



The City of

# Durant, Oklahoma

ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS

As of and for the Fiscal Year Ended  
June 30, 2016



# **THE CITY OF DURANT, OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Durant, Oklahoma (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and 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.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017, 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.



January 23, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



Our discussion and analysis of the City of Durant’s financial performance provides an overview of the City’s financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the City’s financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2016, the City’s total net position decreased by \$1,985,147 or 2.3% from the prior year.
- During the year, the City’s expenses for governmental activities were \$25,366,063 and were funded by program revenues of \$4,095,344 and further funded with taxes and other general revenues that totaled \$18,966,933.
- In the City’s business-type activities, such as utilities, total program revenues exceeded expenses by \$1,180,299.
- For budgetary reporting purposes, the General Fund reported revenues exceeding estimates by \$1,013,961 or 8.2%, while expenditures were under the final appropriations by \$2,029,238 or 13.8%.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

Unaudited

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

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

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

#### **Fund Financial Statements**

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

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

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

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

**Net Position**

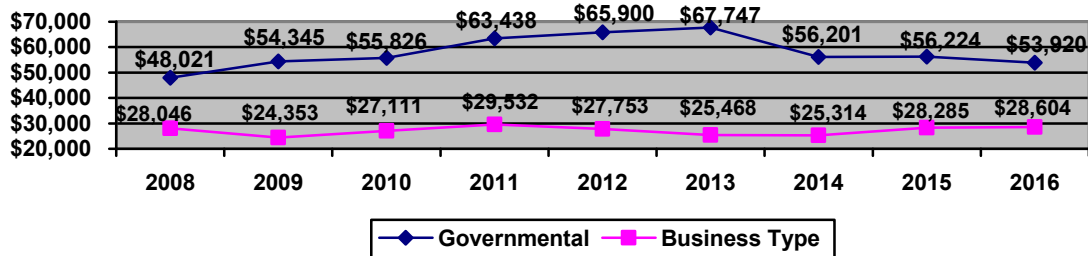
The City’s combined net position decreased from \$84,509,030 to \$82,523,883 between fiscal years 2015 and 2016. Looking at the net position of governmental and business-type activities separately, governmental activities decreased \$2,303,786, while business-type activities increased \$318,639.

**Table 1  
Net Position**

	Governmental Activities		% Inc. Dec.	Business-type Activities		% Inc. Dec.	Total Primary Government		% Inc. Dec.
	2016	2015		2016	2015		2016	2015	
<b>Assets:</b>									
Current and other assets	\$ 11,578,486	\$ 15,193,862	-24%	\$ 4,982,674	\$ 5,383,910	-7%	\$ 16,561,160	\$ 20,577,772	-20%
Capital assets, net	53,986,281	54,749,791	-1%	50,993,385	52,629,942	-3%	104,979,666	107,379,733	-2%
<b>Total assets</b>	<b>65,564,767</b>	<b>69,943,653</b>	<b>-6%</b>	<b>55,976,059</b>	<b>58,013,852</b>	<b>-4%</b>	<b>121,540,826</b>	<b>127,957,505</b>	<b>-5%</b>
<b>Deferred Outflows of Resources:</b>									
Deferred amount related to pensions	1,186,640	1,026,936	16%	216,152	163,098	33%	1,402,792	1,190,034	18%
Deferred amount on refunding	-	-	-	69,829	89,780	-22%	69,829	89,780	-22%
<b>Total deferred outflows</b>	<b>1,186,640</b>	<b>1,026,936</b>	<b>16%</b>	<b>285,981</b>	<b>252,878</b>	<b>13%</b>	<b>1,472,621</b>	<b>1,279,814</b>	<b>15%</b>
<b>Liabilities:</b>									
Long-term debt	9,929,320	9,719,427	2%	26,561,258	28,866,155	-8%	36,490,578	38,585,582	-5%
Other liabilities	1,877,981	2,165,548	-13%	1,039,360	709,440	47%	2,917,341	2,874,988	1%
<b>Total liabilities</b>	<b>11,807,301</b>	<b>11,884,975</b>	<b>-1%</b>	<b>27,600,618</b>	<b>29,575,595</b>	<b>-7%</b>	<b>39,407,919</b>	<b>41,460,570</b>	<b>-5%</b>
<b>Deferred Inflows of Resources:</b>									
Deferred amount related to pensions	1,023,766	2,861,488	-64%	57,879	406,231	-86%	1,081,645	3,267,719	-67%
<b>Net Position:</b>									
Net investment in capital assets	53,481,677	53,945,085	-1%	28,958,216	28,852,397	-	82,439,893	82,797,482	-
Restricted	3,190,249	6,201,912	-49%	-	-	-	3,190,249	6,201,912	-49%
Unrestricted (deficit)	(2,751,586)	(3,922,871)	-30%	(354,673)	(567,493)	-38%	(3,106,259)	(4,490,364)	-31%
<b>Total net position</b>	<b>\$ 53,920,340</b>	<b>\$ 56,224,126</b>	<b>-4%</b>	<b>\$28,603,543</b>	<b>\$28,284,904</b>	<b>1%</b>	<b>\$82,523,883</b>	<b>\$84,509,030</b>	<b>-2%</b>

Total net position of the City’s governmental activities decreased to approximately \$53.9 million. \$56,671,926 of that net position is either restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net position amounted to a deficit \$2,751,586 at the end of this year. Total net position of the business-type activities increased slightly to approximately \$28.6 million. However, \$28,958,216 of net position is invested in capital assets. Consequently, unrestricted net position amounted to a deficit of \$354,673 at the end of the year.

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



Unaudited

**CITY OF DURANT, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
June 30, 2016**

**Changes in Net Position**

For the year ended June 30, 2016, net position of the primary government changed as follows:

**Table 2  
Changes in Net Position**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total Primary Government		% Inc. (Dec.)
	2016	2015		2016	2015		2016	2015	
<b>Revenues:</b>									
<b>Program revenues:</b>									
Charges for services	\$ 1,254,375	\$ 885,628	42%	\$ 11,306,712	\$ 10,337,255	9%	\$ 12,561,087	\$ 11,222,883	12%
Operating grants/contributions	1,538,284	1,274,983	21%	-	-	-	1,538,284	1,274,983	21%
Capital grants/contributions	1,302,685	884,951	47%	275,563	817,218	-66%	1,578,248	1,702,169	-7%
<b>General revenues:</b>									
Sales and use taxes	16,117,703	16,010,330	1%	-	-	-	16,117,703	16,010,330	1%
Other taxes	1,008,699	1,065,927	-5%	-	-	-	1,008,699	1,065,927	-5%
Other general revenue	832,261	1,036,873	-20%	146,610	491,157	-70%	978,871	1,528,030	-36%
<b>Total revenues</b>	<b>22,054,007</b>	<b>21,158,692</b>	<b>4%</b>	<b>11,728,885</b>	<b>11,645,630</b>	<b>1%</b>	<b>33,782,892</b>	<b>32,804,322</b>	<b>3%</b>
<b>Program expenses:</b>									
General government	4,447,956	4,255,588	5%	-	-	-	4,447,956	4,255,588	5%
Public safety	9,667,209	8,956,699	8%	-	-	-	9,667,209	8,956,699	8%
Public works	3,094,118	3,085,918	-	-	-	-	3,094,118	3,085,918	-
Culture and recreation	2,771,794	2,448,149	13%	-	-	-	2,771,794	2,448,149	13%
Cemetery	219,954	172,406	28%	-	-	-	219,954	172,406	28%
Industrial dev. (payment to DIA)	3,430,488	13,846	24676%	400,000	326,415	23%	3,830,488	340,261	1026%
Community dev. (payment to DCFA)	1,715,424	1,692,144	1%	-	-	-	1,715,424	1,692,144	1%
Interest on long-term debt	19,120	26,814	-29%	299,571	315,640	-5%	318,691	342,454	-7%
Water	-	-	-	3,082,617	2,577,621	20%	3,082,617	2,577,621	20%
Sewer	-	-	-	2,615,901	2,395,493	9%	2,615,901	2,395,493	9%
Sanitation	-	-	-	2,917,251	2,386,163	22%	2,917,251	2,386,163	22%
Airport	-	-	-	1,086,636	1,157,734	-6%	1,086,636	1,157,734	-6%
<b>Total expenses</b>	<b>25,366,063</b>	<b>20,651,564</b>	<b>23%</b>	<b>10,401,976</b>	<b>9,159,066</b>	<b>14%</b>	<b>35,768,039</b>	<b>29,810,630</b>	<b>20%</b>
Excess (deficiency) before transfers	(3,312,056)	507,128	-753%	1,326,909	2,486,564	-47%	(1,985,147)	2,993,692	-166%
Transfers	1,008,270	(484,259)	308%	(1,008,270)	484,259	-308%	-	-	-
<b>Increase (decrease) in net position</b>	<b>(\$ 2,303,786)</b>	<b>\$ 22,869</b>	<b>-10174%</b>	<b>\$ 318,639</b>	<b>\$ 2,970,823</b>	<b>-89%</b>	<b>\$ (1,985,147)</b>	<b>\$ 2,993,692</b>	<b>-166%</b>

The City's governmental activities' decrease in net position of \$2,303,786 represents a significant decrease in the change in net position from the prior year. The business-type activities' increase in net position of \$318,639 represents an 89% decrease in the change in net position from the prior year.

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

- Governmental activities charges for services increased 42% due to the increase in construction permits and fine revenue from prior year.
- Governmental activities capital grants and contributions increased 47% due to the increase in grants from the Department of Homeland Security from prior year.
- Business-type activities capital grants and contributions decreased 66% due to the decrease in grants from the Oklahoma Department of Commerce and a decrease in grants from the Federal Aviation Administration.
- Business-type activities other general revenues decreased 70% due to the decrease in payments received from the Durant Industrial Authority component unit of \$400,000.

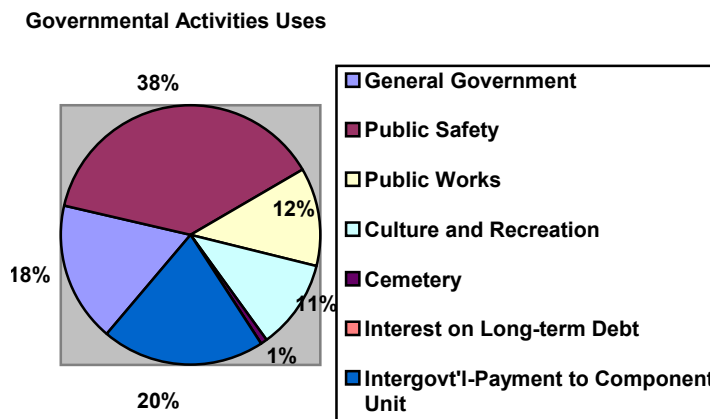
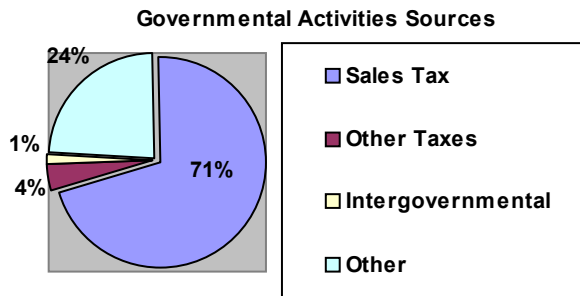
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- Industrial development expense-payment to DIA increased significantly due to the Commercial Metals Company project expenditures not capitalized due to those expenditures not being city assets.
- Transfers changed significantly due to the reclassification of capital asset activity between governmental and business-type activities.

**Governmental Activities**

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

For the year ended June 30, 2016, the City’s governmental activities were funded as follows:



Unaudited

**CITY OF DURANT, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
June 30, 2016**

For the year ended June 30, 2016, total expenses for governmental activities amounted to \$25,366,063. Of these total expenses, taxpayers and other general revenues funded \$18,966,933, while those directly benefiting from the program funded \$2,840,969 from grants and other contributions and \$1,254,375 from charges for services.

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

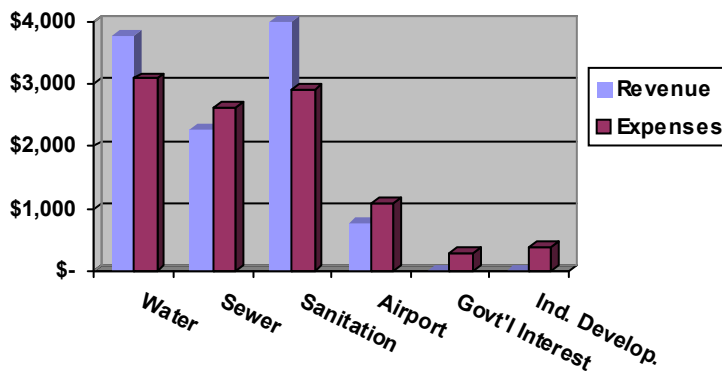
	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2016</u>	<u>2015</u>	<u>2016-2015</u>	<u>2016</u>	<u>2015</u>	<u>2016-2015</u>
General government	\$4,447,956	\$4,255,588	4.5%	(\$4,087,125)	(\$4,033,737)	1.3%
Public safety	9,667,209	8,956,699	7.9%	(6,844,054)	(7,087,260)	-3.4%
Public works	3,094,118	3,085,918	0.3%	(2,669,572)	(2,423,027)	10.2%
Culture and recreation	2,771,794	2,448,149	13.2%	(2,345,156)	(2,218,795)	5.7%
Cemetery	219,954	172,406	27.6%	(159,780)	(110,379)	44.8%
Industrial development - payments to DIA	3,430,488	13,846	24676.0%	(3,430,488)	(13,846)	24676.0%
Community development - payments to DCFA	1,715,424	1,692,144	1.4%	(1,715,424)	(1,692,144)	1.4%
Interest on long-term debt	19,120	26,814	-28.7%	(19,120)	(26,814)	-28.7%
<b>Total</b>	<b>\$25,366,063</b>	<b>\$20,651,564</b>	<b>22.8%</b>	<b>(\$21,270,719)</b>	<b>(\$17,606,002)</b>	<b>20.8%</b>

**Business-type Activities**

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

- Total business-type activities reported net revenues of \$1,180,299 for the year ended June 30, 2016.
- Water and sanitation activities reported net revenues for the year ended June 30, 2016, while sewer, airport, governmental interest on long-term debt and industrial development (payment to DIA) functions reported net expenses of \$355,980, \$315,907, \$299,571 and \$400,000, respectively.

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



Unaudited

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

As the City completed its 2016 fiscal year, the governmental funds reported a combined fund balance of \$9,357,680 or a 17.2% decrease from the prior year. The enterprise funds reported net position of \$29,085,070 or a 1.9% increase from 2015.

Other fund highlights include:

- For the year ended June 30, 2016, the General Fund’s total fund balance increased by \$520,888 or 15.1%.
- The 1/4% Economic Development Fund’s total fund balance decreased by \$2,685,294 due to an increase in capital outlay expenditures related to an industrial development project of \$3,417,947, netted with a decrease in transfers out from the prior year.

**General Fund Budgetary Highlights**

For the year ended June 30, 2016, the General Fund reported actual budgetary basis revenues above final estimates by \$1,013,961 or an 8.2% positive variance. General Fund actual budgetary basis expenditures were under final appropriations by \$2,029,238 or a 13.8% positive variance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2016, the City had \$104,979,666 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below).

	<b>Primary Government Capital Assets (Net of accumulated depreciation)</b>					
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$5,787,699	\$5,787,699	\$1,724,994	\$1,724,994	\$7,512,693	\$7,512,693
Buildings	18,769,960	19,368,404	14,947,134	16,066,220	33,717,094	35,434,624
Improvements	1,090,169	1,103,351	7,282,390	7,630,096	8,372,559	8,733,447
Machinery & equipment	4,107,785	4,537,488	2,042,837	2,308,069	6,150,622	6,845,557
Infrastructure	22,474,711	22,293,243	24,074,661	22,149,434	46,549,372	44,442,677
Construction in progress	1,755,957	1,659,606	921,369	2,751,129	2,677,326	4,410,735
<b>Totals</b>	<u>\$53,986,281</u>	<u>\$54,749,791</u>	<u>\$50,993,385</u>	<u>\$52,629,942</u>	<u>\$104,979,666</u>	<u>\$107,379,733</u>

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

- The City placed in service a Homeland security trailer totaling \$178,861.
- The City placed in service a Waldron Road construction project totaling \$1,334,502.
- The City placed in service the SOSU water tower project totaling \$2,402,384.
- The City placed in service the Crawford Road reconstruction project totaling \$131,285.
- The City placed in service the WTP filter media project totaling \$274,905.
- The City placed in service a 2009 freightliner totaling \$161,650.

Unaudited

**CITY OF DURANT, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
June 30, 2016**

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

**Long- Term Debt**

At year-end, the City had \$36,490,578 in long-term debt outstanding which represents a \$2,095,004 or 5.4% decrease from the prior year. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt							Total
	Governmental		Business-Type		Total		Total
	Activities		Activities		Total		Percentage
	2016	2015	2016	2015	2016	2015	2016-2015
Capital lease obligations	\$504,604	\$804,706	\$ -	\$ -	\$504,604	\$804,706	-37.3%
Notes payable	-	-	25,188,736	27,708,237	25,188,736	27,708,237	-9.1%
Landfill closure liability	-	-	433,407	358,516	433,407	358,516	20.9%
Meter deposit liability	-	-	418,819	400,724	418,819	400,724	4.5%
Net Pension Liability	7,536,275	7,078,874	126,019	-	7,662,294	7,078,874	8.2%
Net OPEB Obligation	592,435	557,811	159,502	150,180	751,937	707,991	6.2%
Accrued comp absences	1,296,006	1,278,036	234,775	248,498	1,530,781	1,526,534	0.3%
<b>Totals</b>	<b>\$9,929,320</b>	<b>\$9,719,427</b>	<b>\$26,561,258</b>	<b>\$28,866,155</b>	<b>\$36,490,578</b>	<b>\$38,585,582</b>	<b>-5.4%</b>

For the year ended June 30, 2016, other than normal debt retirements, the following significant long-term debt transactions occurred:

- The Airport Authority issued 1 new note payable for airport hangars.

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

**Unemployment Rates**

To date, the most current Employment Securities Commission Research Analysis Data is posted for August 2015. The United States Unemployment Rate for September 2016 is 5.0%, down from the 5.1% of September 2015. The State of Oklahoma Unemployment Rate for September 2016 is 5.2%, up from the 4.4% of September 2015.

The Durant/Bryan County Unemployment Rate for September 2016 is 4.7%, up from the 4.0% of September 2015. Bryan County posted its number of employed labor force for September 2016 at 19,467, up from the 18,864 in September 2015.

Unaudited



**Sales Tax Collection**

Sales tax collections year-to-date for fiscal year 2016-2017 is up 15.72% as of November 2016. Sales tax collections in fiscal year 2015-2016 increased over the previous fiscal year of 2014-2015 by 1.57%, while sales tax collections of the fiscal year of 2014-2015 reflect an increase of 4.53% from the prior year.

The city sales tax collections have increased seven consecutive years since 2009-2010

Bryan County Ad Valorem Original Tax Rolls 1998 – 2015 have shown a 243% Tax growth within 18 years.

**The 2015 United States Census**

The 2015 United States Census listed the State of Oklahoma as have a population of 3,911,338 an increase of 33,288 over 2014. The City of Durant is listed as having an estimated population of 17,286 for 2015, an increase of 245 over 2014.

Team Durant was awarded the Mac Conway Award and named a 2015 Top Micropolitan Group for Excellence in Economic Development in Site Selection magazine’s 2016 Global Best to Invest Report. The Mac Conway award recognizes the Top Economic Development Agencies in both metropolitan and micropolitan areas. (see attached letter and picture)

**Projects Completed In The Fiscal Year of 2015-2016**

**BrucePac**

BrucePac, headquartered in Woodburn, Oregon purchased the closed, former J.C. Potter Sausage Company in November 2014. The Durant Industrial Authority has been involved in the recruitment and support of this West Coast meat processing company. The BrucePac Company renovated the 140,000 SF facility, adding an investment of approximately \$22M in 2015 and 2016. The Durant Industrial Authority provided a Job Creation Forgivable Loan of \$700,000 for the first 70 employees hired at the newly renovated facility. The BrucePac Company’s long-range plans are to have a total project investment of approximately \$25M and a total workforce of 300 employees by the second year of operations. The Durant location, named DurantPac, joins BrucePac’s other facilities that produce more than 1.3 million pounds of ready-to-eat chicken, beef, pork, turkey and salmon products on a weekly basis. Management of BrucePac stated that the one thing that convinced them to be in Durant was the City of Durant and the Durant Industrial Authority supported their effort to help them grow their ready-to-eat meat processing company in Oklahoma.

BrucePac was awarded the Oklahoma Department of Commerce’s Quality Jobs Program incentive, which targets manufacturers and certain service industries that have a new payroll investment of \$2.5 million or more to receive a quarterly cash payment of up to 5% of new taxable payroll. In addition, Oklahoma’s Training for Industry Program, a CareerTech initiative provides a no-cost/low-cost way for new or growing companies that create jobs to get a skilled and trained workforce.

Unaudited

**Waldron Drive Road**

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

**Best Fender-Crawford Street**

The Durant Industrial Authority provided \$110,000 to improve the industrial access road infrastructure on Crawford Street, based upon the new jobs created at the Best Fenders Company. Best Fenders has a workforce of 55 employees and \$1.7M in current total payroll. Over the past eight years, this company has invested \$3.5M in equipment and facility. The City of Durant provided the labor for this Crawford Street industrial access road.

**Texhoma Truss**

Texhoma Truss, LLC is a newly formed company with Panel Truss Company of Henderson, TX. This project began in August of 2014, and in October 2014, the truss equipment was installed at the Durant Regional Airport Industrial Park-former Stahl building. The manufacturing facility is a 50,000 SF industrial building. The Durant Industrial Authority funded \$35,000 in building renovations to the former Stahl building for a new office roof, dual electric service, and a new heating/air conditioning unit for the offices. The Texhoma Truss project is an investment of \$1.5M in new automation processing equipment, there are currently 3 automated truss processing lines and there is a 4<sup>th</sup> line on order. The number of employees for this company is currently 21. Texhoma Truss added a 2<sup>nd</sup> shift in January 2016 to bring the total number of jobs to 30.

**Projects In Process for Upcoming Fiscal year 2016-2017**

**Commercial Metals Company**

Commercial Metals Company (CMC) is a 100-year-old, \$6 billion dollar international company headquartered in Irving, Texas with a strong global footprint in the steel industry. CMC has 200 locations with approximately 9,000 total employees worldwide. This company has state of the art technology utilizing Danieli processing equipment and leading edge continuous-continuous process with 95% recycled raw materials sources within 500 miles and 5% alloys to obtain the proper grade material. CMC Durant will produce 380,000 tons per year Steel Rebar with the Micro Mill and will have a \$275M initial capital investment. The mill will employ approximately 190 people with an average approximate annual salary of \$60,000 upon completion.

The Durant Industrial Authority acquired approximately 400 acres of land for the benefit of CMC, as an economic incentive. The land is located adjacent to the US 70 Highway and Genesee & Wyoming Kiamichi Rail Road, which has increased the land value in that area by becoming industrial land vs. agricultural land. A Tax Increment Financing (TIF) District is being established as a major incentive, which will be paid back through the increase in ad valorem property taxes.

Unaudited

The Durant mill will be the second Micro Mill for Commercial Metals Company. The general contractor for the building of this facility will be Commercial Metals Company, project manager will be Scott Henderson and the engineering consultant will be RE Warner located in Cleveland, Ohio. The core project team will consist of 12 CMC employees, 11 Warner employees and 8 Danieli employees and the relocation will began in November 2015 with estimated production opening in the Fall 2017.

The site excavation began on January 12, 2016 and the Durant Industrial Authority is responsible for purchasing and providing a clean, deeded property at an estimated cost of \$3.5M. The Durant Industrial Authority approved, on January 12, 2016 at their regular monthly board meeting a Tax Increment Financing Loan of \$3.1M, which will be repaid to the Durant Industrial Authority at a 0% interest rate.

### **Hitchcock Distribution Center**

Mr. Hitchcock and the Durant Industrial Authority continue to work together in planning a new building site for the expansion of the regional beer distribution center. Mr. Hitchcock has selected a site at his present business location at 2901 W. Arkansas Street. Mr. Hitchcock is working with an architectural and engineering firm that designs beer and beverage refrigerated distribution centers for his products. The Durant Industrial authority met with the project consultants Gene Schwartz from St. Louis, Missouri, and Tex Burrows from Temple, Texas, several times and provided them with information concerning incentive programs available for the new refrigerated distribution center. The total project investment will be approximately \$4 Million Dollars for this 2014-2016 project. The Durant Industrial Authority has funded a new city sewer line at a cost of \$10,416, as well as paying for the building permit at a cost of \$5,943 for a total investment of \$16,359. The general contractor is Plyler Construction Company located in Sherman, Texas.

### **The Tile Shop Distribution Center**

The Tile Shop Distribution Center outgrew its facility and began storing excess floor tile inventory in its parking lot. Phase II of The Tile Shop project began in 2014 with plans to construct an 88,000 sf. distribution center in 2015-2016 at a cost of \$9,500,000 for land, building, equipment and inventory. The Tile Shop has purchased the adjoining industrial property for future expansion in 2014. Presently, there are 35 employees at The Tile Shop. The new distribution center will add 30 new jobs in 2017, making the total Tile Shop workforce 65 employees. The Durant Industrial Authority worked very close with the executive management group to complete this new distribution center for our community.

### **Overland Materials & Manufacturing, Inc. and Country Club Road Improvement**

The Overland Material & Manufacturing, Inc. company is an investment of \$5,000,000 and created 15 new jobs for our community. The Country Club Road construction project was funded with \$500,000 from the Durant Industrial Authority and a \$525,000 Community Development Block Grant (CDBG) with the City of Durant providing the labor.

### **Durant Industrial Authority – Texoma Manufacturing Job Creation Loan**

On September 1, 2011, the Durant Industrial Authority signed a Job Creation Loan Agreement with Texoma Manufacturing, LLC. The purpose of this loan was to purchase manufacturing equipment. The amount of the loan was \$1M and the current balance as of November 30, 2016 is \$306,926.

Unaudited

The Durant Industrial Authority keeps quarterly employee records beginning year-end 2011. These reports include number of employees and total payroll. As of the Third Quarter 2016, the total employees are 64 with a total payroll of \$473,169 and the grand total payroll from 2011-2016 is \$8,839,359.

**Durant Industrial Authority – PharmCareOK Job Creation Loan**

On August 21, 2012, the Durant Industrial Authority signed a Job Creation Loan Agreement with PharmCareOK of Durant, Inc. The purpose of this loan was to purchase real estate and a building. The amount of the loan was \$520K and the current balance as of November 30, 2016 is \$316,333.

The Durant Industrial Authority keeps quarterly employee records beginning year-end 2013. These reports include number of employees and total payroll. As of the Third Quarter 2016, the total employees are 36 with a total payroll of \$255,405 and the grand total from 2013-2016 is \$3,562,742.

**Cornerstone Building – WebstaurantStore, Inc. Distribution Center**

In March 2016, the Durant Industrial Authority was contacted by the Hart Industrial Real Estate Group located in Wayne, Pennsylvania. This group represented the Webstaurant Store, Inc., which was conducting an extensive search for a location in the southern portion of the United States that could house a restaurant equipment distribution center. The Durant Industrial Authority provided real estate sites, building information, Federal/State/Local incentives to aid the company in finalizing their location decision.

The Durant Industrial Authority assembled a project support team for this project, which included the Oklahoma Department of Commerce, The Oklahoma Ad Valorem Tax Commission, Oklahoma Career Tech, Durant Kiamichi Technology Center, Choctaw Nation of Oklahoma and Overland Construction Company.

The company chose Durant's 351,000 square feet Cornerstone building. The total property, equipment and inventory value of this project is \$20,000,000. There will be an estimated 100 full time jobs with an average hourly wage of \$18.90, including benefits. The approximate annual payroll is estimated to be \$5,200,000, when the facility is fully staffed and operational.

The closing date is scheduled for January 2017 and the company will begin the refurbishing of the building in the first quarter of 2017.

**Jimmy's Egg Restaurant**

The Durant Industrial Authority began communication with Avondale Investments, LLC, which introduced the owner of Jimmy's Egg Restaurant.

Jimmy's Egg Restaurant is located in the Land Run Retail Shopping Center and opened for business in November 2016.

Unaudited

**CONTACTING THE CITY OF DURANT'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, please contact the Durant City Manager via phone at 580-931-6605 or the Durant City Treasurer at 580-931-6651 or via mail at City of Durant-P.O. Box 578-Durant, OK 74702-0578.

Unaudited

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2016**

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**CITY OF DURANT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2016

**Statement of Net Position— June 30, 2016**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Durant Industrial Authority	Durant Community Facilities Authority
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 7,141,071	\$ 4,375,334	\$ 11,516,405	\$ 271,730	\$ 1,213,056
Investments	456,466	38,165	494,631	1,034,358	1,005
Accounts receivable, net of allowance	-	1,641,619	1,641,619	1,019	-
Franchise tax receivable	58,464	-	58,464	-	-
Court fine receivable, net of allowance	21,546	-	21,546	-	-
Internal balances	1,072,444	(1,072,444)	-	-	-
Due to/from component unit	4,330	-	4,330	(4,330)	-
Due from other governments	2,620,668	-	2,620,668	-	-
Notes receivable	99,563	-	99,563	1,108,662	-
Other receivables	103,934	-	103,934	-	-
Capital assets:					
Land and construction in progress	7,543,656	2,646,363	10,190,019	1,673,856	266,000
Other capital assets, net of depreciation	46,442,625	48,347,022	94,789,647	17,370	-
<b>Total Assets</b>	<b>65,564,767</b>	<b>55,976,059</b>	<b>121,540,826</b>	<b>4,102,665</b>	<b>1,480,061</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Deferred amount related to pensions	1,186,640	216,152	1,402,792	23,360	-
Deferred amount on refunding	-	69,829	69,829	-	948,466
<b>Total Deferred Outflows</b>	<b>1,186,640</b>	<b>285,981</b>	<b>1,472,621</b>	<b>23,360</b>	<b>948,466</b>
<b>LIABILITIES:</b>					
Accounts payable	419,644	671,329	1,090,973	5,457	95
Accrued payroll liabilities	635,434	141,412	776,846	12,779	-
Accrued interest payable	-	226,619	226,619	492	51,896
Due to other governments	4,641	-	4,641	-	-
Claims liability	796,898	-	796,898	-	-
Due to bondholders	5,049	-	5,049	-	-
Unearned revenue	16,315	-	16,315	-	-
Long-term liabilities:					
Due within one year	355,908	2,986,556	3,342,464	127,174	1,099,970
Due in more than one year	9,573,412	23,574,702	33,148,114	1,205,749	10,107,580
<b>Total Liabilities</b>	<b>11,807,301</b>	<b>27,600,618</b>	<b>39,407,919</b>	<b>1,351,651</b>	<b>11,259,541</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred amount related to pensions	1,023,766	57,879	1,081,645	5,553	-
<b>NET POSITION:</b>					
Net investment in capital assets	53,481,677	28,958,216	82,439,893	1,369,347	266,000
Restricted	3,190,249	-	3,190,249	-	-
Unrestricted (deficit)	(2,751,586)	(354,673)	(3,106,259)	1,399,474	(9,097,014)
<b>Total Net Position</b>	<b>\$ 53,920,340</b>	<b>\$ 28,603,543</b>	<b>\$ 82,523,883</b>	<b>\$ 2,768,821</b>	<b>\$ (8,831,014)</b>

See accompanying notes to the Basic Financial Statements.

**CITY OF DURANT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2016

**Statement of Activities –Year Ended June 30, 2016**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Durant Industrial Authority	Durant Community Facilities Authority
<b>Primary government</b>									
Governmental activities:									
General government	\$ 4,447,956	\$ 358,956	\$ 1,875	\$ -	\$ (4,087,125)	\$ -	\$ (4,087,125)	\$ -	\$ -
Public safety	9,667,209	607,350	1,133,106	1,082,699	(6,844,054)	-	(6,844,054)	-	-
Public works	3,094,118	11,439	353,121	59,986	(2,669,572)	-	(2,669,572)	-	-
Culture and recreation	2,771,794	216,605	50,033	160,000	(2,345,156)	-	(2,345,156)	-	-
Cemetery	219,954	60,025	149	-	(159,780)	-	(159,780)	-	-
Industrial development (Payment to DIA)	3,430,488	-	-	-	(3,430,488)	-	(3,430,488)	-	-
Community development (Payment to DCFA)	1,715,424	-	-	-	(1,715,424)	-	(1,715,424)	-	-
Interest on long-term debt	19,120	-	-	-	(19,120)	-	(19,120)	-	-
Total governmental activities	<u>25,366,063</u>	<u>1,254,375</u>	<u>1,538,284</u>	<u>1,302,685</u>	<u>(21,270,719)</u>	<u>-</u>	<u>(21,270,719)</u>	<u>-</u>	<u>-</u>
Business-type activities									
Water	3,082,617	3,490,617	-	275,563	-	683,563	683,563	-	-
Sewer	2,615,901	2,259,921	-	-	-	(355,980)	(355,980)	-	-
Sanitation	2,917,251	4,785,445	-	-	-	1,868,194	1,868,194	-	-
Airport	1,086,636	770,729	-	-	-	(315,907)	(315,907)	-	-
Governmental interest on long-term debt	299,571	-	-	-	-	(299,571)	(299,571)	-	-
Industrial development (Payment to DIA)	400,000	-	-	-	-	(400,000)	(400,000)	-	-
Total business-type activities	<u>10,401,976</u>	<u>11,306,712</u>	<u>-</u>	<u>275,563</u>	<u>-</u>	<u>1,180,299</u>	<u>1,180,299</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 35,768,039</u>	<u>\$ 12,561,087</u>	<u>\$ 1,538,284</u>	<u>\$ 1,578,248</u>	<u>(21,270,719)</u>	<u>1,180,299</u>	<u>(20,090,420)</u>	<u>-</u>	<u>-</u>
<b>Component Units</b>									
Industrial development	\$ 4,319,288	\$ -	\$ -	\$ -				(4,319,288)	-
Community development	598,537	-	-	-				-	(598,537)
Total component units	<u>\$ 4,917,825</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(4,319,288)</u>	<u>(598,537)</u>
<b>General revenues:</b>									
Taxes:									
Sales and use taxes					16,117,703	-	16,117,703	-	-
Franchise and public service taxes					714,165	-	714,165	-	-
E-911 taxes					294,534	-	294,534	-	-
Intergovernmental revenue not restricted to specific programs					291,511	-	291,511	-	-
Investment income					14,279	9,400	23,679	2,685	1,730
Miscellaneous					164,502	137,210	301,712	29,272	-
Payments received from primary government					-	-	-	3,830,488	1,715,424
Payments received from component unit					361,969	-	361,969	-	-
Transfers - internal activity					1,008,270	(1,008,270)	-	-	-
Total general revenues and transfers					<u>18,966,933</u>	<u>(861,660)</u>	<u>18,105,273</u>	<u>3,862,445</u>	<u>1,717,154</u>
Change in net position					(2,303,786)	318,639	(1,985,147)	(456,843)	1,118,617
Net position - beginning					56,224,126	28,284,904	84,509,030	3,225,664	(9,949,631)
Net position - ending					<u>\$ 53,920,340</u>	<u>\$ 28,603,543</u>	<u>\$ 82,523,883</u>	<u>\$ 2,768,821</u>	<u>\$ (8,831,014)</u>

See accompanying notes to the Basic Financial Statements.



**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2016**

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**BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS**

**CITY OF DURANT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2016

**Governmental Funds Balance Sheet - June 30, 2016**

	General	Special Revenue Funds		Capital Project Funds		Other Governmental Funds	Total Governmental Funds
		1/4% Economic Development Fund	5/8% Sales Tax Education Fund	Capital Improvement Fund	1% Sales Tax Revenue Fund		
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,770,132	\$ 2,562,211	\$ -	\$ 653,661	\$ -	\$ 730,449	\$ 6,716,453
Investments	186,504	149,971	-	38,260	-	58,766	433,501
Receivables:							
Due from other funds	643,406	-	-	-	-	5,138	648,544
Due from component unit	4,330	-	-	-	-	-	4,330
Due from other governments	1,222,542	109,891	297,506	274,771	439,562	276,396	2,620,668
Notes receivable	-	-	-	99,563	-	-	99,563
Franchise tax receivable	58,464	-	-	-	-	-	58,464
Court fines receivable, net	21,546	-	-	-	-	-	21,546
Other receivables	28,709	-	-	-	-	61,929	90,638
Total assets	<u>\$ 4,935,633</u>	<u>\$ 2,822,073</u>	<u>\$ 297,506</u>	<u>\$ 1,066,255</u>	<u>\$ 439,562</u>	<u>\$ 1,132,678</u>	<u>\$ 10,693,707</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:</b>							
Liabilities:							
Accounts payable	\$ 284,083	\$ 600	\$ -	\$ 53,923	\$ -	\$ 15,275	\$ 353,881
Accrued payroll liabilities	602,641	-	-	-	-	24,650	627,291
Due to other funds	5,138	-	-	-	-	52,489	57,627
Due to other governments	4,641	-	-	-	-	-	4,641
Due to bondholders	5,049	-	-	-	-	-	5,049
Unearned revenue	16,315	-	-	-	-	-	16,315
Total liabilities	<u>917,867</u>	<u>600</u>	<u>-</u>	<u>53,923</u>	<u>-</u>	<u>92,414</u>	<u>1,064,804</u>
Deferred Inflows of Resources:							
Deferred revenue	53,032	-	-	218,191	-	-	271,223
Fund balances:							
Restricted	20,213	1,890,160	297,506	114,750	437,948	429,672	3,190,249
Assigned	3,040,972	931,313	-	679,391	1,614	610,592	5,263,882
Unassigned	903,549	-	-	-	-	-	903,549
Total fund balances	<u>3,964,734</u>	<u>2,821,473</u>	<u>297,506</u>	<u>794,141</u>	<u>439,562</u>	<u>1,040,264</u>	<u>9,357,680</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,935,633</u>	<u>\$ 2,822,073</u>	<u>\$ 297,506</u>	<u>\$ 1,066,255</u>	<u>\$ 439,562</u>	<u>\$ 1,132,678</u>	<u>\$ 10,693,707</u>

See accompanying notes to the Basic Financial Statements.

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**Governmental Funds Statement of Changes in Fund Balances – Year Ended June 30, 2016**

	Special Revenue Funds			Capital Project Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	1/4% Economic Development Fund	5/8% Sales Tax Education Fund	Capital Improvement Fund	1% Sales Tax Revenue Fund		
<b>REVENUES</b>							
Taxes	\$ 8,519,693	\$ 858,521	\$ 2,302,529	\$ -	\$ 3,434,083	\$ 2,011,576	\$ 17,126,402
Intergovernmental	1,591,416	-	-	1,447,464	-	309,610	3,348,490
Charges for services	287,357	-	-	-	-	97,911	385,268
Licenses and permits	323,310	-	-	-	-	-	323,310
Fines and forfeitures	504,280	-	-	-	-	-	504,280
Investment income	4,839	4,156	-	3,634	360	712	13,701
Miscellaneous	228,654	-	-	24,524	-	4,986	258,164
Total revenues	<u>11,459,549</u>	<u>862,677</u>	<u>2,302,529</u>	<u>1,475,622</u>	<u>3,434,443</u>	<u>2,424,795</u>	<u>21,959,615</u>
<b>EXPENDITURES</b>							
Current:							
General government	1,929,414	-	2,299,315	-	-	-	4,228,729
Public safety	8,722,123	-	-	-	-	794,463	9,516,586
Public works	1,576,966	-	-	-	-	-	1,576,966
Culture and recreation	1,986,241	-	-	-	-	3,228	1,989,469
Cemetery	185,001	-	-	-	-	-	185,001
Capital Outlay	253	3,430,488	-	2,165,052	-	450,815	6,046,608
Debt Service:							
Principal	-	-	-	300,102	-	-	300,102
Interest and other charges	-	-	-	19,120	-	-	19,120
Total expenditures	<u>14,399,998</u>	<u>3,430,488</u>	<u>2,299,315</u>	<u>2,484,274</u>	<u>-</u>	<u>1,248,506</u>	<u>23,862,581</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,940,449)</u>	<u>(2,567,811)</u>	<u>3,214</u>	<u>(1,008,652)</u>	<u>3,434,443</u>	<u>1,176,289</u>	<u>(1,902,966)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	3,410,028	-	-	1,526,084	-	901,596	5,837,708
Transfers out	(9,544)	(336,151)	-	(574,595)	(3,605,387)	(5,086)	(4,530,763)
Transfers from component unit	60,853	218,668	-	82,448	-	-	361,969
Transfers to component unit	-	-	-	-	-	(1,715,424)	(1,715,424)
Total other financing sources and uses	<u>3,461,337</u>	<u>(117,483)</u>	<u>-</u>	<u>1,033,937</u>	<u>(3,605,387)</u>	<u>(818,914)</u>	<u>(46,510)</u>
Net change in fund balances	520,888	(2,685,294)	3,214	25,285	(170,944)	357,375	(1,949,476)
Fund balances - beginning	3,443,846	5,506,767	294,292	768,856	610,506	682,889	11,307,156
Fund balances - ending	<u>\$ 3,964,734</u>	<u>\$ 2,821,473</u>	<u>\$ 297,506</u>	<u>\$ 794,141</u>	<u>\$ 439,562</u>	<u>\$ 1,040,264</u>	<u>\$ 9,357,680</u>

See accompanying notes to the Basic Financial Statements.

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**Fund Balance – Net Position:**

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

<b>Total fund balance, governmental funds</b>	\$ 9,357,680
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$73,406,799	<u>53,975,921</u>
Certain other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds:	
Grants receivable	257,957
Court fines receivable	<u>13,266</u>
	<u>271,223</u>
Deferred outflows are not current financial resources and, therefore, are not reported in the fund financial statement, but are included in the governmental activities of the Statement of Net Position:	
Pension related deferred outflows	<u>1,186,640</u>
	<u>1,186,640</u>
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the net position of the internal service fund is included in governmental activities in the Statement of Net Position:	
Net position of the Internal Service Funds	(419,766)
Internal service fund interfund balance resulting from net revenues reported in business-type activities	<u>481,527</u>
	<u>61,761</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, they, along with deferred inflows, are not reported in the funds:	
Capital lease obligations	(504,604)
Net OPEB obligation	(592,435)
Accrued compensated absences	(1,275,805)
Net pension liability	(7,536,275)
Pension related deferred inflows	<u>(1,023,766)</u>
	<u>(10,932,885)</u>
<b>Net Position of Governmental Activities in the Statement of Net Position</b>	<b><u>\$ 53,920,340</u></b>

See accompanying notes to the Basic Financial Statements.

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

**Net change in fund balances - total governmental funds:** \$ (1,949,476)

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

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

Capital assets contributed	171,272
Capital asset purchases capitalized	1,873,656
Book value on capital assets disposed	(48,889)
Depreciation expense	(2,751,285)
	(755,246)

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

Change in deferred revenue	(229,589)
	(229,589)

In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.

881,425
881,425

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

Debt principal payments	300,102
	300,102

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

Change in net OPEB obligation	(34,624)
Change in accrued compensated absences	(15,836)
	(50,460)

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

Total change in net position of the internal service funds	(718,308)
Net revenues (expenses) of the internal service fund reported in business-type activities	217,766
	(500,542)

**Change in net position of governmental activities** **\$ (2,303,786)**

See accompanying notes to the Basic Financial Statements.

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**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS**

**CITY OF DURANT, OKLAHOMA**  
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**Proprietary Funds Statement of Net Position - June 30, 2016**

	Enterprise Funds				Internal Service Funds
	Non-Major			Total	
	Utility Authority Fund	Airport Authority Fund	Federal Building Fund		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,250	\$ 652,034	\$ 1	\$ 653,285	\$ 424,618
Restricted cash and cash equivalents	3,650,017	72,032	-	3,722,049	22,965
Investments	-	38,165	-	38,165	-
Accounts receivable, net	1,619,360	22,259	-	1,641,619	13,296
Total current assets	<u>5,270,627</u>	<u>784,490</u>	<u>1</u>	<u>6,055,118</u>	<u>460,879</u>
Noncurrent assets:					
Capital assets:					
Land and other non-depreciable assets	2,248,528	397,835	-	2,646,363	-
Other capital assets, net of depreciation	37,718,886	10,628,136	-	48,347,022	10,360
Total noncurrent assets	<u>39,967,414</u>	<u>11,025,971</u>	<u>-</u>	<u>50,993,385</u>	<u>10,360</u>
Total assets	<u>45,238,041</u>	<u>11,810,461</u>	<u>1</u>	<u>57,048,503</u>	<u>471,239</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Deferred amounts related to pensions	216,152	-	-	216,152	-
Deferred amount on refunding	69,829	-	-	69,829	-
Total Deferred Outflows of Resources	<u>285,981</u>	<u>-</u>	<u>-</u>	<u>285,981</u>	<u>-</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	334,018	337,311	-	671,329	65,763
Accrued payroll liabilities	141,412	-	-	141,412	8,143
Due to other funds	590,917	-	-	590,917	-
Accrued interest payable	226,619	-	-	226,619	-
Estimated liability for claims	-	-	-	-	796,898
Current portion of:					
Meter deposit liability	83,764	-	-	83,764	-
Notes payable	2,819,754	37,890	-	2,857,644	-
Landfill closure liability	21,670	-	-	21,670	-
Accrued compensated absences	23,478	-	-	23,478	2,020
Total current liabilities	<u>4,241,632</u>	<u>375,201</u>	<u>-</u>	<u>4,616,833</u>	<u>872,824</u>
Noncurrent liabilities:					
Meter deposit liability	335,055	-	-	335,055	-
Notes payable	21,925,199	405,893	-	22,331,092	-
Landfill closure liability	411,737	-	-	411,737	-
Accrued compensated absences	211,297	-	-	211,297	18,181
Net pension liability	126,019	-	-	126,019	-
Net OPEB obligation	159,502	-	-	159,502	-
Total non-current liabilities	<u>23,168,809</u>	<u>405,893</u>	<u>-</u>	<u>23,574,702</u>	<u>18,181</u>
Total liabilities	<u>27,410,441</u>	<u>781,094</u>	<u>-</u>	<u>28,191,535</u>	<u>891,005</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred amounts related to pensions	57,879	-	-	57,879	-
<b>NET POSITION</b>					
Net investment in capital assets	18,227,040	10,731,176	-	28,958,216	10,360
Unrestricted (deficit)	(171,338)	298,191	1	126,854	(430,126)
Total net position	<u>\$ 18,055,702</u>	<u>\$ 11,029,367</u>	<u>\$ 1</u>	<u>29,085,070</u>	<u>\$ (419,766)</u>

Amounts reported for business-type activities in the Statement of Net Position are different because: Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. An interfund receivable or payable has been recorded in the business-type activities for Net position of the Internal Service Funds

(481,527)

Net position of business-type activities

\$ 28,603,543

See accompanying notes to the Basic Financial Statements.

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**Proprietary Funds Statement of Changes in Net Position - Year Ended June 30, 2016**

	Enterprise Funds				Internal Service Funds
	Utility Authority Fund	Airport Authority Fund	Non-Major		
			Federal Building Fund	Total	
<b>OPERATING REVENUES</b>					
Charges for services:					
Water charges	\$ 3,265,797	\$ -	\$ -	\$ 3,265,797	\$ -
Sewer charges	2,145,176	-	-	2,145,176	-
Water and sewer taps	159,361	-	-	159,361	-
Penalties	113,866	-	-	113,866	-
Non-payment fees	156,777	-	-	156,777	-
Sanitation charges	4,009,368	-	-	4,009,368	-
Landfill gate fees	260,871	-	-	260,871	-
Lab tests	24,747	-	-	24,747	-
Airport	-	770,729	-	770,729	-
Rentals	91,193	-	-	91,193	-
Transfer station fees	396,182	-	-	396,182	-
Recyclable products	3,838	-	-	3,838	-
Self insurance charges	-	-	-	-	2,746,328
Miscellaneous	41,872	4,145	-	46,017	961,715
Total operating revenues	<u>10,669,048</u>	<u>774,874</u>	<u>-</u>	<u>11,443,922</u>	<u>3,708,043</u>
<b>OPERATING EXPENSES</b>					
Public works administration	172,011	-	-	172,011	-
Utility billing	414,700	-	-	414,700	-
Water/sewer line maintenance	930,423	-	-	930,423	-
Water treatment plant	1,007,638	-	-	1,007,638	-
Wastewater treatment	739,943	-	-	739,943	-
Collection - solid waste	1,208,909	-	-	1,208,909	-
General government	85,425	-	-	85,425	-
Lake Durant	31,387	-	-	31,387	-
Disposal - solid waste	1,083,822	-	-	1,083,822	-
Airport	-	558,510	-	558,510	-
Claims expense	-	-	-	-	4,415,665
Depreciation expense	2,128,612	448,991	-	2,577,603	8,264
Total operating expenses	<u>7,802,870</u>	<u>1,007,501</u>	<u>-</u>	<u>8,810,371</u>	<u>4,423,929</u>
Operating income (loss)	2,866,178	(232,627)	-	2,633,551	(715,886)
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Investment income	8,886	514	-	9,400	578
Interest expense and fiscal charges	(913,412)	(4,708)	-	(918,120)	-
Total non-operating revenue (expenses)	<u>(904,526)</u>	<u>(4,194)</u>	<u>-</u>	<u>(908,720)</u>	<u>578</u>
Net income (loss) before contributions and transfers	1,961,652	(236,821)	-	1,724,831	(715,308)
Capital contributions	475,494	40,025	-	515,519	-
Transfers in	3,834,595	155,654	-	3,990,249	-
Transfers out	(5,137,041)	(160,153)	-	(5,297,194)	-
Transfers to component unit	(400,000)	-	-	(400,000)	-
Change in net position	734,700	(201,295)	-	533,405	(715,308)
Total net position - beginning	17,321,002	11,230,662	1	28,551,665	295,542
Total net position - ending	<u>\$ 18,055,702</u>	<u>\$ 11,029,367</u>	<u>\$ 1</u>	<u>\$ 29,085,070</u>	<u>\$ (419,766)</u>

Change in net position - enterprise funds \$ 533,405

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

Change in net position of the Internal Service Fund (214,766)

Change in the net position of the business-type activities \$ 318,639

See accompanying notes to the Basic Financial Statements.



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**Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2016**

	Enterprise Funds				Internal Service Funds
	Utilities Authority Fund	Airport Authority Fund	Non-Major Federal Building Fund	Total Proprietary Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 10,253,842	\$ 786,648	\$ -	\$ 11,040,490	\$ 3,695,165
Payments to suppliers	(2,213,620)	(277,568)	-	(2,491,188)	(4,029,888)
Payments to employees	(3,376,563)	-	-	(3,376,563)	(178,522)
Receipts of customer meter deposits	141,455	-	-	141,455	-
Refunds of customer meter deposits	(123,360)	-	-	(123,360)	-
Other receipts (payments)	(292,983)	-	-	(292,983)	-
Net Cash Provided by (Used in) Operating Activities	<u>4,388,771</u>	<u>509,080</u>	<u>-</u>	<u>4,897,851</u>	<u>(513,245)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	3,834,595	155,654	-	3,990,249	-
Transfers to other funds	(5,137,041)	(160,153)	-	(5,297,194)	-
Transfers from component unit	-	-	-	-	-
Transfers to component unit	(400,000)	-	-	(400,000)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(1,702,446)</u>	<u>(4,499)</u>	<u>-</u>	<u>(1,706,945)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(93,517)	(332,010)	-	(425,527)	-
Proceeds from issuance of capital debt	-	450,000	-	450,000	-
Principal paid on capital debt	(2,919,234)	(50,267)	-	(2,969,501)	-
Interest and fiscal charges paid on capital debt	(911,567)	(5,154)	-	(916,721)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(3,924,318)</u>	<u>62,569</u>	<u>-</u>	<u>(3,861,749)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sale of investments	278,406	231	-	278,637	-
Interest and dividends	8,886	514	-	9,400	578
Net Cash Provided by Investing Activities	<u>287,292</u>	<u>745</u>	<u>-</u>	<u>288,037</u>	<u>578</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(950,701)	567,895	-	(382,806)	(512,667)
<b>Balances - beginning of the year</b>	4,601,968	156,171	1	4,758,140	960,250
<b>Balances - end of the year</b>	<u>\$ 3,651,267</u>	<u>\$ 724,066</u>	<u>\$ 1</u>	<u>\$ 4,375,334</u>	<u>\$ 447,583</u>
<b>Reconciliation to Statement of Net Position:</b>					
Cash and cash equivalents	\$ 1,250	\$ 652,034	\$ 1	\$ 653,285	\$ 424,618
Current restricted cash and cash equivalents	3,650,017	72,032	-	3,722,049	22,965
	<u>\$ 3,651,267</u>	<u>\$ 724,066</u>	<u>\$ 1</u>	<u>\$ 4,375,334</u>	<u>\$ 447,583</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 2,866,178	\$ (232,627)	\$ -	\$ 2,633,551	\$ (715,886)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	2,128,612	448,991	-	2,577,603	8,264
Change in assets and liabilities:					
Receivables	(415,206)	11,774	-	(403,432)	(12,878)
Accounts payable	35,112	280,942	-	316,054	(25,148)
Accrued payroll liabilities	32,418	-	-	32,418	1,057
Due to other funds	(292,983)	-	-	(292,983)	-
Estimated liability for claims	-	-	-	-	229,212
Landfill closure liability	74,891	-	-	74,891	-
Meter deposit liability	18,095	-	-	18,095	-
OPEB obligation	9,322	-	-	9,322	-
Pension liability & related accounts	(53,945)	-	-	(53,945)	-
Accrued compensated absences	(13,723)	-	-	(13,723)	2,134
Net Cash Provided by (Used in) Operating Activities	<u>\$ 4,388,771</u>	<u>\$ 509,080</u>	<u>\$ -</u>	<u>\$ 4,897,851</u>	<u>\$ (513,245)</u>
<b>Noncash activities:</b>					
Contributed capital assets received	<u>\$ 475,494</u>	<u>\$ 40,025</u>	<u>\$ -</u>	<u>\$ 515,519</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the Basic Financial Statements:**

**1. Financial Reporting Entity**

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

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

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

The City of Durant is a Council/Manager form of government with a population of approximately 16,891 located in Bryan County in southeastern Oklahoma. The City is governed by a five-member council and operates under state law and City ordinances through the three branches of democratic government:

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

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

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

**The Durant City Utility Authority** – that operates the water, sewer, and sanitation facilities of the City.

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

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

**The Durant Development Authority** – that operates to stimulate economic growth and development of the City – would be reported as a blended component unit, but currently has no financial activity.

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

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

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

Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation of the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved. These trusts issue debt in their name for the acquisition of assets that benefit both other governments and their own.

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

### *Government-Wide Financial Statements:*

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

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

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

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

### *Governmental Funds:*

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

#### Major Funds:

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

#### *Special Revenue Funds:*

- 1/4 % Sales Tax Economic Development - accounts for one-quarter cent sales tax restricted for economic development.

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- 5/8 % Sales Tax Education Fund - accounts for five-eighths cent sales tax restricted for Durant Public Schools for education capital projects.

*Capital Project Funds:*

- 1% Sales Tax Revenue Fund - accounts for revenues received from the third-penny city sales tax, earmarked for capital improvements and related debt service.
- Capital Improvement Fund - accounts for capital expenditures of all departments, in all funds. Receives transfers from other funds as its main revenue source.

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

*Special Revenue Funds:*

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

*Capital Project Funds:*

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

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

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

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

*Proprietary Funds:*

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

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

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

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

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

The City of Durant is governed by the deposit and investment limitations of state law. The deposits and investments held at June 30, 2016 are as follows:

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**Deposits and Investments**

**PRIMARY GOVERNMENT:**

<u>Type of Deposits and Investments</u>	<u>Maturities</u>	<u>Carrying Value</u>
Demand deposits		\$8,209,320
Time deposit	07/21/16	449,897
Time deposit	02/04/17	44,734
Cash on hand		3,855
	<b><u>Credit Rating</u></b>	
Mutual Funds - First United Money Market	not rated	3,303,230
<b>Total</b>		<b><u><u>\$12,011,036</u></u></b>
 <b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents		\$ 11,516,405
Investments		494,631
		<b><u><u>\$ 12,011,036</u></u></b>

**COMPONENT UNITS:**

**Durant Industrial Authority:**

<u>Type of Deposits and Investments</u>	<u>Maturities</u>	<u>Carrying Value</u>
Demand deposits		\$ 271,730
Time deposit	9/3/2016	240,378
Time deposit	8/17/2016	145,608
Time deposit	8/17/2016	632,467
Time deposit	07/21/16	15,905
		<b><u><u>\$ 1,306,088</u></u></b>
 <b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents		\$ 271,730
Investments		1,034,358
		<b><u><u>\$ 1,306,088</u></u></b>

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**Durant Community Facilities Authority:**

<u>Type of Deposits and Investments</u>	<u>Carrying Value</u>
Demand deposits	\$ 999,371
Time deposit 07/21/16	1,005
	<b>Credit Rating</b>
Mutual Funds - Goldman Sachs Financial Sq Trsy Oblig	AAAm 213,685
<b>Total</b>	<b><u>\$ 1,214,061</u></b>
 <b>Reconciliation to Statement of Net Position:</b>	
Cash and cash equivalents	\$ 1,213,056
Investments	1,005
	<b><u>\$ 1,214,061</u></b>

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

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. As of June 30, 2016, the City’s deposits were fully collateralized.

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

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

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



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

*Restricted Cash and Investments* - The amounts reported as restricted assets of the Enterprise Funds on the statement of net position are comprised of amounts held by the Durant City Utilities Authority and Durant Airport Authority for utility deposits (refunded upon termination of service or applied to final bill) and amounts held by the trustee bank related to debt activity. The restricted assets as of June 30, 2016 are as follows:

	<u>Current Cash and cash Equivalents</u>
Utility Deposits	\$ 418,819
OWRB Accounts (DCUA):	
2009A Principal Account	101,251
2009A Interest Account	90,768
2009A Construction Account	73,076
2009B Principal Account	32,915
2009B Interest Account	31,280
2009B Construction Account	26,170
2010 Note Proceeds Account	1,107
2010 Principal Account	41,314
2010 Interest Account	37,092
2010 Construction Account	746,014
2012A Principal Account	222,136
2012A Interest Account	32,005
2012A Construction Account	1,075,591
2013 Note Proceeds Account	1
2013 Principal Account	115,613
2013 Interest Account	16,839
2006 Interest Account	1,545
2006 Principal Account	12,602
2007 Revenue Account	4,502
2007 Project Account	423,865
2007 Principal Account	87,532
2007 Interest Account	57,980
First United Accounts (DAA):	
Construction Account	72,032
Total Restricted Assets	<u><u>\$ 3,722,049</u></u>

**4. Accounts Receivable**

	Receivable	Allowance for Bad Debts	Net Receivable
Governmental Activities:			
Court Fines Receivable	<u>\$ 215,457</u>	<u>\$ (193,911)</u>	<u>\$ 21,546</u>
Business-Type Activities:			
Airport Receivables	<u>\$ 25,702</u>	<u>\$ (3,443)</u>	<u>\$ 22,259</u>
Utility Receivables	<u>\$ 1,667,324</u>	<u>\$ (47,964)</u>	<u>\$ 1,619,360</u>

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**5. Capital Assets and Depreciation**

*Capital Assets:*

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$5,000 is used to report capital assets with the exception of buildings and infrastructure assets which have a threshold of \$25,000. Capital assets are reported at actual or estimated historical cost. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, bridges, drainage systems and traffic signal systems were not capitalized. Infrastructure assets acquired since that date are recorded at cost. Donated capital assets are recorded at their fair value at the date of donation. For the year ended June 30, 2016, capital assets balances changed as follows:

**Primary Government:**

	Balance at July 1, 2015	Additions and Transfers	Disposals and Transfers	Balance at June 30, 2016
<b>Governmental activities:</b>				
Non-depreciable:				
Land	\$ 5,787,699	\$ -	\$ -	\$ 5,787,699
Construction-in-progress	1,659,606	1,849,149	(1,752,798)	1,755,957
Total non-depreciable assets at historical cost	<u>7,447,305</u>	<u>1,849,149</u>	<u>(1,752,798)</u>	<u>7,543,656</u>
Depreciable:				
Buildings	23,664,314	-	-	23,664,314
Improvements	3,006,085	68,487	-	3,074,572
Machinery and equipment	12,026,557	376,731	(156,555)	12,246,733
Infrastructure	79,348,446	1,515,359	-	80,863,805
Total depreciable assets at historical cost	<u>118,045,402</u>	<u>1,960,577</u>	<u>(156,555)</u>	<u>119,849,424</u>
Less accumulated depreciation				
Buildings	(4,295,910)	(598,444)	-	(4,894,354)
Improvements	(1,902,734)	(81,669)	-	(1,984,403)
Machinery and equipment	(7,489,069)	(757,544)	107,665	(8,138,948)
Infrastructure	(57,055,203)	(1,333,891)	-	(58,389,094)
Total accumulated depreciation	<u>(70,742,916)</u>	<u>(2,771,548)</u>	<u>107,665</u>	<u>(73,406,799)</u>
Net depreciable assets	<u>47,302,486</u>	<u>(810,971)</u>	<u>(48,890)</u>	<u>46,442,625</u>
Governmental activities capital assets, net	<u>\$ 54,749,791</u>	<u>\$ 1,038,178</u>	<u>\$ (1,801,688)</u>	<u>\$ 53,986,281</u>
<b>Business-type activities:</b>				
Non-depreciable:				
Land	\$ 1,724,994	\$ -	\$ -	\$ 1,724,994
Construction-in-progress	2,751,129	847,529	(2,677,289)	921,369
Total non-depreciable assets at historical cost	<u>4,476,123</u>	<u>847,529</u>	<u>(2,677,289)</u>	<u>2,646,363</u>
Depreciable:				
Buildings	33,047,303	-	-	33,047,303
Improvements	15,381,988	-	-	15,381,988
Machinery and equipment	9,450,373	103,402	(12,000)	9,541,775
Utility property and improvements	35,580,754	2,677,289	-	38,258,043
Total depreciable assets at historical cost	<u>93,460,418</u>	<u>2,780,691</u>	<u>(12,000)</u>	<u>96,229,109</u>
Less accumulated depreciation				
Buildings	(16,981,083)	(1,119,086)	-	(18,100,169)
Improvements	(7,751,892)	(347,706)	-	(8,099,598)
Machinery and equipment	(7,142,304)	(368,634)	12,000	(7,498,938)
Utility property and improvements	(13,431,320)	(752,062)	-	(14,183,382)
Total accumulated depreciation	<u>(45,306,599)</u>	<u>(2,587,488)</u>	<u>12,000</u>	<u>(47,882,087)</u>
Net depreciable assets	<u>48,153,819</u>	<u>193,203</u>	<u>-</u>	<u>48,347,022</u>
Business-type capital assets, net	<u>\$ 52,629,942</u>	<u>\$ 1,040,732</u>	<u>\$ (2,677,289)</u>	<u>\$ 50,993,385</u>

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**Component Units:**

	<u>Balance at July 1, 2015</u>	<u>Additions and Transfers</u>	<u>Deductions and Transfers</u>	<u>Balance at June 30, 2016</u>
<b>COMPONENT UNITS:</b>				
<b>Durant Industrial Authority:</b>				
Non-depreciable:				
Land	\$1,673,856	\$ -	\$ -	\$1,673,856
Construction-in-progress	13,846	5,943	(19,789)	-
Total non-depreciable assets at historical cost	<u>1,687,702</u>	<u>5,943</u>	<u>(19,789)</u>	<u>1,673,856</u>
Depreciable:				
Machinery and equipment	34,631	-	-	34,631
Utility property and improvements	-	17,664	-	17,664
Total depreciable assets at historical cost	<u>34,631</u>	<u>17,664</u>	<u>-</u>	<u>52,295</u>
Less accumulated depreciation				
Machinery and equipment	(34,631)	-	-	(34,631)
Utility property and improvements	-	(294)	-	(294)
Total accumulated depreciation	<u>(34,631)</u>	<u>(294)</u>	<u>-</u>	<u>(34,925)</u>
Net depreciable assets	<u>-</u>	<u>17,370</u>	<u>-</u>	<u>17,370</u>
Durant Industrial Authority capital assets, net	<u>\$1,687,702</u>	<u>\$23,313</u>	<u>\$ (19,789)</u>	<u>\$1,691,226</u>
<b>Durant Community Facilities Authority:</b>				
Non-depreciable:				
Land	\$266,000	\$ -	\$ -	\$266,000
Durant Community Facilities Authority capital assets, net	<u>\$266,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$266,000</u>

*Depreciation:*

Depreciable capital assets are depreciated on a straight-line basis over useful lives. The range of estimated useful lives by type of asset is as follows: Buildings 20-40 years, Improvements other than buildings 20-50 years, Machinery and equipment 3-15 years, and Infrastructure 30-40 years.

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

Governmental Activities:		Business-Type Activities:	
General government	\$ 155,620	Water	\$ 855,552
Public safety	479,485	Sewer	1,102,955
Public works	1,387,298	Sanitation	170,105
Culture and recreation	705,263	Airport	448,991
Cemetery	31,882	Total depreciation	<u>\$ 2,577,603</u>
Total depreciation	<u>\$ 2,759,548</u>		

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

For the year ended June 30, 2016, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Amounts Due Within a Year
<b>Governmental Activities:</b>					
Capital Lease Obligations	\$804,706	-	\$300,102	\$504,604	\$226,307
Net Pension Liability	7,078,874	457,401	-	7,536,275	-
Net OPEB Obligation	557,811	34,624	-	592,435	-
Accrued Compensated Absences	1,278,036	145,774	127,804	1,296,006	129,601
Total Governmental Activities	<u>\$9,719,427</u>	<u>\$637,799</u>	<u>\$427,906</u>	<u>\$9,929,320</u>	<u>\$355,908</u>
<b>Business-type Activities:</b>					
Notes Payable	\$27,708,237	\$ 450,000	\$2,969,501	\$25,188,736	\$2,857,644
Landfill Closure Liability	358,516	74,891	-	433,407	21,670
Meter Deposit Liability	400,724	141,455	123,360	418,819	83,764
Net Pension Liability	-	126,019	-	126,019	-
Net OPEB Obligation	150,180	9,322	-	159,502	-
Accrued Compensated Absences	248,498	11,127	24,850	234,775	23,478
Total Business-Type Activities	<u>\$28,866,155</u>	<u>\$812,814</u>	<u>\$3,117,711</u>	<u>\$26,561,258</u>	<u>\$2,986,556</u>
<b>Component Unit Debt:</b>					
<b>Durant Industrial Authority:</b>					
Notes Payable	\$1,417,178	\$ -	\$123,158	\$1,294,020	\$125,353
Net Pension Liability	-	13,100	-	13,100	-
Net OPEB Obligation	7,151	444	-	7,595	-
Accrued Compensated Absences	14,657	5,017	1,466	18,208	1,821
Total Durant Industrial Authority	<u>1,438,986</u>	<u>18,561</u>	<u>124,624</u>	<u>1,332,923</u>	<u>127,174</u>
<b>Durant Community Facilities Authority:</b>					
Notes Payable	\$937,304	-	\$114,754	\$822,550	\$119,970
Revenue Bonds Payable	11,320,000	-	935,000	10,385,000	980,000
Total Durant Community Facilities Authority	<u>12,257,304</u>	<u>-</u>	<u>1,049,754</u>	<u>11,207,550</u>	<u>1,099,970</u>
Total Component Unit Debt	<u>\$13,696,290</u>	<u>\$18,561</u>	<u>\$1,174,378</u>	<u>\$12,540,473</u>	<u>\$1,227,144</u>

*Governmental activities long-term debt:*

Capital Lease Obligations:

\$202,370 capital lease with Vision Bank for DMSC field lighting, payable in monthly installments of \$2,145, final payment due March 20, 2018, with interest at 4.91%	\$22,724
\$61,537 capital lease with First United Bank for a forklift, payable in monthly installments of \$1,112, final payment due September 20, 2016, with interest at 3.249%	3,439
\$115,943 capital lease with First United Bank for a backhoe, payable in monthly installments of \$2,080, final payment due October 20, 2017, with interest at 2.89%	32,412
\$202,733 capital lease with First United Bank for 6 police vehicles, payable in monthly installments of \$5,862, final payment due September 20, 2016, with interest at 2.59%	17,452

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\$58,641 capital lease with Landmark Bank for a garage lift, payable in monthly installments of \$1,698, final payment due August 6, 2016, with interest at 2.75%	3,436
\$271,060 capital lease with Vision Bank for a dump truck, payable in monthly installments of \$4,837, final payment due March 20, 2019, with interest at 2.679%	153,537
\$335,000 capital lease with Ronald F. Arnett for Old Country Club property, payable in monthly installments of \$6,000, final payment due September 1, 2018, with interest at 2.87%	151,078
\$161,731 capital lease with Landmark Bank for 4 police vehicles, payable in monthly installments of \$2,867, final payment due February 11, 2020, with interest at 2.45%	<u>120,526</u>
Total Capital Lease Obligations	<u>\$504,604</u>
Current portion	\$226,307
Non-current portion	<u>278,297</u>
Total Capital Lease Obligations	<u>\$504,604</u>

Accrued Compensated Absences:

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

Current portion	\$129,601
Non-current portion	<u>1,166,405</u>
Total Accrued Compensated Absences	<u>\$1,296,006</u>

Net Pension Liability:

Current portion	\$ -
Non-current portion	<u>7,536,275</u>
Total Net Pension Liability	<u>\$7,536,275</u>

Net OPEB Obligation:

Current portion	\$ -
Non-current portion	<u>592,435</u>
Total Net OPEB Obligation	<u>\$592,435</u>

*Business-type activities long-term debt:*

Notes Payable:

Note Payable (DCUA) to Oklahoma Water Resources Board dated March 25, 2003, original amount of \$4,127,524 with an annual interest rate of 0%, admin fee of 0.5%, due in semi-annual principal installments each March 15 and September 15 of \$114,653 beginning September 15, 2003, final installment due March 15, 2021	\$1,146,534
Note Payable (DCUA) to Oklahoma Water Resources Board dated April 16, 2004, original amount of \$2,131,976 with an annual interest rate of 0%, admin fee of 0.5%, due in semi-annual principal installments each March 15 and September 15 of \$62,705 beginning September 15, 2004, final installment due March 15, 2021	626,983

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Note Payable (DAA) to First United Bank dated May 2, 2016, original amount of \$450,000 with an annual interest rate of 3.706%, due in monthly installments of \$4,493, final installment due May 1, 2026	443,783
Sales Tax & Utility Revenue Note (DCUA) to First United Trust Bank dated August 28, 2007, original amount of \$5,610,000 with an annual interest rate of 4.490%, due in semi-annual installments with principal ranging from \$80,000 to \$215,000, final installment due September 1, 2027	3,820,000
Sales Tax & Utility Revenue Note (DCUA) to Bank of America dated September 11, 2006, original amount of \$1,505,000 annual interest rate of 4.095%, due in monthly installments with principal ranging from \$7,400 to \$13,700, final installment due June 15, 2018	315,600
Sales Tax & Utility Revenue Note (DCUA) to First United Trust Bank dated September 1, 2009, original amount of \$6,000,000 annual interest rate of 4.45%, due in semi-annual installments with principal ranging from \$90,000 to \$225,000, final installment due September 1, 2029	4,625,000
Sales Tax & Utility Revenue Note (DCUA) to First United Trust Bank dated September 1, 2009, original amount of \$2,000,000 annual interest rate of 4.589%, due in semi-annual installments with principal ranging from \$25,000 to \$75,000, final installment due September 1, 2029	1,545,000
Sales Tax & Utility Revenue Note (DCUA) to First United Trust Bank dated November 1, 2010, original amount of \$6,000,000 annual interest rate of 3.95%, due in semi-annual installments with principal ranging from \$100,000 to \$215,000, final installment due November 1, 2030	4,785,000
Note Payable (DCUA) to Landmark Bank for sanitation truck dated May 30, 2012, original amount of \$291,814 with an annual interest rate of 3.012%, due in monthly installments of \$5,241, final installment due May 20, 2017	56,684
Note Payable (DCUA) to First United Bank for a brushloader dated August 15, 2011, original amount of \$126,017 with an annual interest rate of 3.249%, due in monthly installments of \$2,279, final installment due August 20, 2016	4,690
Sales Tax & Utility Revenue Note (DCUA) to First United Trust Bank dated December 20, 2012, original amount of \$7,500,000 annual interest rate of 2.35%, due in semi-annual installments with principal ranging from \$300,000 to \$495,000, final installment due October 1, 2021	5,120,000
Sales Tax & Utility Revenue Note (DCUA) to First United Trust Bank dated July 24, 2013, original amount of \$3,805,000 annual interest rate of 2.06%, due in semi-annual installments with principal ranging from \$60,000 to \$255,000, final installment due October 1, 2021	2,640,000
Note Payable (DCUA) to Vision Bank for a compactor dated August 21, 2013, original amount of \$401,786 with an annual interest rate of 1.915%, due in monthly installments of \$11,497, final installment due August 20, 2016	22,860
Note Payable (DCUA) to Vision Bank for a roll-off truck dated January 9, 2014, original amount of \$184,000 with an annual interest rate of 1.925%, due in monthly installments of \$5,269, final installment due January 20, 2017	<u>36,602</u>
Total Notes Payable	<u>\$25,188,736</u>
Current portion	\$2,857,644
Non-current portion	<u>22,331,092</u>
Total Notes Payable	<u>\$25,188,736</u>

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Accrued Compensated Absences:

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

Current portion	\$23,478
Non-current portion	<u>211,297</u>
Total Accrued Compensated Absences	<u>\$234,775</u>

Meter Deposit Liability:

Meter deposit liability reported in the business-type activities:

Current portion	\$83,764
Non-current portion	<u>335,055</u>
Total Meter Deposit Liability	<u>\$418,819</u>

Landfill Closure Liability:

Landfill closure liability reported in the business-type activities:

Current portion	\$21,670
Non-current portion	<u>411,737</u>
Total Landfill Closure Liability	<u>\$433,407</u>

Net OPEB Obligation:

Current portion	\$ -
Non-current portion	<u>159,502</u>
Total Net OPEB Obligation	<u>\$159,502</u>

Net Pension Liability:

Current portion	\$ -
Non-current portion	<u>126,019</u>
Total Net Pension Liability	<u>\$126,019</u>

*Component Unit long-term debt:*

Notes Payable (DIA):

Notes payable of the Durant Industrial Authority to ODOC dated February 23, 2000, original amount of \$300,000 with an annual interest rate of 0%, due in monthly installments of \$1,250, final installment due February 1, 2023.	\$97,500
Notes payable of the Durant Industrial Authority to ODOC dated April 29, 2004, original amount of \$400,000 with an annual interest rate of 0%, due in monthly installments of \$1,667, final installment due January 1, 2025.	168,333
Notes payable of the Durant Industrial Authority to ODOC dated May 8, 2003, original amount of \$500,000 with an annual interest rate of 0%, due in monthly installments of \$2,083, final installment due January 1, 2024.	185,416

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Notes payable of the Durant Industrial Authority to private individuals dated February 20, 2003, for land, original amount of \$700,000 with an annual interest rate of 5.5%, due in monthly installments of \$4,815, final installment due February 20, 2023.	321,879
Notes payable of the Durant Industrial Authority to ODOC dated August 25, 2006, original amount of \$400,000 with an annual interest rate of 0%, due in monthly installments of \$1,667, final installment due December 1, 2026.	297,583
Notes payable of the Durant Industrial Authority to ODOC dated November 8, 2006, original amount of \$399,956 with an annual interest rate of 0%, due in monthly installments of \$1,666, final installment due September 1, 2027.	<u>223,309</u>
	<u>\$1,294,020</u>
Current portion	\$125,353
Non-current portion	<u>1,168,667</u>
Total Notes Payable	<u>\$1,294,020</u>

Notes Payable (DCFA):

Sales Tax Revenue Note (of DCFA) to First United Bank dated February 1, 2007, original amount of \$1,275,000 with an annual interest rate of 5.6%, due in monthly installments of \$9,099, final installment due October 30, 2024. Final draw-downs equal \$1,085,320.	\$724,185
Notes payable of the Durant Community Facilities Authority to City of Durant dated September 2, 2008, original amount of \$235,430 with an annual interest rate of 0%, due in monthly installments of \$1,962, final installment due September 2, 2018.	53,358
Notes payable of the Durant Community Facilities Authority to City of Durant dated September 2, 2008, original amount of \$222,320 with an annual interest rate of 4.91%, due in monthly installments of \$2,348, final installment due September 2, 2018.	<u>45,007</u>
	<u>\$822,550</u>
Current portion	\$119,970
Non-current portion	<u>702,580</u>
Total Notes Payable	<u>\$822,550</u>

Revenue Bonds Payable (DCFA):

Refunding revenue bonds payable of the Durant Community Facilities Authority dated December 22, 2011, original amount of \$14,115,000 with an annual interest rate of 3.1%, due in semi-annual principal installments each May 1 and November 1 ranging from \$350,000 to \$735,000 beginning November 1, 2012, final installment due November 1, 2024	<u>\$10,385,000</u>
Current portion	\$980,000
Non-current portion	<u>9,405,000</u>
Total Revenue Bonds Payable	<u>\$10,385,000</u>



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Accrued Compensated Absences (DIA):

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

Current portion	\$1,821
Non-current portion	<u>16,387</u>
Total Accrued Compensated Absences	<u>\$18,208</u>

Net OPEB Obligation (DIA):

Current portion	\$ -
Non-current portion	<u>7,595</u>
Total Net OPEB Obligation	<u>\$7,595</u>

Net Pension Liability (DIA):

Current portion	\$ -
Non-current portion	<u>13,100</u>
Total Net Pension Liability	<u>\$13,100</u>

*Long-term debt service requirements to maturity:*

<b>Governmental Activities</b>		
Year Ending June 30,	Capital Lease Obligations	
	Principal	Interest
2017	\$ 226,307	\$ 10,812
2018	167,267	5,303
2019	88,303	1,535
2020	<u>22,727</u>	<u>217</u>
Total	<u>\$ 504,604</u>	<u>\$ 17,867</u>

<b>Business-Type Activities</b>		
Year Ending June 30,	Notes Payable	
	Principal	Interest
2017	\$ 2,857,644	\$ 834,802
2018	2,825,456	756,829
2019	2,720,559	680,215
2020	2,777,089	605,456
2021	2,858,672	527,636
2022-2026	6,759,316	1,697,197
2027-2031	<u>4,390,000</u>	<u>395,742</u>
Total	<u>\$ 25,188,736</u>	<u>\$ 5,497,877</u>

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<u>Year Ending June 30,</u>	<b>Component Units</b>	
	Durant Industrial Authority	
	Notes Payable	
	Principal	Interest
2017	\$ 125,353	\$ 16,677
2018	127,672	14,359
2019	130,121	11,909
2020	132,709	9,322
2021	135,442	6,588
2022-2026	364,309	4,483
2027-2028	278,414	-
Total	\$ 1,294,020	\$ 63,338

<u>Year Ending June 30,</u>	Durant Community Facilities Authority			
	Notes Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
	2017	\$ 119,970	\$ 40,939	\$ 980,000
2018	115,924	35,591	1,040,000	283,728
2019	84,517	30,942	1,095,000	251,022
2020	82,733	26,454	1,165,000	216,613
2021	87,627	21,560	1,235,000	179,955
2022-2025	331,779	33,294	4,870,000	308,372
Total	\$ 822,550	\$ 188,780	\$ 10,385,000	\$ 1,554,185

*Landfill Closure Liability:*

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

The \$433,407 reported as accrued landfill closure cost liability at June 30, 2016, represents the cumulative amount of such costs reported to date based on the use of 72.02% of the estimated capacity of the landfill. The Authority will recognize the remaining estimated costs of closure and post-closure care in the amount of \$168,375 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2016. The Authority expects to close the landfill in the year 2027 and actual costs may be higher or lower at that time due to inflation, changes in technology or changes in regulations.

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

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**Pledge of Future Revenues**

*Sales Tax and Utility Net Revenues Pledge* - The City has pledged, for debt covenant coverage purposes, three cents (or 69%) of future sales tax revenues, and net utility revenues to repay the \$6,000,000 of the 2010 Sales Tax and Utility Revenue Note, \$6,000,000 of the 2009A Sales Tax and Utility Revenue Note, \$2,000,000 of the 2009B Sales Tax and Utility Revenue Note, \$5,610,000 of the 2007 Sales Tax Revenue Note, \$1,505,000 of the Series 2006 Sales Tax and Utility Revenue Note, \$4,127,524 of the 2003A OWRB BF Note, \$2,131,976 of the 2004 OWRB ORF, \$6,792,000 of the 2004 OWRB DW, \$7,500,000 of the 2012A Utility System and Sales Tax Note, and \$3,805,000 of the 2013 Sales Tax and Utility Revenue Note. Proceeds from the notes provided for the purchase or construction of capital assets. The notes are payable from the pledged sales tax revenues and net utility revenues. The notes are payable through 2030, 2029, 2029, 2027, 2018, 2021, 2021, 2021, 2022, and 2021 respectively. The total principal and interest payable for the remainder of the life of these notes are \$30,032,750. Pledged sales taxes in the current year were \$10,302,249 and net utility revenues were \$2,311,559. Maximum annual debt service payments of \$3,693,098 for the applicable debt were 29% of pledged sales taxes and net utility revenues.

*Sales Tax Revenue Pledge – Component Unit (DCFA)* – The City has pledged one-half cent of future sales tax revenues to repay the \$14,115,000 of the 2011 Refunding Sales Tax Revenue Bonds, the \$1,275,000 of the 2007 Sales Tax Revenue Note, the \$235,430 of the Note Payable to the City for paving, and the \$222,320 of the Note Payable to the City for lighting. Proceeds from the notes provided for the purchase or construction of capital assets. The notes are payable from the pledged sales tax revenue. The notes are payable through 2024, 2025, 2018, and 2018, respectively. The total principal and interest for the remainder of the life of these notes are \$12,950,516. Pledged sales taxes received in the current year were \$1,715,424. Current annual debt service payments of \$1,439,777 for the applicable debt were 84% of pledged and transferred sales taxes.

*Debt Service Coverage Requirement:*

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

Gross Revenue Available for Debt Service:	
Charges for services	\$5,684,200
Investment income	8,886
Sales tax pledged (3 cents)	10,302,249
Total Gross Revenues Available	15,995,335
Operating Expenses:	
Operations	3,381,527
Total Operating Expenses	3,381,527
Net Revenues Available for Debt Service	\$12,613,808
Debt Service Requirements:	
Maximum annual debt service on all DUA parity debt	\$3,693,098
Computed Coverage	342%
Coverage Requirement	125%

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

## 7. Net Position and Fund Balances

### *Net Position:*

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

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

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

### *Fund Balances*

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

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

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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.

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

The following tables show the fund balance classifications as shown on the Governmental Funds Balance Sheet:

	General Fund	1/4% Economic Development Fund	5/8% Sales Tax Education Fund	Capital Improvement Fund	1% Sales Tax Revenue Fund	Other Governmental Funds	Total
<b>Fund Balance:</b>							
<b>Restricted For:</b>							
Economic development	\$ -	\$1,890,160	\$ -	\$ -	\$ -	\$ -	\$1,890,160
Education	-	-	297,506	-	-	-	297,506
Capital improvements and debt service	-	-	-	114,750	437,948	442	553,140
Cemetery	-	-	-	-	-	156,907	156,907
Multi-sports complex	-	-	-	-	-	109,891	109,891
SOSU capital projects	-	-	-	-	-	109,891	109,891
Public safety	20,213	-	-	-	-	140	20,353
Community center & library	-	-	-	-	-	770	770
Library	-	-	-	-	-	51,631	51,631
Sub-total Restricted	20,213	1,890,160	297,506	114,750	437,948	429,672	3,190,249
<b>Assigned to:</b>							
Economic development	-	931,313	-	-	-	-	931,313
Capital improvements and debt service	-	-	-	679,391	1,614	-	681,005
Public safety	-	-	-	-	-	146	146
Community center & library	-	-	-	-	-	481,608	481,608
Library	-	-	-	-	-	1,780	1,780
Insurance	\$162,147	-	-	-	-	-	162,147
Christmas lighting	231	-	-	-	-	-	231
Beautification	28,881	-	-	-	-	-	28,881
Cemetery	23,352	-	-	-	-	2,759	26,111
Recreation	66,865	-	-	-	-	-	66,865
Capital projects - grants	-	-	-	-	-	11	11
E911 services	-	-	-	-	-	124,288	124,288
Budget balancing purposes	2,759,496	-	-	-	-	-	2,759,496
Sub-total Assigned	3,040,972	931,313	-	679,391	1,614	610,592	5,263,882
<b>Unassigned</b>	903,549	-	-	-	-	-	903,549
<b>Total Fund Balance</b>	<b>\$ 3,964,734</b>	<b>\$ 2,821,473</b>	<b>\$ 297,506</b>	<b>\$ 794,141</b>	<b>\$ 439,562</b>	<b>\$ 1,040,264</b>	<b>\$ 9,357,680</b>

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**Restricted Net Position – Governmental Activities**

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

<b>Fund</b>	<b>Restricted By</b>	<b>Amount</b>
1/4% Economic Development Fund	Enabling legislation	\$ 1,890,160
5/8% Sales Tax Education Fund	Enabling legislation	297,506
1% Sales Tax Revenue Fund	Enabling legislation	437,948
1/4% Sales Tax M.S. Fund	Enabling legislation	109,891
1/4% Sales Tax SOSU Fund	Enabling legislation	109,891
General Fund	External parties	20,213
Capital Improvement Fund	External parties	114,750
DWRF Community Center & Library Fund	External parties	770
R.L. Williams Library Fund	External parties	51,631
CDBG Grant Fund	External parties	442
Drug Enforcement Fund	State statutes and/or debt indentures	140
Cemetery Care Fund	State statutes and/or debt indentures	156,907
		\$ 3,190,249

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

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

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*Transfers:*

Internal transfers between funds and activities for the year ended June 30, 2016 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Nature of Transfer</u>
General Fund	Cemetery Care Fund	\$7,544	Statutory transfer (12.5%)
General Fund	Durant Airport Authority Fund	2,000	Operational subsidy
1/4% Economic Development Fund	Capital Improvement	79,305	Capital purchase
1/4% Economic Development Fund	CDBG Fund	256,846	Grant match
1% Sales Tax Revenue Fund	Capital Improvement	381,836	Capital projects/debt service
1% Sales Tax Revenue Fund	Durant City Utilities Authority	3,223,551	Sales tax transfer
Capital Improvement Fund	CDBG Fund	117,205	Reimbursement of expenses
Capital Improvement Fund	Durant City Utilities Authority	457,390	Debt payments
Special 911 Tax Fund	General Fund	4,886	Operational subsidy
Cemetery Care Fund	General Fund	200	Cemetery annual interest
Durant Airport Authority Fund	General Fund	6,499	Reimbursement of expenses
Durant Airport Authority Fund	Durant City Utilities Authority	153,654	Debt payments
Durant City Utilities Authority	General Fund	2,906,101	Sales tax transfer
Durant City Utilities Authority	Special 911 Tax Fund	440,001	Operational subsidy
Durant City Utilities Authority	Capital Improvement	864,943	Reimbursement of Note financing
Durant City Utilities Authority	Capital Improvement	200,000	Grant reimbursement
Durant City Utilities Authority	DWRF Com Ctr & Lib Fund	80,000	Maintenance reserve
Durant City Utilities Authority	Durant Airport Authority Fund	153,654	Debt payments
Durant City Utilities Authority	General Fund	492,342	Operational subsidy
		<u>\$9,827,957</u>	

**Reconciliation to fund financial statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$5,837,708	(\$4,530,763)	\$1,306,945
Enterprise Funds	3,990,249	(5,297,194)	(1,306,945)
Total	<u>\$9,827,957</u>	<u>(\$9,827,957)</u>	<u>-</u>

**Reconciliation to statement of activities:**

	<u>Governmental</u>	<u>Business-Type</u>
Net transfers	\$1,306,945	(\$1,306,945)
Reclassification of capital asset activity	(515,519)	515,519
Reclassification of activities at the govt-wide statements	216,844	(216,844)
Total Transfers - Internal Activity	<u>\$1,008,270</u>	<u>(\$1,008,270)</u>

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*Interfund Balances:*

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
E911 Fund	General Fund	\$ 1,490	Deposit of county 911 taxes to wrong fund
General Fund	E911 Fund	5,000	Service fees initially posted to wrong account
General Fund	Cemetery Care Fund	138	Transfer not yet made for 12.5% of cemetery revenues
CDBG Fund	General Fund	50,999	Negative share of pooled cash
Durant City Utilities Authority	General Fund	590,917	Negative share of pooled cash
Total		<u>\$ 648,544</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Internal Service Funds Reconciliation</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 648,544	\$ (57,627)	\$ 481,527	\$ 1,072,444
Proprietary Funds	-	(590,917)	(481,527)	(1,072,444)
Total	<u>\$ 648,544</u>	<u>\$ (648,544)</u>	<u>\$ -</u>	<u>\$ -</u>

## 9. Sales and Property Tax

*Sales Tax:*

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

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

*Property Tax:*

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

## 10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss by securing commercial insurance for general liability and physical property and being self-insured for workers compensation and health and life. For workers compensation, the City has a third-party administrator for the claims process. Claims Administrative Services and the City signed an agreement for these services, effective November 22, 2011. For health



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and life, the City has a third-party administer for the claims process. Claims up to \$45,000 per individual are self-funded with stop-loss insurance up to \$1,688,550 for the group as a whole. Management believes such insurance coverage is sufficient to preclude any significant losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

*Claims Liability Analysis – Internal Service Funds:*

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

For the risk management internal service self-insurance funds, changes in the estimated claims liability for the City from July 1, 2013, to June 30, 2016, are as follows:

	<u>Employee Health</u>	<u>Worker's Compensation</u>	<u>Total Internal Service</u>
Claims liability, July 1, 2013	\$364,793	\$171,698	\$536,491
Claims incurred and changes in estimates	3,328,265	439,772	3,768,037
Claims paid	<u>(2,311,224)</u>	<u>(554,260)</u>	<u>(2,865,484)</u>
Claims liability, July 1, 2014	1,381,834	57,210	1,439,044
Claims incurred and changes in estimates	3,047,911	604,755	3,652,666
Claims paid	<u>(3,953,195)</u>	<u>(570,829)</u>	<u>(4,524,024)</u>
Claims liability, July 1, 2015	476,550	91,136	567,686
Claims incurred and changes in estimates	3,339,341	635,208	3,974,549
Claims paid	<u>(3,089,348)</u>	<u>(655,989)</u>	<u>(3,745,337)</u>
Claims liability, June 30, 2016	<u>\$726,543</u>	<u>\$70,355</u>	<u>\$796,898</u>
Assets available to pay claims at June 30, 2016	<u>\$316,120</u>	<u>\$66,319</u>	<u>\$382,439</u>

**11. Contingencies**

*Litigation:*

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

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*Federal and State Award Programs:*

The City of Durant participates in various federal or state grant/loan programs from year to year. In 2016, the City's involvement in federal and state award programs was material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**12. Outstanding Notes Receivable – City and Component Units**

The City has two outstanding notes receivable and the component units have five outstanding notes receivable as of June 30, 2016.

The Capital Improvement Fund executed a \$235,430 note receivable in September 2008 with the Durant Community Facilities Authority at a zero percent (0%) interest rate, due in 120 monthly installments of \$1,962, beginning October 1, 2008 \$53,358

The Capital Improvement Fund executed a \$222,320 note receivable in September 2008 with the Durant Community Facilities Authority at a 4.91% interest rate, due in 120 monthly installments of \$2,348. DCFA agreed to bring current all monthly installments from the date City made its first payment to the bank (March 2008), maturity date March 2018 46,205

Total Notes Receivable – City of Durant \$99,563

The Durant Industrial Authority executed a \$400,000 note receivable in April 2004 with Cardinal FG Company at a zero percent (0%) interest rate, due in 240 monthly installments of \$1,667, maturity date January 2025 \$172,359

The Durant Industrial Authority executed a \$399,956 note receivable in November 2006 with Eagle Suspensions, Inc at a zero percent (0%) interest rate, due in 240 monthly installments of \$1,666, maturity date September 2027 223,308

The Durant Industrial Authority executed a \$400,000 note receivable in August 2006 with Earth Biofuels at a zero percent (0%) interest rate, due in 240 monthly installments of \$1,667, maturity date October 2023. In current year, it was determined that this note receivable meets the definition of uncollectible; therefore, an allowance was recorded in the DIA to offset this receivable. 271,688

The Durant Industrial Authority executed a \$520,000 note receivable in August 2012 with PharmcareOK at a zero percent (0%) interest rate, due in 120 monthly installments of \$4,333, maturity date January 2023 338,000

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

Total drawdowns to date equal \$1,000,000. 374,995

Total Notes Receivable – DIA	1,380,350
Less: Allowance for Uncollectible	<u>(271,688)</u>
Notes Receivable – DIA, net	<u>\$1,108,662</u>

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Improvement Fund:				
DCFA - Paving Project at DMSC	\$76,901	\$ -	\$23,543	\$53,358
DCFA - Lighting Project at DMSC	71,497	-	25,292	46,205
DIA:				
Cardinal FG Company	192,359	-	20,000	172,359
Abbott Family LLC/Pharmcare	390,000	-	52,000	338,000
Eagle Suspension	241,640	-	18,332	223,308
Earth Biofuels	271,688	-	-	271,688
Eagle Suspension-Allowance	-	(271,688)	-	(271,688)
Texoma Manufacturing	541,663	-	166,668	374,995
Total	<u>\$1,785,748</u>	<u>\$ (271,688)</u>	<u>\$305,835</u>	<u>\$1,208,225</u>

### 13. Pension Plan Participation

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

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

*Firefighters’ Plan:*

**Plan description** - The City of Durant, as the employer, participates in the Firefighters Pension & retirement—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**Benefits provided** - FPRS provides retirement, disability, and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee’s

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final average compensation times the employee's years of service and have reached the age of 50 or have complete 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

**Contributions** - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$266,089. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$570,187; these on-behalf payments did not meet the criteria of a special funding situation. For full-accrual reporting the amount of on-behalf payments made were \$625,085.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2016, the City reported a liability of \$7,272,054 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was 0.6851%.

For the year ended June 30, 2016, the City recognized pension expense of \$611,094. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 143,673	\$ -
Net difference between projected and actual earnings on pension plan investments	-	542,079
Changes in proportion and differences between City contributions and proportionate share of contributions	-	31,634
City contributions during measurement date	-	3,601
City contributions subsequent to the measurement date	266,089	-
Total	<u>\$ 409,762</u>	<u>\$ 577,314</u>

The \$266,089 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	(174,850)
2018		(174,850)
2019		(174,850)
2020		91,775
2021		781
2022		(1,647)
	<u>\$</u>	<u>(433,641)</u>

**Actuarial Assumptions**-The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

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

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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 estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	5.13%
Domestic equity	37%	8.02%
International equity	20%	9.94%
Real estate	10%	7.47%
Other assets	13%	6.25%

**Discount Rate**-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Employers' net pension liability	\$ 9,441,986	\$ 7,272,054	\$ 5,452,103

**Pension plan fiduciary net position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at [www.ok.gov/fprs](http://www.ok.gov/fprs).

*Police Plan:*

**Plan description** - The City of Durant, as the employer, participates in the Oklahoma Police Pension and Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

**Benefits provided** - OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited

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service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

**Contributions** - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% percent of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$324,679. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$301,641 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$312,468. These on-behalf payments did not meet the criteria of a special funding situation.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2016, the City reported a net pension liability of \$35,899 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was 0.8804%.

For the year ended June 30, 2016, the City recognized pension expense of \$143,634. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 198,509
Net difference between projected and actual earnings on pension plan investments	-	138,139
Changes in proportion and differences between City contributions and proportionate share of contributions	57,008	-
City contributions during measurement date		13,014
City contributions subsequent to the measurement date	324,679	-
Total	<u>\$ 381,687</u>	<u>\$ 349,662</u>

The \$324,679 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase or decrease of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (137,482)
2018	(137,482)
2019	(137,482)
2020	127,684
2021	(7,892)
	<u>\$ (292,654)</u>

**Actuarial Assumptions**-The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.



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Disabled pensioners: RP-2000 Blue Collar Healthy  
Combined table with age set forward 4 years with fully  
generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

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 estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	2.24%
Domestic equity	4.87%
International equity	7.68%
Real estate	5.47%
Private Equity	5.80%
Commodities	2.96%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

**Discount Rate**-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

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	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability (asset)	\$ 2,157,085	\$ 35,899	\$ (1,752,409)

**Pension plan fiduciary net position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

*OkMRF Defined Benefit Plan:*

**Plan Description**-The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: [www.okmrf.org/reports.html](http://www.okmrf.org/reports.html). Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

**Summary of Significant Accounting Policies**-For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

**Eligibility Factors and Benefit Provisions**

<u>Provision</u>	<u>As of 07/01/15 OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	7 years of credited service
c. Eligibility for Distribution	-Normal retirement at age 65 with 7 years of service -Early retirement at age 55 with 7 years of service -Disability retirement upon disability with 7 years of service -Death benefit with 7 years of service for married employees
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	

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Normal Retirement	2.625% of final average salary multiplied by credited years of service
Early Retirement	Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	Same as normal retirement
Death Benefit	50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 7 Years of Service	No benefits
 f. Benefit Authorization	 Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
 g. Form of Benefit Payments	 Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent.

*B. Employees Covered by Benefit Terms*

Active Employees	130
Deferred Vested Former Employees	23
Retirees or Retiree Beneficiaries	<u>41</u>
Total	<u>194</u>

**Contribution Requirements**-The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 8.76% of covered payroll as of 7-1-16 and 8.59% of covered payroll as of 7-1-15. For the year ended June 30, 2016, the City recognized \$443,916 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$5,146,282. Employees cannot contribute to the plan in accordance with the plan provisions adopted by the City Council.

**Actuarial Assumptions**

Date of Last Actuarial Valuation	July 1, 2016
a. Actuarial cost method	Entry age normal
 b. Rate of Return on Investments and Discount Rate	 7.75%
 c. Projected Salary Increase	 Varies between 7.42% and 4% based on age
 d. Post Retirement Cost-of-Living Increase	 Benefits (attributable to service prior to 1/1/2010) in payment status are adjusted each July 1 <sup>st</sup> based on the percentage change in the CPI. The maximum increase or decrease in any year is 3%.

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e. Inflation Rate	3%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown Additional rates per thousand are Added during the first 5 years: Year 1: 215 Year 2: 140 Year 3: 95 Year 4: 65 Year 5: 40

**Discount Rate** – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

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 (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2015 are summarized in the following table:

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	Target Allocation	Real Return	Weighted Return
Large cap stocks S&P 500	25%	5.40%	1.35%
Small/mid cap stocks Russell 2500	10%	7.50%	0.75%
Long/short equity MSCI ACWI	10%	6.10%	0.61%
International stocks MSCI EAFE	20%	5.10%	1.02%
Fixed income bonds Barclay's Capital Aggregate	30%	2.60%	0.78%
Real estate NCREIF	5%	4.80%	0.24%
Cash equivalents 3 month Treasury	0%	0.00%	0.00%
<b>TOTAL</b>	<b>100%</b>		
Average Real Return			4.75%
Inflation			3.00%
Long-term expected return			<u>7.75%</u>

**Changes in Net Pension Liability** – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2015 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2015 and the City's report ending date of June 30, 2016, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

SCHEDULE OF CHANGES IN NET PENSION LIABILITY			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balances Beginning of Year</b>	\$ 18,342,003	\$ 18,970,063	\$ (628,060)
<b>Changes for the Year:</b>			
Service cost	504,423	-	504,423
Interest expense	1,397,991	-	1,397,991
Differences between expected and actual experience	224,049		224,049
Contributions--City	-	461,861	(461,861)
Contributions--members	-	177,044	(177,044)
Net investment income	-	532,000	(532,000)
Benefits paid	(618,337)	(618,337)	-
Plan administrative expenses	-	(39,943)	39,943
<b>Net Changes</b>	<b>1,508,126</b>	<b>512,625</b>	<b>995,501</b>
<b>Balances End of Year</b>	<b>\$ 19,850,129</b>	<b>\$ 19,482,688</b>	<b>\$ 367,441</b>

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**Sensitivity of the net pension liability (asset) to changes in the discount rate**-The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability (Asset)	\$ 3,083,002	\$ 367,441	\$ (1,875,980)

The City reported \$274,633 in pension expense for the year ended June 30, 2016. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 186,330	\$ -
Net difference between projected and actual earnings on pension plan investments	4,457	160,222
City contributions subsequent to the measurement date	443,916	-
Total	\$ 634,703	\$ 160,222

**Amortization of Pension Deferrals** - Amounts reported as deferred outflows of resources (excluding deferred outflows of resources related to contributions made subsequent to the measurement date) and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (73,232)
2018	(73,232)
2019	(73,232)
2020	214,807
2021	35,454
	\$ 30,565

***OkMRF Defined Contribution Plan:***

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

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years of service. City contributions for, and interest forfeited by, employees who leave employment prior to fully vesting are allocated back to remaining eligible participants. The authority to establish and amend the provisions of the plan rests with the City Council.

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

For the year ended June 30, 2016, the City contributed \$5,617 to the plan, while the employee contributions totaled \$92,477.

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

**14. Postemployment Healthcare Plan**

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

*Funding Policy.* The contribution requirements of plan members and the City are established by the City Council. Annual health insurance premium amounts are established by the city council. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016, the actuarially expected City contribution in the form of net age adjustment was \$44,390 to the Plan. Plan members receiving benefits contributed \$16,649 of the total premiums in FY 2016.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to for the year ended June 30, 2016:

Annual Required Contribution	\$ 72,190
Interest on Net OPEB Obligation	21,323
Adjustment to Annual Required Contributions (ARC)	(32,474)
Annual OPEB cost (expense)	61,039
Expected net benefits during the year	(16,649)
Increase in net OPEB obligation	44,390
Net OPEB obligation - beginning of year	715,142
Net OPEB obligation - end of year	\$ 759,532

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

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<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/12	\$114,774	0.0%	\$364,132
6/30/13	119,140	0.0%	483,272
6/30/14	113,752	0.0%	597,024
6/30/15	118,118	0.0%	715,142
6/30/16	44,390	0.0%	759,532

*Funded Status and Funding Progress.* As of July 1, 2015, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$591,495, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$591,495. The covered payroll (annual payroll of active employees covered by the plan) was \$9.13 million, and the ratio of the UAAL to the covered payroll was 6 percent.

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

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

In the July 1, 2015, actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a 3.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 6.12 percent initially, reduced by decrements to an ultimate rate of 4.87 percent in 2060. The UAAL is being amortized over 30 years based on a level percent-of-pay basis. The remaining amortization period at July 1, 2015, was twenty-four years. As of the date of this valuation, there are no plan assets. Retiree premiums are paid as they come due from general operating assets of the City.



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**REQUIRED SUPPLEMENTARY INFORMATION**

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**Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2016**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance:</b>	\$1,990,627	\$2,372,549	\$3,597,735	\$1,225,186
<b>Resources (Inflows):</b>				
Taxes	8,418,014	8,118,014	8,519,693	401,679
Intergovernmental	534,827	572,608	719,588	146,980
Charges for services	63,800	75,803	118,481	42,678
Fines and Forfeitures	220,000	237,466	504,280	266,814
Licenses and Permits	222,500	222,500	323,310	100,810
Investment Income	3,000	3,000	4,437	1,437
Miscellaneous	151,000	172,208	225,771	53,563
Other Financing Sources	2,906,101	2,906,101	2,906,101	-
<b>Total Resources</b>	<b>12,519,242</b>	<b>12,307,700</b>	<b>13,321,661</b>	<b>1,013,961</b>
<b>Amounts available for appropriation</b>	<b>14,509,869</b>	<b>14,680,249</b>	<b>16,919,396</b>	<b>2,239,147</b>
<b>Charges to Appropriations (Outflows):</b>				
City Administration	514,655	598,018	578,673	19,345
City Clerk	196,393	178,316	154,075	24,241
City Treasurer	243,834	196,954	195,245	1,709
City Attorney	110,537	130,537	126,024	4,513
Finance	-	92,090	89,306	2,784
General Government	2,256,809	2,089,044	492,269	1,596,775
Police	4,299,037	4,356,730	4,200,138	156,592
Animal Control	100,141	100,141	93,677	6,464
Fire	3,028,777	3,027,927	3,023,203	4,724
Municipal Court	109,699	140,640	116,630	24,010
Civil Emergency Management	279,283	289,283	270,766	18,517
Community Development	436,451	414,451	361,669	52,782
Streets	872,767	878,945	861,822	17,123
City Garage	363,440	363,440	332,770	30,670
Parks, Recreation and General Services	728,321	738,956	733,690	5,266
Swimming Pool	101,654	123,154	118,538	4,616
Public Library	655,221	662,273	611,809	50,464
Senior Citizens Center	22,750	22,750	14,107	8,643
Other Financing Uses - Transfers Out	190,100	276,600	276,600	-
<b>Total Charges to Appropriations</b>	<b>14,509,869</b>	<b>14,680,249</b>	<b>12,651,011</b>	<b>2,029,238</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$4,268,385</b>	<b>4,268,385</b>

Unaudited

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**Budgetary Comparison Schedule (Budgetary Basis) – Year Ended June 30, 2016, Continued**

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$4,583,502	\$5,397,684	\$5,506,767	\$109,083
Resources (Inflows):				
Taxes	862,252	862,252	858,521	(3,731)
Investment income	7,000	7,000	4,156	(2,844)
Transfers in - component unit	218,668	218,668	218,668	-
Amounts available for appropriation	<u>5,671,422</u>	<u>6,485,604</u>	<u>6,588,112</u>	<u>102,508</u>
Charges to appropriations (outflows):				
Economic development	5,671,422	5,897,792	3,430,488	2,467,304
Transfers out	-	587,812	336,151	251,661
Total Charges to Appropriations	<u>5,671,422</u>	<u>6,485,604</u>	<u>3,766,639</u>	<u>2,718,965</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,821,473</u>	<u>\$2,821,473</u>

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

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	\$ -	\$ -	\$294,292	\$294,292
Resources (Inflows):				
Taxes	2,296,701	2,299,316	2,302,529	3,213
Amounts available for appropriation	<u>2,296,701</u>	<u>2,299,316</u>	<u>2,596,821</u>	<u>297,505</u>
Charges to appropriations (outflows):				
General government	2,296,701	2,299,316	2,299,315	1
Total Charges to Appropriations	<u>2,296,701</u>	<u>2,299,316</u>	<u>2,299,315</u>	<u>1</u>
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$297,506</u>	<u>\$297,506</u>

See accompanying notes to budgetary comparison schedules

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**Footnotes to Budgetary Comparison Schedules:**

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

	<u>General Fund</u>
Total budgetary amounts available for appropriation	\$16,919,396
Current year on-behalf payments made by state	871,828
Beginning budgetary fund balance	<u>(3,597,735)</u>
Actual revenues and transfers per Statement of Revenues and Expenditures and Changes in Fund Balance	<u>\$14,193,489</u>
Total revenues	\$11,287,388
Transfers in	<u>2,906,101</u>
	<u>\$14,193,489</u>
Total budgetary charges to appropriations	\$12,651,011
Net difference in prior year and current year payroll accruals	160,419
Current year on-behalf payments made by state	<u>871,828</u>
Actual expenditures and transfers per Statement of Revenues and Expenditures and Changes in Fund Balance	<u>\$13,683,258</u>
Total expenditures	13,461,658
Transfers out	2,000
Interaccount transfers	<u>219,600</u>
	<u>\$13,683,258</u>

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Schedules of Required Supplementary Information

**SCHEDULE OF THE CITY OF DURANT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM  
Last 10 Fiscal Years\***

	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability	0.688374%	0.685132%
City's proportionate share of the net pension liability	\$ 7,078,874	\$ 7,272,054
City's covered-employee payroll	\$ 1,788,012	\$ 1,868,206
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	396%	389%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%

\*The amounts present for each fiscal year were determined as of 6/30

**Notes to Schedule:**

Only the current and prior fiscal years are presented because 10-year data is not yet available.

**SCHEDULE OF CITY CONTRIBUTIONS  
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM  
Last 10 Fiscal Years**

	<u>2015</u>	<u>2016</u>
Statutorily required contribution	\$ 262,072	\$ 266,089
Contributions in relation to the statutorily required contribution	<u>262,072</u>	<u>266,089</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,868,206	\$ 1,900,625
Contributions as a percentage of covered-employee payroll	14.03%	14.00%

**Notes to Schedule:**

Only the current and prior fiscal years are presented because 10-year data is not yet available.

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Schedules of Required Supplementary Information  
**SCHEDULE OF THE CITY OF DURANT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM**  
Last 10 Fiscal Years\*

	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability (asset)	0.8113%	0.8804%
City's proportionate share of the net pension liability (asset)	\$ (273,169)	\$ 35,899
City's covered-employee payroll	\$ 2,191,728	\$ 2,395,574
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.46%	1.50%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	99.82%

\*The amounts present for each fiscal year were determined as of 6/30

**Notes to Schedule:**

Only the current and prior fiscal years are presented because 10-year data is not yet available.

**SCHEDULE OF CITY CONTRIBUTIONS**  
**OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM**  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Statutorially required contribution	\$ 312,317	\$ 324,679
Contributions in relation to the statutorially required contribution	<u>312,317</u>	<u>324,679</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,395,574	\$ 2,498,075
Contributions as a percentage of covered-employee payroll	13.04%	13.00%

**Notes to Schedule:**

Only the current and prior fiscal years are presented because 10-year data is not yet available.

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**Required Supplementary Information**  
**Oklahoma Municipal Retirement Fund**

**Schedule of Changes in Net Pension Liability and Related Ratios**

**Last Two Fiscal Years**

	2015	2016
<b>Total pension liability</b>		
Service cost	\$ 474,442	\$ 504,423
Interest	1,339,625	1,397,991
Changes of benefit terms	-	-
Differences between expected and actual experience	-	224,049
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	(555,849)	(618,337)
<b>Net change in total pension liability</b>	<u>1,258,218</u>	<u>1,508,126</u>
<b>Total pension liability - beginning</b>	17,083,785	18,342,003
<b>Total pension liability - ending (a)</b>	<u>\$ 18,342,003</u>	<u>\$ 19,850,129</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 493,430	\$ 461,861
Contributions - member	174,621	177,044
Net investment income	2,676,643	532,000
Benefit payments, including refunds of member contributions	(555,849)	(618,337)
Administrative expense	(39,638)	(39,943)
<b>Net change in plan fiduciary net position</b>	<u>2,749,207</u>	<u>512,625</u>
<b>Plan fiduciary net position - beginning</b>	16,220,856	18,970,063
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 18,970,063</u>	<u>\$ 19,482,688</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (628,060)</u>	<u>\$ 367,441</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	103.42%	98.15%
<b>Covered employee payroll</b>	\$ 4,806,130	\$ 5,016,834
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	13.07%	7.32%

**Notes to Schedule:**

Only the current and prior fiscal years are presented because 10-year data is not yet available.

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**Required Supplementary Information**  
**Oklahoma Municipal Retirement Fund**

Schedule of Employer Contributions	Last Two Fiscal Years	
	2015	2016
Actuarially determined contribution	\$ 462,585	\$ 443,916
Contributions in relation to the actuarially determined contribution	462,585	443,916
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,050,820	\$ 5,146,282
Contributions as a percentage of covered-employee payroll	9.16%	8.63%

**Notes to Schedule:**

1. Only the current and prior fiscal years are presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2016
3. Actuarially determined contribution rate is calculated as of July 1, 2014 and July 1, 2015  
 Fiscal year 2014-2015 contributions were at a rate of 9.13%.  
 Fiscal year 2015-2016 contributions are set at a rate of 8.59%.
4. Methods and assumptions used to determine contribution rates:
  - Actuarial cost method - Entry age normal
  - Amortization method - Level percent of payroll, closed
  - Remaining amortization period - 28 years
  - Asset valuation method - Actuarial:
    - Smoothing period - 4 years
    - Recognition method - Non-asymptotic
    - Corridor - 70% - 130%
  - Salary increases - 4.00% to 7.42% (varies by attained age)
  - Investment rate of return - 7.75%



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***Required Supplementary Information – OPEB***

OPEB Liability - Schedule of Funding Progress

*Required Supplementary Information - Schedule of Funding Progress*

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) --PUC Method	Unfunded (Overfunded) AAL	Funded Ratio	(est) Covered Payroll	AAL as a Percentage of Covered Payroll
7/1/09	\$0	\$975,471	\$975,471	0%	\$6,956,000	(14%)
7/1/10	\$0	\$1,105,598	\$1,105,598	0%	\$7,721,000	(14%)
7/1/11	\$0	\$904,095	\$904,095	0%	\$8,485,000	(11%)
7/1/12	\$0	\$1,209,728	\$1,209,728	0%	\$8,576,000	(14%)
(1) 7/1/13	\$0	\$1,019,441	\$1,019,441	0%	\$8,667,000	(12%)
7/1/15	\$0	\$591,495	\$591,495	0%	\$9,132,000	(6%)

(1) - An actuary was not conducted for 7/1/14; therefore, a bi-annual evaluation was chosen for that year

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**SUPPLEMENTARY INFORMATION**

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**Combining Balance Sheet – General Fund Accounts – June 30, 2016**

	General Fund Accounts					Multi-Sports Complex Account	Total
	General Fund	Cemetery Operations Account	Beautification Account	Christmas Lighting Account	Insurance Cash Account		
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,468,524	\$ 30,585	\$ 27,284	\$ 218	\$ 153,181	\$ 90,340	\$ 2,770,132
Investments	168,909	1,790	1,597	13	8,966	5,229	186,504
Due from other funds	643,406	-	-	-	-	-	643,406
Due from component unit	-	4,330	-	-	-	-	4,330
Due from other governments	1,222,542	-	-	-	-	-	1,222,542
Franchise tax receivable	58,464	-	-	-	-	-	58,464
Court fines receivable, net	21,546	-	-	-	-	-	21,546
Other receivables	27,809	900	-	-	-	-	28,709
Total assets	<u>\$ 4,611,200</u>	<u>\$ 37,605</u>	<u>\$ 28,881</u>	<u>\$ 231</u>	<u>\$ 162,147</u>	<u>\$ 95,569</u>	<u>\$ 4,935,633</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 258,778	\$ 14,115	\$ -	\$ -	\$ -	\$ 11,190	\$ 284,083
Accrued payroll liabilities	585,127	-	-	-	-	17,514	602,641
Due to other funds	5,000	138	-	-	-	-	5,138
Due to other governments	4,641	-	-	-	-	-	4,641
Due to bondholders	5,049	-	-	-	-	-	5,049
Unearned revenue	16,315	-	-	-	-	-	16,315
Total liabilities	<u>874,910</u>	<u>14,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,704</u>	<u>917,867</u>
<b>Deferred Inflows of Resources:</b>							
Deferred revenue	53,032	-	-	-	-	-	53,032
<b>Fund balances:</b>							
Restricted	20,213	-	-	-	-	-	20,213
Assigned	2,759,496	23,352	28,881	231	162,147	66,865	3,040,972
Unassigned	903,549	-	-	-	-	-	903,549
Total fund balances	<u>3,683,258</u>	<u>23,352</u>	<u>28,881</u>	<u>231</u>	<u>162,147</u>	<u>66,865</u>	<u>3,964,734</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,611,200</u>	<u>\$ 37,605</u>	<u>\$ 28,881</u>	<u>\$ 231</u>	<u>\$ 162,147</u>	<u>\$ 95,569</u>	<u>\$ 4,935,633</u>

**CITY OF DURANT, OKLAHOMA**  
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**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Accounts – Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Cemetery Operations Account</u>	<u>Beautification Account</u>	<u>Christmas Lighting Account</u>	<u>Insurance Cash Account</u>	<u>Multi-Sports Complex Account</u>	<u>Total</u>
<b>REVENUES</b>							
Taxes	\$ 8,519,693	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,519,693
Intergovernmental	1,591,416	-	-	-	-	-	1,591,416
Charges for services	118,481	60,025	-	-	-	108,851	287,357
Licenses and permits	323,310	-	-	-	-	-	323,310
Fines and forfeitures	504,280	-	-	-	-	-	504,280
Investment income	4,437	24	42	-	224	112	4,839
Miscellaneous	225,771	1,223	-	-	-	1,660	228,654
Total revenues	<u>11,287,388</u>	<u>61,272</u>	<u>42</u>	<u>-</u>	<u>224</u>	<u>110,623</u>	<u>11,459,549</u>
<b>EXPENDITURES</b>							
Current:							
General government	1,654,046	-	257	119	274,992	-	1,929,414
Public Safety	8,722,123	-	-	-	-	-	8,722,123
Public Works	1,576,966	-	-	-	-	-	1,576,966
Culture, tourism and recreation	1,508,523	-	-	-	-	477,718	1,986,241
Cemetery	-	185,001	-	-	-	-	185,001
Capital Outlay	-	-	-	-	-	253	253
Total expenditures	<u>13,461,658</u>	<u>185,001</u>	<u>257</u>	<u>119</u>	<u>274,992</u>	<u>477,971</u>	<u>14,399,998</u>
Excess (deficiency) of revenues over expenditures	(2,174,270)	(123,729)	(215)	(119)	(274,768)	(367,348)	(2,940,449)
<b>OTHER FINANCING SOURCES (USES)</b>							
Interaccount transfers	(219,600)	114,554	-	-	108,229	(3,183)	-
Transfers in	2,906,101	200	-	-	105,919	397,808	3,410,028
Transfers out	(2,000)	(7,544)	-	-	-	-	(9,544)
Transfer from component unit	-	-	-	-	60,853	-	60,853
Total other financing sources and uses	<u>2,684,501</u>	<u>107,210</u>	<u>-</u>	<u>-</u>	<u>275,001</u>	<u>394,625</u>	<u>3,461,337</u>
Net change in fund balances	510,231	(16,519)	(215)	(119)	233	27,277	520,888
Fund balances - beginning	3,173,027	39,871	29,096	350	161,914	39,588	3,443,846
Fund balances - ending	<u>\$ 3,683,258</u>	<u>\$ 23,352</u>	<u>\$ 28,881</u>	<u>\$ 231</u>	<u>\$ 162,147</u>	<u>\$ 66,865</u>	<u>\$ 3,964,734</u>

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
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**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2016**

	SPECIAL REVENUE FUNDS				
	Special 911 Tax Fund	R.L. Williams Library Fund	Drug Enforcement Fund	HOME/FEMA Grant Fund	1/4% Sales Tax M.S. Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 88,131	\$ 8,989	\$ 286	\$ 10	\$ -
Investments	5,158	44,734	-	1	-
Due from other funds	5,000	-	-	-	-
Due from other governments	-	-	-	-	109,891
Other receivables	61,929	-	-	-	-
Total assets	<u>\$ 160,218</u>	<u>\$ 53,723</u>	<u>\$ 286</u>	<u>\$ 11</u>	<u>\$ 109,891</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 9,790	\$ 312	\$ -	\$ -	\$ -
Accrued payroll liabilities	24,650	-	-	-	-
Due to other funds	1,490	-	-	-	-
Total liabilities	<u>35,930</u>	<u>312</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted	-	51,631	140	-	109,891
Assigned	124,288	1,780	146	11	-
Total fund balances	<u>124,288</u>	<u>53,411</u>	<u>286</u>	<u>11</u>	<u>109,891</u>
Total liabilities and fund balances	<u>\$ 160,218</u>	<u>\$ 53,723</u>	<u>\$ 286</u>	<u>\$ 11</u>	<u>\$ 109,891</u>

**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2016, (Continued)**

	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUNDS			TOTALS
	1/4% Sales Tax Fund	SOSU	DWRP Community Center & Library Fund	Cemetery Care Fund	CDBG Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	-	\$ 482,326	\$ 150,707	\$ -	\$ 730,449
Investments	-	-	52	8,821	-	58,766
Due from other funds	-	-	-	138	-	5,138
Due from other governments	109,891	-	-	-	56,614	276,396
Other receivables	-	-	-	-	-	61,929
Total assets	<u>\$ 109,891</u>	<u>109,891</u>	<u>\$ 482,378</u>	<u>\$ 159,666</u>	<u>\$ 56,614</u>	<u>\$ 1,132,678</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	-	\$ -	\$ -	\$ 5,173	\$ 15,275
Accrued payroll liabilities	-	-	-	-	-	24,650
Due to other funds	-	-	-	-	50,999	52,489
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,172</u>	<u>92,414</u>
Fund balances:						
Restricted	109,891	-	770	156,907	442	429,672
Assigned	-	-	481,608	2,759	-	610,592
Total fund balances	<u>109,891</u>	<u>109,891</u>	<u>482,378</u>	<u>159,666</u>	<u>442</u>	<u>1,040,264</u>
Total liabilities and fund balances	<u>\$ 109,891</u>	<u>\$ 109,891</u>	<u>\$ 482,378</u>	<u>\$ 159,666</u>	<u>\$ 56,614</u>	<u>\$ 1,132,678</u>

**CITY OF DURANT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2016

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2016**

	SPECIAL REVENUE FUNDS				
	Special 911 Tax Fund	R.L. Williams Library Fund	Drug Enforcement Fund	HOME/FEMA Grant Fund	1/4% Sales Tax M.S. Fund
<b>REVENUES</b>					
Taxes	\$ 294,534	\$ -	\$ -	\$ -	\$ 858,521
Intergovernmental	-	-	1,160	-	-
Charges for services	97,911	-	-	-	-
Investment earnings	128	129	-	-	-
Miscellaneous	-	4,986	-	-	-
Total revenues	<u>392,573</u>	<u>5,115</u>	<u>1,160</u>	<u>-</u>	<u>858,521</u>
<b>EXPENDITURES</b>					
Current:					
Public Safety	792,463	-	2,000	-	-
Culture and recreation	-	3,228	-	-	-
Capital Outlay	-	-	-	-	-
Total expenditures	<u>792,463</u>	<u>3,228</u>	<u>2,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(399,890)	1,887	(840)	-	858,521
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	440,001	-	-	-	-
Transfers out	(4,886)	-	-	-	-
Transfer to component unit	-	-	-	-	(857,712)
Net change in fund balances	35,225	1,887	(840)	-	809
Fund balances - beginning	89,063	51,524	1,126	11	109,082
Fund balances - ending	<u>\$ 124,288</u>	<u>\$ 53,411</u>	<u>\$ 286</u>	<u>\$ 11</u>	<u>\$ 109,891</u>

(Continued)

**CITY OF DURANT, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2016**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2016, (Continued)**

	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUNDS			Totals
	1/4% Sales Tax Fund	SOSU	DWRF Community Center & Library Fund	Cemetery Care Fund	CDBG Fund	
<b>REVENUES</b>						
Taxes	\$ 858,521		\$ -	\$ -	\$ -	\$ 2,011,576
Intergovernmental	-		-	-	308,450	309,610
Charges for services	-		-	-	-	97,911
Investment earnings	-		220	235	-	712
Miscellaneous	-		-	-	-	4,986
Total revenues	<u>858,521</u>		<u>220</u>	<u>235</u>	<u>308,450</u>	<u>2,424,795</u>
<b>EXPENDITURES</b>						
Current:						
Public Safety	-		-	-	-	794,463
Culture and recreation	-		-	-	-	3,228
Capital Outlay	-		-	11,504	439,311	450,815
Total expenditures	<u>-</u>		<u>-</u>	<u>11,504</u>	<u>439,311</u>	<u>1,248,506</u>
Excess (deficiency) of revenues over expenditures	858,521		220	(11,269)	(130,861)	1,176,289
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-		80,000	7,544	374,051	901,596
Transfers out	-		-	(200)	-	(5,086)
Transfer to component unit	<u>(857,712)</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,715,424)</u>
Net change in fund balances	809		80,220	(3,925)	243,190	357,375
Fund balances - beginning	109,082		402,158	163,591	(242,748)	682,889
Fund balances - ending	<u>\$ 109,891</u>		<u>\$ 482,378</u>	<u>\$ 159,666</u>	<u>\$ 442</u>	<u>\$ 1,040,264</u>

**CITY OF DURANT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2016

**Combining Statement of Net Position – Internal Service Funds – June 30, 2016**

	<u>Employee Health Fund</u>	<u>Worker's Compensation Fund</u>	<u>Info Tech Service Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 287,688	\$ 62,827	\$ 74,103	\$ 424,618
Investments	15,136	3,492	4,337	22,965
Accounts receivable, net of allowance	13,296	-	-	13,296
Total current assets	<u>316,120</u>	<u>66,319</u>	<u>78,440</u>	<u>460,879</u>
Non-current assets:				
Capital Assets:				
Other capital assets, net of depreciation	-	-	10,360	10,360
Total non-current assets	-	-	10,360	10,360
Total assets	<u>316,120</u>	<u>66,319</u>	<u>88,800</u>	<u>471,239</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	45,795	-	19,968	65,763
Accrued payroll liabilities	-	-	8,143	8,143
Estimated liability for claims	726,543	70,355	-	796,898
Accrued compensated absences - current	-	-	2,020	2,020
Accrued compensated absences - noncurrent	-	-	18,181	18,181
Total liabilities	<u>772,338</u>	<u>70,355</u>	<u>48,312</u>	<u>891,005</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	-	10,360	10,360
Unrestricted (deficit)	(456,218)	(4,036)	30,128	(430,126)
Total net position	<u>\$ (456,218)</u>	<u>\$ (4,036)</u>	<u>\$ 40,488</u>	<u>\$ (419,766)</u>

**Combining Statement of Changes in Net Position–Internal Service Funds–Year Ended  
June 30, 2016**

	<u>Employee Health Fund</u>	<u>Worker's Compensation Fund</u>	<u>Info Tech Service Fund</u>	<u>Total</u>
<b>REVENUES</b>				
Charges for services:				
Self insurance charges	\$ 2,300,388	\$ 445,940	\$ -	\$ 2,746,328
Miscellaneous	505,661	275	455,779	961,715
Total operating revenues	<u>2,806,049</u>	<u>446,215</u>	<u>455,779</u>	<u>3,708,043</u>
<b>OPERATING EXPENSES</b>				
Claims expense	3,339,341	635,208	-	3,974,549
Info tech services	-	-	441,116	441,116
Depreciation	-	-	8,264	8,264
Total operating expenses	<u>3,339,341</u>	<u>635,208</u>	<u>449,380</u>	<u>4,423,929</u>
Operating income (loss)	<u>(533,292)</u>	<u>(188,993)</u>	<u>6,399</u>	<u>(715,886)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment income	305	175	98	578
Total non-operating revenue (expenses)	<u>305</u>	<u>175</u>	<u>98</u>	<u>578</u>
Change in net position	(532,987)	(188,818)	6,497	(715,308)
Total net position - beginning	76,769	184,782	33,991	295,542
Total net position - ending	<u>\$ (456,218)</u>	<u>\$ (4,036)</u>	<u>\$ 40,488</u>	<u>\$ (419,766)</u>



**CITY OF DURANT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Combining Schedule of Net Position – DCUA Accounts – June 30, 2016**

	<b>Utilities Authority Fund Accounts</b>		
	<b>Utilities Authority Fund</b>	<b>UA Bonds Sinking Account</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,250	\$ -	\$ 1,250
Restricted cash and cash equivalents	1,006,845	2,643,172	3,650,017
Accounts receivable, net of allowance	1,619,360	-	1,619,360
Total current assets	<u>2,627,455</u>	<u>2,643,172</u>	<u>5,270,627</u>
Non-current assets:			
Capital Assets:			
Land and other non-depreciable assets	2,248,528	-	2,248,528
Other capital assets, net of depreciation	37,718,886	-	37,718,886
Total noncurrent assets	<u>39,967,414</u>	<u>-</u>	<u>39,967,414</u>
Total assets	<u>42,594,869</u>	<u>2,643,172</u>	<u>45,238,041</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred amounts related to pensions	216,152	-	216,152
Deferred amount on refunding	69,829	-	69,829
Total deferred outflows of resources	<u>285,981</u>	<u>-</u>	<u>285,981</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	334,018	-	334,018
Accrued payroll liabilities	141,412	-	141,412
Due to other funds	590,917	-	590,917
Accrued interest payable	226,619	-	226,619
Current Portion of:			
Meter deposit liability	83,764	-	83,764
Notes payable	2,819,754	-	2,819,754
Landfill closure liability	21,670	-	21,670
Accrued compensated absences	23,478	-	23,478
Total current liabilities	<u>4,241,632</u>	<u>-</u>	<u>4,241,632</u>
Non-current liabilities:			
Meter deposit liability	335,055	-	335,055
Notes payable	21,925,199	-	21,925,199
Landfill closure liability	411,737	-	411,737
Accrued compensated absences	211,297	-	211,297
Net pension liability	126,019	-	126,019
Net OPEB obligation	159,502	-	159,502
Total noncurrent liabilities	<u>23,168,809</u>	<u>-</u>	<u>23,168,809</u>
Total liabilities	<u>27,410,441</u>	<u>-</u>	<u>27,410,441</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred amounts related to pensions	57,879	-	57,879
<b>NET POSITION</b>			
Net investment in capital assets	15,583,868	2,643,172	18,227,040
Unrestricted (deficit)	(171,338)	-	(171,338)
Total net position	<u>\$ 15,412,530</u>	<u>\$ 2,643,172</u>	<u>\$ 18,055,702</u>

**CITY OF DURANT, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Combining Schedule of Revenues, Expenses, and Changes in Net Position – DCUA Accounts – Year Ended June 30, 2016**

	<b>Utilities Authority Fund Accounts</b>		
	<b>Utilities Authority Fund</b>	<b>UA Bonds Sinking Account</b>	<b>Total</b>
<b>REVENUES</b>			
Charges for services:			
Water charges	\$ 3,265,797	\$ -	\$ 3,265,797
Sewer charges	2,145,176	-	2,145,176
Water and sewer taps	159,361	-	159,361
Penalties	113,866	-	113,866
Non-payment fees	156,777	-	156,777
Sanitation charges	4,009,368	-	4,009,368
Landfill gate fees	260,871	-	260,871
Lab tests	24,747	-	24,747
Rentals	91,193	-	91,193
Transfer station fees	396,182	-	396,182
Recycable products	3,838	-	3,838
Miscellaneous	41,872	-	41,872
Total operating revenues	<u>10,669,048</u>	<u>-</u>	<u>10,669,048</u>
<b>OPERATING EXPENSES</b>			
Public works administration	172,011	-	172,011
Utility billing	414,700	-	414,700
Water/sewer line maintenance	930,423	-	930,423
Water treatment plant	1,007,638	-	1,007,638
Wastewater treatment	739,943	-	739,943
Collection - solid waste	1,208,909	-	1,208,909
General government	85,425	-	85,425
Lake Durant	31,387	-	31,387
Disposal - solid waste	1,083,822	-	1,083,822
Depreciation expense	2,128,612	-	2,128,612
Total Operating Expenses	<u>7,802,870</u>	<u>-</u>	<u>7,802,870</u>
Operating income	<u>2,866,178</u>	<u>-</u>	<u>2,866,178</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	2,376	6,510	8,886
Interest expense and fiscal changes	(913,412)	-	(913,412)
Total non-operating revenue (expenses)	<u>(911,036)</u>	<u>6,510</u>	<u>(904,526)</u>
Income before contributions and transfers	<u>1,955,142</u>	<u>6,510</u>	<u>1,961,652</u>
Capital contributions	475,494	-	475,494
Interaccount transfers	2,494,632	(2,494,632)	-
Transfers in	457,390	3,377,205	3,834,595
Transfers out	(4,272,098)	(864,943)	(5,137,041)
Transfers to component unit	(400,000)	-	(400,000)
Change in net position	<u>710,560</u>	<u>24,140</u>	<u>734,700</u>
Total net position - beginning	14,701,970	2,619,032	17,321,002
Total net position - ending	<u>\$ 15,412,530</u>	<u>\$ 2,643,172</u>	<u>\$ 18,055,702</u>

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

**June 30, 2016**

**CITY OF DURANT, OKLAHOMA**

June 30, 2016

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**SINGLE AUDIT REPORTS AND SUPPLEMENTARY SCHEDULES:**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Durant, Oklahoma (the "City"), as of and for the year ended June 30, 2016, 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 23, 2017.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free 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.

*Arledge & Associates, P.C.*

January 23, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

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

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

We have audited the City of Durant, Oklahoma's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 23, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



January 23, 2017



**CITY OF DURANT, OKLAHOMA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<b>U.S. DEPARTMENT OF COMMERCE</b>			
Investments for Public Works and Economic and Development Facilities	11.300		\$ 251,293
TOTAL U.S. DEPARTMENT OF COMMERCE			<u>251,293</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through Oklahoma Department of Commerce:			
Community Development Block Grant	14.228	15421 CDBG ED 12	3,372
Community Development Block Grant	14.228	16246 CDBG ED 14	56,614
Community Development Block Grant	14.228	16081 CDBG 14	24,270
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>84,256</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Edward Byrne Memorial Justice Assistance Grant	16.738		5,000
Bulletproof Vest Partnership Program	16.607		1,880
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>6,880</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Passed through Oklahoma Department of Tourism and Recreation			
Outdoor Recreation Acquisition, Development and Planning	15.916	NRT - 2012 (100) 12-07	160,000
TOTAL U.S. DEPARTMENT OF THE INTERIOR			<u>160,000</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed through Oklahoma Highway Safety Office			
State and Community Highway Safety	20.600	PT-16-03-07-13	40,238
State and Community Highway Safety	20.600	PT-15-03-06-12	7,174
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>47,412</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Homeland Security Grant Program	97.073		17,840
Homeland Security Grant Program	97.073		146
<i>Subtotal for CFDA #97.073</i>			<u>17,986</u>
Passed through Oklahoma Department of Civil Emergency Management			
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR4247 PW 50	15,687
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	PA-4222 PW 1425	1,875
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	PA-4222 PW 1432	82,885
<i>Subtotal for CFDA #97.036</i>			<u>100,447</u>
Passed through Oklahoma Department of Civil Emergency Management			
Emergency Management Performance Grants	97.042	EMPG-SLA 16	4,500
Emergency Management Performance Grants	97.042	N/A	30,000
Emergency Management Performance Grants	97.042	N/A	10,000
<i>Subtotal for CFDA #97.042</i>			<u>44,500</u>
Emergency Operations Center	97.052		886,707
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>1,049,640</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 1,599,481</u></b>

See notes to schedule of expenditures of federal awards.

## **CITY OF DURANT, OKLAHOMA**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2016

#### **NOTE A—BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2016. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

#### **NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* or the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

#### **NOTE C—SUBRECIPIENTS**

During the year ended June 30, 2016, the City did not provide any federal awards to subrecipients.

CITY OF DURANT, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

**Section I--Summary of Auditor's Results**

*Financial statements*

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

*Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

yes  no

*Federal Awards*

Internal control over major programs:

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

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

*Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes  no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Emergency Operations Center	97.052

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

**CITY OF DURANT, OKLAHOMA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

June 30, 2016

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

None to report for the June 30, 2016, period.

**Section III--Finding Required to be Reported in Accordance with the Uniform Guidance:**

None to report for the June 30, 2016, period.

## **CITY OF DURANT, OKLAHOMA**

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

June 30, 2016

#### **Finding 2015-01 Negative Fund Balance**

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

*Condition:* The City's Community Development Block Grant (CDBG) fund reports a deficit fund balance of \$242,748.

*Cause:* Controls were not sufficient to ensure that proceeds were placed in the CDBG fund prior to the incurrence of liabilities in accordance with State law.

*Recommendation:* We recommend that the City put procedures in place to ensure fund balance is monitored in order to maintain a positive fund balance.

*City's Response:* The City will implement practices to ensure accountability in the Grant Writing Department for monitoring grant progress and initiating timely reimbursement requests. The Treasurer's Department has been assisting in collection of documents for substantiating reimbursement requests. Going forward, this task will be assigned to the new position of Finance Manager.

*Current Year Status:* This finding was corrected in the current year.