

CITY OF  
**DUNCAN, OKLAHOMA**



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

**AS OF AND FOR THE FISCAL YEAR  
ENDED DECEMBER 31, 2013**

**THE CITY OF DUNCAN, OKLAHOMA**

Annual Financial Statements  
And Independent Auditor's Report

As of and For the Fiscal Year Ended  
December 31, 2013

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**TABLE OF CONTENTS**

|   | <b>Page</b> |
|---|-------------|
| <b>Independent Auditor’s Report on Financial Statements.....</b>                  | 1-3         |
| <br><b>The Basic Financial Statements:</b>  |             |
| <b>Government-Wide Financial Statements:</b>                                      |             |
| Statement of Net Position .....   | 6           |
| Statement of Activities .....   | 7           |
| <br><b>Governmental Funds Financial Statements:</b>                               |             |
| Balance Sheet .....   | 9           |
| Statement of Changes in Fund Balances.....  | 10          |
| Reconciliation of Governmental Fund and Government-Wide Financial Statements..... | 11-12       |
| <br><b>Proprietary Funds Financial Statements:</b>                                |             |
| Statement of Net Position.....  | 14          |
| Statement of Changes in Net Position.....   | 15          |
| Statement of Cash Flows.....  | 16          |
| <br><b>Fiduciary Funds Financial Statements:</b>                                  |             |
| Statement of Net Position.....  | 18          |
| Pension Trust Fund Statement of Changes in Plan Net Position.....                 | 19          |
| <br><b>Discretely Presented Component Units Financial Statements:</b>             |             |
| Statement of Net Position.....  | 21          |
| Statement of Changes in Net Position.....   | 22          |
| <br><b>Footnotes to the Basic Financial Statements .....</b>                      | <br>23-57   |
| <br><b>Required Supplementary Information:</b>                                    |             |
| <b>Budgetary Comparison Information</b>   |             |
| Budgetary Comparison Schedule (Budgetary Basis) – General Fund.....               | 59          |
| Budgetary Comparison Schedule (Budgetary Basis) – DEDTA.....                      | 60          |
| Footnotes to Budgetary Comparison Schedule.....                                   | 60-61       |
| <br><b>Pension Plan Information</b>   |             |
| Schedule of Funding Progress – City Employee Retirement System.....               | 62          |
| Schedule of Funding Progress – OPEB.....  | 63          |

**CITY OF DUNCAN, OKLAHOMA**  
**TABLE OF CONTENTS**  
**As of and for the Year Ended December 31, 2013**

---

**Supplementary Information:**

|  |       |
|--|-------|
| Combining Balance Sheet – General Fund Accounts.....   | 65    |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund Accounts .....                                 | 66    |
| Combining Balance Sheet - Non-Major Governmental Funds.....  | 67-68 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds.....                          | 69-70 |
| Combining Schedule of Net Position – Duncan Public Utility Authority - Enterprise Fund Accounts.....                                   | 71    |
| Combining Schedule of Revenues, Expenses and Changes in Net Position– Duncan Public Utility Authority – Enterprise Fund Accounts ..... | 72    |
| Combining Schedule of Cash Flows –Duncan Public Utility Authority – Enterprise Fund Accounts.....                                      | 73    |
| Combining Statement of Net Position – Internal Service Funds.....  | 74    |
| Combining Statement of Revenues, Expenses and Changes in Net Position– Internal Service Funds.....                                     | 75    |
| Combining Statement of Cash Flows – Internal Service Funds.....  | 76    |
| Debt Service Coverage Schedule.....  | 77    |



## Independent Auditor's Report

RSM US LLP

Honorable Mayor and City Council  
City of Duncan, Oklahoma  
Duncan, 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 Duncan, Oklahoma (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Duncan Industrial Authority and Duncan Area Economic Development Foundation, discretely presented component units of the City, which represents 99.8%, 99.8% and 99.9%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Duncan Industrial Authority and Duncan Area Economic Development Foundation are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

**Summary of Opinions:**

| <b>Opinion Unit</b>   | <b>Type of Opinion</b> |
|---|------------------------|
| Governmental Activities   | Unmodified             |
| Business-Type Activities  | Qualified              |
| Aggregate Discretely Presented<br>Component Units                         | Unmodified             |
| General Fund  | Unmodified             |
| Duncan Economic Development Transit Authority<br>Capital Improvement Fund | Unmodified             |
| Duncan Public Utilities Authority Enterprise Fund                         | Qualified              |
| Aggregate Remaining Fund Information                                      | Unmodified             |

**Basis for Qualified Opinions on Business-Type Activities and the Duncan Public Utilities Authority Enterprise Fund**

The Duncan Public Utilities Authority Enterprise Fund maintains inventory in the normal course of its operations. However, it has not performed a physical inventory or maintained adequate accounting records related to the carrying amount of its inventory, and at December 31, 2013, the City has not recorded any inventory on the financial statements of the Duncan Public Utilities Authority Enterprise Fund or the Business-Type Activities. Inventory is required to be reported in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. The amount by which this departure affects reported assets, net position, and operating expenses in the financial statements of the Business-Type Activities and the Duncan Public Utilities Authority Enterprise Fund is not readily determinable.

**Qualified Opinions**

In our opinion, except for the matter described in the Basis for Qualified Opinions on the business-type activities and Duncan Public Utilities Authority Enterprise Fund paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and Duncan Public Utilities Authority enterprise fund of the City of Duncan, Oklahoma, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Unmodified Opinions**

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the aggregate discretely presented component units, each major governmental fund, and aggregate remaining fund information of the City of Duncan, Oklahoma, as of December 31, 2013, and the respective changes in financial position 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 budgetary comparison information and pension plan information on pages 58 through 63 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 and other auditors 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.

Management has omitted the *management discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

### **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 the other schedules, as presented in the Supplementary Information section for 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 other schedules, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 by us and other auditors.

In our opinion, except for the effects on the supplementary information of the qualified opinion described in the basis for qualified opinions paragraph above for Duncan Public Utilities Authority, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Oklahoma City, Oklahoma  
January 26, 2016

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**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE**

**CITY OF DUNCAN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended December 31, 2013**

**Statement of Net Position – December 31, 2013**

|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>         | <b>Aggregate<br/>Discrete<br/>Component Units</b> |
|---|------------------------------------|-------------------------------------|----------------------|---|
| <b>ASSETS</b>                             |                                    |                                     |                      |   |
| Cash and cash equivalents                 | \$ 9,634,270                       | \$ 314,453                          | \$ 9,948,723         | \$ 3,349,467                                      |
| Cash and cash equivalents, restricted     | -                                  | 2,125,689                           | 2,125,689            | 103,287   |
| Investments                               | 5,756,654                          | 1,786,817                           | 7,543,471            | 2,467,441   |
| Accounts receivable, net of allowance     | 369,349                            | 3,229,703                           | 3,599,052            | 66,008  |
| Internal balances                         | (4,695,044)                        | 4,695,044                           | -                    | -   |
| Due from other governmental agencies      | 2,228,455                          | 1,792                               | 2,230,247            | -   |
| Inventories                               | -                                  | -                                   | -                    | 925,478   |
| Other assets                              | -                                  | -                                   | -                    | 1,104   |
| Prepaid items                             | -                                  | -                                   | -                    | 95,000  |
| Investments, restricted                   | -                                  | 7,340,333                           | 7,340,333            | -   |
| Capital assets:                           |                                    |                                     |                      |   |
| Land and construction in progress         | 1,251,275                          | 1,743,298                           | 2,994,573            | -   |
| Other capital assets, net of depreciation | 51,764,877                         | 63,635,273                          | 115,400,150          | 6,428,766   |
| Total Assets                              | <u>66,309,836</u>                  | <u>84,872,402</u>                   | <u>151,182,238</u>   | <u>13,436,551</u>                                 |
| <b>LIABILITIES</b>                        |                                    |                                     |                      |   |
| Accounts payable and accrued expenses     | 1,136,958                          | 2,182,431                           | 3,319,389            | 28,868  |
| Accrued interest payable                  | 14,928                             | 402,451                             | 417,379              | -   |
| Claims payable                            | 1,014,467                          | -                                   | 1,014,467            | -   |
| Unearned income                           | -                                  | 175,000                             | 175,000              | -   |
| Long-term liabilities                     |                                    |                                     |                      |   |
| Due within one year                       | 1,580,996                          | 2,843,879                           | 4,424,875            | 343,735   |
| Due in more than one year                 | 10,503,249                         | 47,774,182                          | 58,277,431           | 2,911,750   |
| Total liabilities                         | <u>14,250,598</u>                  | <u>53,377,943</u>                   | <u>67,628,541</u>    | <u>3,284,353</u>                                  |
| <b>NET POSITION</b>                       |                                    |                                     |                      |   |
| Net investment in capital assets          | 48,199,143                         | 18,574,532                          | 66,773,675           | 8,647,083   |
| Restricted for:                           |                                    |                                     |                      |   |
| Debt service                              | 95,690                             | 7,335,403                           | 7,431,093            | -   |
| Public safety                             | 212,780                            | -                                   | 212,780              | -   |
| Capital projects                          | 7,445,503                          | -                                   | 7,445,503            | -   |
| Economic development                      | 9,990,051                          | -                                   | 9,990,051            | -   |
| Other                                     | 743,919                            | -                                   | 743,919              | 90,873  |
| Unrestricted (deficit)                    | (14,627,848)                       | 5,584,524                           | (9,043,324)          | 1,415,622   |
| Total net position                        | <u>\$ 52,059,238</u>               | <u>\$ 31,494,459</u>                | <u>\$ 83,553,697</u> | <u>\$ 10,153,578</u>                              |

The accompanying notes are an integral part of these financial statements.

**CITY OF DUNCAN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended December 31, 2013**

**Statement of Activities – Year Ended December 31, 2013**

| Functions/Programs                       | Expenses             | Program Revenue      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                      | Aggregate Discrete   |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|----------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities | Total                | Component Units      |
| <b>Primary government</b>                |                      |                      |                                    |                                  |   |                          |                      |                      |
| Governmental Activities                  |                      |                      |                                    |                                  |   |                          |                      |                      |
| General government                       | \$ 3,679,909         | \$ 18,258            | \$ 89,149                          | \$ -                             | \$ (3,572,502)                                    | \$ -                     | \$ (3,572,502)       | \$ -                 |
| Public safety                            | 11,140,011           | 715,411              | 1,197,463                          | -                                | (9,227,137)                                       | -                        | (9,227,137)          | -                    |
| Highways and streets                     | 4,056,514            | -                    | 228,372                            | -                                | (3,828,142)                                       | -                        | (3,828,142)          | -                    |
| Culture and recreation                   | 1,781,091            | 40,989               | 3,126                              | -                                | (1,736,976)                                       | -                        | (1,736,976)          | -                    |
| Health                                   | 446,457              | 81,668               | -                                  | -                                | (364,789)   | -                        | (364,789)            | -                    |
| Community development                    | 863,674              | 116,201              | 1,875                              | -                                | (745,598)   | -                        | (745,598)            | -                    |
| Economic development                     | 785,440              | -                    | 9,508                              | -                                | (775,932)   | -                        | (775,932)            | -                    |
| Interest on long-term debt               | 226,336              | -                    | -                                  | -                                | (226,336)   | -                        | (226,336)            | -                    |
| Total governmental activities            | <u>22,979,432</u>    | <u>972,527</u>       | <u>1,529,493</u>                   | <u>-</u>                         | <u>(20,477,412)</u>                               | <u>-</u>                 | <u>(20,477,412)</u>  | <u>-</u>             |
| Business-type activities:                |                      |                      |                                    |                                  |   |                          |                      |                      |
| Water                                    | 7,043,956            | 5,850,217            | -                                  | 1,093,239                        | -   | (100,500)                | (100,500)            | -                    |
| Wastewater                               | 2,185,587            | 2,054,859            | -                                  | -                                | -   | (130,728)                | (130,728)            | -                    |
| Sanitation                               | 3,920,550            | 3,314,109            | -                                  | -                                | -   | (606,441)                | (606,441)            | -                    |
| Electric                                 | 15,156,057           | 17,788,408           | -                                  | -                                | -   | 2,632,351                | 2,632,351            | -                    |
| Airport                                  | 282,529              | 36,595               | -                                  | -                                | -   | (245,934)                | (245,934)            | -                    |
| Lake                                     | 708,752              | 120,452              | -                                  | -                                | -   | (588,300)                | (588,300)            | -                    |
| Airport                                  | -                    | -                    | -                                  | -                                | -   | -                        | -                    | -                    |
| Interest                                 | -                    | -                    | -                                  | -                                | -   | -                        | -                    | -                    |
| Total business-type activities           | <u>29,297,431</u>    | <u>29,164,640</u>    | <u>-</u>                           | <u>1,093,239</u>                 | <u>-</u>  | <u>960,448</u>           | <u>960,448</u>       | <u>-</u>             |
| Total primary government                 | <u>\$ 52,276,863</u> | <u>\$ 30,137,167</u> | <u>\$ 1,529,493</u>                | <u>\$ 1,093,239</u>              | <u>\$ (20,477,412)</u>                            | <u>960,448</u>           | <u>(19,516,964)</u>  |                      |
| <b>Component Unit</b>                    |                      |                      |                                    |                                  |   |                          |                      |                      |
| Industrial Development                   | \$ 17,680            | \$ 7,435             | \$ -                               | \$ -                             |   |                          |                      | (10,245)             |
| Economic Development                     | 853,170              | 175,811              | 923,480                            | -                                |   |                          |                      | 246,121              |
| Health and welfare                       | -                    | -                    | -                                  | -                                |   |                          |                      | -                    |
| Total component units                    | <u>\$ 870,850</u>    | <u>\$ 183,246</u>    | <u>\$ 923,480</u>                  | <u>\$ -</u>                      |   |                          |                      | <u>235,876</u>       |
| <b>General revenues:</b>                 |                      |                      |                                    |                                  |   |                          |                      |                      |
| Taxes:                                   |                      |                      |                                    |                                  |   |                          |                      |                      |
| Sales and use taxes                      |                      |                      |                                    |                                  | 15,615,552  | -                        | 15,615,552           | -                    |
| Franchise taxes and public service taxes |                      |                      |                                    |                                  | 625,512   | -                        | 625,512              | -                    |
| Hotel/motel taxes                        |                      |                      |                                    |                                  | 375,079   | -                        | 375,079              | -                    |
| Other                                    |                      |                      |                                    |                                  | 349,118   | -                        | 349,118              | -                    |
| Unrestricted investment earnings         |                      |                      |                                    |                                  | (570,275)   | (991,391)                | (1,561,666)          | (56,647)             |
| Miscellaneous                            |                      |                      |                                    |                                  | 24,638  | 171,061                  | 195,699              | 1,065                |
| Transfers                                |                      |                      |                                    |                                  | 2,062,818   | (2,062,818)              | -                    | -                    |
| Total general revenues and transfers     |                      |                      |                                    |                                  | <u>18,482,442</u>                                 | <u>(2,883,148)</u>       | <u>15,599,294</u>    | <u>(55,582)</u>      |
| Change in net position                   |                      |                      |                                    |                                  | (1,994,970)                                       | (1,922,700)              | (3,917,670)          | 180,294              |
| Net position - beginning                 |                      |                      |                                    |                                  | 54,054,208  | 33,417,159               | 87,471,367           | 9,973,284            |
| Net position - ending                    |                      |                      |                                    |                                  | <u>\$ 52,059,238</u>                              | <u>\$ 31,494,459</u>     | <u>\$ 83,553,697</u> | <u>\$ 10,153,578</u> |

The accompanying notes are an integral part of these financial statements.

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended December 31, 2013**

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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**CITY OF DUNCAN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended December 31, 2013

**Balance Sheet – Governmental Funds – December 31, 2013**

|  | <u>General Fund</u> | <u>Duncan Economic<br/>Development Trust<br/>Authority (DEDTA)</u> | <u>Capital<br/>Improvement Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|--|-------------------------------------|---|---|
| <b>ASSETS</b>  |                     |  |                                     |   |   |
| Cash and cash equivalents                              | \$ 17,334           | \$ 4,890,675   | \$ 4,378,607                        | \$ 310,885                              | \$ 9,597,501                            |
| Investments  | -                   | 4,992,624  | 764,030                             | -                                       | 5,756,654                               |
| Receivable from other governments                      | 1,264,169           | 271,334  | 542,671                             | 150,281                                 | 2,228,455                               |
| Due from other funds                                   | 278,458             | 50,027   | 2,014,545                           | 1,076,093                               | 3,419,123                               |
| Taxes receivable, net                                  | 175,804             | -  | -                                   | -                                       | 175,804                                 |
| Court fines receivable, net                            | 147,015             | -  | -                                   | -                                       | 147,015                                 |
| Other receivables                                      | 8,124               | -  | -                                   | 431                                     | 8,555                                   |
| Total assets   | <u>\$ 1,890,904</u> | <u>10,204,660</u>  | <u>\$ 7,699,853</u>                 | <u>\$ 1,537,690</u>                     | <u>\$ 21,333,107</u>                    |
| <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b> |                     |  |                                     |   |   |
| Liabilities:   |                     |  |                                     |   |   |
| Accounts payable                                       | \$ 372,909          | -  | \$ 252,388                          | \$ 41,685                               | \$ 666,982                              |
| Accrued payroll payable                                | 449,408             | -  | -                                   | -                                       | 449,408                                 |
| Due to other funds                                     | 7,734,169           | -  | 1,962                               | 438,487                                 | 8,174,618                               |
| Due to bondholders                                     | 600                 | -  | -                                   | -                                       | 600                                     |
| Total liabilities                                      | <u>8,557,086</u>    | <u>-</u>   | <u>254,350</u>                      | <u>480,172</u>                          | <u>9,291,608</u>                        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |                     |  |                                     |   |   |
| Unavailable revenue                                    | 79,189              | -  | -                                   | 87,915                                  | 167,104                                 |
| Fund balances:   |                     |  |                                     |   |   |
| Restricted   | -                   | 10,204,660   | 7,445,503                           | 980,269                                 | 18,630,432                              |
| Unassigned (deficit)                                   | (6,745,371)         | -  | -                                   | (10,666)                                | (6,756,037)                             |
| Total fund balances                                    | <u>(6,745,371)</u>  | <u>10,204,660</u>  | <u>7,445,503</u>                    | <u>969,603</u>                          | <u>11,874,395</u>                       |
| Total liabilities, deferred inflows and fund balances  | <u>\$ 1,890,904</u> | <u>\$ 10,204,660</u>   | <u>\$ 7,699,853</u>                 | <u>\$ 1,537,690</u>                     | <u>\$ 21,333,107</u>                    |

The accompanying notes are an integral part of these financial statements.

**CITY OF DUNCAN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended December 31, 2013

**Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances –Year Ended December 31, 2013**

|   | <u>General Fund</u>   | <u>Duncan Economic<br/>Development Trust<br/>Authority (DEDTA)</u> | <u>Capital<br/>Improvement<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-----------------------|--|---|---|---|
| <b>REVENUES</b>                                   |                       |  |   |   |   |
| Taxes   | \$ 10,355,608         | 2,052,848  | \$ 4,105,698                            | \$ 329,871                              | \$ 16,844,025                           |
| Intergovernmental                                 | 1,118,959             | -  | -                                       | 212,895                                 | 1,331,854                               |
| Licenses and permits                              | 121,650               | -  | -                                       | -                                       | 121,650                                 |
| Charges for services                              | 166,203               | -  | -                                       | 9,583                                   | 175,786                                 |
| Fees and fines                                    | 601,422               | -  | -                                       | -                                       | 601,422                                 |
| Investment earnings                               | -                     | (334,761)  | (235,518)                               | 4                                       | (570,275)                               |
| Miscellaneous                                     | 156,970               | 9,508  | -                                       | 169,376                                 | 335,854                                 |
| Total revenues                                    | <u>12,520,812</u>     | <u>1,727,595</u>   | <u>3,870,180</u>                        | <u>721,729</u>                          | <u>18,840,316</u>                       |
| <b>EXPENDITURES</b>                               |                       |  |   |   |   |
| Current:  |                       |  |   |   |   |
| General government                                | 3,042,112             | -  | 5,062                                   | 775                                     | 3,047,949                               |
| Community Development                             | 738,768               | -  | -                                       | -                                       | 738,768                                 |
| Public safety                                     | 9,997,542             | -  | -                                       | 25,286                                  | 10,022,828                              |
| Highways and streets                              | 1,018,662             | -  | -                                       | 177,694                                 | 1,196,356                               |
| Health  | 402,278               | -  | -                                       | -                                       | 402,278                                 |
| Culture and recreation                            | 1,328,253             | -  | -                                       | 19,008                                  | 1,347,261                               |
| Economic development                              | -                     | 288,696  | -                                       | -                                       | 288,696                                 |
| Capital Outlay                                    | -                     | -  | 1,406,887                               | 260,248                                 | 1,667,135                               |
| Debt Service:                                     |                       |  |   |   |   |
| Principal   | 5,011                 | -  | 178,284                                 | 1,133,412                               | 1,316,707                               |
| Interest and other charges                        | 311                   | -  | 13,330                                  | 223,384                                 | 237,025                                 |
| Total expenditures                                | <u>16,532,937</u>     | <u>288,696</u>   | <u>1,603,563</u>                        | <u>1,839,807</u>                        | <u>20,265,003</u>                       |
| Excess (deficiency) of revenues over expenditures | <u>(4,012,125)</u>    | <u>1,438,899</u>   | <u>2,266,617</u>                        | <u>(1,118,078)</u>                      | <u>(1,424,687)</u>                      |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                       |  |   |   |   |
| Proceeds from capital leases                      | -                     | -  | 174,148                                 | -                                       | 174,148                                 |
| Transfer to component unit                        | -                     | (596,000)  | -                                       | -                                       | (596,000)                               |
| Transfers in                                      | 4,461,992             | -  | 5,975                                   | 1,316,257                               | 5,784,224                               |
| Transfers out                                     | <u>(2,260,975)</u>    | <u>-</u>   | <u>(663,703)</u>                        | <u>(200,000)</u>                        | <u>(3,124,678)</u>                      |
| Total other financing sources and uses            | <u>2,201,017</u>      | <u>(596,000)</u>   | <u>(483,580)</u>                        | <u>1,116,257</u>                        | <u>2,237,694</u>                        |
| Net change in fund balances                       | (1,811,108)           | 842,899  | 1,783,037                               | (1,821)                                 | 813,007                                 |
| Fund balances (deficit) - beginning               | (4,934,263)           | 9,361,761  | 5,662,466                               | 971,424                                 | 11,061,388                              |
| Fund balances (deficit) - ending                  | <u>\$ (6,745,371)</u> | <u>\$ 10,204,660</u>   | <u>\$ 7,445,503</u>                     | <u>\$ 969,603</u>                       | <u>\$ 11,874,395</u>                    |

The accompanying notes are an integral part of these financial statements.

**CITY OF DUNCAN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended December 31, 2013**

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

|  |    |            |
|--|----|------------|
| Total fund balance, governmental funds | \$ | 11,874,395 |
|--|----|------------|

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 this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. |  | 53,016,152 |
|---|--|------------|

|   |  |         |
|---|--|---------|
| Certain long-term assets are not available to pay for current fund liabilities and, therefore, are reported as deferred inflows in the funds. |  | 167,104 |
|---|--|---------|

Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position:

|                              |  |             |
|------------------------------|--|-------------|
| Interest payable             |  | (14,928)    |
| Net pension obligations      |  | (2,156,417) |
| Net OPEB obligations         |  | (3,617,327) |
| Accrued compensated absences |  | (1,493,492) |
| Note payable                 |  | (4,245,000) |
| Capital leases payable       |  | (572,009)   |

Internal service funds are used by management to charge costs of certain activities that benefit multiple funds, such as self-insurance, to individual funds. The assets and liabilities of the internal service funds are reported in governmental activities:

|  |  |           |
|--|--|-----------|
| Internal service fund net position (deficit) |  | (899,240) |
|--|--|-----------|

|  |           |                   |
|--|-----------|-------------------|
| Net Position of Governmental Activities in the Statement of Net Position | <u>\$</u> | <u>52,059,238</u> |
|--|-----------|-------------------|

The accompanying notes are an integral part of these financial statements.

**CITY OF DUNCAN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended December 31, 2013**

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**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Year Ended December 31, 2013**

Net change in fund balances - total governmental funds: \$ 813,007

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

|                                     |             |
|-------------------------------------|-------------|
| Capital asset purchases capitalized | 1,224,269   |
| Depreciation expense                | (4,270,519) |
| Loss on disposed capital assets     | (4,800)     |

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

|                               |        |
|-------------------------------|--------|
| Change in unavailable revenue | 81,328 |
|-------------------------------|--------|

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:

|  |           |
|--|-----------|
| Decrease in accrued compensated absences | (184,597) |
| Increase in net OPEB obligation          | (762,069) |
| Increase in net pension obligation       | (83,209)  |
| Net change in note payable               | 1,100,000 |
| Net capital lease proceeds               | (174,148) |
| Change in capital leases payable         | 216,707   |
| Change in accrued interest payable       | 3,869     |

Internal service fund activity is reported as a proprietary fund in fund financial statements, but certain net revenues are reported in governmental activities on the Statement of Activities:

|   |        |
|---|--------|
| Total change in net position of governmental activities -internal service funds | 45,192 |
|---|--------|

|   |                |
|---|----------------|
| Change in net position of governmental activities | \$ (1,994,970) |
|---|----------------|

The accompanying notes are an integral part of these financial statements.

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended December 31, 2013**

---

**BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS**

**CITY OF DUNCAN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended December 31, 2013

**Proprietary Funds Statement of Net Position –December 31, 2013**

|   | <b>Duncan Public<br/>Utilities Authority<br/>Enterprise Fund</b> | <b>Internal Service<br/>Fund</b> |
|---|--|----------------------------------|
| <b>ASSETS</b>   |  |                                  |
| Current assets:                                       |  |                                  |
| Cash and cash equivalents                             | \$ 314,453   | \$ 36,769                        |
| Investments   | 1,786,817  | -                                |
| Restricted:   |  |                                  |
| Cash and cash equivalents                             | 2,125,689  | -                                |
| Due from other funds                                  | 1,436,053  | 474,803                          |
| Accounts receivable, net                              | 3,174,186  | 14,743                           |
| Receivables from other governments                    | 1,792  | -                                |
| Other receivables                                     | 55,517   | -                                |
| Annuities receivable                                  | -  | 23,232                           |
| Total current assets                                  | 8,894,507  | 549,547                          |
| Non-current assets:                                   |  |                                  |
| Due from other funds                                  | 3,832,927  | -                                |
| Restricted:   |  |                                  |
| Investments   | 7,340,333  | -                                |
| Capital assets:                                       |  |                                  |
| Land and construction in progress                     | 1,743,298  | -                                |
| Other capital assets, net of accumulated depreciation | 63,635,273   | -                                |
| Total non-current assets                              | 76,551,831   | -                                |
| Total assets  | 85,446,338   | 549,547                          |
| <b>LIABILITIES</b>                                    |  |                                  |
| Current liabilities:                                  |  |                                  |
| Accounts payable and accrued liabilities              | 1,980,191  | 19,968                           |
| Salaries payable                                      | 122,604  | -                                |
| Accrued interest payable                              | 402,451  | -                                |
| Due to other funds                                    | 328,353  | 659,935                          |
| Payable to other governments                          | 79,636   | -                                |
| Unearned revenue                                      | 175,000  | -                                |
| Deposits subject to refund                            | 105,279  | -                                |
| Compensated absences                                  | 28,822   | -                                |
| Claims and judgments                                  | -  | 1,014,467                        |
| Bonds payable   | 2,709,778  | -                                |
| Total current liabilities                             | 5,932,114  | 1,694,370                        |
| Non-current liabilities:                              |  |                                  |
| Compensated absences, net of current portion          | 259,399  | -                                |
| Deposits subject to refund, net of current portion    | 1,008,116  | -                                |
| Net pension obligation                                | 1,828,461  | -                                |
| Net OPEB obligation                                   | 583,945  | -                                |
| Notes payable, net of current portion                 | 44,094,261   | -                                |
| Total non-current liabilities                         | 47,774,182   | -                                |
| Total liabilities                                     | 53,706,296   | 1,694,370                        |
| <b>NET POSITION</b>                                   |  |                                  |
| Net investment in capital assets                      | 18,574,532   | -                                |
| Restricted for debt service                           | 7,342,917  | -                                |
| Unrestricted (deficit)                                | 5,822,593  | (1,144,823)                      |
| Total net position                                    | \$ 31,740,042  | \$ (1,144,823)                   |

Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal service fund balances are included with business-type activities and reported as interfund balances

\$ (245,583)

Total net position per Government-Wide financial statements

\$ 31,494,459

The accompanying notes are an integral part of these financial statements.

**CITY OF DUNCAN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended December 31, 2013

**Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position –Year Ended December 31, 2013**

|   | <b>Duncan Public<br/>Utilities Authority<br/>Enterprise Fund</b> | <b>Internal Service<br/>Fund</b> |
|---|--|----------------------------------|
| <b>REVENUES</b>   |  |                                  |
| Water   | \$ 5,614,830   | \$ -                             |
| Electric  | 17,719,527   | -                                |
| Sewer   | 2,054,859  | -                                |
| Sanitation  | 3,314,109  | -                                |
| Lake  | 120,452  | -                                |
| Airport   | 36,595   | -                                |
| Charges for services  | -  | 3,348,064                        |
| Miscellaneous   | 304,600  | 153,370                          |
| Total operating revenues  | <u>29,164,972</u>  | <u>3,501,434</u>                 |
| <b>OPERATING EXPENSES</b>   |  |                                  |
| General government  | 574,154  | 148,463                          |
| Water   | 3,447,833  | -                                |
| Wastewater  | 1,077,116  | -                                |
| Sanitation  | 3,265,835  | -                                |
| Electric  | 14,487,062   | -                                |
| Lake  | 520,506  | -                                |
| Airport   | 39,010   | -                                |
| Claims expense  | -  | 3,337,414                        |
| Depreciation  | 3,923,085  | -                                |
| Total operating expenses  | <u>27,334,601</u>  | <u>3,485,877</u>                 |
| Operating income  | <u>1,830,371</u>   | <u>15,557</u>                    |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>  |  |                                  |
| Interest and investment revenue   | (991,391)  | (136)                            |
| Miscellaneous revenue   | 140,417  | 21,457                           |
| Gain on capital asset disposal  | 30,312   | -                                |
| Debt issuance cost  | (106,400)  | -                                |
| Interest expense  | (1,541,142)  | -                                |
| Total non-operating revenue (expenses)  | <u>(2,468,204)</u>   | <u>21,321</u>                    |
| Income (loss) before transfers  | <u>(637,833)</u>   | <u>36,878</u>                    |
| Capital contributions   | 1,382,993  | -                                |
| Transfers in  | 2,916,146  | -                                |
| Transfers out   | (5,575,692)  | -                                |
| Change in net position  | <u>(1,914,386)</u>   | <u>36,878</u>                    |
| Total net position (deficit) - beginning  | 33,654,428   | (1,181,701)                      |
| Total net position (deficit) - ending   | <u>\$ 31,740,042</u>   | <u>\$ (1,144,823)</u>            |
| Change in net position per above  | \$ (1,914,386)   |                                  |
| Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue of certain internal service fund are reported with business-type activities | (8,314)  |                                  |
| Change in Business-Type Activities in Net Postion per Government-Wide Financial Statements  | <u>\$ (1,922,700)</u>  |                                  |

The accompanying notes are an integral part of these financial statements.

**CITY OF DUNCAN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended December 31, 2013

**Proprietary Funds Statement of Cash Flows – Year Ended December 31, 2013**

|   | <u>Duncan Public<br/>Utilities Authority</u> | <u>Internal Service<br/>Funds</u> |
|---|--|-----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |                                   |
| Receipts from customers   | \$ 29,490,260                                | \$ 3,528,086                      |
| Payments to suppliers and employees   | (22,940,211)                                 | (200,242)                         |
| Claims and judgments paid   | -  | (3,355,525)                       |
| Receipts of customer meter deposits   | 647,019                                      | -                                 |
| Refunds of customer meter deposits  | (710,546)                                    | -                                 |
| Interfund receipts  | 925,063                                      | 99,498                            |
| Interfund payments  | (765,347)                                    | (474,803)                         |
| <b>Net cash provided by (used in) operating activities</b>  | <u>6,646,238</u>                             | <u>(402,986)</u>                  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |  |                                   |
| Transfers from other funds  | 2,916,146                                    | -                                 |
| Transfers to other funds  | (5,575,692)                                  | -                                 |
| <b>Net cash provided by (used in) noncapital financing activities</b>                             | <u>(2,659,546)</u>                           | <u>-</u>                          |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                   |  |                                   |
| Purchases of capital assets   | (994,208)                                    | -                                 |
| Note issuance cost paid   | (106,400)                                    | -                                 |
| Principal paid on debt  | (2,638,199)                                  | -                                 |
| Interest and fiscal agent fees paid on debt   | (1,608,262)                                  | -                                 |
| <b>Net cash provided by (used in) capital and related financing activities</b>                    | <u>(5,347,069)</u>                           | <u>-</u>                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |                                   |
| Purchase of investments   | (20,972)                                     | -                                 |
| Interest and dividends  | 830,449                                      | (136)                             |
| <b>Net cash provided by (used in) investing activities</b>  | <u>809,477</u>                               | <u>(136)</u>                      |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                       | (550,900)                                    | (403,122)                         |
| <b>Balances - beginning of year</b>   | <u>2,991,042</u>                             | <u>439,891</u>                    |
| <b>Balances - end of year</b>   | <u>\$ 2,440,142</u>                          | <u>\$ 36,769</u>                  |
| <b>Reconciliation to Statement of Net Position:</b>   |  |                                   |
| Cash and cash equivalents   | \$ 314,453                                   | 36,769                            |
| Restricted cash and cash equivalents - current  | 2,125,689                                    | -                                 |
| Total cash and cash equivalents, end of year  | <u>\$ 2,440,142</u>                          | <u>\$ 36,769</u>                  |
| <b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b> |  |                                   |
| Operating income  | \$ 1,830,371                                 | 15,557                            |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: |  |                                   |
| Depreciation expense  | 3,923,085                                    | -                                 |
| Miscellaneous revenue   | 170,732                                      | 21,457                            |
| Change in assets and liabilities:   |  |                                   |
| Due from other funds  | -  | (469,088)                         |
| Due to other funds  | (381,752)                                    | 93,783                            |
| Accounts receivable   | 132,825                                      | -                                 |
| Due from other governments  | 37,308                                       | -                                 |
| Other receivable  | (15,577)                                     | 5,195                             |
| Accounts payable  | 77,837                                       | 2,319                             |
| Accrued payroll payable   | 5,640  | 5,016                             |
| Deposits subject to refund  | (63,527)                                     | -                                 |
| Claims and judgments liability  | -  | (77,225)                          |
| Due to other funds  | 541,468                                      | -                                 |
| Net pension obligation  | 288,967                                      | -                                 |
| Other post employment benefits  | 125,015                                      | -                                 |
| Accrued compensated absences  | (26,154)                                     | -                                 |
| <b>Net cash provided by (used in) operating activities</b>  | <u>\$ 6,646,238</u>                          | <u>\$ (402,986)</u>               |
| <b>Noncash activities:</b>  |  |                                   |
| Asset contributed by others   | \$ 289,754                                   | -                                 |
|   | <u>\$ 289,754</u>                            | <u>\$ -</u>                       |

The accompanying notes are an integral part of these financial statements.

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended December 31, 2013**

---

**BASIC FINANCIAL STATEMENTS – FIDUCIARY FUNDS**

**CITY OF DUNCAN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended December 31, 2013

**Fiduciary Funds Statement of Net Position –December 31, 2013**

|   | <b>City Employees<br/>Retirement Trust<br/>Fund</b> | <b>Deposit and Refund<br/>- Agency Fund</b> |
|---|---|---|
| <b>ASSETS</b>                                 |   |   |
| Cash and cash equivalents                     | \$ 71,569   | \$ 49,745                                   |
| Investments, at market value:                 |   |   |
| Common trust funds fixed                      | 1,152,239   | -   |
| Common trust funds equity                     | 821,775   | -   |
| Mutual fund equity                            | 2,657,322   | -   |
| Mutual fund fixed                             | 1,364,702   | -   |
| Other receivable                              | -   | 19,892                                      |
| <br>  |   |   |
| Total assets                                  | \$ 6,067,607  | \$ 69,637                                   |
| <br><b>LIABILITIES</b>                        |   |   |
| Refunds payable and others                    | -   | \$ 69,637                                   |
| Total liabilities                             | -   | \$ 69,637                                   |
| <br><b>NET POSITION</b>                       |   |   |
| Held in trust for employees' pension benefits | \$ 6,067,607  |   |

The accompanying notes are an integral part of these financial statements.

**CITY OF DUNCAN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended December 31, 2013

**Fiduciary Funds Statement of Changes in Plan Net Position – Year Ended December 31, 2013**

|  | <u>City Employees<br/>Retirement Trust<br/>Fund</u> |
|--|---|
| <b>ADDITIONS</b>   |   |
| Contributions:   |   |
| Employer   | 1,446,929   |
| Plan Members   | 359,518   |
| Total contributions  | <u>1,806,447</u>                                    |
| Investment earnings:   |   |
| Net increase in fair value of investments                                      | 721,448   |
| Interest   | 141,910   |
| Total net investment earnings  | <u>863,358</u>                                      |
| Total additions  | <u>2,669,805</u>                                    |
| <b>DEDUCTIONS</b>  |   |
| Benefits paid to participants or beneficiaries                                 | 1,492,581   |
| Refunds of contributions   | 70,207  |
| Administrative   | 28,718  |
| Total deductions   | <u>1,591,506</u>                                    |
| <b>Change in net position held in trust for employees' pension benefits</b>    | 1,078,299   |
| <b>Net position, held in trust for employees' pension benefits - beginning</b> | <u>4,989,308</u>                                    |
| <b>Net position, held in trust for employees' pension benefits - ending</b>    | <u><u>\$ 6,067,607</u></u>                          |

The accompanying notes are an integral part of these financial statements.

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended December 31, 2013**

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**BASIC FINANCIAL STATEMENTS – DISCRETELY PRESENTED COMPONENT UNITS**

**CITY OF DUNCAN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended December 31, 2013

**Component Units Combining Statement of Net Position –December 31, 2013**

|  | <b>Duncan<br/>Industrial<br/>Authority</b> | <b>Duncan Area<br/>Economic<br/>Development<br/>Foundation</b> | <b>Duncan<br/>Hospital<br/>Authority</b> | <b>TOTALS</b>        |
|--|--|--|--|----------------------|
| <b>ASSETS</b>                                |  |  |  |                      |
| <b>Current Assets:</b>                       |  |  |  |                      |
| Cash and cash equivalents                    | \$ 110,220                                 | \$ 3,214,093   | \$ 25,154                                | \$ 3,349,467         |
| Cash and cash equivalents, restricted        | -  | 103,287  | -  | 103,287              |
| Investments                                  | 205,207                                    | 2,262,234  | -  | 2,467,441            |
| Receivables:                                 |  |  |  |                      |
| Accounts receivable                          | -  | 66,008   | -  | 66,008               |
| Other  | 41   | 1,063  | -  | 1,104                |
| Prepaid building lease                       | -  | 95,000   | -  | 95,000               |
| <b>Total current assets</b>                  | <u>315,468</u>                             | <u>5,741,685</u>   | <u>25,154</u>                            | <u>6,082,307</u>     |
| <b>Noncurrent Assets:</b>                    |  |  |  |                      |
| Capital Assets:                              |  |  |  |                      |
| Nondepreciable                               | -  | -  | -  | -                    |
| Depreciable, net of accumulated depreciation | -  | 6,428,766  | -  | 6,428,766            |
| Land available for development               | 609,938                                    | 315,540  | -  | 925,478              |
| <b>Total noncurrent assets</b>               | <u>609,938</u>                             | <u>6,744,306</u>   | <u>-</u>                                 | <u>7,354,244</u>     |
| <b>Total Assets</b>                          | <u>925,406</u>                             | <u>12,485,991</u>  | <u>25,154</u>                            | <u>13,436,551</u>    |
| <b>LIABILITIES</b>                           |  |  |  |                      |
| <b>Current Liabilities:</b>                  |  |  |  |                      |
| Accounts payable and accrued liabilities     | \$ -                                       | \$ 15,422  | \$ -                                     | \$ 15,422            |
| Wages payable                                | -  | 13,446   | -  | 13,446               |
| Real estate mortgage loan                    | -  | 343,735  | -  | 343,735              |
| <b>Total Current Liabilities</b>             | <u>-</u>                                   | <u>372,603</u>   | <u>-</u>                                 | <u>372,603</u>       |
| <b>Noncurrent Liabilities:</b>               |  |  |  |                      |
| Real estate mortgage loan                    | -  | 2,911,750  | -  | 2,911,750            |
| <b>Total Noncurrent Liabilities</b>          | <u>-</u>                                   | <u>2,911,750</u>   | <u>-</u>                                 | <u>2,911,750</u>     |
| <b>Total Liabilities</b>                     | <u>-</u>                                   | <u>3,284,353</u>   | <u>-</u>                                 | <u>3,284,353</u>     |
| <b>NET POSITION</b>                          |  |  |  |                      |
| Net investment in capital assets             | 609,938                                    | 8,037,145  | -  | 8,647,083            |
| Restricted                                   | 1,380                                      | 89,493   | -  | 90,873               |
| Unrestricted                                 | 315,468                                    | 1,075,000  | 25,154                                   | 1,415,622            |
| <b>Total Net Position</b>                    | <u>\$ 926,786</u>                          | <u>\$ 9,201,638</u>  | <u>\$ 25,154</u>                         | <u>\$ 10,153,578</u> |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended December 31, 2013**

**Component Units Combining Statement of Activities - Year Ended December 31, 2013**

|  | <b>Duncan<br/>Industrial<br/>Authority</b> | <b>Duncan Area<br/>Economic<br/>Development<br/>Foundation</b> | <b>Duncan<br/>Hospital<br/>Authority</b> | <b>TOTALS</b>        |
|--|--|--|--|----------------------|
| <b>Operating Revenues:</b>                       |  |  |  |                      |
| Contributions                                    | \$ -                                       | \$ 51,149  | \$ -                                     | \$ 51,149            |
| Rentals  | 7,435                                      | 175,811  | -  | 183,246              |
| <b>Total Operating Revenues</b>                  | <b>7,435</b>                               | <b>226,960</b>   | <b>-</b>                                 | <b>234,395</b>       |
| <b>Operating Expenses:</b>                       |  |  |  |                      |
| Economic development                             | 17,680                                     | 606,174  | -  | 623,854              |
| General and administrative                       | -  | 90,536   | -  | 90,536               |
| <b>Total Operating Expenses</b>                  | <b>17,680</b>                              | <b>696,710</b>   | <b>-</b>                                 | <b>714,390</b>       |
| <b>Operating Income (Loss)</b>                   | <b>(10,245)</b>                            | <b>(469,750)</b>   | <b>-</b>                                 | <b>(479,995)</b>     |
| <b>Non-Operating Revenues (Expenses):</b>        |  |  |  |                      |
| Investment income                                | 1,039                                      | (57,746)   | 60                                       | (56,647)             |
| Miscellaneous income                             | -  | 1,065  | -  | 1,065                |
| Loss on capital assets                           | -  | (156,460)  | -  | (156,460)            |
| <b>Net non-operating revenues (expenses)</b>     | <b>1,039</b>                               | <b>(213,141)</b>   | <b>60</b>                                | <b>(212,042)</b>     |
| <b>Income (Loss) Before Transfers</b>            | <b>(9,206)</b>                             | <b>(682,891)</b>   | <b>60</b>                                | <b>(692,037)</b>     |
| <b>Other financing sources (uses):</b>           |  |  |  |                      |
| Transfers in, from primary government            | -  | 872,331  | -  | 872,331              |
| <b>Total other financing sources (uses)</b>      | <b>-</b>                                   | <b>872,331</b>   | <b>-</b>                                 | <b>872,331</b>       |
| <b>Change in Net Position</b>                    | <b>(9,206)</b>                             | <b>189,440</b>   | <b>60</b>                                | <b>180,294</b>       |
| <b>Net Position, beginning of year, restated</b> | <b>935,992</b>                             | <b>9,012,198</b>   | <b>25,094</b>                            | <b>9,973,284</b>     |
| <b>Net Position, end of year</b>                 | <b>\$ 926,786</b>                          | <b>\$ 9,201,638</b>  | <b>\$ 25,154</b>                         | <b>\$ 10,153,578</b> |

## I. Organization

The City of Duncan, Oklahoma, (the City) operates under a Council-Manager form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), streets and highways, sanitation, social services, culture and recreation, public improvements, utilities, planning and zoning, and general administrative services.

## II. Summary of significant accounting policies

### A. Reporting entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations. The City's financial statements include two blended component units, three discretely presented component units, which are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

**Blended component units.** The Duncan Public Utilities Authority (DPUA) was created to finance, develop, and operate the electric, water, sewer, and solid waste activities. The current City Council serves as its entire governing body (trustees) of the DPUA. Any issuance of debt would require a two-thirds approval of the City Council. DPUA is reported as an enterprise fund.

The Duncan Economic Development Trust Authority (DEDTA) was created to develop, finance, and promote the development of industry within the City of Duncan and the surrounding area. The current City Council serves as its entire governing body (trustees) of the DEDTA. Any issuance of debt would require a two-thirds approval of the City Council. DEDTA is reported as a special revenue fund.

Separate financial statements have not been prepared for the blended component units.

**Discretely presented component units.** Duncan Industrial Authority (DIA) was created to finance, promote, develop and maintain industry within the City of Duncan and the surrounding area. The governing body is appointed by the City Council. Any issuance of debt requires a two-thirds approval of the City Council. The DIA issued separate financial statements, which are available by contacting that entity at Box 1468, Duncan, OK 73534. The DIA fiscal year is June 30.

Duncan Hospital Authority (DHA) was created to provide financing for physical plant facilities, improvements, equipment, and medical services for the purpose of providing or improving health care within the City of Duncan. The governing body is appointed by the City Council. Any issuance of debt requires a two-thirds approval of the City Council. The DHA consist of a savings account remaining from when the city owned and operated the hospital. The Authority does not issue separate financial statements.

Duncan Area Economic Development Foundation (DAEDF) was created as a non-profit corporation December 19, 1954 to promote industry development and job creation within the City and surrounding area. The Foundation is fiscally dependent on the City as a majority of the Foundation revenues are derived from sales tax proceeds, which are passed through the Duncan

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

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Economic Development Trust Authority (EDTA). The DAEDF issued separate financial statements, which are available by contacting that entity at Box 1051, Duncan, OK 73534. DAEDF's fiscal year is December 31.

Each of these components, with the exception of the DAEDF, listed above are Public Trusts established pursuant to Title 60 of the Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with the state law, the City Council must approve, by two-thirds vote, all debt obligations of these public trusts prior to incurring the obligation. 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 for 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.

**Jointly Governed Organizations**

The city, in conjunction with the cities of Marlow and Comanche, has created the South Central Oklahoma Environmental Authority (SCOEA). The SCOEA's board is composed of three trustees one appointed by each governing body. The city paid the SCOEA \$3,173,979 in FY 2013 for sanitation services.

**B. Government-wide and fund financial statements**

The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Combined and/or individual financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and budgeted. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement type grants are recorded as revenues when the related expenditures are incurred. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Sales and use taxes, property taxes levied in 2013, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following fund types:

General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted or committed to expenditures for certain purposes.

Debt Service Fund – accounts for ad-valorem taxes levied by the City for use in retiring judgments rendered against the City.

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects.

Proprietary funds include both enterprise funds and internal service funds. Enterprise funds are used to account for business-type activities provided to the general public. Internal service funds are used to account for business-like activities provided and charged to other funds or entities within the reporting entity. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Nonoperating revenues of the proprietary funds include such items as investment earnings, interest expense and subsidies.

Fiduciary funds are used to report net position and changes therein of assets held by the City in a fiduciary capacity. The net position is not available for operations of the City and is not included in the Government-wide financial statements. The city reports a Pension Trust Fund and an Agency Fund. Agency Funds are custodial in nature (i.e. assets equal liabilities) and do not involve the measurement of changes in net position.

The funds of the financial reporting entity are described below:

**The City reports the following major governmental funds:**

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The most significant operating revenue is the sales tax. For reporting purposes the General Fund includes the activities of the following accounts: Police Uniform Allowance, Fire Uniform Allowance, Police Reserve, Communication Trust, Police Firing Range, and Hunting and Fishing.
- The Duncan Economic Development Trust Authority accounts for sales tax restricted for the promotion of economic development.
- The Capital Improvement fund accounts for the purchase of capital equipment and construction of facilities funded with sales tax.

**The City reports the following major proprietary fund:**

- The Duncan Public Utilities Authority accounts for the City's electric, water, sewer, sanitation, lake and airport operations. The funds major revenue source is user charges from operations.

**The City also reports the following internal service funds:**

- Worker's Comp internal service fund accounts for workers' compensation insurance services provided to other departments or agencies of the City based on premiums charged per full-time employee.
- Employee Insurance internal service fund accounts for employee health insurance services provided to other departments or agencies of the City based on premiums charged per full-time employee.
- Self-Insurance/Internal service fund accounts for liability claim services and unemployment claims provided to other departments or agencies of the City based on premiums charged per full-time employee.

**Included in the aggregated other governmental funds are the following funds:**

- The Street and Alley Fund accounts for the operation and maintenance of local streets and thoroughfares through dedicated taxes.

- The Cemetery Care Fund accounts for the continuing care and maintenance as well as future capital investments of the City owned cemetery funded with fees restricted by external sources.
- The Library Gifts and Grants fund accounts for grants and donations restricted for the operations of the library.
- The CDBG Grant Fund account for federal funds received by the City and expenditures related to the operation of these grants.
- The E-911 Dispatch Fund accounts for the operations and maintenance of the City's 911 emergency services through dedicated taxes.
- The DPUA Debt Service Fund accounts for sales tax pledged for the repayment of the DPUA Sales Tax revenue note used to finance street construction and improvements.
- The Police Grants and Seizures Fund account for grants and seized property funds for police operations.
- The First Responder Program Fund accounts for funds restricted for public safety operations.
- The DARE Fund accounts for grants and donations for the operations of the DARE program.
- The Stimulus Grant Fund accounts for the residual funds of the stimulus grant.
- The Sinking Fund accounts for ad valorem taxes related to a judgment levied against the city.

**The City maintains two fiduciary funds:**

- City Employees Retirement Trust Fund accounts for assets and changes therein of the City's single employer defined benefit plan.
- Deposit and Refund Agency Fund accounts for deposits held on behalf of others.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include, 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Duncan Public Utilities Authority enterprise fund and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, deferred outflows, liabilities, deferred inflows, and fund equity**

***1. Deposits and investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Trust account investment in open-ended mutual fund shares are also considered cash equivalents

Investments consist of long-term certificates of deposit, U.S. Treasury bonds and notes, U.S. agency securities, government money market funds, mutual funds and common stock in the employee retirement fund only. Certificates of deposit are reported at cost, while the U.S. Treasury and agency securities and common stock are reported a fair value which is determined by quoted market prices.

***2. Receivable and payable***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for governmental activities include sale and use taxes, franchise taxes, grant and court fines. Non-exchange transactions collectible but not available are deferred inflows (unavailable revenues) in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Business-type activities report utilities as its major accounts receivable and include receivables for which services have been provided but not billed as of the end of the fiscal year. Accounts receivables are net of the allowance for doubtful accounts.

***3. Restricted assets***

Certain proceeds of the DPUA enterprise fund promissory notes, as well as certain resources set aside for their repayment, are classified as restricted assets on the Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position because they are maintained in separate bank accounts, and their use is limited by applicable loan covenants. The projects fund account is used to report those proceeds that are restricted for use in construction. The debt service fund account is used to segregate resources accumulated for debt service payments over the next 12 months. The debt service reserve account is used to report resources set aside to make up potential future deficiencies in the debt services account. The Waurika debt service account is used to segregate resources from a one-cent restricted sales tax accumulated for debt service payments over the remaining life of the notes.

**4. Inventories**

Inventories in governmental funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds normally consist of water meters, electrical supplies and other materials held for utility installation. The city has elected to expense proprietary items when purchased rather than when consumed.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary funds statement of net position. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u>                      | <u>Years</u> |
|------------------------------------|--------------|
| Buildings                          | 25-50        |
| Improvements other than buildings  | 10-50        |
| Infrastructure                     | 20-75        |
| Furniture, equipment, and vehicles | 2-40         |

DAEDF capitalizes individual items of property and equipment when the cost exceeds \$2,500.

**6. Compensated absences**

It is the City’s policy to permit employees to accumulate earned but unused vacation benefits after six months of employment. Sick leave is earned by full-time, permanent employees upon hire. Salaried employees are awarded compensatory time for work performed in excess of forty hours per week. City employees are entitled to payment for accrued vacation benefits upon termination with a maximum of 520 hours and accrued compensatory time with a maximum of 40 hours. Firefighters are paid 85% of excess sick leave over 1,040 hours per year, not to exceed 108 hours. Upon retirement, police officers are paid 20% of total accrued sick leave up to a maximum of 1,040 hours. Upon voluntary separation, other employees will be compensated for 15% of the total amount of his/her accrued sick leave. The General Fund is used to liquidate compensated absences in the governmental activities.

Vacation pay is accrued when earned and sick leave is recorded when vested in the government-wide and proprietary fund financial statements.

**7. Long-term obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statements of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method which is not significantly different from the effective interest method. Bonds payable are reported net of bond premium or discount..

**8. Deferred Outflow/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as in inflow of resources (revenues) until that time. The City reports deferred inflows of resources for unavailable revenues in its governmental funds financial statements.

**9. Fund equity**

*Government-Wide and Proprietary Fund Financial Statements:*

Net Position is displayed in three components:

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

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

The City's policy for the use of fund balance amounts require that committed amounts would be reduced first followed by assigned amounts then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

*Governmental Fund Financial Statements:*

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

- a. Nonspendable – includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws 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.
- 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, motion or resolution, or by management decision when the city council has authorized management (city manager) to make the decision. 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. At December 31, 2013, the City's governmental funds are reporting deficits in the unassigned classification.

**E. Revenues, Expenditures, and Expenses**

***1. Sales Tax***

The City levies a three and one-half cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission received the sales tax approximately one month after collection by vendors. The sales tax is recorded as follows:

- Two (2) cents recorded in the General Fund for general operations. Then, fifty-five one hundredths (.55) of one cent transferred from the General Fund to the DPUA as pledged revenue for the 2007 Sales Tax Revenue Note, in accordance with the pledged sales tax agreement.
- One (1) cent recorded in the Capital Improvement Fund as restricted by the voters for capital improvement or for debt service payments on capital projects.
- One-half (.50) cent recorded in the Duncan Economic Development Trust Authority (DEDTA) as restricted by the voters for economic development.

## **2. Property Tax**

Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and any court-assessed judgments. For the year ended December 31, 2013, the City did not levy a property tax.

## **3. Program Revenues**

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each category:

- General Government – rents and royalties, special assessments, and federal and state operating and capital grants.
- Public Safety – court fines and fees, fire runs, restitution, school resource officer reimbursements, state on-behalf pension payments, property seizures, and federal and state capital and operating grants.
- Streets – reimbursements, motor fuel and commercial vehicle taxes, and federal and state grants.
- Cemetery – cemetery opening and closings, lot sales, and monument fees.
- Culture and Recreation – park and recreation fees, library fines and fees, donations, swimming pool fees, lake permits and fees, donations and federal and state capital and operating grants.
- Community Development – license and permits.
- Economic Development – reimbursements and fees.

All other governmental revenues are reported as general. It is important to note that all taxes are classified as governmental revenue even if restricted for a specific purpose.

## **4. Expenditures/Expenses**

In the government-wide statement of activities, expenses, including depreciation of capital assets, are reported by function or activity. In the governmental fund financial statements, expenditures are reported by function, capital outlay, and debt service. In proprietary fund financial statements, expenses are reported by activity. Fiduciary funds report additions and deductions to net position.

### **F. Use of Estimates**

The preparation of financial statements in conformity with accounting principles general accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

## **III. Detailed notes on all funds**

**A. Deposits and investments** – The City held the following deposits/investments at December 31, 2013:

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**PRIMARY GOVERNMENT:**

| Type  | Fair Value    | Credit Rating | Maturities in Years |               |              |        |            |              |  |
|---|---------------|---------------|---------------------|---------------|--------------|--------|------------|--------------|--|
|   |               |               | On Demand           | Less Than One | 1 - 5        | 6 - 10 | 11-20      | 20+          |  |
|   |               |               |                     |               |              |        |            |              |  |
| Demand accounts                                     | \$ 5,732,091  | n/a           | \$ 5,732,091        | \$ -          | \$ -         | \$ -   | \$ -       | \$ -         |  |
| Cash on hand  | 2,211         |               | 2,211               | -             | -            | -      | -          | -            |  |
| Government money markets                            | 930,086       | AAA           | 930,086             | -             | -            | -      | -          | -            |  |
| Money Markets                                       | 118,945       | AAA           | 118,945             | -             | -            | -      | -          | -            |  |
| US Agency   | 14,883,807    | AA+           | -                   | -             | 6,153,747    | -      | 221,070    | 8,508,990    |  |
| Mutual funds fixed income                           | 6,777,093     | n/a           | 6,777,093           | -             | -            | -      | -          | -            |  |
| Sub-total   | 28,444,233    |               | \$ 13,560,426       | \$ -          | \$ 6,153,747 | \$ -   | \$ 221,070 | \$ 8,508,990 |  |
| <b>Mutual Funds:</b>                                |               |               |                     |               |              |        |            |              |  |
| Equity  | 2,657,322     |               |                     |               |              |        |            |              |  |
| Common trust fund fixed                             | 1,152,238     |               |                     |               |              |        |            |              |  |
| Common trust fund equity                            | 821,775       |               |                     |               |              |        |            |              |  |
|   | \$ 33,075,568 |               |                     |               |              |        |            |              |  |
| <b>Reconciliation to Statement of Net Position:</b> |               |               |                     |               |              |        |            |              |  |
| Cash and cash equivalents                           | \$ 9,948,723  |               |                     |               |              |        |            |              |  |
| Investments   | 2,125,689     |               |                     |               |              |        |            |              |  |
| Investments, restricted                             | -             |               |                     |               |              |        |            |              |  |
| Pension cash and cash equivalents                   | 71,569        |               |                     |               |              |        |            |              |  |
| Pension investments                                 | 5,996,038     |               |                     |               |              |        |            |              |  |
| Agency fund cash and cash equivalents               | 49,745        |               |                     |               |              |        |            |              |  |
|   | \$ 18,191,764 |               |                     |               |              |        |            |              |  |

The City has adopted an investment policy for the general city accounts, Duncan Public Utilities Authority, and the Duncan Economic Development Trust Authority. A separate policy has been adopted for the City Retirement Plan.

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of bank failure, the City’s deposits may not be returned to it. The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than a market value of 102% of the uninsured deposits. The City’s policy limits acceptable collateral to U.S. Treasury bills, notes or bonds; Government National Mortgage Association obligations; Student Loan Marketing Association obligations, Federal National Mortgage Association obligations; Federal Home Loan Mortgage Corporation obligations; Small business Association obligations; Federal Farm Credit Bank obligations; Federal Land Bank obligations; Federal Home Loan Bank obligations; and insured or direct obligation of the State of Oklahoma or its’ agencies, county or school districts. At December 31, 2013 the City’s deposits were fully insured.

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.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments by date range as outlined above. The City of Duncan’s formal investment policy requires that the portfolio be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the City’s legal constraints, investment risk constraints and the cash flow characteristics of the portfolio.

**Investment Credit Risk.** The City of Duncan’s policy limits investments to those items allowed in State Statutes: a) obligations of the U.S. Government, its agencies or instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; b) certificates of deposit or savings accounts that

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

are either insured or secured with acceptable collateral; c) 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 or public trusts whose beneficiary is a county, municipality or school district; and e) government money market funds regulated by the SEC.

During fiscal year 2013, the City held annuities not allowed by state statute. The annuities were liquidated in May 2013.

*Concentration of Investment Credit Risk.* Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this consideration. All U.S. Agencies investments are explicitly guaranteed by the U.S. Government.

**PENSION PLAN INVESTMENTS:**

The Plan policy provides that assets be invested to provide for “growth and income” with the primary objective to provide a balance between capital appreciation and current income. The Plan shall be invested in a diversified portfolio that will provide current income to pay retirees and equity investments for long-term growth. The overall rate of return objective of the portfolio is a reasonable “real” rate, consistent with the risk levels established by the Pension Board. The minimum acceptable long-term rate of return over a full market cycle (5 year) is that which achieves the total return of its benchmark while maintaining a risk level similar to, or less than, that of the benchmark.

Asset allocation guidelines for the Plan are as follows:

| <b>Class</b>           | <b>Target Percent</b> | <b>December 2013 Percent</b> |
|------------------------|-----------------------|------------------------------|
| Equities               | 45-65%                | 45%                          |
| Small Cap Equities     | Up to 25%             | 8%                           |
| International Equities | Up to 15%             | 4%                           |
| Fixed Income           | 35%-55%               | 42%                          |
| Cash and equivalents   | 0% to 5%              | 1%                           |

*Concentration of Investment Credit Risk.* Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this consideration. All investments of the plan are in mutual funds, fixed income funds, money markets or cash at December 31, 2013.

**COMPONENT UNIT:**

The DIA was not exposed to custodial credit risk at June 30, 2013. The \$110,220 of cash and cash equivalents and the \$205,207 of investments were invested in cash deposits and interest-bearing certificate of deposit fully insured by Federal Depository Insurance (FDIC) or direct obligations of the

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

U.S. government. The DIA 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 DHA was not exposed to custodial credit risk at June 30, 2013. The \$25,154 of cash and cash equivalents was invested in cash deposits fully insured by Federal Depository Insurance (FDIC) or direct obligations of the U.S. government. The DHA 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 DAEDF was not exposed to custodial credit risk at December 31, 2013. The \$3,317,380 of cash and cash equivalents was invested in cash deposits fully insured by Federal Depository Insurance (FDIC) or direct obligations of the U.S. government. The DAEDF 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.

**B. Receivables**

Receivables as of December 31, 2013, for the City of Duncan's governmental and business-type activities, including the applicable allowances for uncollectible accounts are as follows:

|  | Accounts<br>Receivable | Less: Allowance<br>for Uncollectible<br>Accounts | Net<br>Accounts<br>Receivable |
|--|------------------------|--|-------------------------------|
| Governmental Activities:                     |                        |  |                               |
| Taxes  | \$ 175,804             | \$ -   | \$ 175,804                    |
| Due from other governmental agencies         | 2,228,455              | -  | 2,228,455                     |
| Court fines                                  | 490,052                | (343,036)  | 147,016                       |
| Other  | 46,529                 | -  | 46,529                        |
| Total Governmental Activities                | \$ 2,940,840           | \$ (343,036)                                     | \$ 2,597,804                  |
| Reconciliation to Statement of Net Position: |                        |  |                               |
| Accounts receivable, net                     |                        |  | \$ 369,349                    |
| Due from other governmental agencies         |                        |  | 2,228,455                     |
| Total  |                        |  | \$ 2,597,804                  |
| Business-Type Activities:                    |                        |  |                               |
| Utilities                                    | \$ 3,891,036           | \$ (661,333)                                     | \$ 3,229,703                  |

**C. Restricted assets**

The amounts reported as restricted assets of the business-type activities are comprised of assets held by the trustee bank on behalf of the Duncan Public Utilities Authority related to their required revenue note and bond accounts, as well as deposits held for refund.

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

| <u>Type of Restricted Assets</u> | <u>Current<br/>Cash and Cash<br/>Equivalents</u> | <u>Noncurrent<br/>Investments</u> | <u>Total</u>        |
|----------------------------------|--|-----------------------------------|---------------------|
| Due to Depositors                | \$ 1,053,379                                     | \$ -                              | \$ 1,053,379        |
| Trustee Accounts:                |  |                                   |                     |
| 2009A Debt Service Account       | 158,842  | -                                 | 158,842             |
| 2009A SRF                        | 67,066   | -                                 | 67,066              |
| OWRB 2002A Debt Service Account  | 63,557   | -                                 | 63,557              |
| 2012 Note Revenue Account        | 307,884  | -                                 | 307,884             |
| Waurika Debt Service             | 467,447  | 7,340,333                         | 7,807,780           |
| Total Restricted Assets          | <u>\$ 2,118,175</u>                              | <u>\$ 7,340,333</u>               | <u>\$ 9,458,508</u> |

DAEDF restricted assets consist of unexpended sales tax funds transferred from the primary government to be used for economic development.

**D. Capital Assets**

The following is a summary of changes in capital assets during fiscal year 2013 for the primary government:

**PRIMARY GOVERNMENT:**

|   | <u>Balance at<br/>January 1, 2013</u> | <u>Additions</u>      | <u>Disposals</u>  | <u>Balance at<br/>December 31, 2013</u> |
|---|---------------------------------------|-----------------------|-------------------|---|
| <i>Governmental activities:</i>               |                                       |                       |                   |   |
| Capital assets not being depreciated:         |                                       |                       |                   |   |
| Land  | \$ 963,985                            | \$ 245,140            | \$ -              | \$ 1,209,125                            |
| Construction in progress                      | 493,552                               | 106,342               | 557,744           | 42,150                                  |
| Total capital assets not being depreciated    | <u>1,457,537</u>                      | <u>351,482</u>        | <u>557,744</u>    | <u>1,251,275</u>                        |
| Capital assets being depreciated:             |                                       |                       |                   |   |
| Buildings                                     | 21,320,189                            | 608,319               | -                 | 21,928,508                              |
| Machinery, furniture and equipment            | 12,058,853                            | 822,212               | 6,000             | 12,875,065                              |
| Infrastructure                                | 92,578,281                            | -                     | -                 | 92,578,281                              |
| Total other capital assets at historical cost | <u>125,957,323</u>                    | <u>1,430,531</u>      | <u>6,000</u>      | <u>127,381,854</u>                      |
| Less accumulated depreciation for:            |                                       |                       |                   |   |
| Buildings                                     | 8,227,473                             | 782,142               | -                 | 9,009,615                               |
| Machinery, furniture and equipment            | 9,034,277                             | 794,447               | 1,200             | 9,827,524                               |
| Infrastructure                                | 54,085,908                            | 2,693,930             | -                 | 56,779,838                              |
| Total accumulated depreciation                | <u>71,347,658</u>                     | <u>4,270,519</u>      | <u>1,200</u>      | <u>75,616,977</u>                       |
| Capital assets being depreciated, net         | <u>54,609,665</u>                     | <u>(2,839,988)</u>    | <u>4,800</u>      | <u>51,764,877</u>                       |
| Governmental activities capital assets, net   | <u>\$ 56,067,202</u>                  | <u>\$ (2,488,506)</u> | <u>\$ 562,544</u> | <u>\$ 53,016,152</u>                    |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Business-type activities:**

|   |                      |                       |                     |                      |
|---|----------------------|-----------------------|---------------------|----------------------|
| Capital assets not being depreciated:         |                      |                       |                     |                      |
| Land  | \$ 324,577           | \$ 25,490             | \$ -                | \$ 350,067           |
| Construction in progress                      | 1,988,777            | 959,324               | 1,554,870           | 1,393,231            |
| Total capital assets not being depreciated    | <u>2,313,354</u>     | <u>984,814</u>        | <u>1,554,870</u>    | <u>1,743,298</u>     |
| Capital assets being depreciated:             |                      |                       |                     |                      |
| Buildings                                     | 19,167,827           | 5,989                 | -                   | 19,173,816           |
| Machinery, furniture and equipment            | 6,417,361            | 297,585               | -                   | 6,714,946            |
| Utility property                              | 95,811,749           | 1,550,443             | -                   | 97,362,192           |
| Water rights                                  | 18,785,708           | -                     | -                   | 18,785,708           |
| Total other capital assets at historical cost | <u>140,182,645</u>   | <u>1,854,017</u>      | <u>-</u>            | <u>142,036,662</u>   |
| Less accumulated depreciation for:            |                      |                       |                     |                      |
| Buildings                                     | 7,066,268            | 726,190               | -                   | 7,792,458            |
| Machinery, furniture and equipment            | 5,395,751            | 313,480               | -                   | 5,709,231            |
| Utility property                              | 52,082,905           | 2,650,459             | -                   | 54,733,364           |
| Water rights                                  | 9,933,380            | 232,956               | -                   | 10,166,336           |
| Total accumulated depreciation                | <u>74,478,304</u>    | <u>3,923,085</u>      | <u>-</u>            | <u>78,401,389</u>    |
| Capital assets being depreciated, net         | <u>65,704,341</u>    | <u>(2,069,068)</u>    | <u>-</u>            | <u>63,635,273</u>    |
| Business-type activities capital assets, net  | <u>\$ 68,017,695</u> | <u>\$ (1,084,254)</u> | <u>\$ 1,554,870</u> | <u>\$ 65,378,571</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

|                          |                     |                           |                    |
|--------------------------|---------------------|---------------------------|--------------------|
| Governmental Activities: |                     | Business-Type Activities: |                    |
| General government       | \$ 181,976          | Water                     | \$1,738,007        |
| Culture and recreation   | 351,228             | Wastewater                | 882,470            |
| Community development    | 16,405              | Sanitation                | 391,170            |
| Economic development     | 145,884             | Electric                  | 521,330            |
| Cemetery                 | 29,618              | Lake                      | 147,077            |
| Public safety            | 533,571             | Airport                   | 243,029            |
| Streets                  | 3,011,837           |                           |                    |
|                          | <u>\$ 4,270,519</u> |                           | <u>\$3,923,085</u> |

Capital assets of DAEDF were as follows:

|   |  |   |
|---|--|---|
| <b>Duncan Area Economic Development Foundation:</b> |  | <b>Balance,<br/>December 31,<br/>2013</b> |
| Capital assets, being depreciated:                  |  |   |
| Buildings and improvements                          |  | \$ 8,605,690                              |
| Equipment   |  | 109,992                                   |
| Total capital assets, being depreciated             |  | <u>8,715,682</u>                          |
| Less accumulated depreciation                       |  | (2,286,916)                               |
| Total capital assets, being depreciated, net        |  | <u>6,428,766</u>                          |
| Governmental activities capital assets, net         |  | <u>\$ 6,428,766</u>                       |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**E. Long-term debt**

Long-term liabilities of the City of Duncan as of December 31, 2013, are summarized as follows:

**Governmental activities**

**Notes Payable:**

|  |                     |
|--|---------------------|
| \$10,000,000 Sales Tax revenue Note, dated June 20, 2007, payable to JP Morgan due in semi-annual installments \$235,000 to \$645,000, with interest of 4.22%. The Duncan Public Utilities Authority collects a pledged sales tax to pay the note. Final payment due June 1, 2017. Proceeds were used for street improvements. | <u>\$ 4,245,000</u> |
| Current portion  | \$ 1,150,000        |
| Noncurrent portion   | 3,095,000           |
|  | <u>\$ 4,245,000</u> |

**Capital Leases Payable:**

|  |                   |
|--|-------------------|
| \$11,569 capital lease agreement for the purchase of three computers, payable to Dell Financial Services in monthly installments of \$353, including interest at 6.250%, with final payment due September 2014.            | \$ 3,090          |
| \$3,987 capital lease agreement for the purchase of three computers and printer, payable to Dell Financial Services in monthly installments of \$122, including interest at 6.250%, with final payment due September 2014. | 1,065             |
| \$659,9443 capital lease agreement for the purchase of two fire pumpers, payable to First Bank & Trust Co. in annual installments of \$128,000 plus interest at 2.850%, with final payment due November 2015.              | 268,316           |
| \$5,644 capital lease agreement for the purchase of 4 laptop computers, payable to Dell Financial Services in monthly installments of \$182, including interest at 10.0%, with final payment due January 2014.             | 553               |
| \$56,345 capital lease agreement for the purchase of 76 computers, payable to First Bank & Trust in annual installments of \$19,864, including interest at 2.850%, with final payment due December 2014.                   | 19,313            |
| \$155,551 capital lease agreement for the purchase of 911 wireless system, payable to SWBT in monthly installments of \$3,000, including interest at 5.9%, with final payment due October 2016.                            | 93,719            |
| \$23,283 capital lease agreement for the purchase of 2012 Chevrolet 1500, payable to Firsts Bank and Trust Co. in annual installments of \$12,143, including interest at 2.0%, with final payment due February 2014.       | 11,805            |
| \$174,148 capital lease agreement for the purchase of police/animal control vehicles, payable to First Bank & Truts Co. in annual installments of \$90,616, including interest at 2.50%, with final payment due May 2015.  | 174,148           |
| <b>Total Capital Leases</b>  | <u>\$ 572,009</u> |
| Current portion  | \$ 281,647        |
| Noncurrent portion   | 290,362           |
|  | <u>\$ 572,009</u> |

**Compensated Absences:**

|   |                     |
|---|---------------------|
| Accrued compensated absences. The general fund typically has been used to liquidate this liability. | <u>\$ 1,493,492</u> |
| Current portion   | \$ 149,349          |
| Noncurrent portion  | 1,344,143           |
|   | <u>\$ 1,493,492</u> |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

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**Business-type Activities**

**Notes payable:**

|  |                             |
|--|-----------------------------|
| <p>\$12,068,282 note payable to the Waurika Lake Master Conservancy District, issued January 10, 1978, payable in monthly installments of \$55,060, including principal and interest at 3.463%, final payment due June 30, 2030. The note is secured by pledged revenues of the DPUA and a one percent sales tax restricted for debt retirement. Debt was issued for the city's use of water rights.</p> | <p>\$ 7,469,827</p>         |
| <p>\$9,318,240 note payable to the Waurika Lake Master Conservancy District, issued November 1, 2010, payable in monthly variable amounts, final payment due October 1, 2035. The note is secured by pledged water revenues of the DPUA. Debt was issued for the city's use of water rights.</p>   | <p>8,440,452</p>            |
| <p>\$3,606,378 note payable to the Oklahoma Water Resources Board, issued September 12, 2002, payable semi-annually with interest at 0.0%, the DPUA pays a 0.5% administrative fee, final payment due August 15, 2022. The note is secured by pledged revenues of the DPUA. Debt was issued for wastewater system improvements.</p>  | <p>1,622,870</p>            |
| <p>\$7,635,000 note payable to the Oklahoma Water Resources Board, originally issued September 28, 20015 and amended September 12, 2013, payable semi-annually with interest at 2.75% and an administrative fee of 0.5%, final payment due March 15 ,2021. The note is secured by pledged revenues of the DPUA. Debt was issued for water system improvements.</p>                                       | <p>5,000,905</p>            |
| <p>\$6,245,910 note payable to the Oklahoma Water Resources Board, originally issued September 26, 2007 and amended September 12, 2013, payable semi-annually with interest at 3.10% and an administrative fee of 0.5%, final payment due September 15, 2021. The note is secured by pledged revenues of the DPUA. Debt was issued for water system improvements.</p>                                    | <p>6,102,605</p>            |
| <p>\$4,130,000 note payable to the Oklahoma Water Resources Board, issued March 17, 2009, payable semi-annually with interest at 3.13%, and an administrative fee of 0.5%, final payment due September 15, 2030. The note is secured by pledged revenues of the DPUA. Debt was issued for a construction of a new water tower.</p>   | <p>3,367,272</p>            |
| <p>\$11,245,000 note payable to the Oklahoma Water Resources Board, issued August 26, 2009, payable semi-annually with interest at 2.79% and an administrative fee of 0.5%, final payment due September 15, 2030. The note is secured by pledged revenues of the DPUA. Debt was issued to upgrade pump stations and install automated meters.</p>  | <p>8,108,108</p>            |
| <p>\$7,390,000 Series 2012 Utility System Revenue Note, issued October 12, 2002, payable to BancFirst semi-annually with interest at 2.350%, final payment due September 2021. The note is secured by pledged revenues of the DPUA. Debt was issued for the refunding of the 2002B and 2009 Notes.</p>   | <p>6,692,000</p>            |
| <p><b>Total notes payable</b></p>  | <p><u>\$ 46,804,039</u></p> |
| <p>Current portion</p>   | <p>\$ 2,709,778</p>         |
| <p>Noncurrent portion</p>  | <p>44,094,261</p>           |
|  | <p><u>\$ 46,804,039</u></p> |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Compensated Absences:**

Accrued compensated absences. The Duncan Public Works Authority typically has been used to liquidate this liability.

|                    |            |
|--------------------|------------|
|                    | \$ 288,221 |
| Current portion    | \$ 28,822  |
| Noncurrent portion | 259,399    |
|                    | \$ 288,221 |

Long-term liability transactions for the year ended December 31, 2013 and changes therein were as follows:

| Type of Debt                     | Balance<br>January 1, 2013 | Additions  | Deductions   | Balance<br>December 31, 2013 | Due Within<br>One Year |
|----------------------------------|----------------------------|------------|--------------|------------------------------|------------------------|
| <b>Governmental Activities:</b>  |                            |            |              |                              |                        |
| Notes payable                    | \$ 5,345,000               | \$ -       | \$ 1,100,000 | \$ 4,245,000                 | \$ 1,150,000           |
| Capital leases payable           | 614,569                    | 174,148    | 216,708      | 572,009                      | 281,647                |
| Accrued compensated absences     | 1,308,895                  | 184,597    | -            | 1,493,492                    | 149,349                |
| Total Governmental Activities    | \$ 7,268,464               | \$ 358,745 | \$ 1,316,708 | \$ 6,310,501                 | \$ 1,580,996           |
|                                  |                            |            |              | Add: OPEB obligation         | 3,617,327              |
|                                  |                            |            |              | Add: Net Pension obligation  | 1,889,526              |
|                                  |                            |            |              | \$                           | 11,817,354             |
| <b>Business-Type Activities:</b> |                            |            |              |                              |                        |
| Notes Payable                    | \$ 49,442,238              | \$ -       | \$ 2,638,199 | \$ 46,804,039                | \$ 2,709,778           |
| Meter deposits                   | 1,176,922                  | -          | 63,527       | 1,113,395                    | 105,279                |
| Accrued compensated absences     | 314,375                    | -          | 26,154       | 288,221                      | 28,822                 |
| Total Business-Type Activities   | 50,933,535                 | -          | 2,727,880    | \$ 48,205,655                | 2,843,879              |
|                                  |                            |            |              | Add: OPEB obligation         | 583,945                |
|                                  |                            |            |              | Add: Net Pension obligation  | 1,602,160              |
|                                  |                            |            |              | \$                           | 50,391,760             |

Annual debt service requirements to maturity for long-term debt are as follows:

| Fiscal Year Ending December 31, | Governmental Activities |            |                |           |
|---------------------------------|-------------------------|------------|----------------|-----------|
|                                 | Notes Payable           |            | Capital Leases |           |
|                                 | Principal               | Interest   | Principal      | Interest  |
| 2014                            | 1,150,000               | 167,113    | 281,647        | 17,738    |
| 2015                            | 1,200,000               | 118,055    | 261,157        | 8,841     |
| 2016                            | 1,250,000               | 66,888     | 29,206         | 796       |
| 2017                            | 645,000                 | 13,610     | -              | -         |
|                                 | \$ 4,245,000            | \$ 365,666 | \$ 572,010     | \$ 27,375 |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

| Fiscal Year Ending December 31, | Business-Type Activities |                      |
|---------------------------------|--------------------------|----------------------|
|                                 | Notes Payable            |                      |
|                                 | Principal                | Interest             |
| 2014                            | 2,709,778                | 1,362,555            |
| 2015                            | 2,835,257                | 1,292,545            |
| 2016                            | 2,912,577                | 1,223,803            |
| 2017                            | 3,194,900                | 1,150,756            |
| 2018                            | 3,656,995                | 1,071,477            |
| 2019-2023                       | 15,237,839               | 4,009,703            |
| 2024-2028                       | 10,893,157               | 2,177,109            |
| 2029-2033                       | 4,366,341                | 715,410              |
| 2034-2036                       | 997,195                  | 87,378               |
|                                 | <u>\$ 46,804,039</u>     | <u>\$ 13,090,736</u> |

DAEDF has a mortgage loan payable to finance expansion of a commercial property; permanent financing of the construction project was completed in November 2009 in the amount of \$4,500,00. The loan requires monthly payments of \$42,842 including interest at 5.508 percent until maturity on October 15, 2021. The loan is secured by commercial real estate with a net book value of \$5,933,330. Total interest paid during 2013 was \$191,624. Current loan balance of \$3,255,485. Future debt service requirements are as follows:

| Fiscal Year<br>Ending<br>December 31, | DAEDFA Component Unit |                   |
|---------------------------------------|-----------------------|-------------------|
|                                       | Notes Payable         |                   |
|                                       | Principal             | Interest          |
| 2014                                  | \$ 343,735            | \$ 170,368        |
| 2015                                  | 363,153               | 150,950           |
| 2016                                  | 383,669               | 130,434           |
| 2017                                  | 405,577               | 108,526           |
| 2018                                  | 428,489               | 85,614            |
| 2019-2021                             | 1,330,862             | 95,967            |
|                                       | <u>\$ 3,255,485</u>   | <u>\$ 741,859</u> |

**Modification of Loan Terms**

During fiscal year 2013, the City of Duncan and the DPUA amended the Series 2005 Drinking Water SRF Promissory Note to OWRB dated September 28, 2005 in the original amount of \$7,635,000 and its Series 2007 Drinking Water SRF Promissory to OWRB dated September 26, 2007 in the original amount of \$7,755,000, for the purpose of restructuring the notes and obtaining a lower fixed rate of interest. The 2005 note in an amount not to exceed \$5,150,564 amended the interest rate to a fixed rate of 3.25% from 3.5% effective September 15, 2013 with a final maturity of March 15, 2021. The 2007 note in an amount not to exceed \$6,245,910 amended the interest rate to a fixed rate of 3.6% from 3.7% effective September 15, 2013 with a final maturity of September 15, 2021.

**Pledge of Future Revenues**

Sales Tax Pledge - The City has fifty-five hundredths of a one penny tax (or .55%) of future sales tax revenues to repay \$10,000,000 of Series 2007 Sales Tax Revenue Note. Proceeds from the notes provided financing for street capital assets. The note is payable from pledged sales tax revenues. The note is payable through fiscal year 2017. The total principal and interest payable for the remainder of the life of this note is \$4,610,666. Pledged sales taxes in the current year were \$1,620,185. Debt service payments of \$1,314,060 for the current fiscal year were 81% of pledged sales tax.

Utility Revenues Pledge - The City has also pledged future gross water, wastewater, electric and garbage revenues to repay \$3,606,378 of the 2002A Series OWRB Note Payable, \$7,635,000 of the 2005 Series OWRB Note Payable, \$7,755,000 of the 2007 Series OWRB Note Payable, \$4,130,000 of the 2009 Series OWRB Note Payable, \$11,245,000 of the 2009A series OWRB Note Payable, and \$7,390,000 of the 2012 Utility Revenue Note. Proceeds from the notes provided financing for utility system capital assets. The notes are payable through 2022, 2026, 2029, 2030, 2030, and 2021, respectively. The total principal and interest payable for the remainder of the life of these notes is \$36,909,570. The notes are payable from the above-mentioned utility revenues. The debt service payments on the notes this year were \$2,813,434 which was 9.8% of pledged utility revenues of \$28,622,790.

Water Revenues Pledge - The City has also pledged future gross water revenues to repay \$9,318,240 of Waurika Master Conservancy District Debt. Proceeds from the note provided water rights. The note is payable through 2035. The total principal and interest payable for the remainder of the life of the note is \$13,326,787. The note is payable from the above-mentioned utility revenues. The debt service payments on the note this year were \$640,840 which was 11.4% of pledged utility revenues of \$5,614,830.

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**F. Interfund receivables, payables, and transfers**

The composition of interfund balances as of December 31, 2013 is as follows:

| <u>Receivable Fund</u>       | <u>Payable Fund</u>             | <u>Amount</u>       | <u>Nature of Interfund Balance</u> |
|------------------------------|---------------------------------|---------------------|------------------------------------|
| * General                    | Library grants                  | \$ 4,004            | Revenue posted to incorrect fund   |
| * General                    | E911 Dispatch                   | 180,052             | E911 landline fees                 |
| * General                    | * DPUA                          | 94,279              | Revenue posted to incorrect fund   |
| Internal service - Insurance | Internal service - workers comp | 469,088             | Negative cash                      |
| Internal service - Insurance | Internal service - workers comp | 5,715               | Negative cash                      |
| Street and alley             | * General                       | 130,688             | Negative cash                      |
| * DEDTA                      | * General                       | 50,027              | Negative cash                      |
| * Capital Improvement Fund   | * General                       | 1,541,757           | Negative cash                      |
| * Capital Improvement Fund   | * DPUA                          | 223,388             | Revenue posted to incorrect fund   |
| * Capital Improvement Fund   | Library Grants                  | 1,245               | Negative cash                      |
| * Capital Improvement Fund   | E911 Dispatch                   | 248,155             | Negative cash                      |
| E911 Dispatch                | * General                       | 472,979             | Negative cash                      |
| CDBG                         | Library grants                  | 5,031               | Negative cash                      |
| CDBG                         | * DPUA                          | 10,686              | Negative cash                      |
| CDBG                         | * General                       | 299,355             | Negative cash                      |
| Police Grants                | * General                       | 146,832             | Negative cash                      |
| Fire Grants                  | * General                       | 8,260               | Negative cash                      |
| Stimulus Grant               | * General                       | 1,516               | Negative cash                      |
| Debt Service                 | * General                       | 869                 | Revenue posted to incorrect fund   |
| * DPUA                       | Internal service                | 185,132             | Negative cash                      |
| * DPUA                       | * Capital Improvement Fund      | 1,962               | Revenue posted to incorrect fund   |
| * DPUA                       | * General                       | 300,000             | Revenue posted to incorrect fund   |
| * DPUA                       | * General                       | 4,781,886           | Negative cash                      |
|                              |                                 | <u>\$ 9,162,906</u> |                                    |

**Reconciliation to Fund Financial Statements:**

|                        | <u>Due From</u>     | <u>Due to</u>       | <u>Net Interfund Balances</u> |
|------------------------|---------------------|---------------------|-------------------------------|
| Governmental Funds     | \$ 3,419,123        | \$ 8,174,618        | \$ (4,755,495)                |
| Proprietary Funds      | 1,436,053           | 402,451             | 1,033,602                     |
| Internal Service Funds | 474,803             | 659,935             | (185,132)                     |
|                        | <u>\$ 5,329,979</u> | <u>\$ 9,237,004</u> | <u>\$ (3,907,025)</u>         |

Reconciliation of Statement of Net Position:

|   |                   |
|---|-------------------|
| Net Internal Balances   | \$ 1,033,602      |
| Internal Service Fund Activity reported in Business-type Activities | (245,583)         |
| Net Internal Balances government-wide                               | <u>\$ 788,019</u> |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

A summary of interfund transfers for the fiscal year ended December 31, 2013 is as follows:

| <u>Transfer From</u>       | <u>Transfer To</u>         | <u>Amount</u>       | <u>Purpose of Transfer</u>    |
|----------------------------|----------------------------|---------------------|-------------------------------|
| 911 Telephone              | * General                  | \$ 200,000          | Budgeted operational transfer |
| * DPUA                     | * General                  | 4,259,435           | Budgeted operational transfer |
| * DPUA                     | DPUA Debt Service          | 1,316,257           | Pledged sales tax             |
| * General                  | DPUA                       | 2,255,000           | Pledged sales tax             |
| * General                  | * Capital Improvement Fund | 5,975               | Expense reimbursement         |
| * Capital Improvement Fund | * DPUA                     | 2,981               | Capital contributions         |
| * Capital Improvement Fund | * General                  | 660,722             | Debt payments                 |
| Total                      |                            | <u>\$ 8,700,370</u> |                               |

**Reconciliation to Fund Financial Statements:**

|                    | <u>Transfers In</u> | <u>Transfers Out</u>  | <u>Net Transfers</u> |
|--------------------|---------------------|-----------------------|----------------------|
| Governmental Funds | \$ 5,784,224        | \$ (3,124,678)        | \$ 2,659,546         |
| Proprietary Funds  | 2,916,146           | (5,575,692)           | (2,659,546)          |
|                    | <u>\$ 8,700,370</u> | <u>\$ (8,700,370)</u> | <u>\$ -</u>          |

\* Denotes major fund.

|       |                        |              |
|-------|------------------------|--------------|
| Sum A | Non Major transfer in  | \$ 3,571,257 |
| Sum B | Non Major transfer out | \$ 200,000   |

**Reconciliation to Statement of Activities:**

|  |                     |
|--|---------------------|
| Net transfers  | \$ 2,659,546        |
| Transfer of capital assets to business-type activities         | (289,754)           |
| Transfer of internal service funds to business-type activities | (306,974)           |
| Transfers - internal activity                                  | <u>\$ 2,062,818</u> |

**G. Net Position/Fund Equity**

*Government-Wide and Proprietary Fund Financial Statements*

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 is available.

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

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

| Fund   | Restricted By          | Amount               |
|--|------------------------|----------------------|
| <b>Governmental Activities:</b>              |                        |                      |
| Cemetery Fund                                | Statutory requirements | \$ 152,370           |
| Street and Alley Fund                        | Statutory requirements | 249,741              |
| E911 Fund                                    | Statutory requirements | 91,540               |
|  |                        | <u>\$ 493,651</u>    |
| <br>   |                        |                      |
| CDBG Fund                                    | External sources       | \$ 340,292           |
| Police grants and seizures                   | External sources       | 111,976              |
| First responder                              | External sources       | 8,260                |
| DARE   | External sources       | 1,004                |
| Stimulus grant                               | External sources       | 1,516                |
| Economic Development Fund                    | External sources       | 9,990,051            |
| Capital Projects Fund                        | External sources       | 7,445,503            |
| Debt Service Fund                            | External sources       | 95,690               |
|  |                        | <u>\$ 17,994,292</u> |
| Total Governmental Restricted                |                        | <u>\$ 18,487,943</u> |
| <br>   |                        |                      |
| Reconciliation to Statement of Net Position: |                        |                      |
| Restricted for:                              |                        |                      |
| Debt service                                 |                        | \$ 95,690            |
| Public Safety                                |                        | 212,780              |
| Capital projects                             |                        | 7,445,503            |
| Economic development                         |                        | 9,990,051            |
| Other  |                        | 743,919              |
| Total Governmental Restricted                |                        | <u>\$ 18,487,943</u> |
| <br>   |                        |                      |
| <b>Business Type Activities:</b>             |                        |                      |
| Debt Service Reserves                        | External sources       | <u>\$ 7,335,403</u>  |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

*Governmental Fund Financial Statements:*

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

|                           | <u>General<br/>Fund</u>      | <u>DEDTA</u>                | <u>Capital<br/>Improvement<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total</u>                |
|---------------------------|------------------------------|-----------------------------|---|---|-----------------------------|
| Fund Balance:             |                              |                             |   |   |                             |
| Restricted for:           |                              |                             |   |   |                             |
| Street improvements       | \$ -                         | \$ -                        | \$ -                                    | \$ 161,826                              | \$ 161,826                  |
| 911 dispatch              | -                            | -                           | -                                       | 91,540                                  | 91,540                      |
| First responder program   | -                            | -                           | -                                       | 8,260                                   | 8,260                       |
| Debt service              | -                            | -                           | -                                       | 111,485                                 | 111,485                     |
| Capital improvements      | -                            | -                           | 7,445,503                               | -                                       | 7,445,503                   |
| Stimulus grant            | -                            | -                           | -                                       | 1,516                                   | 1,516                       |
| Cemetery improvements     | -                            | -                           | -                                       | 152,370                                 | 152,370                     |
| Police                    | -                            | -                           | -                                       | 112,980                                 | 112,980                     |
| CDBG programs             | -                            | -                           | -                                       | 340,292                                 | 340,292                     |
| Economic development      | -                            | 10,204,660                  | -                                       | -                                       | 10,204,660                  |
| Sub-total restricted      | <u>-</u>                     | <u>10,204,660</u>           | <u>7,445,503</u>                        | <u>980,269</u>                          | <u>18,630,432</u>           |
| Unassigned (deficit)      | (6,745,371)                  | -                           | -                                       | (10,666)                                | (6,756,037)                 |
| <b>TOTAL FUND BALANCE</b> | <u><u>\$ (6,745,371)</u></u> | <u><u>\$ 10,204,660</u></u> | <u><u>\$ 7,445,503</u></u>              | <u><u>\$ 969,603</u></u>                | <u><u>\$ 11,874,395</u></u> |

**G. Postemployment Healthcare Plan**

*Plan Description.* The City sponsors Medical insurance to qualifying retirees and their dependents. Coverage is provided through fully-insured arrangements that collectively operate 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 Duncan Employees Retirement System. Retirees may continue coverage with the City by paying the carrier premium rate. Coverage is available until the age of 65 for retirees. Authority to establish and amend benefit provisions rests with the City Council. 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 third party insurance provider. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2013, the actuarially expected City contribution in the form of net age adjustment was \$381,657 to the Plan. Plan members receiving benefits contributed \$174,796 of the total premiums, through their payment of the full carrier determined premium in FY 2013.

*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

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

contributed to the plan, and changes in the City's net OPEB obligation for the year ended December 31, 2013:

|   |                           |
|---|---------------------------|
| Normal cost                                       | \$ 688,816                |
| Amortization of Actuarial Accrued Liability (AAL) | 639,018                   |
| Annual Required Contribution (with Interest)      | <u>1,327,834</u>          |
| Interest on Net OPEB Obligation                   | 132,568                   |
| Adjustment to the ARC                             | <u>(191,660)</u>          |
| Annual OPEB cost                                  | 1,268,742                 |
| Employer Contributions of FY 13                   | (381,658)                 |
| Net OPEB obligation—beginning of year             | <u>3,314,188</u>          |
| Net OPEB obligation—end of year                   | <u><u>\$4,201,272</u></u> |

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:

| Fiscal Year | Annual OPEB<br>Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net OPEB<br>Obligation |
|-------------|---------------------|--|------------------------|
| 12/31/2011  | \$2,206,985         | 26.2%  | \$1,627,825            |
| 12/31/2012  | \$2,300,148         | 26.7%  | \$3,314,188            |
| 12/31/2013  | \$1,268,742         | 30.1%  | \$4,201,273            |

*Funded Status and Funding Progress.* As of January 1, 2013, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability (AAL) for benefits was \$11.5 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$11.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.1 million, and the ratio of the UAAL to the covered payroll was 125.98 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.

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

---

In the January 1, 2013, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after six years. Inflation rate assumed is 4%. The UAAL is being amortized over 30 years based on a level dollar method. The remaining amortization period at January 1, 2013, was twenty-eight. 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.

**IV. Other Information**

**A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City has insurance for the major risks such as property and general liability, and is self-insured for workers' compensation and employee health.

- General Liability – Covered through purchased insurance.
- Physical Property – Covered through purchase insurance with a \$1,000 deductible.
- Workers Compensation – self-insured using a third party administrator that processes claims and establish reserves. The City has a stop-loss policy which covers individual claims in excess of \$500,000, per occurrence. The maximum indemnity limit is \$2,000,000.
- Employee's Group Medical – Self-insured using a third party processor to process medical claims. The city also has a stop loss policy which covers individual claims in excess of \$75,000.
- Judgments against the City may be paid by a property tax assessment over a three-year period. Claims have not exceeded coverage in the past three years.

Claims Liability Analysis

The claims liabilities related to the above noted risk of loss that is retained is determined in accordance with Generally Accepted Accounting Principles, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. For the internal service self-insurance workers' compensation fund, and health fund changes in the claims liability for the City from December 31, 2011 to December 31, 2013, are as follows:

**CLAIMS LIABILITY ANALYSIS**

|                                     | <b>Health</b> | <b>Worker's Comp</b> | <b>Total</b> |
|-------------------------------------|---------------|----------------------|--------------|
| Claims liability, December 31, 2011 | 435,710       | 1,123,517            | \$ 1,559,227 |
| Claims and changes in estimates     | 2,711,818     | 142,904              | 2,854,722    |
| Claims payments                     | (2,838,960)   | (483,297)            | (3,322,257)  |
| Claims liability, December 31, 2012 | 308,568       | 783,124              | 1,091,692    |
| Claims and changes in estimates     | 2,786,874     | 495,862              | 3,282,736    |
| Claims payments                     | (2,894,373)   | (465,588)            | (3,359,961)  |
| Claims liability, December 31, 2013 | \$ 201,069    | \$ 813,398           | \$ 1,014,467 |

**B. Commitments and contingent liabilities**

**Grant Programs**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**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.

**DAEDF**

As of December 31, 2013, DAEDF has committed a total of \$220,000 for industry incentives, \$526,183 for spec building construction and \$186,734 for infrastructure on Second Street in the City of Duncan.

**Annuity Contracts for Workers Compensation Claims**

The city has entered into long-term annuity contracts totaling \$359,010 to satisfy long-term worker's compensation claims. The city considers it remote that will have to make future payments on the claims and considers the claim to be satisfied, therefore, the liability has been removed from the balance sheet.

**Outstanding Contracts**

The city has the following construction contracts outstanding at December 31:

| <b>Fund/Project</b>    | <b>Balance<br/>Remaining at<br/>December 31,<br/>2013</b> |
|------------------------|---|
| Vacuum Circuit Breaker | \$ 13,620   |
| WWTP improvements      | 92,510  |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

---

The Duncan Utilities Authority has entered into a long term contract with the Oklahoma Municipal Power Authority (OMPA), to purchase electrical power and transmission services required for the operations of the electrical system. Purchased power requirements are based upon average demand.

**Employee retirement systems and pensions plans**

The City of Duncan participates in the Oklahoma State Police Pension and Retirement System and the Oklahoma State Firefighters' Pension and Retirement System, both of which are cost-sharing multiple-employer defined benefit pension plans administered by the State of Oklahoma. Copies of the State of Oklahoma sponsored multiple-employer plans and a schedule of funding progress is available, for each from the respective Plan. Additionally, for other City employees not covered by the other plans, the City of Duncan maintains the City of Duncan Employee Retirement Plan, a single employer defined benefit pension plan.

Oklahoma State Police Pension and Retirement System (OPPRS)

Plan Description – The OPPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OPPRS. The OPPRS issues a publicly available financial report that includes financial statements and required supplementary information for the police employees of the City. That report may be obtained by writing to the Oklahoma State Police Pension and Retirement System, 1001 N.W. 63<sup>rd</sup> Street, Suite 305, Oklahoma City, Oklahoma 73116-7335, or by calling (405) 840-3555.

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary, and the City of Duncan contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OPPRS for the year ended December 31, 2013, for employees and employer were \$181,470 and \$294,888, respectively, on covered payroll of \$2,268,370. The state made on-behalf payments for the police pension system of \$262,685. These on-behalf payments were recognized as both revenue and expenditures in the current fiscal year.

The required employer contributions and actual employer contributions made to OPPRS for the current and past two fiscal years are as follows:

| <u>Fiscal year</u> | <u>Required</u> | <u>Contributed</u> |
|--------------------|-----------------|--------------------|
| December 31, 2011  | \$275,489       | \$275,489          |
| December 31, 2012  | \$284,000       | \$284,000          |
| December 31, 2013  | \$294,888       | \$294,888          |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

---

Oklahoma State Firefighters' Pension and Retirement System (OFPRS)

Plan Description – The OFPRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is delegated to the administrators of the OFPRS. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the firefighting employees of the City. That report may be obtained by writing to the Oklahoma State Firefighters' Pension and Retirement System, 4545 North Lincoln Boulevard, Suite 265, Oklahoma City, Oklahoma 73105-3414, or by calling (405) 525-7813.

Funding Policy – Plan members are required to contribute 8.0% of their annual covered salary, and the City of Duncan contributes 13.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the state legislature. Contributions to the OFPRS for the year ended December 31, 2013, for employees and employer were \$187,922 and \$303,699, respectively, on covered payroll of \$2,315,528. The state made on-behalf payments for the fire pension system of \$688,053. These on-behalf payments were recognized as both revenue and expenditures in the current fiscal year.

The required employer contributions and actual employer contributions made to OFPRS for the current and past two fiscal years are as follows:

| <u>Fiscal year</u> | <u>Required</u> | <u>Contributed</u> |
|--------------------|-----------------|--------------------|
| December 31, 2011  | \$254,284       | \$254,284          |
| December 31, 2012  | \$280,555       | \$280,555          |
| December 31, 2013  | \$303,699       | \$303,699          |

City of Duncan Employee Retirement Plan (the Plan)

Plan Description – The City maintains a defined benefit retirement plan, the City of Duncan Employee Retirement Plan (the Plan), which covers employees not covered by other plans. All regular, full-time City employees not covered by other plans are required to participate in the Plan and temporary employees with 12 months of employment with the city. Benefits vest after ten with full vesting after twenty years of service. Employees, who retire at age 65 with completion of five years of service, are entitled to an annual retirement benefit, payable monthly in an amount equal to 3% of final average compensation multiplied by the number of years of credited service through April 30, 1995, plus 2.5% of the final average earning multiplied by years of credited service earned after April 30, 1995. Final average compensation is defined as the average last 60 months of compensation paid. Employees hired after November 1, 1994, the monthly benefit is 2.5% of the highest 60 months average compensation multiplied by the number of years of credited service not to exceed 30 years.

The Plan is administered by a five member Board consisting of two department heads appointed by the City Council, the City Clerk/Treasurer, and two other city employees elected by their fellow employees. The City Council must approve all amendments to The Plan. The Plan does not issue separate financial statements.

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

---

An employee is eligible for an early retirement benefit once he has attained age 55 and has completed five years of service. The amount of benefit is determined based on the final average salary and credited service as of the date of termination. If benefit payments are to begin before age 65, the amount of benefit will not be reduced. A late retirement benefit is computed in the same manner as a normal retirement based on average salary and credited service as of the termination of employment.

A participant who becomes totally and permanently disabled will be entitled to a disability benefit based on a monthly benefit equal to the amount he would be entitled to at the date of disability.

A participant who has completed eleven year of credited service will have a 10% vested interest in the Plan. This interest will increase to 100% after 20 years of credited service. A death benefit is payable based upon the employees accrued benefit. This benefit is payable for life or until remarriage of the surviving spouse.

Funding Policy – The amount shown below as the actuarial accrued liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Plan on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to the Plan.

The actuarial accrued liability was computed as part of an actuarial valuation performed as of January 1, 2014. Significant actuarial assumptions used in the valuation include 1) a rate of return on the investment of present and future assets of 7% compounded annually, and 2) future salary increases based on 4%.

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increases gradually over time so sufficient assets will be available to pay benefits when due. Required contributions are determined using the aggregate entry age normal cost method. Unfunded actuarial accrued liabilities are being amortized as a level dollar amount of payroll over a open period of forty years.

Significant actuarial assumptions used for the Plan are as follows:

|   |   |
|---|---|
| Rate of return on investments                 | 7% compounded annually                                  |
| Projected salary increases                    | 4% average  |
| Inflation rate                                | 3% per annum  |
| Post-retirement benefits increases method     | Entry age normal cost                                   |
| Mortality rates – before and after retirement | RP2000 fully projected for cohort mortality improvement |

For the year ended December 31, 2013, employees were required to contribute 8% of annual compensation while the City contributed 10%, of annual compensation. City contributions are based upon the plan document and not the actuarial determined amounts. Contributions to the Plan for the year ended December 31, 2013, for employees and employer were \$357,544 and \$446,929, respectively. In addition, the city made a lump sum payment to the plan of \$1,356,494. For the year ended December 31, 2013, the City's covered payroll was \$4,440,377. Covered payroll refers to all compensation paid by the City of Duncan to active employees covered by the Plan on which contributions are based.

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

The actuarially determined contributions for both the employee and the employer for the current and past two fiscal years are as follows:

| Fiscal Year | Annual Pension<br>Cost (APC) | Percentage of APC<br>Contributed | Net Pension<br>Obligation |
|-------------|------------------------------|----------------------------------|---------------------------|
| 2011        | \$ 940,566                   | 58.8%                            | \$ 3,323,760              |
| 2012        | 1,235,749                    | 76.4%                            | 3,705,249                 |
| 2013        | 1,446,929                    | 83.8%                            | 3,984,878                 |

The following schedule shows the change in net pension obligation based on the actuarially required contributions to the plan compared to the actual contributions made by the city:

|   |                            |
|---|----------------------------|
| Annual required contributiond (ARC)           | \$ 1,765,783               |
| Interest on AAL                               | 259,368                    |
| ARC Adjustment                                | <u>(298,593)</u>           |
| Annual pension cost for 2013 plan year        | \$ 1,726,558               |
| Actual contributions made                     | <u>(1,446,929)</u>         |
| Increase/(decrease) in net pension obligation | 279,629                    |
| Beginning of year net pension obligation      | <u>3,705,249</u>           |
| End of year net pension obligation            | <u><u>\$ 3,984,878</u></u> |

The governmental fund used to liquidate the net pension obligation is the general fund.

The schedule of funding progress for the Plan for the current year is as follows:

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of Assets<br>Available for<br>Benefits | Actuarial Accrued<br>Liability | Unfunded<br>Actuarial Accrued<br>Liability | Percentage<br>Funded | Annual Covered<br>Payroll | Unfunded<br>Actuarial<br>Accrued<br>Liability as a<br>Percentage<br>of Covered<br>Payroll |
|--------------------------------|---|--------------------------------|--|----------------------|---------------------------|---|
| 1/1/2011                       | \$ 5,187,615  | \$ 22,425,310                  | \$ 17,237,695                              | 23.1%                | \$ 4,384,280              | 393.2%  |
| 1/1/2012                       | 4,563,752   | 22,721,821                     | 18,158,069                                 | 20.1%                | 4,235,881                 | 428.7%  |
| 1/1/2013                       | 4,989,308   | 24,125,998                     | 19,136,690                                 | 20.7%                | 4,440,377                 | 431.0%  |

City of Duncan Defined Contribution Plan (the New Plan)

Plan Description – The City has also provided a defined contribution plan and trust known as the City of Duncan “New Plan” Defined Contribution Plan under Section 401(a) of the IRS Code. The Plan is administered City. The defined contribution plan is available to all full-time employees who have completed at least 30 years of credited service or is entitled to a monthly pension benefit of at least 75% of the Participant’s Final Average Earnings and who elects termination of coverage under the Defined Benefit Plan. Separately audited financial statements are not available.

The New Plan is administered by a five member Board of city employees. The City Council must approve changes to the plan. Benefits depend solely on amounts contributed to the Plan plus investment earnings.

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

---

Funding Policy – Benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees are eligible to participate upon thirty year of employment, and must make a mandatory minimum pre-tax contribution of 8%. By City ordinance, the City, as the employer, is required to make contributions to the Plan, based on an amount equal to the city contributions that would have been made under the Defined Benefit Plan. City contributions for fiscal year 2013 were 10%. The employee is always fully vested in the New Plan. The authority to establish and amend the provisions of the Plan rests with the City Commission. Contributions to the Plan for the year ended December 31, 2013, for employees and employer were \$39,424 and \$49,280, respectively, on a covered payroll of \$559,805.

ICMA Retirement Deferred Compensation Plan (the ICMA Plan)

The City of Duncan offers a retirement plan through ICMA which is totally employer and employee funded. Employee and employer contributions to the ICMA Plan for the year ended December 31, 2013, were \$35,921 and \$46,041, respectively. Separately audited financial statements are not available.

**C. DAEDF Operating Lease**

In 2003, DAEDF leased an industrial building to a private company for twelve years with monthly rental payment of \$14,215. On November 1, 2009 a major expansion of the facilities was completed and the original lease was replaced with a new agreement providing for monthly rental of \$60,459 for an initial term of fifteen years and option for another five years. Total lease payments received on this property during 2013 were \$725,508; future minimum lease payments are \$7,859,670.

The Foundation receives other rental income from various tenants in exchange for office, manufacturing and warehouse space in connection with its business incubator program, Duncan Center for Business Development. Rents received in the incubator and industrial lease program were \$294,838 during 2013.

Total lease revenues from all properties for 2013 was \$1,020,346. Real estate lease revenue presented in the statement of activities is reflected net of direct expense in the amount of \$844,535, for a net return of \$175,811. Cost and carrying amount of property held for leasing as of December 31, 2013:

|                          |                    |
|--------------------------|--------------------|
| Building and land (cost) | \$8,665,691        |
| Accumulated depreciation | <u>(2,199,267)</u> |
| Net book value           | <u>\$6,466,424</u> |

Future minimum lease payments on lease agreements in existence at December 31, 2013 are approximately \$898,500 for 2014 and \$725,508 annually through 2024.

**D. New Accounting Pronouncements**

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

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

---

Statement No. 67, *Financial Reporting for Pension Plans-and amendment of GASB Statement No. 25*. GASB 67 addresses accounting and financial report for the activities of pension plans that are administered through trusts. This statement is effective for financial statements for fiscal years beginning after June 15, 2013.

Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*. GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2013, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. The Statement is effective for fiscal years ended June 30, 2015.

Statement No. 69, *Government Combinations and Disposals of Government Operations – GASB No. 69* was issued in January 2013, and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisition, and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirement of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees – GASB No. 70* required a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The City has not yet evaluated the effects that GASB No. 70 will have on its financial statements.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – GASB No. 71* was issued in November 2013, and addresses issue in Statement No. 68, *Accounting and Financial Reporting for Pension*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employer and nonemployer contributing entities. The requirements of this Statement should be implemented with Statement 68.

Statement No. 72, *Fair Value Measurement and Application – GASB No. 72* was issued in February 2015, and addresses issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Statement is effective for financial statements for period beginning after June 15, 2015. At this time the impact to the city is unknown.

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

---

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* – GASB No. 73 was issued in June 2015 and establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* - GASB No. 74 was issued in June 2015, and replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – GASB No., 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The City has not yet determined the impact that implementation of GASB 75 will have on its net position, although it may be material.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* – GASB No. 76 was issued in June 2015, and was issued to identify the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

GASB Statement No. 77, *Tax Abatement Disclosures* - GASB 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

**E. Subsequent Event**

- The City Council approved the lease purchase of several vehicles in the amount of \$189,834 in February 2014.
- In April 2014, the citizens approved to extend the half cent sales for economic development for the creation of additional jobs for five years. The extended tax, to become effective in July 2014, will be used one quarter of one percent for infrastructure and one quarter of one percent for economic development in accordance with the contract with the Duncan Economic Development Trust.
- In May 2015, the city entered into a debt agreement with the Waurika Lake Master Conservancy District for \$3,080,000. The debt is for the City of Duncan portion of restructuring the intake valve at the Lake. The debt is payable in annual installments of \$195,000 including principal and interest with final payment due October 2040.

**F. Non-Compliance**

In the General Fund, the City had expenditures exceeding appropriations at the legal level of control in the following department and for the following amount:

General Fund – General Government - \$78,691

State law prohibits a deficit fund balance in governmental funds. The General Fund had fund balance deficit at December 31, 2013, of \$6,745,371.

During fiscal year 2013, the general fund had borrowed \$1,541,575 of restricted capital improvement funds to cover operational cost. The city anticipates paying these funds back in future years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Budgetary Comparison Schedules – General Fund - (Budgetary Basis) – Year Ended December 31, 2013**

|   | <u>Budgeted Amounts</u> |                       | <u>Actual Amounts,</u> | <u>Variance with</u>                          |
|---|-------------------------|-----------------------|------------------------|---|
|   | <u>Original</u>         | <u>Final</u>          | <u>Budgetary Basis</u> | <u>Final Budget -<br/>Positive (Negative)</u> |
| <b>REVENUES</b>                                   |                         |                       |                        |   |
| Taxes   | \$ 9,563,718            | \$ 10,245,304         | \$ 10,355,608          | \$ 110,304                                    |
| Licenses and permits                              | 80,175                  | 111,163               | 110,662                | (501)   |
| Intergovernmental                                 | 160,250                 | 225,599               | 168,221                | (57,378)                                      |
| Charges for services                              | 98,750                  | 91,400                | 166,203                | 74,803  |
| Fees and fines                                    | 906,500                 | 692,051               | 601,422                | (90,629)                                      |
| Investment earnings                               | -                       | 6                     | -                      | (6)   |
| Miscellaneous                                     | 82,900                  | 121,818               | 67,648                 | (54,170)                                      |
| Total revenues                                    | <u>10,892,293</u>       | <u>11,487,341</u>     | <u>11,469,764</u>      | <u>(17,577)</u>                               |
| <b>EXPENDITURES</b>                               |                         |                       |                        |   |
| Departmental:                                     |                         |                       |                        |   |
| General government                                | 4,087,811               | 2,946,969             | 3,025,660              | (78,691)                                      |
| Community development                             | 858,872                 | 793,998               | 738,768                | 55,230  |
| Public Safety                                     | 9,169,493               | 9,253,569             | 9,019,030              | 234,539                                       |
| Streets   | 1,085,298               | 1,056,714             | 1,018,662              | 38,052  |
| Health  | 378,747                 | 410,195               | 402,278                | 7,917   |
| Culture and recreation                            | 1,355,440               | 1,366,142             | 1,321,146              | 44,996  |
| Total Expenditures                                | <u>16,935,661</u>       | <u>15,827,587</u>     | <u>15,525,544</u>      | <u>302,043</u>                                |
| Excess (deficiency) of revenues over expenditures | <u>(6,043,368)</u>      | <u>(4,340,246)</u>    | <u>(4,055,780)</u>     | <u>284,466</u>                                |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                         |                       |                        |   |
| Transfers in                                      | 6,042,426               | 4,417,079             | 4,461,992              | 44,913  |
| Transfers out                                     | <u>(1,319,214)</u>      | <u>(2,256,987)</u>    | <u>(2,261,745)</u>     | <u>(4,758)</u>                                |
| Total other financing sources and uses            | <u>4,723,212</u>        | <u>2,160,092</u>      | <u>2,200,247</u>       | <u>40,155</u>                                 |
| Net change in fund balances                       | (1,320,156)             | (2,180,154)           | (1,855,533)            | 324,621                                       |
| Fund balances (deficit) - beginning               | -                       | -                     | (4,925,312)            | (4,925,312)                                   |
| Fund balances (deficit) - ending                  | <u>\$ (1,320,156)</u>   | <u>\$ (2,180,154)</u> | <u>\$ (6,780,845)</u>  | <u>\$ (4,600,691)</u>                         |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Budgetary Comparison Schedules – DEDTA Major Special Revenue Fund - (Budgetary Basis) –  
Year Ended December 31, 2013**

|   | <u>Budgeted Amounts</u> |                      | <u>Actual Amounts,</u> | <u>Variance with Final</u>              |
|---|-------------------------|----------------------|------------------------|---|
|   | <u>Original</u>         | <u>Final</u>         | <u>Budgetary Basis</u> | <u>Budget - Positive<br/>(Negative)</u> |
| <b>REVENUES</b>                                   |                         |                      |                        |   |
| Taxes   | \$ 1,858,437            | \$ 2,011,807         | \$ 2,052,848           | \$ 41,041                               |
| Investment earnings                               | 71,500                  | 37,000               | (549,370)              | (586,370)                               |
| Miscellaneous                                     | -                       | -                    | 9,508                  | 9,508                                   |
| Total revenues                                    | <u>1,929,937</u>        | <u>2,048,807</u>     | <u>1,512,986</u>       | <u>(535,821)</u>                        |
| <b>EXPENDITURES</b>                               |                         |                      |                        |   |
| Departmental:                                     |                         |                      |                        |   |
| Economic Development                              | <u>462,188</u>          | <u>477,328</u>       | <u>288,696</u>         | <u>188,632</u>                          |
| Total Expenditures                                | <u>462,188</u>          | <u>477,328</u>       | <u>288,696</u>         | <u>188,632</u>                          |
| Excess (deficiency) of revenues over expenditures | <u>1,467,749</u>        | <u>1,571,479</u>     | <u>1,224,290</u>       | <u>(347,189)</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                         |                      |                        |   |
| Transfers out - component unit                    | <u>(596,000)</u>        | <u>(596,000)</u>     | <u>(596,000)</u>       | <u>-</u>                                |
| Total other financing sources and uses            | <u>(596,000)</u>        | <u>(596,000)</u>     | <u>(596,000)</u>       | <u>-</u>                                |
| Net change in fund balances                       | 871,749                 | 975,479              | 628,290                | (347,189)                               |
| Fund balances - beginning                         | <u>9,361,761</u>        | <u>9,361,761</u>     | <u>9,361,761</u>       | <u>-</u>                                |
| Fund balances - ending                            | <u>\$ 10,233,510</u>    | <u>\$ 10,337,240</u> | <u>\$ 9,990,051</u>    | <u>\$ (347,189)</u>                     |

**Footnotes to Budgetary Comparison Schedule:**

**Budget Law**

The City prepares its annual operating budget under the provisions of the Oklahoma Municipal Budget Act of 1979 (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to December 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at regular Council meetings to obtain taxpayer comments. Public hearings are held no later than 15 days prior to the beginning of the budget year.
- c. Subsequent to the public hearings but no later than seven days prior to January 1, the budget is legally enacted through the passage of a resolution by the City Council.
- d. Subsequent to City Council enactment, the adopted budget is filed with the office of the State Auditor and Inspector.

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

All funds with revenues and/or expenditures/expenses as defined by State law are required to have annual budgets under this section of state law, except funds of public trusts or authorities. The legal level of control at which expenditures may not legally exceed appropriations is the department level within a fund. The following departments exceeded appropriations:

General Fund – General Government - \$78,691

All supplemental appropriations require the approval of the City Council. All transfers of appropriation between departments also require the approval of the City Council. The City prepared and adopted a legal annual budget for all governmental funds.

In accordance with Title 60 of the Oklahoma State Statutes, the Duncan Public Utilities Authority, the Duncan Economic Development Trust Authority, the Duncan Industrial Authority and the Duncan Hospital Authority are required to prepare an annual budget and submit a copy to the city as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal spending limit.

**Budgetary Accounting**

The annual operating budgets of the General Fund are prepared and presented on a modified accrual basis of accounting.

The following is a reconciliation of the difference in budget and actual:

|   | General<br>Fund |
|---|-----------------|
| Total revenue - budgetary basis   | \$ 15,931,756   |
| Total expenses - budgetary basis  | (17,787,289)    |
| Change in fund balance - budgetary basis                                    | (1,855,533)     |
| Add change in fund balance of sub-accounts combined for reporting purposes: |                 |
| Police Uniform Allowance  | (9,431)         |
| Fire Uniform Allowance  | (22,722)        |
| Communication Trust   | 72,697          |
| Hunting and Fishing   | 3,881           |
| Change in fund balance - GAAP basis   | \$ (1,811,108)  |

The City utilizes encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. The City considers most all appropriations to lapse at year-end; any open purchase orders to be honored in the subsequent budget year are reappropriated in the next year's budget. As a result, encumbrances are not treated as the equivalent of expenditures in the budget and actual financial statements.

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Schedule of Funding Progress – City Employee Retirement System**

| Accrual<br>Valuation<br>Date | Actuarial Value of<br>Assets Available for<br>Benefits | Actuarial Accrued<br>Liability | Unfunded Actuarial<br>Accrued Liability | Percentage<br>Funded | Annual Covered<br>Payroll | Unfunded Actuarial<br>Accrued Liability as a<br>Percentage of Covered<br>Payroll |
|------------------------------|--|--------------------------------|---|----------------------|---------------------------|--|
| 1/1/2005                     | \$ 5,290,681   | \$ 18,269,684                  | \$ 12,979,003                           | 29.0%                | \$ 3,273,258              | 396.5%   |
| 1/1/2006                     | 5,159,994  | 19,077,027                     | 13,917,033                              | 27.0%                | 3,324,858                 | 418.6%   |
| 1/1/2007                     | 5,430,783  | 19,375,887                     | 13,945,104                              | 28.0%                | 3,478,956                 | 400.8%   |
| 1/1/2008                     | 5,614,047  | 20,284,876                     | 14,670,829                              | 27.7%                | 3,789,364                 | 387.2%   |
| 1/1/2009                     | 4,403,945  | 20,885,464                     | 16,481,518                              | 21.1%                | 4,209,380                 | 391.5%   |
| 1/1/2010                     | 5,192,451  | 21,168,352                     | 15,975,901                              | 24.5%                | 4,254,695                 | 375.5%   |
| 1/1/2011                     | 5,187,615  | 22,425,310                     | 17,237,695                              | 23.1%                | 4,384,280                 | 393.2%   |
| 1/1/2012                     | 4,563,752  | 22,721,821                     | 18,158,069                              | 20.1%                | 4,235,881                 | 428.7%   |
| 1/1/2013                     | 4,989,308  | 24,125,998                     | 19,136,689                              | 20.7%                | 4,440,377                 | 431.0%   |
| 1/1/2014                     | 6,067,606  | 23,970,234                     | 17,902,628                              | 25.3%                | 4,261,764                 | 420.1%   |

**Schedule of Employer Contributions**

| Fiscal Year | Annual Required<br>Contributions | Percentage<br>Contributed |
|-------------|----------------------------------|---------------------------|
| 2011        | \$ 940,566                       | 58.8%                     |
| 2012        | 1,235,749                        | 76.4%                     |
| 2013        | 1,446,929                        | 83.8%                     |

**Notes to Required Supplementary Information Pension Plan Funding Schedules**

Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

Actuarial method is “Entry Age Normal”.

The city changed its fiscal year to a December 31 year-end beginning in 2011.

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

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**Other Post Employment Benefits**

The funded status and funding progress of the City's defined benefit OPEB plan for the most recent actuarial valuations is as follows:

|   | January 1, 2011 | January 1, 2012 | January 1, 2013 |
|---|-----------------|-----------------|-----------------|
| Actuarial accrued liability - AAL (a)                                     | \$17,811,723    | \$19,110,494    | \$11,491,909    |
| Actuarial value of plan assets (b)  | -               | -               | -               |
| Unfunded actuarial accrued liability – UAAL<br>(funding excess) (a) – (b) | \$17,811,723    | \$19,110,494    | \$11,491,909    |
| Funded ratio (b)/(a)  | -               | -               | -               |
| Covered payroll (c)   | \$8,448,341     | \$8,701,791     | \$9,121,930     |
| UAAL (funding excess) as a % of covered payroll<br>[UAAL/(c)]             | 210.83%         | 219.62%         | 125.98%         |

**SUPPLEMENTARY INFORMATION**

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Combining Balance Sheet – General Fund Accounts – December 31, 2013**

|  | General Fund        | Police Uniform Allowance | Fire Uniform Allowance | Police Reserve | Communication Trust | Police Firing Range | Hunting and Fishing | Total General Fund  |
|--|---------------------|--------------------------|------------------------|----------------|---------------------|---------------------|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                          |                        |                |                     |                     |                     |                     |
| Cash and cash equivalents                              | \$ 16,702           | \$ -                     | \$ -                   | \$ 598         | \$ -                | \$ 34               | \$ -                | \$ 17,334           |
| Receivable from other governments                      | 1,264,169           | -                        | -                      | -              | -                   | -                   | -                   | 1,264,169           |
| Due from other funds                                   | 278,458             | -                        | -                      | -              | -                   | -                   | -                   | 278,458             |
| Interaccount due from other funds                      | -                   | -                        | -                      | -              | 77,192              | -                   | 26,394              | 103,586             |
| Taxes receivable, net                                  | 175,804             | -                        | -                      | -              | -                   | -                   | -                   | 175,804             |
| Court fines receivable, net                            | 147,015             | -                        | -                      | -              | -                   | -                   | -                   | 147,015             |
| Other receivables                                      | 8,124               | -                        | -                      | -              | -                   | -                   | -                   | 8,124               |
| Total assets   | <u>1,890,272</u>    | <u>-</u>                 | <u>-</u>               | <u>598</u>     | <u>77,192</u>       | <u>34</u>           | <u>26,394</u>       | <u>1,994,490</u>    |
| <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b> |                     |                          |                        |                |                     |                     |                     |                     |
| Liabilities:   |                     |                          |                        |                |                     |                     |                     |                     |
| Accounts payable                                       | 372,321             | -                        | 36                     | -              | -                   | -                   | 552                 | 372,909             |
| Accrued payroll payable                                | 449,408             | -                        | -                      | -              | -                   | -                   | -                   | 449,408             |
| Due to other funds                                     | 7,666,613           | 14,216                   | 53,340                 | -              | -                   | -                   | -                   | 7,734,169           |
| Interaccount due to other funds                        | 103,586             | -                        | -                      | -              | -                   | -                   | -                   | 103,586             |
| Due to bondholders                                     | -                   | -                        | -                      | -              | -                   | -                   | 600                 | 600                 |
| Total liabilities                                      | <u>8,591,928</u>    | <u>14,216</u>            | <u>53,376</u>          | <u>-</u>       | <u>-</u>            | <u>-</u>            | <u>1,152</u>        | <u>8,660,672</u>    |
| Deferred inflows of resources:                         |                     |                          |                        |                |                     |                     |                     |                     |
| Unearned revenue                                       | 79,189              | -                        | -                      | -              | -                   | -                   | -                   | 79,189              |
| Fund balances:   |                     |                          |                        |                |                     |                     |                     |                     |
| Unassigned (deficit)                                   | (6,780,845)         | (14,216)                 | (53,376)               | 598            | 77,192              | 34                  | 25,242              | (6,745,371)         |
| Total fund balances                                    | <u>(6,780,845)</u>  | <u>(14,216)</u>          | <u>(53,376)</u>        | <u>598</u>     | <u>77,192</u>       | <u>34</u>           | <u>25,242</u>       | <u>(6,745,371)</u>  |
| Total liabilities, deferred inflows and fund balances  | <u>\$ 1,890,272</u> | <u>\$ -</u>              | <u>\$ -</u>            | <u>\$ 598</u>  | <u>\$ 77,192</u>    | <u>\$ 34</u>        | <u>\$ 26,394</u>    | <u>\$ 1,994,490</u> |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund Accounts  
– December 31, 2013**

|   | <u>General Fund</u>   | <u>Police Uniform Allowance</u> | <u>Fire Uniform Allowance</u> | <u>Police Reserve</u> | <u>Communication Trust</u> | <u>Police Firing Range</u> | <u>Hunting and Fishing</u> | <u>Total General Fund</u> |
|---|-----------------------|---------------------------------|-------------------------------|-----------------------|----------------------------|----------------------------|----------------------------|---------------------------|
| <b>REVENUES</b>                                   |                       |                                 |                               |                       |                            |                            |                            |                           |
| Taxes   | \$ 10,355,608         | \$ -                            | \$ -                          | \$ -                  | \$ -                       | \$ -                       | \$ -                       | \$ 10,355,608             |
| Intergovernmental                                 | 1,118,959             | -                               | -                             | -                     | -                          | -                          | -                          | 1,118,959                 |
| Licenses and permits                              | 110,662               | -                               | -                             | -                     | -                          | -                          | 10,988                     | 121,650                   |
| Charges for services                              | 166,203               | -                               | -                             | -                     | -                          | -                          | -                          | 166,203                   |
| Fees and fines                                    | 601,422               | -                               | -                             | -                     | -                          | -                          | -                          | 601,422                   |
| Miscellaneous                                     | 67,648                | 1                               | 172                           | -                     | 89,149                     | -                          | -                          | 156,970                   |
| Total revenues                                    | <u>12,420,502</u>     | <u>1</u>                        | <u>172</u>                    | <u>-</u>              | <u>89,149</u>              | <u>-</u>                   | <u>10,988</u>              | <u>12,520,812</u>         |
| <b>EXPENDITURES</b>                               |                       |                                 |                               |                       |                            |                            |                            |                           |
| Current:  |                       |                                 |                               |                       |                            |                            |                            |                           |
| General government                                | 3,025,660             | -                               | -                             | -                     | 16,452                     | -                          | -                          | 3,042,112                 |
| Community Development                             | 738,768               | -                               | -                             | -                     | -                          | -                          | -                          | 738,768                   |
| Public Safety                                     | 9,964,446             | 10,202                          | 22,894                        | -                     | -                          | -                          | -                          | 9,997,542                 |
| Highways and Streets                              | 1,018,662             | -                               | -                             | -                     | -                          | -                          | -                          | 1,018,662                 |
| Health  | 402,278               | -                               | -                             | -                     | -                          | -                          | -                          | 402,278                   |
| Culture and recreation                            | 1,321,146             | -                               | -                             | -                     | -                          | -                          | 7,107                      | 1,328,253                 |
| Debt Service:                                     |                       |                                 |                               |                       |                            |                            |                            |                           |
| Principal   | 5,011                 | -                               | -                             | -                     | -                          | -                          | -                          | 5,011                     |
| Interest and other charges                        | 311                   | -                               | -                             | -                     | -                          | -                          | -                          | 311                       |
| Total expenditures                                | <u>16,476,282</u>     | <u>10,202</u>                   | <u>22,894</u>                 | <u>-</u>              | <u>16,452</u>              | <u>-</u>                   | <u>7,107</u>               | <u>16,532,937</u>         |
| Excess (deficiency) of revenues over expenditures | <u>(4,055,780)</u>    | <u>(10,201)</u>                 | <u>(22,722)</u>               | <u>-</u>              | <u>72,697</u>              | <u>-</u>                   | <u>3,881</u>               | <u>(4,012,125)</u>        |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                       |                                 |                               |                       |                            |                            |                            |                           |
| Transfers in - interaccount                       | -                     | 770                             | -                             | -                     | -                          | -                          | -                          | 770                       |
| Transfers out - interaccount                      | (770)                 | -                               | -                             | -                     | -                          | -                          | -                          | (770)                     |
| Transfers in                                      | 4,461,992             | -                               | -                             | -                     | -                          | -                          | -                          | 4,461,992                 |
| Transfers out                                     | (2,260,975)           | -                               | -                             | -                     | -                          | -                          | -                          | (2,260,975)               |
| Total other financing sources and uses            | <u>2,200,247</u>      | <u>770</u>                      | <u>-</u>                      | <u>-</u>              | <u>-</u>                   | <u>-</u>                   | <u>-</u>                   | <u>2,201,017</u>          |
| Net change in fund balances                       | (1,855,533)           | (9,431)                         | (22,722)                      | -                     | 72,697                     | -                          | 3,881                      | (1,811,108)               |
| Fund balances (deficits) - beginning              | (4,925,312)           | (4,785)                         | (30,654)                      | 598                   | 4,495                      | 34                         | 21,361                     | (4,934,263)               |
| Fund balances (deficits) - ending                 | <u>\$ (6,780,845)</u> | <u>\$ (14,216)</u>              | <u>\$ (53,376)</u>            | <u>\$ 598</u>         | <u>\$ 77,192</u>           | <u>\$ 34</u>               | <u>\$ 25,242</u>           | <u>\$ (6,745,371)</u>     |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Combining Balance Sheet – Nonmajor Governmental Funds – December 31, 2013**

|  | Street and Alley<br>Fund | Cemetery<br>Care  | Library Gifts and<br>Grants | CDBG              | E911 Dispatch     | DPUA Debt<br>Service Fund |
|--|--------------------------|-------------------|-----------------------------|-------------------|-------------------|---------------------------|
| <b>ASSETS</b>  |                          |                   |                             |                   |                   |                           |
| Cash and cash equivalents                              | \$ -                     | \$ 151,939        | \$ -                        | \$ 25,343         | \$ 21,983         | \$ 110,614                |
| Receivable from other governments                      | 121,200                  | -                 | -                           | -                 | 29,081            | -                         |
| Due from other funds                                   | 130,688                  | -                 | -                           | 314,949           | 472,979           | -                         |
| Other receivables                                      | -                        | 431               | -                           | -                 | -                 | -                         |
| Total assets   | <u>251,888</u>           | <u>152,370</u>    | <u>-</u>                    | <u>340,292</u>    | <u>524,043</u>    | <u>110,614</u>            |
| <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b> |                          |                   |                             |                   |                   |                           |
| Liabilities:   |                          |                   |                             |                   |                   |                           |
| Accounts payable and accrued liabilities               | 2,147                    | -                 | 386                         | -                 | 4,296             | -                         |
| Due to other funds                                     | -                        | -                 | 10,280                      | -                 | 428,207           | -                         |
| Total liabilities                                      | <u>2,147</u>             | <u>-</u>          | <u>10,666</u>               | <u>-</u>          | <u>432,503</u>    | <u>-</u>                  |
| Deferred inflows of resources:                         |                          |                   |                             |                   |                   |                           |
| Unearned revenue                                       | <u>87,915</u>            | <u>-</u>          | <u>-</u>                    | <u>-</u>          | <u>-</u>          | <u>-</u>                  |
| Fund balances:   |                          |                   |                             |                   |                   |                           |
| Restricted   | 161,826                  | 152,370           | -                           | 340,292           | 91,540            | 110,614                   |
| Unassigned (deficit)                                   | -                        | -                 | (10,666)                    | -                 | -                 | -                         |
| Total fund balances                                    | <u>161,826</u>           | <u>152,370</u>    | <u>(10,666)</u>             | <u>340,292</u>    | <u>91,540</u>     | <u>110,614</u>            |
| Total liabilities, deferred inflows and fund balances  | <u>\$ 251,888</u>        | <u>\$ 152,370</u> | <u>\$ -</u>                 | <u>\$ 340,292</u> | <u>\$ 524,043</u> | <u>\$ 110,614</u>         |

continued

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Combining Balance Sheet – Nonmajor Governmental Funds – December 31, 2013, continued**

|  | <u>Police Grants and<br/>Seizures</u> | <u>First Responder<br/>Program</u> | <u>DARE</u>     | <u>Sinking Fund</u> | <u>Stimulus Grant</u> | <u>Total Other<br/>Governmental<br/>Funds</u> |
|--|---------------------------------------|------------------------------------|-----------------|---------------------|-----------------------|---|
| <b>ASSETS</b>  |                                       |                                    |                 |                     |                       |   |
| Cash and cash equivalents                              | \$ -                                  | \$ -                               | \$ 1,004        | \$ 2                | \$ -                  | \$ 310,885                                    |
| Receivable from other governments                      | -                                     | -                                  | -               | -                   | -                     | 150,281                                       |
| Due from other funds                                   | 146,832                               | 8,260                              | -               | 869                 | 1,516                 | 1,076,093                                     |
| Other receivables                                      | -                                     | -                                  | -               | -                   | -                     | 431   |
| Total assets   | <u>146,832</u>                        | <u>8,260</u>                       | <u>1,004</u>    | <u>871</u>          | <u>1,516</u>          | <u>1,537,690</u>                              |
| <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b> |                                       |                                    |                 |                     |                       |   |
| Liabilities:   |                                       |                                    |                 |                     |                       |   |
| Accounts payable and accrued liabilities               | 34,856                                | -                                  | -               | -                   | -                     | 41,685  |
| Due to other funds                                     | -                                     | -                                  | -               | -                   | -                     | 438,487                                       |
| Total liabilities                                      | <u>34,856</u>                         | <u>-</u>                           | <u>-</u>        | <u>-</u>            | <u>-</u>              | <u>480,172</u>                                |
| Deferred inflows of resources:                         |                                       |                                    |                 |                     |                       |   |
| Unearned revenue                                       | -                                     | -                                  | -               | -                   | -                     | 87,915  |
| Fund balances:   |                                       |                                    |                 |                     |                       |   |
| Restricted   | 111,976                               | 8,260                              | 1,004           | 871                 | 1,516                 | 980,269                                       |
| Unassigned (deficit)                                   | -                                     | -                                  | -               | -                   | -                     | (10,666)                                      |
| Total fund balances                                    | <u>111,976</u>                        | <u>8,260</u>                       | <u>1,004</u>    | <u>871</u>          | <u>1,516</u>          | <u>969,603</u>                                |
| Total liabilities, deferred inflows and fund balances  | <u>\$ 146,832</u>                     | <u>\$ 8,260</u>                    | <u>\$ 1,004</u> | <u>\$ 871</u>       | <u>\$ 1,516</u>       | <u>\$ 1,537,690</u>                           |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor  
Governmental Funds – December 31, 2013**

|   | <u>Street and Alley<br/>Fund</u> | <u>Cemetery<br/>Care</u> | <u>Library Gifts and<br/>Grants</u> | <u>CDBG</u>       | <u>E911 Dispatch</u> | <u>DPUA Debt<br/>Service Fund</u> |
|---|----------------------------------|--------------------------|-------------------------------------|-------------------|----------------------|-----------------------------------|
| <b>REVENUES</b>                                   |                                  |                          |                                     |                   |                      |                                   |
| Taxes   | \$ -                             | \$ -                     | \$ -                                | \$ -              | \$ 329,000           | \$ -                              |
| Intergovernmental                                 | 172,595                          | -                        | 2,982                               | 1,875             | -                    | -                                 |
| Charges for services                              | -                                | 9,583                    | -                                   | -                 | -                    | -                                 |
| Investment earnings                               | -                                | -                        | -                                   | -                 | -                    | 4                                 |
| Miscellaneous                                     | 580                              | 2,605                    | 144                                 | -                 | -                    | -                                 |
| Total revenues                                    | <u>173,175</u>                   | <u>12,188</u>            | <u>3,126</u>                        | <u>1,875</u>      | <u>329,000</u>       | <u>4</u>                          |
| <b>EXPENDITURES</b>                               |                                  |                          |                                     |                   |                      |                                   |
| Current:  |                                  |                          |                                     |                   |                      |                                   |
| Public safety                                     | -                                | -                        | -                                   | -                 | 25,286               | -                                 |
| Streets   | 177,694                          | -                        | -                                   | -                 | -                    | -                                 |
| Culture and recreation                            | -                                | -                        | 19,008                              | -                 | -                    | -                                 |
| General government                                | -                                | 775                      | -                                   | -                 | -                    | -                                 |
| Debt Service                                      |                                  |                          |                                     |                   |                      |                                   |
| Principal   | -                                | -                        | -                                   | -                 | 33,412               | 1,100,000                         |
| Interest and other charges                        | -                                | -                        | -                                   | -                 | 6,820                | 216,564                           |
| Capital Outlay                                    | -                                | -                        | 2,580                               | 19,801            | 40,561               | -                                 |
| Total Expenditures                                | <u>177,694</u>                   | <u>775</u>               | <u>21,588</u>                       | <u>19,801</u>     | <u>106,079</u>       | <u>1,316,564</u>                  |
| Excess (deficiency) of revenues over expenditures | <u>(4,519)</u>                   | <u>11,413</u>            | <u>(18,462)</u>                     | <u>(17,926)</u>   | <u>222,921</u>       | <u>(1,316,560)</u>                |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                                  |                          |                                     |                   |                      |                                   |
| Transfers in                                      | -                                | -                        | -                                   | -                 | -                    | 1,316,257                         |
| Transfers out                                     | -                                | -                        | -                                   | -                 | (200,000)            | -                                 |
| Total other financing sources and uses            | <u>-</u>                         | <u>-</u>                 | <u>-</u>                            | <u>-</u>          | <u>(200,000)</u>     | <u>1,316,257</u>                  |
| Net change in fund balances                       | (4,519)                          | 11,413                   | (18,462)                            | (17,926)          | 22,921               | (303)                             |
| Fund balances - beginning                         | 166,345                          | 140,957                  | 7,796                               | 358,218           | 68,619               | 110,917                           |
| Fund balances (deficit) - ending                  | <u>\$ 161,826</u>                | <u>\$ 152,370</u>        | <u>\$ (10,666)</u>                  | <u>\$ 340,292</u> | <u>\$ 91,540</u>     | <u>\$ 110,614</u>                 |

(continued)

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor  
Governmental Funds – December 31, 2013, continued**

|   | <u>Police Grants<br/>and Seizures</u> | <u>First<br/>Responder<br/>Program</u> | <u>DARE</u>     | <u>Sinking Fund</u> | <u>Stimulus Grant</u> | <u>Total Other<br/>Governmental<br/>Funds</u> |
|---|---------------------------------------|--|-----------------|---------------------|-----------------------|---|
| <b>REVENUES</b>                                   |                                       |  |                 |                     |                       |   |
| Taxes   | \$ -                                  | \$ -                                   | \$ -            | \$ 871              | \$ -                  | \$ 329,871                                    |
| Intergovernmental                                 | 35,267                                | 176                                    | -               | -                   | -                     | 212,895                                       |
| Charges for services                              | -                                     | -                                      | -               | -                   | -                     | 9,583   |
| Investment earnings                               | -                                     | -                                      | -               | -                   | -                     | 4   |
| Miscellaneous                                     | 164,097                               | 1,950                                  | -               | -                   | -                     | 169,376                                       |
| Total revenues                                    | <u>199,364</u>                        | <u>2,126</u>                           | <u>-</u>        | <u>871</u>          | <u>-</u>              | <u>721,729</u>                                |
| <b>EXPENDITURES</b>                               |                                       |  |                 |                     |                       |   |
| Current:  |                                       |  |                 |                     |                       |   |
| Police  | -                                     | -                                      | -               | -                   | -                     | 25,286  |
| Streets   | -                                     | -                                      | -               | -                   | -                     | 177,694                                       |
| Parks and recreation                              | -                                     | -                                      | -               | -                   | -                     | 19,008  |
| Culture and recreation                            | -                                     | -                                      | -               | -                   | -                     | 775   |
| Debt Service                                      |                                       |  |                 |                     |                       |   |
| Principal   | -                                     | -                                      | -               | -                   | -                     | 1,133,412                                     |
| Interest and other charges                        | -                                     | -                                      | -               | -                   | -                     | 223,384                                       |
| Capital Outlay                                    | 197,306                               | -                                      | -               | -                   | -                     | 260,248                                       |
| Total Expenditures                                | <u>197,306</u>                        | <u>-</u>                               | <u>-</u>        | <u>-</u>            | <u>-</u>              | <u>1,839,807</u>                              |
| Excess (deficiency) of revenues over expenditures | <u>2,058</u>                          | <u>2,126</u>                           | <u>-</u>        | <u>871</u>          | <u>-</u>              | <u>(1,118,078)</u>                            |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                                       |  |                 |                     |                       |   |
| Transfers in                                      | -                                     | -                                      | -               | -                   | -                     | 1,316,257                                     |
| Transfers out                                     | -                                     | -                                      | -               | -                   | -                     | (200,000)                                     |
| Total other financing sources and uses            | <u>-</u>                              | <u>-</u>                               | <u>-</u>        | <u>-</u>            | <u>-</u>              | <u>1,116,257</u>                              |
| Net change in fund balances                       | 2,058                                 | 2,126                                  | -               | 871                 | -                     | (1,821)                                       |
| Fund balances - beginning                         | 109,918                               | 6,134                                  | 1,004           | -                   | 1,516                 | 971,424                                       |
| Fund balances (deficit) - ending                  | <u>\$ 111,976</u>                     | <u>\$ 8,260</u>                        | <u>\$ 1,004</u> | <u>\$ 871</u>       | <u>\$ 1,516</u>       | <u>\$ 969,603</u>                             |

**CITY OF DUNCAN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2013**

**Combining Schedule of Net Position – Duncan Public Utilities Authority – December 31, 2013**

|   | Enterprise Fund Accounts  |                     |                     |                           |                  |                     |                          | Total                |
|---|---------------------------|---------------------|---------------------|---------------------------|------------------|---------------------|--------------------------|----------------------|
|   | DPUA - Other<br>Utilities | DPUA - Electric     | DPUA Airport        | DPUA Sinking -<br>Waurika | Redeposit Cash   | Meter Deposit       | Waterline<br>Improvement |                      |
| <b>ASSETS</b>   |                           |                     |                     |                           |                  |                     |                          |                      |
| Current assets:                                       |                           |                     |                     |                           |                  |                     |                          |                      |
| Cash and cash equivalents                             | \$ 296,888                | \$ 17,565           | \$ -                | \$ -                      | \$ -             | \$ -                | \$ -                     | \$ 314,453           |
| Investments   | -                         | 1,786,817           | -                   | -                         | -                | -                   | -                        | 1,786,817            |
| Restricted:   |                           |                     |                     |                           |                  |                     |                          |                      |
| Cash and cash equivalents                             | 597,349                   | -                   | -                   | 474,961                   | -                | 1,053,379           | -                        | 2,125,689            |
| Due from other funds                                  | 2,223,091                 | 2,996,095           | -                   | 1,962                     | -                | -                   | 47,832                   | 5,268,980            |
| Due from other funds - interaccount                   | -                         | 1,265,447           | -                   | -                         | -                | -                   | -                        | 1,265,447            |
| Accounts receivable, net                              | 1,216,217                 | 1,952,292           | 5,677               | -                         | -                | -                   | -                        | 3,174,186            |
| Receivables from other governments                    | -                         | 1,792               | -                   | -                         | -                | -                   | -                        | 1,792                |
| Other receivables                                     | 19,859                    | 8,311               | -                   | -                         | 27,347           | -                   | -                        | 55,517               |
| Total current assets                                  | <u>4,353,404</u>          | <u>8,028,319</u>    | <u>5,677</u>        | <u>476,923</u>            | <u>27,347</u>    | <u>1,053,379</u>    | <u>47,832</u>            | <u>13,992,881</u>    |
| Non-current assets:                                   |                           |                     |                     |                           |                  |                     |                          |                      |
| Restricted:   |                           |                     |                     |                           |                  |                     |                          |                      |
| Investments   | -                         | -                   | -                   | 7,340,333                 | -                | -                   | -                        | 7,340,333            |
| Capital assets:                                       |                           |                     |                     |                           |                  |                     |                          |                      |
| Land and construction in progress                     | 1,623,471                 | 19,283              | 100,544             | -                         | -                | -                   | -                        | 1,743,298            |
| Other capital assets, net of accumulated depreciation | 58,805,442                | 2,531,698           | 2,298,133           | -                         | -                | -                   | -                        | 63,635,273           |
| Total non-current assets                              | <u>60,428,913</u>         | <u>2,550,981</u>    | <u>2,398,677</u>    | <u>7,340,333</u>          | <u>-</u>         | <u>-</u>            | <u>-</u>                 | <u>72,718,904</u>    |
| Total assets  | <u>64,782,317</u>         | <u>10,579,300</u>   | <u>2,404,354</u>    | <u>7,817,256</u>          | <u>27,347</u>    | <u>1,053,379</u>    | <u>47,832</u>            | <u>86,711,785</u>    |
| <b>LIABILITIES</b>                                    |                           |                     |                     |                           |                  |                     |                          |                      |
| Current liabilities:                                  |                           |                     |                     |                           |                  |                     |                          |                      |
| Accounts payable and accrued liabilities              | 914,291                   | 1,060,140           | 2,493               | -                         | -                | -                   | 3,267                    | 1,980,191            |
| Salaries payable                                      | 60,653                    | 55,644              | -                   | -                         | -                | -                   | 6,307                    | 122,604              |
| Accrued interest payable                              | 402,451                   | -                   | -                   | -                         | -                | -                   | -                        | 402,451              |
| Due to other funds                                    | 154,882                   | 120,797             | 2,680               | -                         | 10,686           | 72                  | 39,236                   | 328,353              |
| Due to other funds - interaccount                     | -                         | -                   | 18,498              | 669,237                   | -                | 299,246             | 278,466                  | 1,265,447            |
| Payable to other governments                          | -                         | 79,636              | -                   | -                         | -                | -                   | -                        | 79,636               |
| Unearned revenue                                      | 175,000                   | -                   | -                   | -                         | -                | -                   | -                        | 175,000              |
| Deposits subject to refund                            | -                         | -                   | -                   | -                         | 105,279          | -                   | -                        | 105,279              |
| Compensated absences                                  | 16,510                    | 11,359              | -                   | -                         | -                | -                   | 953                      | 28,822               |
| Notes payable   | 2,709,778                 | -                   | -                   | -                         | -                | -                   | -                        | 2,709,778            |
| Total current liabilities                             | <u>4,433,565</u>          | <u>1,327,576</u>    | <u>23,671</u>       | <u>669,237</u>            | <u>10,686</u>    | <u>404,597</u>      | <u>328,229</u>           | <u>7,197,561</u>     |
| Non-current liabilities:                              |                           |                     |                     |                           |                  |                     |                          |                      |
| Compensated absences, net of current portion          | 148,591                   | 102,228             | -                   | -                         | -                | -                   | 8,580                    | 259,399              |
| Deposits subject to refund                            | -                         | 60,609              | -                   | -                         | 947,507          | -                   | -                        | 1,008,116            |
| Net OPEB obligation                                   | 290,730                   | 293,215             | -                   | -                         | -                | -                   | -                        | 583,945              |
| Net pension obligation                                | 905,615                   | 810,081             | -                   | -                         | -                | -                   | 112,765                  | 1,828,461            |
| Notes payable, net of current portion                 | 44,094,261                | -                   | -                   | -                         | -                | -                   | -                        | 44,094,261           |
| Total non-current liabilities                         | <u>45,439,197</u>         | <u>1,266,133</u>    | <u>-</u>            | <u>-</u>                  | <u>947,507</u>   | <u>-</u>            | <u>121,345</u>           | <u>47,774,182</u>    |
| Total liabilities                                     | <u>49,872,762</u>         | <u>2,593,709</u>    | <u>23,671</u>       | <u>669,237</u>            | <u>10,686</u>    | <u>1,352,104</u>    | <u>449,574</u>           | <u>54,971,743</u>    |
| <b>NET POSITION</b>                                   |                           |                     |                     |                           |                  |                     |                          |                      |
| Net investment in capital assets                      | 13,624,874                | 2,550,981           | 2,398,677           | -                         | -                | -                   | -                        | 18,574,532           |
| Restricted for debt service                           | 194,898                   | -                   | -                   | 7,148,019                 | -                | -                   | -                        | 7,342,917            |
| Unrestricted (deficit)                                | 1,089,783                 | 5,434,610           | (17,994)            | -                         | 16,661           | (298,725)           | 47,832                   | 5,822,593            |
| Total net position                                    | <u>\$ 14,909,555</u>      | <u>\$ 7,985,591</u> | <u>\$ 2,380,683</u> | <u>\$ 7,148,019</u>       | <u>\$ 16,661</u> | <u>\$ (298,725)</u> | <u>\$ 47,832</u>         | <u>\$ 31,740,042</u> |

**CITY OF DUNCAN, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2013**

**Combining Schedule of Revenues, Expenses, and Changes in Net Position – Duncan Public Utilities Authority – Year Ended December 31, 2013**

|  | Enterprise Fund Accounts  |                     |                     |                           |                  |                     |                          | Total               |                           |
|--|---------------------------|---------------------|---------------------|---------------------------|------------------|---------------------|--------------------------|---------------------|---------------------------|
|  | DPUA - Other<br>Utilities | DPUA - Electric     | DPUA Airport        | DPUA Sinking -<br>Waurika | Redeposit Cash   | Meter Deposit       | Waterline<br>Improvement |                     | DPUA Sewer<br>Replacement |
| <b>REVENUES</b>                          |                           |                     |                     |                           |                  |                     |                          |                     |                           |
| Water                                    | \$ 5,614,830              | \$ -                | \$ -                | \$ -                      | \$ -             | \$ -                | \$ -                     | \$ -                | \$ 5,614,830              |
| Electric                                 | -                         | 17,719,527          | -                   | -                         | -                | -                   | -                        | -                   | 17,719,527                |
| Sewer                                    | 2,054,859                 | -                   | -                   | -                         | -                | -                   | -                        | -                   | 2,054,859                 |
| Sanitation                               | 3,314,109                 | -                   | -                   | -                         | -                | -                   | -                        | -                   | 3,314,109                 |
| Lake                                     | 120,452                   | -                   | -                   | -                         | -                | -                   | -                        | -                   | 120,452                   |
| Airport                                  | -                         | -                   | 36,595              | -                         | -                | -                   | -                        | -                   | 36,595                    |
| Miscellaneous                            | 235,337                   | 68,881              | -                   | -                         | 50               | -                   | -                        | 332                 | 304,600                   |
| Total operating revenues                 | <u>11,339,587</u>         | <u>17,788,408</u>   | <u>36,595</u>       | <u>-</u>                  | <u>50</u>        | <u>-</u>            | <u>-</u>                 | <u>332</u>          | <u>29,164,972</u>         |
| <b>OPERATING EXPENSES</b>                |                           |                     |                     |                           |                  |                     |                          |                     |                           |
| General government                       | 574,154                   | -                   | -                   | -                         | -                | -                   | -                        | -                   | 574,154                   |
| Water                                    | 2,952,543                 | -                   | -                   | 495,212                   | 75               | 3                   | -                        | -                   | 3,447,833                 |
| Wastewater                               | 790,017                   | -                   | -                   | -                         | -                | -                   | -                        | 287,099             | 1,077,116                 |
| Sanitation                               | 3,265,835                 | -                   | -                   | -                         | -                | -                   | -                        | -                   | 3,265,835                 |
| Electric                                 | -                         | 14,487,062          | -                   | -                         | -                | -                   | -                        | -                   | 14,487,062                |
| Lake                                     | 520,506                   | -                   | -                   | -                         | -                | -                   | -                        | -                   | 520,506                   |
| Airport                                  | -                         | -                   | 39,010              | -                         | -                | -                   | -                        | -                   | 39,010                    |
| Depreciation                             | 3,158,726                 | 521,330             | 243,029             | -                         | -                | -                   | -                        | -                   | 3,923,085                 |
| Total operating expenses                 | <u>11,261,781</u>         | <u>15,008,392</u>   | <u>282,039</u>      | <u>495,212</u>            | <u>75</u>        | <u>3</u>            | <u>-</u>                 | <u>287,099</u>      | <u>27,334,601</u>         |
| Operating income (loss)                  | <u>77,806</u>             | <u>2,780,016</u>    | <u>(245,444)</u>    | <u>(495,212)</u>          | <u>(25)</u>      | <u>(3)</u>          | <u>-</u>                 | <u>(286,767)</u>    | <u>1,830,371</u>          |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                           |                     |                     |                           |                  |                     |                          |                     |                           |
| Interest and investment revenue          | 74                        | (80,609)            | -                   | (910,856)                 | -                | -                   | -                        | -                   | (991,391)                 |
| Miscellaneous revenue                    | 63,676                    | 76,741              | -                   | -                         | -                | -                   | -                        | -                   | 140,417                   |
| Gain on capital asset disposal           | 29,400                    | 912                 | -                   | -                         | -                | -                   | -                        | -                   | 30,312                    |
| Debt issuance cost                       | (106,400)                 | -                   | -                   | -                         | -                | -                   | -                        | -                   | (106,400)                 |
| Interest expense                         | (1,541,142)               | -                   | -                   | -                         | -                | -                   | -                        | -                   | (1,541,142)               |
| Total non-operating revenue (expenses)   | <u>(1,554,392)</u>        | <u>(2,956)</u>      | <u>-</u>            | <u>(910,856)</u>          | <u>-</u>         | <u>-</u>            | <u>-</u>                 | <u>-</u>            | <u>(2,468,204)</u>        |
| Income (loss) before transfers           | <u>(1,476,586)</u>        | <u>2,777,060</u>    | <u>(245,444)</u>    | <u>(1,406,068)</u>        | <u>(25)</u>      | <u>(3)</u>          | <u>-</u>                 | <u>(286,767)</u>    | <u>(637,833)</u>          |
| Capital contributions                    | 1,147,022                 | 235,971             | -                   | -                         | -                | -                   | -                        | -                   | 1,382,993                 |
| Transfers in - interaccount              | 1,050,722                 | -                   | -                   | -                         | -                | -                   | -                        | 247,647             | 1,298,369                 |
| Transfers out - interaccount             | (247,647)                 | -                   | -                   | (1,050,722)               | -                | -                   | -                        | -                   | (1,298,369)               |
| Transfers in                             | 2,255,256                 | 168                 | -                   | 660,722                   | -                | -                   | -                        | -                   | 2,916,146                 |
| Transfers out                            | (2,255,041)               | (3,320,651)         | -                   | -                         | -                | -                   | -                        | -                   | (5,575,692)               |
| Change in net position                   | 473,726                   | (307,452)           | (245,444)           | (1,796,068)               | (25)             | (3)                 | -                        | (39,120)            | (1,914,386)               |
| Total net position - beginning           | 14,435,829                | 8,293,043           | 2,626,127           | 8,944,087                 | 16,686           | (298,722)           | 47,832                   | (410,454)           | 33,654,428                |
| Total net position - ending              | <u>\$ 14,909,555</u>      | <u>\$ 7,985,591</u> | <u>\$ 2,380,683</u> | <u>\$ 7,148,019</u>       | <u>\$ 16,661</u> | <u>\$ (298,725)</u> | <u>\$ 47,832</u>         | <u>\$ (449,574)</u> | <u>\$ 31,740,042</u>      |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Combining Schedule of Cash Flows – Duncan Public Utilities Authority – Year Ended December 31, 2013**

|  | Enterprise Fund Accounts |                     |              |                        |                |                     |                       | Total               |                        |
|--|--------------------------|---------------------|--------------|------------------------|----------------|---------------------|-----------------------|---------------------|------------------------|
|  | DPUA - Other Utilities   | DPUA - Electric     | DPUA Airport | DPUA Sinking - Waurika | Redeposit Cash | Meter Deposit       | Waterline Improvement |                     | DPUA Sewer Replacement |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                          |                     |              |                        |                |                     |                       |                     |                        |
| Receipts from customers  | \$ 11,578,517            | \$ 17,887,314       | \$ 34,772    | \$ -                   | \$ (10,675)    | \$ -                | \$ -                  | \$ 332              | \$ 29,490,260          |
| Payments to suppliers and employees  | (7,984,925)              | (14,157,181)        | (40,987)     | (495,212)              | (75)           | (3)                 | -                     | (261,828)           | (22,940,211)           |
| Receipts of customer meter deposits  | -                        | -                   | -            | -                      | -              | 647,019             | -                     | -                   | 647,019                |
| Refunds of customer meter deposits   | -                        | (3,234)             | -            | -                      | -              | (707,312)           | -                     | -                   | (710,546)              |
| Interfund receipts   | 465,683                  | 120,797             | 6,215        | 8,515                  | 10,686         | 299,318             | -                     | 13,849              | 925,063                |
| Interfund payments   | -                        | (715,553)           | -            | (1,962)                | -              | -                   | (47,832)              | -                   | (765,347)              |
| <b>Net cash provided by (used in) operating activities</b>   | <b>4,059,275</b>         | <b>3,132,143</b>    | <b>-</b>     | <b>(488,659)</b>       | <b>(64)</b>    | <b>239,022</b>      | <b>(47,832)</b>       | <b>(247,647)</b>    | <b>6,646,238</b>       |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>   |                          |                     |              |                        |                |                     |                       |                     |                        |
| Transfers from other funds - interaccount  | 1,050,722                | -                   | -            | -                      | -              | -                   | -                     | 247,647             | 1,298,369              |
| Transfers to other funds interaccount  | (247,647)                | -                   | -            | (1,050,722)            | -              | -                   | -                     | -                   | (1,298,369)            |
| Transfers from other funds   | 2,255,256                | 168                 | -            | 660,722                | -              | -                   | -                     | -                   | 2,916,146              |
| Transfers to other funds   | (2,255,041)              | (3,320,651)         | -            | -                      | -              | -                   | -                     | -                   | (5,575,692)            |
| <b>Net cash provided by (used in) noncapital financing activities</b>                                    | <b>803,290</b>           | <b>(3,320,483)</b>  | <b>-</b>     | <b>(390,000)</b>       | <b>-</b>       | <b>-</b>            | <b>-</b>              | <b>247,647</b>      | <b>(2,659,546)</b>     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |                          |                     |              |                        |                |                     |                       |                     |                        |
| Purchases of capital assets  | (976,546)                | (17,662)            | -            | -                      | -              | -                   | -                     | -                   | (994,208)              |
| Note issuance cost paid  | (106,400)                | -                   | -            | -                      | -              | -                   | -                     | -                   | (106,400)              |
| Principal paid on debt   | (2,638,199)              | -                   | -            | -                      | -              | -                   | -                     | -                   | (2,638,199)            |
| Interest and fiscal agent fees paid on debt  | (1,608,262)              | -                   | -            | -                      | -              | -                   | -                     | -                   | (1,608,262)            |
| <b>Net cash provided by (used in) capital and related financing activities</b>                           | <b>(5,329,407)</b>       | <b>(17,662)</b>     | <b>-</b>     | <b>-</b>               | <b>-</b>       | <b>-</b>            | <b>-</b>              | <b>-</b>            | <b>(5,347,069)</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                          |                     |              |                        |                |                     |                       |                     |                        |
| Purchase of investments  | -                        | -                   | -            | (20,972)               | -              | -                   | -                     | -                   | (20,972)               |
| Interest and dividends   | 74                       | 18,345              | -            | 812,030                | -              | -                   | -                     | -                   | 830,449                |
| <b>Net cash provided by (used in) investing activities</b>   | <b>74</b>                | <b>18,345</b>       | <b>-</b>     | <b>791,058</b>         | <b>-</b>       | <b>-</b>            | <b>-</b>              | <b>-</b>            | <b>809,477</b>         |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <b>(466,768)</b>         | <b>(187,657)</b>    | <b>-</b>     | <b>(87,601)</b>        | <b>(64)</b>    | <b>239,022</b>      | <b>(47,832)</b>       | <b>-</b>            | <b>(550,900)</b>       |
| Balances - beginning of year, restated   | 1,361,005                | 205,222             | -            | 562,562                | 64             | 814,357             | 47,832                | -                   | 2,991,042              |
| <b>Balances - end of year</b>  | <b>\$ 894,237</b>        | <b>\$ 17,565</b>    | <b>\$ -</b>  | <b>\$ 474,961</b>      | <b>\$ -</b>    | <b>\$ 1,053,379</b> | <b>\$ -</b>           | <b>\$ -</b>         | <b>\$ 2,440,142</b>    |
| <b>Reconciliation to Statement of Net Position:</b>  |                          |                     |              |                        |                |                     |                       |                     |                        |
| Cash and cash equivalents  | \$ 296,888               | \$ 17,565           | \$ -         | \$ -                   | \$ -           | \$ -                | \$ -                  | \$ -                | \$ 314,453             |
| Restricted cash and cash equivalents - current   | 597,349                  | -                   | -            | 474,961                | -              | 1,053,379           | -                     | -                   | 2,125,689              |
| Total cash and cash equivalents, end of year   | <b>\$ 894,237</b>        | <b>\$ 17,565</b>    | <b>\$ -</b>  | <b>\$ 474,961</b>      | <b>\$ -</b>    | <b>\$ 1,053,379</b> | <b>\$ -</b>           | <b>\$ -</b>         | <b>\$ 2,440,142</b>    |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b> |                          |                     |              |                        |                |                     |                       |                     |                        |
| Operating income (loss)  | \$ 77,806                | \$ 2,780,016        | \$ (245,444) | \$ (495,212)           | \$ (25)        | \$ (3)              | \$ -                  | \$ (286,767)        | \$ 1,830,371           |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                          |                     |              |                        |                |                     |                       |                     |                        |
| Depreciation expense   | 3,158,726                | 521,330             | 243,029      | -                      | -              | -                   | -                     | -                   | 3,923,085              |
| Miscellaneous revenue  | 93,078                   | 77,654              | -            | -                      | -              | -                   | -                     | -                   | 170,732                |
| Change in assets and liabilities:  |                          |                     |              |                        |                |                     |                       |                     |                        |
| Due from other funds   | 383,595                  | (715,553)           | -            | (1,962)                | -              | -                   | (47,832)              | -                   | (381,752)              |
| Accounts receivable  | 154,697                  | (20,049)            | (1,823)      | -                      | -              | -                   | -                     | -                   | 132,825                |
| Due from other governments   | -                        | 37,308              | -            | -                      | -              | -                   | -                     | -                   | 37,308                 |
| Other receivable   | (8,845)                  | 3,993               | -            | -                      | (10,725)       | -                   | -                     | -                   | (15,577)               |
| Accounts payable   | (79,991)                 | 156,810             | (1,977)      | -                      | -              | -                   | -                     | 2,995               | 77,837                 |
| Accrued payroll payable  | 4,583                    | 5,047               | -            | -                      | -              | -                   | -                     | (3,990)             | 5,640                  |
| Deposits subject to refund   | -                        | -                   | -            | -                      | -              | (60,293)            | -                     | -                   | (63,527)               |
| Due to other funds   | 82,088                   | 120,797             | 6,215        | 8,515                  | 10,686         | 299,318             | -                     | 13,849              | 541,668                |
| Net pension obligation   | 140,553                  | 124,880             | -            | -                      | -              | -                   | -                     | 23,534              | 288,967                |
| Net OPEB obligation  | 66,063                   | 58,952              | -            | -                      | -              | -                   | -                     | -                   | 125,015                |
| Accrued compensated absences   | (13,078)                 | (15,808)            | -            | -                      | -              | -                   | -                     | 2,732               | (26,154)               |
| <b>Net cash provided by (used in) operating activities</b>   | <b>\$ 4,059,275</b>      | <b>\$ 3,132,143</b> | <b>\$ -</b>  | <b>\$ (488,659)</b>    | <b>\$ (64)</b> | <b>\$ 239,022</b>   | <b>\$ (47,832)</b>    | <b>\$ (247,647)</b> | <b>\$ 6,646,238</b>    |
| <b>Noncash activities:</b>   |                          |                     |              |                        |                |                     |                       |                     |                        |
| Asset transferred from other funds   | 53,783                   | 235,971             | -            | -                      | -              | -                   | -                     | -                   | 289,754                |
|  | <b>\$ 53,783</b>         | <b>\$ 235,971</b>   | <b>\$ -</b>  | <b>\$ -</b>            | <b>\$ -</b>    | <b>\$ -</b>         | <b>\$ -</b>           | <b>\$ -</b>         | <b>\$ 289,754</b>      |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Combining Statement of Net Position – Internal Service Funds – December 31, 2013**

|  | <u>Self Insurance Fund</u> | <u>Employee<br/>Insurance</u> | <u>Worker's Comp</u>  | <u>Total</u>          |
|--|----------------------------|-------------------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                                |                            |                               |                       |                       |
| Current assets:                              |                            |                               |                       |                       |
| Cash and cash equivalents                    | \$ -                       | \$ 31,860                     | \$ 4,909              | \$ 36,769             |
| Due from other funds                         | 5,715                      | 469,088                       | -                     | 474,803               |
| Accounts receivable, net                     | -                          | 14,743                        | -                     | 14,743                |
| Annuities receivable                         | -                          | -                             | 23,232                | 23,232                |
| Total current assets                         | <u>5,715</u>               | <u>515,691</u>                | <u>28,141</u>         | <u>549,547</u>        |
| Total assets                                 | <u>5,715</u>               | <u>515,691</u>                | <u>28,141</u>         | <u>549,547</u>        |
| <b>LIABILITIES</b>                           |                            |                               |                       |                       |
| Current liabilities:                         |                            |                               |                       |                       |
| Accounts payable and accrued liabilities     | 5,016                      | 6,459                         | 8,493                 | 19,968                |
| Due to other funds                           | -                          | -                             | 659,935               | 659,935               |
| Total current liabilities                    | <u>5,016</u>               | <u>6,459</u>                  | <u>668,428</u>        | <u>679,903</u>        |
| Non-current liabilities:                     |                            |                               |                       |                       |
| Claims and judgments, net of current portion | -                          | 201,069                       | 813,398               | 1,014,467             |
| Total non-current liabilities                | <u>-</u>                   | <u>201,069</u>                | <u>813,398</u>        | <u>1,014,467</u>      |
| Total liabilities                            | <u>5,016</u>               | <u>207,528</u>                | <u>1,481,826</u>      | <u>1,694,370</u>      |
| <b>NET POSITION</b>                          |                            |                               |                       |                       |
| Unrestricted (deficit)                       | 699                        | 308,163                       | (1,453,685)           | (1,144,823)           |
| Total net position                           | <u>\$ 699</u>              | <u>\$ 308,163</u>             | <u>\$ (1,453,685)</u> | <u>\$ (1,144,823)</u> |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds – Year Ended December 31, 2013**

|  | <u>Self Insurance<br/>Fund</u> | <u>Employee<br/>Insurance</u> | <u>Worker's Comp</u>  | <u>Total</u>          |
|--|--------------------------------|-------------------------------|-----------------------|-----------------------|
| <b>REVENUES</b>                          |                                |                               |                       |                       |
| Charges for services                     | \$ -                           | \$ 2,970,433                  | \$ 377,631            | \$ 3,348,064          |
| Miscellaneous                            | 88,299                         | 65,071                        | -                     | 153,370               |
| Total operating revenues                 | <u>88,299</u>                  | <u>3,035,504</u>              | <u>377,631</u>        | <u>3,501,434</u>      |
| <b>OPERATING EXPENSES</b>                |                                |                               |                       |                       |
| General government                       | -                              | 83,650                        | 64,813                | 148,463               |
| Claims expense                           | 54,678                         | 2,786,874                     | 495,862               | 3,337,414             |
| Total operating expenses                 | <u>54,678</u>                  | <u>2,870,524</u>              | <u>560,675</u>        | <u>3,485,877</u>      |
| Operating income (loss)                  | <u>33,621</u>                  | <u>164,980</u>                | <u>(183,044)</u>      | <u>15,557</u>         |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                                |                               |                       |                       |
| Interest and investment revenue          | -                              | -                             | (136)                 | (136)                 |
| Miscellaneous revenue                    | -                              | -                             | 21,457                | 21,457                |
| Total non-operating revenue (expenses)   | <u>-</u>                       | <u>-</u>                      | <u>21,321</u>         | <u>21,321</u>         |
| Change in net position                   | 33,621                         | 164,980                       | (161,723)             | 36,878                |
| Total net position (deficit) - beginning | (32,922)                       | 143,183                       | (1,291,962)           | (1,181,701)           |
| Total net position (deficit) - ending    | <u>\$ 699</u>                  | <u>\$ 308,163</u>             | <u>\$ (1,453,685)</u> | <u>\$ (1,144,823)</u> |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

**Combining Statement of Cash Flows – Internal Service Funds – Year Ended December 31, 2013**

|  | <u>Self Insurance<br/>Fund</u> | <u>Employee Insurance</u> | <u>Worker's Comp</u> | <u>Total</u>        |
|--|--------------------------------|---------------------------|----------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                |                           |                      |                     |
| Receipts from customers  | \$ 88,299                      | \$ 3,033,536              | \$ 406,251           | \$ 3,528,086        |
| Payments to suppliers and employees  | (58,163)                       | (77,266)                  | (64,813)             | (200,242)           |
| Claims and judgments paid  | -                              | (2,894,373)               | (461,152)            | (3,355,525)         |
| Interfund receipts   | -                              | -                         | 99,498               | 99,498              |
| Interfund payments   | (30,136)                       | (444,667)                 | -                    | (474,803)           |
| <b>Net cash provided by (used in) operating activities</b>   | <u>-</u>                       | <u>(382,770)</u>          | <u>(20,216)</u>      | <u>(402,986)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                |                           |                      |                     |
| Interest and dividends   | -                              | -                         | (136)                | (136)               |
| <b>Net cash provided by (used in) investing activities</b>   | <u>-</u>                       | <u>-</u>                  | <u>(136)</u>         | <u>(136)</u>        |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | -                              | (382,770)                 | (20,352)             | (403,122)           |
| <b>Balances - beginning of year</b>  | -                              | 414,630                   | 25,261               | 439,891             |
| <b>Balances - end of year</b>  | <u>\$ -</u>                    | <u>\$ 31,860</u>          | <u>\$ 4,909</u>      | <u>\$ 36,769</u>    |
| <b>Reconciliation to Statement of Net Position:</b>  |                                |                           |                      |                     |
| Cash and cash equivalents  | \$ -                           | \$ 31,860                 | \$ 4,909             | \$ 36,769           |
| Total cash and cash equivalents, end of year   | <u>\$ -</u>                    | <u>\$ 31,860</u>          | <u>\$ 4,909</u>      | <u>\$ 36,769</u>    |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b> |                                |                           |                      |                     |
| Operating income (loss)  | \$ 33,621                      | \$ 164,980                | \$ (183,044)         | \$ 15,557           |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |                                |                           |                      |                     |
| Miscellaneous revenue  | -                              | -                         | 21,457               | 21,457              |
| Change in assets and liabilities:  |                                |                           |                      |                     |
| Due from other funds   | (24,421)                       | (444,667)                 | -                    | (469,088)           |
| Due to other funds   | (5,715)                        | -                         | 99,498               | 93,783              |
| Other receivable   | -                              | (1,968)                   | 7,163                | 5,195               |
| Accounts payable   | (8,501)                        | 6,384                     | 4,436                | 2,319               |
| Accrued payroll payable  | 5,016                          | -                         | -                    | 5,016               |
| Claims and judgments liability   | -                              | (107,499)                 | 30,274               | (77,225)            |
| <b>Net cash provided by (used in) operating activities</b>   | <u>\$ -</u>                    | <u>\$ (382,770)</u>       | <u>\$ (20,216)</u>   | <u>\$ (402,986)</u> |

**CITY OF DUNCAN, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
DECEMBER 31, 2013**

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**Debt Service Coverage Schedule – Year Ended December 31, 2013**

| <b>DEBT SERVICE COVERAGE:</b>   | <b>OWRB Series<br/>2002A, 2005,<br/>2007, 2009A, 2009C<br/>Promissory Notes</b> |
|---|---|
| <b>GROSS REVENUE AVAILABLE:</b>   |   |
| Charges for services (water, electric, garbage and wastewater)                    | \$ 28,703,325   |
| Investment income   | (80,609)  |
| Total Gross Revenue Available   | 28,622,716  |
| <b>OPERATING EXPENSES:</b>  |   |
| Total Operating Expenses (excludes depreciation and amortization)                 | 23,110,910  |
| Net Revenue Available for Debt Service  | 5,511,806   |
| <b>Maximum Annual Remaining Debt Service on all OWRB Obligations Payable From</b> |   |
| Revenues of the System  | \$ 2,625,226  |
| Current Annual Debt Service   | -   |
|   | \$ 2,625,226  |
| Computed Coverage   | 210%  |
| Coverage Requirement  | 125%  |