</u>	<u>5,557</u>	<u>73,547</u>
Net income before contributions and transfers	849,182	289,461	1,138,643
Contributed capital revenue	556,745	-	556,745
Interaccount transfers	4,006	(4,006)	-
Transfers in	328,141	-	328,141
Transfer out	(1,888,742)	-	(1,888,742)
Change in net position	(150,668)	285,455	134,787
Total net position - beginning, restated	22,051,635	884,289	22,935,924
Total net position - ending	<u>\$ 21,900,967</u>	<u>\$ 1,169,744</u>	<u>\$ 23,070,711</u>

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Combining Schedule of Net Position, MAA Accounts – June 30, 2014

	McAlester Airport Authority			Total
	McAlester Airport Authority Operating Account	Airport Grant Account	Airport Hangar Account	
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 90,997	\$ 38,548	\$ 36,760	\$ 166,305
Accounts receivable, net of allowance	9,157	-	-	9,157
Total current assets	<u>100,154</u>	<u>38,548</u>	<u>36,760</u>	<u>175,462</u>
Noncurrent Assets:				
Capital assets:				
Land and other non-depreciable assets	344,460	-	-	344,460
Other capital assets, net of depreciation	2,720,290	-	-	2,720,290
Total noncurrent assets	<u>3,064,750</u>	<u>-</u>	<u>-</u>	<u>3,064,750</u>
Total Assets	<u>3,164,904</u>	<u>38,548</u>	<u>36,760</u>	<u>3,240,212</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	2,090	-	-	2,090
Accrued payroll liabilities	2,470	-	-	2,470
Interest payable	453	-	-	453
Notes payable	50,353	-	-	50,353
Accrued compensated absences	2,283	-	-	2,283
Total current liabilities	<u>57,649</u>	<u>-</u>	<u>-</u>	<u>57,649</u>
Noncurrent Liabilities:				
Pension benefit obligation	2,892	-	-	2,892
Notes payable	205,183	-	-	205,183
Accrued compensated absences	20,545	-	-	20,545
Total noncurrent liabilities	<u>228,620</u>	<u>-</u>	<u>-</u>	<u>228,620</u>
Total liabilities	<u>286,269</u>	<u>-</u>	<u>-</u>	<u>286,269</u>
NET POSITION:				
Net investment in capital assets	2,809,214	-	-	2,809,214
Unrestricted	69,421	38,548	36,760	144,729
Total net position	<u>\$ 2,878,635</u>	<u>\$ 38,548</u>	<u>\$ 36,760</u>	<u>\$ 2,953,943</u>

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

	McAlester Airport Authority			Total
	McAlester Airport Authority Operating Account	Airport Grant Account	Airport Hangar Account	
Operating Revenues:				
Rents and fees	\$ 92,304	\$ -	\$ -	\$ 92,304
Total operating revenues	<u>92,304</u>	<u>-</u>	<u>-</u>	<u>92,304</u>
Operating Expenses:				
Airport	167,669	310	-	167,979
Depreciation expense	150,191	-	-	150,191
Total operating expenses	<u>317,860</u>	<u>310</u>	<u>-</u>	<u>318,170</u>
Net income (loss) before contributions and transfers	(225,556)	(310)	-	(225,866)
Interest expense	(11,962)	-	-	(11,962)
Miscellaneous	11,477	-	-	11,477
Contributed capital revenue	131,615	-	-	131,615
Transfers in	147,991	-	-	147,991
Change in net position	53,565	(310)	-	53,255
Total net position - beginning	2,825,070	38,858	36,760	2,900,688
Total net position - ending	<u>\$ 2,878,635</u>	<u>\$ 38,548</u>	<u>\$ 36,760</u>	<u>\$ 2,953,943</u>

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

	Internal Service Funds		
	Worker's	FLEET	Total
	Compensation Fund	Maintenance Fund	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 18,169	\$ 23,858	\$ 42,027
Due from other funds	485,472	30,623	516,095
Total assets	503,641	54,481	558,122
LIABILITIES:			
Current Liabilities:			
Accounts payable	-	23,837	23,837
Accrued payroll liabilities	-	5,181	5,181
Estimated liability for claims	503,641	-	503,641
Accrued compensated absences - current	-	2,546	2,546
Accrued compensated absences - noncurrent	-	22,917	22,917
Total liabilities	503,641	54,481	558,122
NET POSITION:			
Unrestricted	-	-	-
Total net position	\$ -	\$ -	\$ -

**Combining Statement of Revenues, Expenses, and Changes in Net Position, Internal Service Funds
– Year Ended June 30, 2014**

	Internal Service Funds		
	Worker's	FLEET	Total
	Compensation Fund	Maintenance Fund	
Operating Revenues:			
Charges for services:			
Self insurance charges	\$ 626,848	\$ 609,999	\$ 1,236,847
Miscellaneous	24,415	4,264	28,679
Total operating revenues	651,263	614,263	1,265,526
Operating Expenses:			
Claims expense	651,263	-	651,263
FLEET maintenance expenses	-	614,263	614,263
Total operating expenses	651,263	614,263	1,265,526
Operating income	-	-	-
Total net position - beginning	-	-	-
Total net position - ending	\$ -	\$ -	\$ -

**CITY OF MCALESTER, OKLAHOMA
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Combining Statement of Cash Flows, Internal Service Funds – Year Ended June 30, 2014

	Internal Service Funds		
	Worker's Compensation Fund	FLEET Maintenance Fund	Total
	Fund	Fund	Total
Cash Flows from Operating Activities			
Payments to suppliers	\$ (703,785)	\$ (317,831)	\$ (1,021,616)
Payments to employees	-	(288,159)	(288,159)
Other receipts	721,012	612,823	1,333,835
Net Cash Provided by Operating Activities	<u>17,227</u>	<u>6,833</u>	<u>24,060</u>
Net Increase in Cash and Cash Equivalents	17,227	6,833	24,060
Balances - beginning of the year	942	17,025	17,967
Balances - end of the year	<u>\$ 18,169</u>	<u>\$ 23,858</u>	<u>\$ 42,027</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ -	\$ -	\$ -
Change in assets and liabilities			
Due from other funds	69,749	(1,440)	68,309
Accounts payable	(942)	6,812	5,870
Accrued payroll liabilities	-	(1,357)	(1,357)
Claims liability	(51,580)	-	(51,580)
Accrued compensated absences	-	2,818	2,818
Net Cash Provided by Operating Activities	<u>\$ 17,227</u>	<u>\$ 6,833</u>	<u>\$ 24,060</u>

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**Budgetary Comparison Schedules – Major Capital Project & Debt Service Governmental Funds –
Year Ended June 30, 2014**

CAPITAL PROJECT - CAPITAL IMPROVEMENT PLAN FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 1,159,854	\$ 1,859,396	\$ 699,542
Resources (Inflows):				
Charges for services	219,321	219,321	233,180	13,859
Investment income	-	-	763	763
Miscellaneous	-	-	6,605	6,605
Transfers in	460,547	665,547	665,547	-
Amounts available for appropriation	<u>679,868</u>	<u>2,044,722</u>	<u>2,765,491</u>	<u>720,769</u>
Charges to appropriations (outflows):				
City manager	75,000	75,000	68,796	6,204
Patrol	-	380,000	247,394	132,606
Fire	-	157,000	-	157,000
Parks	-	169,167	169,167	-
Recreation	-	8,500	8,350	150
Planning & Comm Dev	-	6,942	6,941	1
Streets	40,547	229,438	228,058	1,380
Water Treatment	-	414,297	205,643	208,654
Utility maintenance	345,000	385,057	369,134	15,923
Total Charges to Appropriations	<u>460,547</u>	<u>1,825,401</u>	<u>1,303,483</u>	<u>521,918</u>
Ending Budgetary Fund Balance	<u>\$ 219,321</u>	<u>\$ 219,321</u>	<u>\$ 1,462,008</u>	<u>\$ 1,242,687</u>

DEBT SERVICE - DEDICATED SALES TAX-MPWA (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 669,095	\$ 950,465	\$ 281,370
Resources (Inflows):				
Taxes	3,756,858	3,756,858	3,785,682	28,824
Investment income	20,000	20,000	5,384	(14,616)
Amounts available for appropriation	<u>3,776,858</u>	<u>4,445,953</u>	<u>4,741,531</u>	<u>295,578</u>
Charges to appropriations (outflows):				
Administration	15,000	15,000	6,500	8,500
Transfers out	3,408,641	4,077,736	4,077,736	-
Total Charges to Appropriations	<u>3,423,641</u>	<u>4,092,736</u>	<u>4,084,236</u>	<u>8,500</u>
Ending Budgetary Fund Balance	<u>\$ 353,217</u>	<u>\$ 353,217</u>	<u>\$ 657,295</u>	<u>\$ 304,078</u>

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**Budgetary Comparison Schedules – Major Capital Project & Debt Service Governmental Funds –
Year Ended June 30, 2014 (Continued)**

DEBT SERVICE - BOND TRUSTEE FUND (Budgetary Basis)				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 14,261,093	\$ 14,261,093
Resources (Inflows):				
Investment income	-	-	1,121	1,121
Bond proceeds	-	341,574	4,910,000	4,568,426
Transfers in	4,955,942	5,614,057	5,622,417	8,360
Amounts available for appropriation	<u>4,955,942</u>	<u>5,955,631</u>	<u>24,794,631</u>	<u>18,839,000</u>
Charges to appropriations (outflows):				
Finance	<u>4,924,094</u>	<u>5,923,783</u>	<u>5,923,781</u>	<u>2</u>
Total Charges to Appropriations	<u>4,924,094</u>	<u>5,923,783</u>	<u>5,923,781</u>	<u>2</u>
Ending Budgetary Fund Balance	<u>\$ 31,848</u>	<u>\$ 31,848</u>	<u>\$ 18,870,850</u>	<u>\$ 18,839,002</u>

Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2014

SPECIAL REVENUE - JUVENILE FINE FUND (Budgetary Basis)				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 9,267	\$ 9,267
Resources (Inflows):				
Charges for services	26,000	26,000	22,670	(3,330)
Miscellaneous	25,000	25,000	-	(25,000)
Amounts available for appropriation	<u>51,000</u>	<u>51,000</u>	<u>31,937</u>	<u>(19,063)</u>
Charges to appropriations (outflows):				
Public safety	<u>30,006</u>	<u>30,006</u>	<u>25,339</u>	<u>4,667</u>
Total Charges to Appropriations	<u>30,006</u>	<u>30,006</u>	<u>25,339</u>	<u>4,667</u>
Ending Budgetary Fund Balance	<u>\$ 20,994</u>	<u>\$ 20,994</u>	<u>\$ 6,598</u>	<u>\$ (14,396)</u>

SPECIAL REVENUE - TOURISM/SE EXPO FUND (Budgetary Basis)				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 28,000	\$ 575,868	\$ 547,868
Resources (Inflows):				
Taxes	478,724	478,724	448,448	(30,276)
Charges for services	145,650	145,650	127,921	(17,729)
Miscellaneous	-	-	100	100
Amounts available for appropriation	<u>624,374</u>	<u>652,374</u>	<u>1,152,337</u>	<u>499,963</u>
Charges to appropriations (outflows):				
Administrative services	<u>580,699</u>	<u>608,699</u>	<u>564,671</u>	<u>44,028</u>
Total Charges to Appropriations	<u>580,699</u>	<u>608,699</u>	<u>564,671</u>	<u>44,028</u>
Ending Budgetary Fund Balance	<u>\$ 43,675</u>	<u>\$ 43,675</u>	<u>\$ 587,666</u>	<u>\$ 543,991</u>

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**Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2014
(Continued)**

SPECIAL REVENUE - E-911 FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 50,941	\$ 50,941	\$ 1,127,657	\$ 1,076,716
Resources (Inflows):				
Taxes	575,211	575,211	631,411	56,200
Investment income	7,000	7,000	6,332	(668)
Amounts available for appropriation	<u>633,152</u>	<u>633,152</u>	<u>1,765,400</u>	<u>1,132,248</u>
Charges to appropriations (outflows):				
Public safety	<u>633,152</u>	<u>633,152</u>	<u>531,364</u>	<u>101,788</u>
Total Charges to Appropriations	<u>633,152</u>	<u>633,152</u>	<u>531,364</u>	<u>101,788</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,234,036</u>	<u>\$ 1,234,036</u>

SPECIAL REVENUE - ECONOMIC DEVELOPMENT FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 123,975	\$ 370,366	\$ 1,027,610	\$ 657,244
Resources (Inflows):				
Taxes	939,215	939,215	946,420	7,205
Intergovernmental	-	260,000	260,000	-
Investment income	-	-	8,486	8,486
Miscellaneous	187,000	187,000	558,044	371,044
Proceeds from sale of capital assets	-	-	1,350,000	1,350,000
Amounts available for appropriation	<u>1,250,190</u>	<u>1,756,581</u>	<u>4,150,560</u>	<u>2,393,979</u>
Charges to appropriations (outflows):				
Finance	66,990	254,950	220,883	34,067
Planning and community development	285,000	603,431	156,364	447,067
Transfers out	<u>898,200</u>	<u>898,200</u>	<u>893,880</u>	<u>4,320</u>
Total Charges to Appropriations	<u>1,250,190</u>	<u>1,756,581</u>	<u>1,271,127</u>	<u>485,454</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,879,433</u>	<u>\$ 2,879,433</u>

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**Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2014
(Continued)**

SPECIAL REVENUE - GIFTS & CONTRIBUTIONS FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 88,002	\$ 88,002
Resources (Inflows):				
Intergovernmental	-	-	21,000	21,000
Investment income	-	-	2	2
Miscellaneous	-	121,559	42,024	(79,535)
Amounts available for appropriation	<u>-</u>	<u>121,559</u>	<u>151,028</u>	<u>29,469</u>
Charges to appropriations (outflows):				
Administration	-	121,559	92,310	29,249
Total Charges to Appropriations	<u>-</u>	<u>121,559</u>	<u>92,310</u>	<u>29,249</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,718</u>	<u>\$ 58,718</u>

CAPITAL PROJECT - POLICE EQUIPMENT FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ 20,000	\$ 26,455	\$ 6,455
Resources (Inflows):				
Intergovernmental	-	-	-	-
Amounts available for appropriation	<u>-</u>	<u>20,000</u>	<u>26,455</u>	<u>6,455</u>
Charges to appropriations (outflows):				
Public safety	-	20,000	16,816	3,184
Total Charges to Appropriations	<u>-</u>	<u>20,000</u>	<u>16,816</u>	<u>3,184</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,639</u>	<u>\$ 9,639</u>

CAPITAL PROJECT - STATE FORFEITURE FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 3,327	\$ 3,327
Resources (Inflows):				
Intergovernmental	-	-	192	192
Investment income	-	-	107	107
Amounts available for appropriation	<u>-</u>	<u>-</u>	<u>3,626</u>	<u>3,626</u>
Charges to appropriations (outflows):				
Transfers out	-	-	-	-
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,626</u>	<u>\$ 3,626</u>

**CITY OF MCALESTER, OKLAHOMA
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**Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2014
(Continued)**

CAPITAL PROJECT - CEMETERY PERPETUAL CARE FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 27,032	\$ 42,332	\$ 368,895	\$ 326,563
Resources (Inflows):				
Charges for services	6,000	6,000	5,900	(100)
Investment income	1,000	1,000	198	(802)
Amounts available for appropriation	<u>34,032</u>	<u>49,332</u>	<u>374,993</u>	<u>325,661</u>
Charges to appropriations (outflows):				
Community services	<u>34,032</u>	<u>49,332</u>	<u>48,166</u>	<u>1,166</u>
Total Charges to Appropriations	<u>34,032</u>	<u>49,332</u>	<u>48,166</u>	<u>1,166</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,827</u>	<u>\$ 326,827</u>

CAPITAL PROJECT - CDBG GRANTS FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental	72,799	72,799	72,772	(27)
Transfers in	72,799	72,799	72,799	-
Amounts available for appropriation	<u>145,598</u>	<u>145,598</u>	<u>145,571</u>	<u>(27)</u>
Charges to appropriations (outflows):				
Engineering	<u>145,598</u>	<u>145,598</u>	<u>145,250</u>	<u>348</u>
Total Charges to Appropriations	<u>145,598</u>	<u>145,598</u>	<u>145,250</u>	<u>348</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321</u>	<u>\$ 321</u>

CAPITAL PROJECT - FEDERAL FORFEITURE FUND (Budgetary Basis)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 50,965	\$ 50,965
Resources (Inflows):				
Intergovernmental	33,000	33,000	15,074	(17,926)
Investment income	-	-	255	255
Amounts available for appropriation	<u>33,000</u>	<u>33,000</u>	<u>66,294</u>	<u>33,294</u>
Charges to appropriations (outflows):				
Public safety	<u>33,000</u>	<u>33,000</u>	<u>20,923</u>	<u>12,077</u>
Total Charges to Appropriations	<u>33,000</u>	<u>33,000</u>	<u>20,923</u>	<u>12,077</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,371</u>	<u>\$ 45,371</u>

**CITY OF MCALESTER, OKLAHOMA
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**Budgetary Comparison Schedules – Nonmajor Governmental Funds – Year Ended June 30, 2014
(Continued)**

CAPITAL PROJECT - FIRE IMPROVEMENT GRANT FUND (Budgetary Basis)

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

CAPITAL PROJECT - TECHNOLOGY FUND (Budgetary Basis)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 15,341	\$ 15,341
Resources (Inflows):				
Charges for services	70,000	70,000	175,143	105,143
Amounts available for appropriation	<u>70,000</u>	<u>70,000</u>	<u>190,484</u>	<u>120,484</u>
Charges to appropriations (outflows):				
Administration	70,000	70,000	3,200	66,800
Total Charges to Appropriations	<u>70,000</u>	<u>70,000</u>	<u>3,200</u>	<u>66,800</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,284</u>	<u>\$ 187,284</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$ 891,880	\$ 891,880
Resources (Inflows):				
Taxes	939,215	939,215	946,420	7,205
Investment income	6,000	6,000	5,864	(136)
Amounts available for appropriation	<u>945,215</u>	<u>945,215</u>	<u>1,844,164</u>	<u>898,949</u>
Charges to appropriations (outflows):				
Community services	1,500	1,500	-	1,500
Transfers out	649,100	649,100	645,801	3,299
Total Charges to Appropriations	<u>650,600</u>	<u>650,600</u>	<u>645,801</u>	<u>4,799</u>
Ending Budgetary Fund Balance	<u>\$ 294,615</u>	<u>\$ 294,615</u>	<u>\$ 1,198,363</u>	<u>\$ 903,748</u>

CITY OF MCALESTER, OKLAHOMA
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Schedule of Revenue Bond Coverage – Year Ended June 30, 2014

	<u>Series 2014, 2013, 2012, 2002 Bonds & 1999 Loan</u>
Gross Revenue Available for Debt Service:	
Charges for services	\$ 8,420,950
Sales tax pledged and transferred	<u>4,082,736</u>
Total Gross Revenues Available	<u>12,503,686</u>
Operating Expenses:	
Water, Sewer and Sanitation	<u>6,117,823</u>
Total Operating Expenses	<u>6,117,823</u>
Net Revenues Available for Debt Service	<u>\$ 6,385,863</u>
Debt Service Requirements:	
Average annual principal and interest requirements on bonds and subordinate debt:	
Series 2014 Utility System Revenue Bonds	\$ 437,483
Series 2013 Utility System Revenue Bonds	814,290
Series 2012 Utility System Revenue Bonds	2,331,476
Series 2002 Utility System Revenue Bonds	940,443
1999 CDBG Loan	<u>13,750</u>
Total average annual debt service	<u>\$ 4,537,442</u>
Computed Coverage	<u>141%</u>
Coverage Requirement	<u>125%</u>

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

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

Schedule of Expenditures of Federal Awards – Year Ended June 30, 2014

Federal/State Grantor/Pass through agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Federal Expenditures
FEDERAL AWARDS:				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
Bulletproof Vest Partnership Program	16.607	2009BUBX09049658	\$ 3,500	\$ 3,500
Total U.S. Department of Justice			<u>3,500</u>	<u>3,500</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
Passed Through to Oklahoma Department of Human Services and the Kiamichii Area Nutrition Project: Special Program for the Aging - Title III, Part C - Nutrition Services	93.045	N/A	61,870	61,870
Total U.S. Department of Health and Human Services			<u>61,870</u>	<u>61,870</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through Oklahoma Department of Commerce: Community Development Block Grant	14.228	15654 CDBG 13	72,771	72,771
Total U.S. Department of Housing and Urban Development			<u>72,771</u>	<u>72,771</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
Federal Aviation Administration: Airport Improvement Grant	20.106	AIP 3-40-0057-011-2011	1,420,815	-
Airport Improvement Grant	20.106	AIP 3-40-0057-012-2011	407,351	-
Total Federal Aviation Administration			<u>1,828,166</u>	<u>-</u>
Passed through Oklahoma Tourism and Recreation Department: Recreational Trails Program Grant	20.219	NRT-2013 (100)	160,000	5,553
Passed through Oklahoma Department of Public Safety: E911 Services Grant	20.610	NHTSA-2008-0142	126,877	-
Passed through Oklahoma Highway Safety Office: State and Community Highway Safety	20.600	PT-13-03-12-05	28,000	7,206
State and Community Highway Safety	20.600	PT-14-03-09-06	27,994	19,983
Total Oklahoma Highway Safety Office			<u>55,994</u>	<u>27,189</u>
Total U.S. Department of Transportation			<u>2,171,037</u>	<u>32,742</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
Passed through Oklahoma Dept of Agriculture, Food and Forestry: Firewise Community Hazard Mitigation Grant	10.664	CHM-07-14	14,925	14,877
Passed through Oklahoma Forestry Services: Community Wildfire Protection Plan Grant	10.664	CWPP-12-65	8,000	8,000
Total U.S. Department of Agriculture			<u>22,925</u>	<u>22,877</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,332,103</u>	<u>\$ 193,760</u>

Notes to Schedule of Expenditures of Federal Awards

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

Statistical Section

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

	FISCAL YEAR									(A)
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 27,844,164	\$ 39,661,425	\$ 38,654,990	\$ 36,913,324	\$ 35,524,842	\$ 34,617,252	\$ 33,224,076	\$ 32,432,860	\$ 30,765,320	\$ (9,351,998)
Restricted	457,538	2,798,396	4,294,900	6,315,262	10,901,873	10,879,639	15,583,329	12,528,800	9,774,023	9,671,931
Unrestricted	<u>(2,778,652)</u>	<u>(4,192,315)</u>	<u>(2,581,600)</u>	<u>(1,351,655)</u>	<u>127,348</u>	<u>3,528,189</u>	<u>713,466</u>	<u>3,619,246</u>	<u>3,327,652</u>	<u>(331,766)</u>
Total governmental activities net assets	<u>\$ 25,523,050</u>	<u>\$ 38,267,506</u>	<u>\$ 40,368,290</u>	<u>\$ 41,876,931</u>	<u>\$ 46,554,063</u>	<u>\$ 49,025,080</u>	<u>\$ 49,520,871</u>	<u>\$ 48,580,906</u>	<u>\$ 43,866,995</u>	<u>\$ (11,833)</u>
Business-type activities										
Net investment in capital assets	\$ 7,285,124	\$ 26,070,852	\$ 25,671,073	\$ 22,794,648	\$ 23,500,930	\$ 22,543,574	\$ 22,155,024	\$ 24,511,925	\$ 25,309,905	\$ 25,468,139
Restricted	57	7,201,745	7,858,811	8,222,759	3,962,096	3,841,946	669,133	185,867	7,907,391	-
Unrestricted	<u>(9,354,492)</u>	<u>(63,815,111)</u>	<u>(64,100,578)</u>	<u>(59,681,074)</u>	<u>(57,385,625)</u>	<u>(57,691,240)</u>	<u>(52,715,442)</u>	<u>(51,414,376)</u>	<u>(54,744,596)</u>	<u>556,515</u>
Total business-type activities net assets	<u>\$ (2,069,311)</u>	<u>\$ (30,542,514)</u>	<u>\$ (30,570,694)</u>	<u>\$ (28,683,667)</u>	<u>\$ (29,922,599)</u>	<u>\$ (31,305,720)</u>	<u>\$ (29,891,285)</u>	<u>\$ (26,716,584)</u>	<u>\$ (21,527,300)</u>	<u>\$ 26,024,654</u>
Primary government										
Net investment in capital assets	\$ 35,129,288	\$ 65,732,277	\$ 64,326,063	\$ 59,707,972	\$ 59,025,772	\$ 57,160,826	\$ 55,379,100	\$ 56,944,785	\$ 56,075,225	\$ 16,116,141
Restricted	457,595	10,000,141	12,153,711	14,538,021	14,863,969	14,721,585	16,252,462	12,714,667	17,681,414	9,671,931
Unrestricted	<u>(12,133,144)</u>	<u>(68,007,426)</u>	<u>(66,682,178)</u>	<u>(61,032,729)</u>	<u>(57,258,277)</u>	<u>(54,163,051)</u>	<u>(52,001,976)</u>	<u>(47,795,130)</u>	<u>(51,416,944)</u>	<u>224,749</u>
Total primary government net assets	<u>\$ 23,453,739</u>	<u>\$ 7,724,992</u>	<u>\$ 9,797,596</u>	<u>\$ 13,213,264</u>	<u>\$ 16,631,464</u>	<u>\$ 17,719,360</u>	<u>\$ 19,629,586</u>	<u>\$ 21,864,322</u>	<u>\$ 22,339,695</u>	<u>\$ 26,012,821</u>

(A) - City began reporting revenue bond debt activity previously reported as business-type activities in the governmental activities.

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

	FISCAL YEAR										(A)
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Expenses											
Governmental activities:											
Legislature	\$ 23,288	\$ 48,166	\$ 14,693	\$ 72,611	\$ 32,311	\$ 126,666	\$ 97,162	\$ 119,262	\$ 119,631	\$ 92,698	
Administration	2,424,606	3,282,152	2,702,333	2,262,740	3,077,346	2,523,930	2,652,254	2,605,293	2,593,075	2,633,457	
Public safety	6,045,013	6,232,010	7,769,476	8,376,584	7,348,140	7,375,334	8,001,693	8,346,194	8,398,927	8,269,035	
Community service	1,493,714	1,911,339	1,894,270	2,126,035	2,111,274	2,018,764	2,190,693	2,965,005	2,692,851	2,176,495	
Administration services	926,342	783,265	795,739	907,937	980,172	881,082	1,073,608	1,057,394	1,073,174	1,011,076	
Health and welfare	154,736	167,634	176,400	124,894	257,350	229,776	285,502	290,065	277,730	256,902	
Public works	2,880,480	3,069,677	3,462,056	3,500,144	3,536,482	3,160,982	2,616,066	2,635,362	2,641,505	2,764,212	
Economic development	-	66,075	145,000	166,887	214,845	287,955	250,974	257,449	334,831	243,467	
Payment to Health Center Authority	738,818	821,517	918,638	1,017,568	362,398	-	-	-	-	-	
Interest on long-term debt	88,848	70,195	45,573	32,684	16,574	25,826	23,099	16,019	10,781	2,603,604	
Total governmental activities expenses	<u>14,775,845</u>	<u>16,452,030</u>	<u>17,924,178</u>	<u>18,588,084</u>	<u>17,936,892</u>	<u>16,630,315</u>	<u>17,191,051</u>	<u>18,292,043</u>	<u>18,142,505</u>	<u>20,050,946</u>	
Business-type activities:											
Water operations	-	3,075,397	2,353,292	2,512,766	2,702,777	2,693,090	2,586,210	2,826,263	2,699,541	2,504,280	
Sewer operations	-	1,243,371	1,267,846	1,453,532	1,497,767	1,478,020	1,501,178	1,574,716	1,633,520	1,534,532	
Sanitation operations	-	1,741,250	2,383,201	2,225,325	1,875,151	2,525,570	3,727,028	4,132,892	3,836,266	3,291,636	
Airport	398,944	3,730,800	264,030	155,347	346,238	353,265	335,902	336,310	322,386	330,132	
Governmental interest & amortization	-	219,889	3,670,685	3,728,898	3,587,968	3,642,316	3,550,238	3,153,918	2,354,536	-	
Utilities	11,966,409	-	-	-	-	-	-	-	-	-	
Total business-type activities expenses	<u>12,365,353</u>	<u>10,010,707</u>	<u>9,939,054</u>	<u>10,075,868</u>	<u>10,009,901</u>	<u>10,692,261</u>	<u>11,700,556</u>	<u>12,024,099</u>	<u>10,846,249</u>	<u>7,660,580</u>	
Total primary government expenses	<u>\$ 27,141,198</u>	<u>\$ 26,462,737</u>	<u>\$ 27,863,232</u>	<u>\$ 28,663,952</u>	<u>\$ 27,946,793</u>	<u>\$ 27,322,576</u>	<u>\$ 28,891,607</u>	<u>\$ 30,316,142</u>	<u>\$ 28,988,754</u>	<u>\$ 27,711,526</u>	
Program Revenues											
Governmental activities:											
Legislature	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	
Administration	68,818	232,472	487,861	1,936,658	268,950	338,951	650,556	1,130,512	1,089,491	1,394,521	
Public safety	660,765	1,082,899	995,571	1,093,278	1,814,780	1,771,953	1,578,883	1,305,145	1,429,987	2,741,229	
Community service	198,340	105,488	95,778	108,311	98,857	105,014	127,156	113,606	113,606	143,735	
Administration services	41,283	135,509	286,098	291,165	282,857	287,636	336,545	285,993	268,606	284,712	
Health and welfare	-	-	-	-	-	-	-	-	-	61,870	
Public works	6,656	1,457	201	263	299	3,781	3,789	3,794	3,797	185,838	
Economic development	-	-	-	-	-	-	-	-	-	260,000	
Payment to Health Center Authority	-	-	-	-	-	-	-	-	-	-	
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-	
Total governmental activities program revenues	<u>975,862</u>	<u>1,557,825</u>	<u>1,865,509</u>	<u>3,429,675</u>	<u>2,465,743</u>	<u>2,507,335</u>	<u>2,696,929</u>	<u>2,846,516</u>	<u>2,905,487</u>	<u>5,071,905</u>	

(A) - City began reporting revenue bond debt activity previously reported as business-type activities in the governmental activities.

(Continued)

TABLE 2
(Continued)

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Water operations	-	4,393,172	4,090,771	3,849,884	4,137,356	4,067,745	4,497,227	5,171,920	4,592,465	4,174,878
Sewer operations	-	1,589,777	1,448,440	1,396,625	1,456,628	1,475,284	1,740,561	1,748,119	1,802,899	1,633,623
Sanitation operations	-	2,673,695	2,496,883	2,984,600	3,135,166	3,046,992	3,330,969	3,285,025	3,229,695	2,918,401
Airport	87,414	149,583	178,856	201,113	128,937	110,415	123,874	111,902	94,250	92,304
Utilities	6,983,857	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	7,071,271	8,806,227	8,214,950	8,432,222	8,858,087	8,700,436	9,692,631	10,316,966	9,719,309	8,819,206
Total primary government program revenues	\$ 8,047,133	\$ 10,364,052	\$ 10,080,459	\$ 11,861,897	\$ 11,323,830	\$ 11,207,771	\$ 12,389,560	\$ 13,163,482	\$ 12,624,796	\$ 13,891,111
Net (Expense)/Revenue										
Governmental activities:	\$ (13,799,983)	\$ (14,894,205)	\$ (16,058,669)	\$ (15,158,409)	\$ (15,471,149)	\$ (14,122,980)	\$ (14,494,122)	\$ (15,445,527)	\$ (15,237,018)	\$ (14,979,041)
Business-type activities:	(5,294,082)	(1,204,480)	(1,724,104)	(1,643,646)	(1,151,814)	(1,991,825)	(2,007,925)	(1,707,133)	(1,126,940)	1,158,626
Total primary government net expense	\$ (19,094,065)	\$ (16,098,685)	\$ (17,782,773)	\$ (16,802,055)	\$ (16,622,963)	\$ (16,114,805)	\$ (16,502,047)	\$ (17,152,660)	\$ (16,363,958)	\$ (13,820,415)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Sales and use taxes	\$ 11,493,325	\$ 12,768,266	\$ 14,282,289	\$ 15,824,676	\$ 15,629,476	\$ 13,701,860	\$ 14,342,476	\$ 15,256,164	\$ 14,056,846	\$ 13,950,434
Franchise and public service taxes	609,384	668,418	607,212	643,484	729,844	567,852	687,905	584,264	552,713	607,578
Hotel/motel taxes	239,140	291,566	489,872	666,372	583,258	426,662	507,415	549,088	471,081	447,768
E-911 taxes	111,456	114,308	133,287	782,094	714,832	653,841	677,966	650,409	668,209	630,849
Intergovernmental revenue not restricted to specific programs	92,200	277,311	294,200	318,855	321,874	302,480	317,934	332,365	305,734	291,828
Investment income	19,167	29,856	61,193	130,804	193,521	186,899	178,656	139,075	90,143	69,007
Miscellaneous	101,000	1,194,665	369,061	308,902	216,558	257,635	178,678	198,423	116,579	1,436,459
Transfers-Internal activity	168,678	(1,766,244)	(1,379,933)	(3,314,213)	(2,637,696)	(748,161)	(3,356,890)	(4,477,786)	(7,180,863)	1,030,202
Transfers from component unit	-	-	813,946	-	-	-	-	-	-	-
Excise taxes	59,300	-	-	-	-	-	-	-	-	-
Contributed Assets	770,498	-	-	-	-	-	-	-	-	-
General fixed assets funded by business-type special revenue funds	(765,436)	-	-	-	-	-	-	-	-	-
Total governmental activities	12,898,712	13,578,146	15,671,127	15,360,974	15,751,667	15,349,068	13,534,140	13,232,002	9,080,442	18,464,125
Business-type activities:										
Excise taxes	19,611	-	-	-	-	-	-	-	-	-
Investment income	341,654	258,720	256,907	173,077	32,956	2,185	17,248	11,717	16,700	13,945
Miscellaneous	32,383	-	41,579	6,464	19,439	35,406	20,367	25,795	116,389	45,673
Transfers - Internal activity	(168,678)	1,766,244	1,379,933	3,314,213	2,637,696	748,161	3,356,890	4,477,786	7,180,863	(1,030,202)
Bond proceeds, net	800,000	-	-	-	-	-	-	-	-	-
Total business-type activities	1,024,970	2,024,964	1,678,419	3,493,754	2,690,091	785,752	3,394,505	4,515,298	7,313,952	(970,584)
Total primary government	\$ 13,923,682	\$ 15,603,110	\$ 17,349,546	\$ 18,854,728	\$ 18,441,758	\$ 16,134,820	\$ 16,928,645	\$ 17,747,300	\$ 16,394,394	\$ 17,493,541
Change in Net Assets										
Governmental activities	\$ (901,271)	\$ (1,316,059)	\$ (387,542)	\$ 202,565	\$ 280,518	\$ 1,226,088	\$ (959,982)	\$ (2,213,525)	\$ (6,156,576)	\$ 3,485,084
Business-type activities	(4,269,112)	820,484	(45,685)	1,850,108	1,538,277	(1,206,073)	1,386,580	2,808,165	6,187,012	188,042
Total primary government	\$ (5,170,383)	\$ (495,575)	\$ (433,227)	\$ 2,052,673	\$ 1,818,795	\$ 20,015	\$ 426,598	\$ 594,640	\$ 30,436	\$ 3,673,126

(A) - City began reporting revenue bond debt activity previously reported as business-type activities in the governmental activities.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^(A)
General Fund										
Reserved for:										
Encumbrances	\$ 56,732	\$ 27,772	\$ -	\$ -	\$ -	\$ 21,800	\$ -	\$ -	\$ -	\$ -
Compensated absences obligation	-	1,447,005	-	-	-	-	-	-	-	-
Unreserved	1,077,430	(3,974,447)	(2,007,545)	(2,412,174)	(1,404,008)	972,696	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	5,987
Restricted	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	59,263	61,353	6,143	48,842
Unassigned	-	-	-	-	-	-	1,153,793	1,872,415	2,348,271	2,612,033
Total General Fund	<u>\$ 1,134,162</u>	<u>\$ (2,499,670)</u>	<u>\$ (2,007,545)</u>	<u>\$ (2,412,174)</u>	<u>\$ (1,404,008)</u>	<u>\$ 994,496</u>	<u>\$ 1,213,056</u>	<u>\$ 1,933,768</u>	<u>\$ 2,354,414</u>	<u>\$ 2,666,862</u>
All Other Governmental Funds										
Reserved for:										
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,367	\$ -	\$ -	\$ -	\$ -
Compensated absences obligation	-	37,731	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	803,112	2,803,817	5,810,149	9,758,315	14,373,107	14,848,434	-	-	-	-
Restricted	-	-	-	-	-	-	15,583,329	12,528,800	9,774,023	28,542,781
Assigned	-	-	-	-	-	-	473,187	2,965,222	2,202,832	3,461,487
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 803,112</u>	<u>\$ 2,841,548</u>	<u>\$ 5,810,149</u>	<u>\$ 9,758,315</u>	<u>\$ 14,373,107</u>	<u>\$ 14,933,801</u>	<u>\$ 16,056,516</u>	<u>\$ 15,494,022</u>	<u>\$ 11,976,855</u>	<u>\$ 32,004,268</u>
GRAND TOTAL	<u>\$ 1,937,274</u>	<u>\$ 341,878</u>	<u>\$ 3,802,604</u>	<u>\$ 7,346,141</u>	<u>\$ 12,969,099</u>	<u>\$ 15,928,297</u>	<u>\$ 17,269,572</u>	<u>\$ 17,427,790</u>	<u>\$ 14,331,269</u>	<u>\$ 34,671,130</u>

NOTE: GASB 54 was implemented in fiscal year 2011. Years prior to implementation of GASB 54 have not been restated.
 (A) - City began reporting revenue bond debt activity previously reported in the proprietary funds in the governmental funds.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	(A) 2014
Revenues										
Sales and use taxes	\$ 11,493,325	\$ 12,768,266	\$ 14,282,289	\$ 15,824,676	\$ 15,629,476	\$ 13,701,860	\$ 14,342,476	\$ 15,256,164	\$ 14,056,846	\$ 13,950,434
Franchise and public service taxes	609,384	668,418	607,212	643,484	729,844	567,852	687,905	584,264	552,713	607,578
E-911 taxes	111,456	114,308	133,287	782,094	714,832	653,841	677,966	650,409	668,209	630,849
Hotel/motel taxes	239,140	291,566	489,872	666,372	583,258	426,662	507,415	549,088	471,081	447,768
Intergovernmental	686,625	602,508	2,221,441	1,587,064	1,440,136	1,316,273	1,707,380	1,676,580	2,300,455	1,833,809
Charges for services	162,358	781,628	1,229,522	2,517,390	1,105,891	1,398,636	1,784,835	2,150,778	2,131,082	2,695,476
Fines and forfeitures	428,277	578,557	494,537	764,178	856,251	845,289	757,186	634,183	610,803	787,160
Licenses and permits	68,818	108,705	135,792	105,543	112,865	101,359	159,227	92,307	111,896	141,489
Investment income	19,167	29,856	61,193	130,804	193,521	186,899	178,656	139,075	90,143	69,007
Miscellaneous	425,771	1,295,352	564,620	360,916	229,540	341,266	260,565	272,927	228,241	133,871
Total Revenues	14,244,321	17,239,164	20,219,765	23,382,521	21,595,614	19,539,937	21,063,611	22,005,775	21,221,469	21,297,441
Expenditures:										
Legislature	23,288	28,810	8,045	71,201	30,901	125,066	95,728	118,071	117,769	92,698
Administration	2,438,056	2,894,380	2,732,232	2,272,374	2,990,279	2,599,423	2,403,037	2,378,667	2,355,933	2,475,490
Public safety	5,634,577	5,838,253	7,202,270	7,640,579	7,157,681	7,024,496	7,994,007	7,598,168	7,789,438	7,861,764
Community services	1,401,821	1,706,062	1,751,641	1,861,844	1,918,841	1,769,825	1,931,979	2,687,709	2,374,036	1,862,157
Administration services	802,271	780,736	853,406	890,722	920,474	879,398	1,092,842	1,041,293	1,097,904	1,010,714
Health and welfare	148,903	167,475	176,530	116,992	249,118	227,694	288,913	293,906	282,311	254,596
Public works	1,464,092	1,424,314	1,803,459	1,682,994	1,976,844	1,545,718	1,234,246	1,136,893	1,064,904	1,169,200
Economic Development	-	66,075	145,000	137,650	214,845	287,955	250,974	257,449	313,870	217,067
Payment to McAlester Regional Health Center Authority	738,818	-	-	-	-	-	-	-	-	-
Capital outlay	1,719,368	797,525	461,585	459,726	501,346	1,689,725	1,301,384	4,489,791	1,929,581	2,508,114
Debt service:										
Principal retirement	681,058	304,010	416,214	348,262	335,186	162,286	343,619	109,304	201,674	3,207,664
Interest and fiscal charges	88,848	74,959	55,373	37,583	23,736	26,738	29,198	16,126	11,025	2,148,216
Total Expenditures	15,141,100	14,082,599	15,605,755	15,519,927	16,319,251	16,338,324	16,965,927	20,127,377	17,538,445	22,807,680
Excess of revenues over(under) expenditures	(896,779)	3,156,565	4,614,010	7,862,594	5,276,363	3,201,613	4,097,684	1,878,398	3,683,024	(1,510,239)
Other financing sources(uses) and special item:										
Transfers in	4,641,972	4,352,005	4,880,600	3,319,441	2,911,291	5,122,922	2,107,823	5,125,820	2,288,687	8,121,706
Transfers in- McAlester Economic Development Service	-	-	813,946	-	-	-	-	-	-	-
Debt Proceeds	142,236	-	-	-	-	-	180,987	-	-	4,910,000
Bond issue costs	-	-	-	-	-	-	-	-	-	(83,603)
Proceeds from sales of capital assets	-	-	-	-	-	-	-	-	-	1,350,000
Contributed Assets	770,498	-	-	-	-	-	-	-	-	-
Transfers out	(4,590,282)	(5,923,094)	(6,260,533)	(6,620,930)	(5,494,124)	(5,810,078)	(5,045,219)	(6,846,000)	(9,068,232)	(6,709,096)
Transferout- McAlester Regional Health Center Authority	-	(821,517)	(918,638)	(1,017,568)	(362,398)	444,741	-	-	-	-
Total other financing sources(uses) and special item	964,424	(2,392,606)	(1,484,625)	(4,319,057)	(2,945,231)	(242,415)	(2,756,409)	(1,720,180)	(6,779,545)	7,589,007
Net change in fund balances	\$ 67,645	\$ 763,959	\$ 3,129,385	\$ 3,543,537	\$ 2,331,132	\$ 2,959,198	\$ 1,341,275	\$ 158,218	\$ (3,096,521)	\$ 6,078,768
Debt service as a percentage of noncapital expenditures	5.7%	2.9%	3.1%	2.6%	2.3%	1.3%	2.4%	0.8%	1.4%	26.4%

(A) - City began reporting revenue bond debt activity previously reported in the proprietary funds in the governmental funds.

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

Fiscal Year	Sales Tax	Use Tax	Franchise Tax	Hotel/Motel Tax	E-911 Tax	Totals
2005	\$ 11,132,543	\$ 360,782	\$ 609,384	\$ 239,140	\$ 111,456	\$ 12,453,305
2006	12,305,224	463,042	668,418	291,566	114,308	13,842,558
2007	13,803,068	479,221	607,212	489,872	133,287	15,512,660
2008	15,259,877	564,799	643,484	666,372	782,094	17,916,626
2009	15,049,535	579,941	729,844	583,258	714,832	17,657,410
2010	13,020,433	681,427	567,852	426,662	653,841	15,350,215
2011	13,787,766	554,710	687,905	507,415	677,966	16,215,762
2012	14,663,740	592,424	584,264	549,088	650,409	17,039,925
2013	13,357,829	699,017	552,713	471,081	668,209	15,748,849
2014	13,325,717	624,717	607,578	447,768	630,849	15,636,629

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City of McAlester	3.75%	3.75%	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Pittsburg County	0.00%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Sate of Oklahoma	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Total	8.25%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%

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

CITY OF MCALESTER, OKLAHOMA

TAXABLE SALES BY CATEGORY

Last Ten Fiscal Years

TABLE 7

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Agriculture, forestry, and fishing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191	\$ -
Mining Quarrying, and Oil and Gas Extraction	-	-	-	-	-	-	-	-	11,948	703
Utilities	-	-	-	-	-	-	-	-	476,905	785,842
Construction	-	-	-	-	-	-	-	-	15,998	34,043
Manufacturing	-	-	-	-	-	-	-	-	177,865	262,981
Transportation and Warehousing	-	-	-	-	-	-	-	-	7,011	12,982
Information	-	-	-	-	-	-	-	-	267,476	401,979
Wholesale trade	-	-	-	-	-	-	-	-	638,228	856,848
Retail trade	-	-	-	-	-	-	-	-	5,605,712	8,236,655
Finance, insurance,	-	-	-	-	-	-	-	-	11,473	27,697
Real Estate and Rental and Leasing	-	-	-	-	-	-	-	-	107,370	286,863
Professional, Scientific, and Technical Services	-	-	-	-	-	-	-	-	44,289	52,484
Administrative and Support and Waste Management and Remediation Services	-	-	-	-	-	-	-	-	4,785	3,996
Educational Services	-	-	-	-	-	-	-	-	1,559	1,365
Health Care and Social Assistance	-	-	-	-	-	-	-	-	176	1,227
Arts, Entertainment, and Recreation	-	-	-	-	-	-	-	-	31,980	46,204
Accommodation and Food Services	-	-	-	-	-	-	-	-	1,380,169	2,069,055
Other services (except Public Administration)	-	-	-	-	-	-	-	-	160,057	246,998
Public Administration	-	-	-	-	-	-	-	-	(194)	27
Nonclassifiable establishments	-	-	-	-	-	-	-	-	(17,661)	105,270
Agriculture	2,027	1,590	1,409	905	909	2,078	3,398	4,275	1,466	-
Mining	3,027	3,185	11,937	1,465	6,930	5,991	1,274	(239)	91	-
Construction	19,208	23,930	31,371	17,511	22,931	23,677	15,167	20,018	5,468	-
Manufacturing	172,241	207,139	317,257	580,848	521,840	267,462	630,929	895,821	196,585	-
Transportation	1,643	2,621	5,325	3,699	5,882	4,800	5,750	8,573	3,983	-
Communications and utilities:										
Communications	389,289	403,900	485,634	439,785	436,570	427,119	458,645	590,649	193,928	-
Electric, gas, and sanitary services	613,717	754,193	823,742	822,175	834,988	637,879	710,258	811,074	233,346	-
Wholesale trade	600,996	752,972	874,569	1,076,478	1,052,140	1,070,343	1,228,276	1,295,467	340,798	-
Retail trade:										
Building materials, hardware, garden supply and mobile home dealer	517,170	1,218,290	1,216,956	1,316,453	1,380,133	1,128,403	1,154,230	1,086,353	324,535	-
General merchandise stores	4,296,805	4,542,245	4,682,087	4,826,444	4,769,157	4,047,802	3,968,778	4,174,660	1,259,759	-
Food stores	644,833	502,922	614,118	618,067	673,347	616,485	665,075	650,225	221,670	-
Automotive dealers and gasoline service stations	581,693	565,684	562,565	631,001	615,026	551,224	571,892	629,373	219,764	-
Apparel and accessory stores	338,889	365,570	358,799	389,014	325,459	270,969	311,810	320,656	109,347	-
Furniture, home furnishings and equipment stores	495,997	478,672	600,555	689,073	727,104	588,948	545,530	447,391	142,865	-
Eating and drinking places	1,064,142	1,152,017	1,284,409	1,541,012	1,531,678	1,444,859	1,547,300	1,661,899	553,320	-
Miscellaneous retail	661,140	583,846	884,302	1,007,022	996,220	910,622	960,451	1,010,940	299,524	-
Finance, insurance, and real estate	974	1,260	1,159	2,353	1,244	1,624	2,278	1,986	2,028	-
Services:										
Hotels and motels	234,961	271,548	483,810	651,891	550,515	324,879	387,153	489,648	155,914	-
Personal services	68,180	68,712	74,426	79,420	82,852	69,019	72,171	75,481	23,034	-
Business services	148,417	179,157	206,526	212,416	233,328	214,812	156,993	249,457	61,222	-
Automotive repair services and garages	73,905	79,620	84,231	94,509	128,352	127,101	142,361	150,875	61,066	-
Miscellaneous repair services	11,482	24,185	35,105	39,911	30,413	20,149	15,658	25,366	8,775	-
Motion pictures	90,968	93,249	95,002	94,389	87,033	89,170	86,782	83,227	27,111	-
Other services	45,325	67,352	63,878	68,839	91,402	84,084	76,184	100,108	20,819	-
Nonclassifiable establishments	23,601	48,206	37,418	101,435	208,106	167,216	193,282	40,595	8,764	-
	\$ 11,100,631	\$ 12,392,065	\$ 13,836,589	\$ 15,306,114	\$ 15,313,560	\$ 13,096,315	\$ 13,911,625	\$ 14,823,880	\$ 13,400,517	\$ 13,433,218

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

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

<u>Jurisdiction</u>	<u>Net (1) Debt Outstanding</u>	<u>Percentage (2) Applicable to City of McAlester</u>	<u>Amount Applicable to City of McAlester</u>
Direct - City of McAlester	\$ 42,779	100.00%	\$42,779
Overlapping: McAlester School District	\$ -	100.00% (3)	-
Pittsburg County	<u>\$ 15,520,000</u>	46.00%	<u>7,139,200</u>
Total	<u><u>\$15,562,779</u></u>		<u><u>\$7,181,979</u></u>

Outstanding bond debt : 06-30-14

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 4,985,970	\$ 4,687,024	\$ 5,692,619	\$ 6,069,063	\$ 6,554,315	\$ 6,841,533	\$ 7,109,639	\$ 7,331,792	\$ 7,555,257	\$ 7,755,946
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 4,985,970</u>	<u>\$ 4,687,024</u>	<u>\$ 5,692,619</u>	<u>\$ 6,069,063</u>	<u>\$ 6,554,315</u>	<u>\$ 6,841,533</u>	<u>\$ 7,109,639</u>	<u>\$ 7,331,792</u>	<u>\$ 7,555,257</u>	<u>\$ 7,755,946</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2014

Net assessed valuation	\$ 77,559,463
Debt limit (10% of total assessed value)	7,755,946
Debt applicable to limit:	
General obligation bonds	-
Less: Street or utility bonds outstanding	-
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 7,755,946</u>

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

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

		<u>Eligible Revenues</u>	<u>Eligible Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Average Annual/ Annual Debt Service</u>	<u>Revenue Bond Coverage</u>
2005	Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A,2003B,2004 Sales Tax Revenue Bonds, 1999 CDBG Loan	11,416,765	4,517,086	6,899,679	5,528,300	1.25
2006	Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A,2003B,2004 Sales Tax Revenue Bonds, 1999 CDBG Loan	11,809,125	4,491,648	7,317,477	5,528,300	1.32
2007	Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A,2003B,2004 Sales Tax Revenue Bonds, 1999 CDBG Loan	13,294,128	5,189,715	8,104,413	5,528,300	1.47
2008	Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A,2003B,2004 Sales Tax Revenue Bonds, 1999 CDBG Loan	12,847,465	5,249,150	7,598,315	5,528,300	1.37
2009	Series 1999 and 2002 Utility System Revenue Bonds, Series 2003A,2003B,2004 Sales Tax Revenue Bonds, 1999 CDBG Loan	13,420,246	5,234,856	8,185,390	5,528,300	1.48
2010	Series 1999 and 2002 Utility System Revenue Bonds, 1999 CDBG Loan	11,497,861	5,788,341	5,709,520	3,968,564	1.44
2011	Series 1999 and 2002 Utility System Revenue Bonds, 1999 CDBG Loan	12,910,132	6,753,690	6,156,442	3,968,564	1.55
2012	Series 1999 and 2002 Utility System Revenue Bonds, 1999 CDBG Loan	13,573,172	7,533,575	6,039,597	3,968,564	1.52
2013	Series 2013,2012,2012 Utility System Revenue Bonds, 1999 CDBG Loan	13,065,325	6,879,431	6,185,894	4,099,959	1.51
2014	Series 2014, 2013,2012,2012 Utility System Revenue Bonds, 1999 CDBG Loan	12,503,686	6,117,823	6,385,863	4,537,442	1.41

(1) Excludes depreciation and amortization expense.

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

Employer	Product/Business	2008		2014	
		Employees	% of Total City Employment	Employees	% of Total City Employment
McAlester Army Ammunition Plant	Ammunition	1,821	8.2%	1,517	7.1%
McAlester Regional Health Center	Health Care	919	4.1%	757	3.5%
McAlester Public Schools	Education	390	1.8%	411	1.9%
Wal Mart	Retail Sales	450	2.0%	450	2.1%
Oklahoma State Penitentiary	Corrections	389	1.8%	300	1.4%
Spirit Aerospace, Inc.	Manufacturing/Assembling	283	1.3%	320	1.5%
City of McAlester (full time only)	Municipality	234	1.1%	206	1.0%
Eastern Oklahoma State College (full time only)	Education	198	0.9%	200	0.9%
Choctaw Casino	Gaming	98	0.4%	143	0.7%
Berry Plastics	Manufacturing	175	0.8%	198	0.9%
Totals		4,957	22.34%	4,502	20.96%

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

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

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median Age of Population (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2005	17,783 (A)	\$ 1,152,998	\$ 25,961	38.0	2,769	5.0%
2006	17,783 (A)	1,252,876	27,947	38.0	3,555	4.2%
2007	18,369	1,363,969	30,269	38.0	3,242	3.9%
2008	18,369	1,505,043	33,114	38.0	2,819	3.2%
2009	18,383	1,459,634	31,809	38.0	3,825	6.4%
2010	18,384	1,522,158	33,222	37.1	3,737	6.6%
2011	18,522	1,588,795	34,808	39.0	3,547	5.8%
2012	18,303	1,632,347	36,236	39.0	3,484	5.4%
2013	18,303	1,632,347	36,236	39.0	3,148	5.7%
2014	18,303	1,632,347	36,480	39.0	3,111	4.7%

(A) - Population obtained from the 2000 census.

Sources:

- (1) www.factfinder2.census.gov
- (2) www.bea.gov
- (3) www.economicexpert.com
- (4) McAlester School District, District Offices
- (5) www.bls.gov

CITY OF MCALESTER, OKLAHOMA
FULL-TIME EQUIVALENT BUDGETED CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Seven Fiscal Years
TABLE 13

<u>Function/Program</u>	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2010</u>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2014</u>
General Government							
City Manager	2	2	2	2	2	2	3
Finance	3	3	3	4	4	4	3
City Clerk	1	1	1	1	1	1	1
Legal	2	2	2	2	2	2	2
Planning	6	6	6	4	4	5	5
Economic Development	0	0	0	0	0	0	1
Tourism	0	0	0	0	0	0	1
Human Resources	2	2	2	3	3	3	2
Information Services	1	1	1	1	1	1	1
Total General Government	17	17	17	17	17	18	19
Public Safety & Judiciary							
Police	60	37	37	37	38	37	36
CID (Detectives)	0	12	12	7	8	8	8
Animal Control	0	2	2	2	2	2	1
Communications	0	4	4	4	4	4	4
Communications E911	0	5	5	7	10	10	10
Fire	44	44	44	43	43	43	43
Total Public Safety & Judiciary	104	104	104	100	105	104	102
Transportation							
Central Garage	8	8	8	7	6	6	5
Streets	18	14	14	14	14	14	13
Traffic Control	0	3	3	0	0	0	0
Airport	3	3	3	3	3	3	3
Total Transportation	29	28	28	24	23	23	21
Cultural, Parks, & Recreation							
Parks & Recreation	15	13	13	15	15	15	13
Expo	6	6	6	5	5	5	3
Nutrition	3	5	5	5	5	5	5
Library	1	1	0	0	0	0	0
Cemetery	5	5	5	5	5	5	5
Building Maintenance	3	3	4	4	4	4	3
Total Cultural, Parks, & Recreation	33	33	33	34	34	34	29
Utilities							
Utilities	0	2	2	2	2	2	0
Utility Office	6	6	6	7	7	8	7
Solid Waste	17	16	16	1	1	1	0
Landfill	5	4	4	4	4	2	2
Engineering	6	4	4	4	4	4	4
Waste Water	13	13	13	12	12	12	12
Water Treatment	8	8	8	8	8	8	7
Utility Maintenance	11	11	11	10	14	13	8
Total Utilities	66	64	64	48	52	50	40
Total Full-Time Budgeted Employees by Function/Program	249	246	246	223	231	229	211

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

<u>Function/Program</u>	<u>Fiscal Year</u> <u>2008</u>	<u>Fiscal Year</u> <u>2009</u>	<u>Fiscal Year</u> <u>2010</u>	<u>Fiscal Year</u> <u>2011</u>	<u>Fiscal Year</u> <u>2012</u>	<u>Fiscal Year</u> <u>2013</u>	<u>Fiscal Year</u> <u>2014</u>
General Government							
Buildings	10	10	10	11	12	12	12
Police							
Stations	1	1	1	1	1	1	2
Patrol units	57	57	57	52	54	53	53
Fire							
Stations	4	4	4	4	4	4	4
Trucks	5	5	5	5	5	5	6
Vehicles	16	16	16	16	16	17	16
Streets							
Street miles	298	298	298	298	298	298	298
Traffic signals	22	22	22	22	23	23	23
Parks and recreation							
Acreage	103	103	103	103	103	103	103
Playgrounds	10	10	10	10	10	10	10
Baseball/softball diamonds	10	9	9	9	9	9	9
Soccer/football fields	1	2	2	2	2	2	2
Tennis Courts	6	6	6	6	6	6	6
Community Center	1	1	1	1	1	1	1
Pools	3	3	3	3	3	3	3
Wading Pools	5	5	5	5	5	5	5
Arboretum (Mike Deak) 1981	1	1	1	1	1	1	1
Skate Park 2010	0	0	1	1	1	1	1
Splash Pad 2008	1	1	1	1	1	1	1
Dog Park 2014	0	0	0	0	0	0	1
Frisbee Disk Golf Course 2014	0	0	0	0	0	0	1
Community Garden 2013	0	0	0	0	0	1	1
Amphitheater (Stipe Center)	1	1	1	1	1	1	1
Library							
Buildings	1	1	1	1	1	1	1
Cemetery							
Plots -Oakhill	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Total Plots (Maintained)	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Vehicles & Machinery	12	12	12	10	11	11	11
Water							
Water mains (miles)	170	170	170	170	170	170	170
Fire hydrants	902	912	932	954	969	970	970
Storage capacity (thousands of gallons)	3,200	3,200	3,200	3,200	3,200	3,200	3,200
Wastewater							
Sanitary sewers (miles)	143	143	143	143	143	143	143
Daily Treatment Capacity	8,000	8,000	8,000	8,000	8,000	8,000	8,000

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

Function/Program	2008	2009	2010	2011	2012	2013	2014
Fire							
Emergency Responses	1,571	2,074	2,008	2,156	2,376	2,246	2,658
Fires Extinguished	144	166	149	142	197	158	140
Police							
<i>Physical Arrests</i>							
Juvenile	12	38	14	1	29	40	68
Adult	1,381	1,380	1,426	969	870	875	947
Parking Violations	465	356	228	715	283	156	429
Traffic Violations	8,440	7,794	9,718	14,618	5,441	6,892	10,383
Utilities							
<i>New Accounts</i>							
Residential	1,195	1,226	1,238	1,166	1,297	1,240	1,285
Commercial	109	67	107	97	106	119	87
Bulk				10	5	5	12
Parks & Recreation							
Athletic Field-Softball/Baseball	10	9	9	9	9	9	9
Soccer (# of fields used)	1	2	2	2	2	2	2
Tennis (# of courts used)	6	6	6	6	6	6	6
Community Center – Special Event Participants	988	764	2,414	1,411	1,662	1,124	2,368
Senior Center-Program Participants	55,930	50,884	46,393	52,041	51,619	33,227	57,923
Sr. Center Lunch Program	43,290	38,253	32,612	38,410	37,979	31,527	50,257

* Fire and Police Statistics are calendar year.

Source: Various City Departments

Internal Control and Compliance



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

Honorable Mayor and City Council
City of McAlester
McAlester, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McAlester, Oklahoma (the "City"), as of and for the year ended June 30, 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 January 6, 2015. Our report includes a reference to other auditors who audited the financial statements of McAlester Regional Health Center Authority (the "Authority"), a discretely presented component unit of the City as described in our report on the City's financial statements. This report does not include the results of the Authority's auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. In addition, our report includes an explanatory paragraph that notes the City adopted GASB Statement No. 67 during the year. Our report also notes that the beginning net positions of the governmental activities, business-type activities, and enterprise funds, along with certain fund balances of governmental funds, were restated.

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.

(Continued)

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

Internal Control Over Financial Reporting, Continued

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 from 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
January 6, 2015