

**CITY OF PURCELL, OKLAHOMA**  
**Report on Audit of Financial Statements**  
**June 30, 2011**

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**INDEPENDENT AUDITOR'S  
REPORT**

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**Independent Auditor's Report**

City Council  
City of Purcell  
Purcell, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Purcell, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Purcell's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Purcell's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Purcell Municipal Hospital, a discretely presented component unit, which represents 100% of the assets, liabilities, net assets, revenues, and expenses of the discretely presented component unit. Those financial statements were audited by the other auditors whose report thereon has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Purcell Municipal Hospital, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Purcell, Oklahoma, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2011, on our consideration of the City of Purcell's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and page 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Purcell's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

***Dillon & Associates, P.C.***

Midwest City, Oklahoma  
August 29, 2011

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Purcell  
Management's Discussion and Analysis  
June 30, 2011**

The following discussion and analysis of the City of Purcell's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements, which begin on page 11.

**Financial Highlights**

- The assets of the City of Purcell exceeded its liabilities at the close of the most recent fiscal year by \$20,343,325 (net assets), an increase of \$1,987,058 or 10.82% from the prior year. A significant portion of the increase was due to the reduction in long-term debt.
- During the year, the City's expenses for governmental activities were \$4,655,659 and were funded by program revenues of \$293,793, and further funded with taxes and other general revenues, grants and net transfers that totaled \$5,457,464.
- In the business-type activities, which are primarily utilities, had program expenses of \$8,514,317 and were funded by program revenues of \$9,463,094 and other general revenues and net transfers totaled \$(57,317).
- Sales and use taxes increased by \$149,442 or 3.76% over the prior fiscal year.
- At June 30, 2011, the General Fund reported an unreserved, undesignated fund balance of \$1,278,838, an increase of \$603,828 from the prior year.
- The City's total debt decreased by \$2,223,366 during the current fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Purcell's basic financial statements. The City of Purcell's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad view of the City of Purcell's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Purcell's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Purcell is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**City of Purcell**  
**Management's Discussion and Analysis**  
**June 30, 2011**

Both of the government-wide financial statements distinguish functions of the City of Purcell that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Purcell include general government, public safety, public works, and culture and recreation. The business-type activities of the City of Purcell, which include the City's electric, water, wastewater, sanitation utility operations, and broad band wireless Internet services, include the Purcell Public Works Authority, as well as the Purcell Airport Authority and Purcell Golf Course.

The government-wide financial statements include not only the City of Purcell itself (known as the primary government), but also the legally separate authorities (Purcell Municipal Hospital) for which the City of Purcell is financially accountable. Financial information for these component units is reported separately from the financial information for the primary government itself. The Purcell Public Works Authority, the Purcell Airport Authority, and the Purcell Golf Course, although also legally separate, function for all practical purposes as departments of the City of Purcell, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 12-13 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Purcell, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Purcell can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and other governmental funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

**City of Purcell**  
**Management's Discussion and Analysis**  
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**Proprietary funds.** The City maintains three types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its public works authority, municipal airport, and its municipal golf course.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its unemployment insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Purcell Public Works Authority, Purcell Golf Course, and Purcell Airport Authority, which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City has two fiduciary funds-the meter deposit fund and the municipal court fund, which are agency funds.

The fiduciary fund financial statements can be found on page 20 of the report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 21-43 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's actual revenues and expenditures on a budgetary basis compared with the original and final budgets for the general fund. Required supplementary information can be found on page 44 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budget and actual revenues and expenditures for the general fund. Combining and individual fund statements and schedules can be found on pages 45-46 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$20,343,325 at the close of the most recent fiscal year.

**City of Purcell**  
**Management's Discussion and Analysis**  
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By far the largest portion of the City's net assets (80.2%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1  
**Net Assets**  
(In Thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 2,587	2,020	2,482	3,844	5,069	5,864
Capital assets	11,667	11,239	8,900	9,008	20,567	20,247
Total assets	<u>14,254</u>	<u>13,259</u>	<u>11,382</u>	<u>12,852</u>	<u>25,636</u>	<u>26,111</u>
Long-term debt outstanding	-	-	2,729	4,368	2,729	4,368
Other liabilities	483	584	2,080	2,803	2,563	3,387
Total liabilities	<u>483</u>	<u>584</u>	<u>4,809</u>	<u>7,171</u>	<u>5,292</u>	<u>7,755</u>
Net assets:						
Invested in capital assets, net of debt	11,667	11,239	4,656	3,030	16,323	14,269
Restricted	835	1,062	1,018	1,581	1,853	2,643
Unrestricted	1,269	374	899	1,070	2,168	1,444
Total net assets	<u>\$ 13,771</u>	<u>12,675</u>	<u>6,573</u>	<u>5,681</u>	<u>20,344</u>	<u>18,356</u>

A portion of the City's net assets (9.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$2,167,876 may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net assets increased by \$1,987,058 during the current fiscal year. This increase represents the overall excess of revenues over expenses.

**Governmental activities.** Governmental activities increased the City's net assets by \$1,095,598. The key elements of this increase are proceeds from grant awards and a decrease in governmental expenses.

**Business-type activities.** Business-type activities increased the City's net assets by \$891,460. The key elements in this increase are an increase in revenues and a decrease of operating expenses.

**City of Purcell  
Management's Discussion and Analysis  
June 30, 2011**

Table 2  
Changes in Net Assets (In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>						
<b>Program revenues</b>						
Charges for services	\$ 207	201	9,463	8,424	9,670	8,625
Operating grants	590	101	-	-	590	101
Capital grants	-	52	-	-	-	52
<b>General revenues</b>						
Sales and use taxes	4,120	3,970	-	-	4,120	3,970
Franchise tax (fees)	81	83	-	-	81	83
Other taxes	300	293	-	-	300	293
Fines/forfeitures	87	211	-	-	87	211
Investment income	6	9	12	15	18	24
Other	121	201	169	175	290	376
<b>Total revenues</b>	<u>5,512</u>	<u>5,121</u>	<u>9,644</u>	<u>8,614</u>	<u>15,156</u>	<u>13,735</u>
<b>Expenses:</b>						
General government	706	1,347	1,602	1,078	2,308	2,425
Public safety	2,630	3,360	-	-	2,630	3,360
Public works	1,164	1,143	-	-	1,164	1,143
Cultural & recreation	156	179	-	-	156	179
Electric	-	-	4,302	3,678	4,302	3,678
Water	-	-	894	813	894	813
Sewer	-	-	334	383	334	383
Sanitation	-	-	594	589	594	589
Ambulance	-	-	248	224	248	224
Golf course	-	-	507	510	507	510
Other	-	-	32	33	32	33
<b>Total expenses</b>	<u>4,656</u>	<u>6,029</u>	<u>8,513</u>	<u>7,308</u>	<u>13,169</u>	<u>13,337</u>
<b>Increase in net assets</b>						
before transfers	856	(908)	1,131	1,306	1,987	398
Transfers	239	(156)	(239)	156	-	-
<b>Change in net assets</b>	<u>1,095</u>	<u>(1,064)</u>	<u>892</u>	<u>1,462</u>	<u>1,987</u>	<u>398</u>
Beginning net assets	12,675	13,739	5,681	4,219	18,356	17,958
<b>Ending net assets</b>	<u>\$ 13,770</u>	<u>12,675</u>	<u>6,573</u>	<u>5,681</u>	<u>20,343</u>	<u>18,356</u>

**City of Purcell  
Management's Discussion and Analysis  
June 30, 2011**

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,421,564, an increase of \$644,012, in comparison with the prior year. The unreserved fund balance which is available for spending at the government's discretion had a balance of \$1,278,838. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for capital improvements and encumbrances.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund had a balance of \$1,278,838.

The fund balance of the City's general fund increased by \$603,828 during the current fiscal year.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Purcell Public Works Authority at the end of the year amounted to \$919,212. The total decrease in unrestricted net assets was \$185,884.

- Operating revenues increased by approximately \$1,002,162 over the prior year, mainly for electric and water services.
- Operating expenses increased by approximately \$1,304,551 over the prior year, mainly in the electric, water and general administration departments.

**General Fund Budgetary Highlights**

There were differences between the original budget and the final budget for the general fund. Overall, actual revenues on the budgetary basis of \$5,389,543 were \$804,218 more than the estimated revenues in the budget of \$4,585,325. Actual expenditures of \$4,452,617 were \$108,901 less than the \$4,561,518 approved in budget appropriations. After transfers out of \$333,098 to other funds, the City increased its carryforward funds by \$603,828. The amount of carryover funds budget for expenditure was \$1,283,159.

**Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$20,567,169 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, vehicles, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Minor equipment purchases in various funds.

**City of Purcell  
Management's Discussion and Analysis  
June 30, 2011**

Table 3  
Capital Assets  
(In Thousands)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Construction in progress	\$ -	-	1,434	-	1,434	-
Land	972	982	1,356	1,356	2,328	2,338
Buildings	6,130	6,026	1,221	1,221	7,351	7,247
Machinery and equipment	1,676	1,323	1,064	963	2,740	2,286
Vehicles	1,439	2,299	806	784	2,245	3,083
Infrastructure	21,917	21,917	14,630	16,586	36,547	38,503
Less: Accum. depreciation	(20,895)	(20,880)	(11,503)	(12,010)	(32,398)	(32,890)
<b>Total capital assets, net</b>	<b>\$ 11,239</b>	<b>11,667</b>	<b>9,008</b>	<b>8,900</b>	<b>20,247</b>	<b>20,567</b>

Additional information of the City's capital assets can be found in Note 3.D. On pages 32-34 of this report.

**Long-term debt.** As of the end of the current fiscal year, the City had total debt outstanding of \$4,244,659. This represents debt secured solely by specified revenue sources (i.e., revenue notes and bonds) of \$4,188,839 and capital lease obligations totaling \$55,820.

Table 4  
Long-term Debt  
(In Thousands)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Notes payable	\$ -	-	3,049	4,592	3,049	4,592
Revenue bonds	-	-	1,140	1,820	1,140	1,820
Other	-	-	55	87	55	87
<b>Total long-term debt</b>	<b>\$ -</b>	<b>-</b>	<b>4,244</b>	<b>6,499</b>	<b>4,244</b>	<b>6,499</b>

**City of Purcell  
Management's Discussion and Analysis  
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The City's total debt decreased by \$2,254,759 during the current fiscal year. The key factors in this decrease were principal payments on outstanding debt.

Additional information on the City's long-term debt can be found in Notes 3.F. and 3.G. on pages 34-38 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The City's elected and appointed officials considered many factors when setting the fiscal-year 2011-2012 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. A potential downturn of the national economy is expected to have limited effect on the local economy for the coming year. Employment costs are stable and sales tax revenues continue to increase over previous periods. Utility revenues are expected to continue to increase at a moderate rate.

These indicators were taken into account when adopting the general fund budget for 2011-2012.

❖ Revenues and expenses for the City's general fund are expected to increase slightly over the actual amounts received and expended in the fiscal year ended June 30, 2011.

❖ As for the City's proprietary fund activities, we expect growth in the revenues and expenses over those received in 2011 due to a water and sewer rate increase.

All of these factors were considered in preparing the City's budget for the 2011-2012 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$1,283,159. The City has this amount available for spending in the 2011-2012 fiscal year budget. It is intended that this use of available fund balance will avoid the need to significantly raise taxes or charges during the 2011-2012 fiscal year.

**Requests for Information**

This financial report is designed to provide our citizens, funding agencies, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the City of Purcell, 230 West Main Street, Purcell, Oklahoma 73080.

# **BASIC FINANCIAL STATEMENTS**

City of Purcell, Oklahoma  
Statement of Net Assets  
June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Municipal Hospital
<b>ASSETS</b>				
Current assets:				
Pooled cash and cash equivalents	\$ 2,167,385	536,984	2,704,369	527,340
Investments	-	-	-	95,000
Receivables, net of allowance for uncollectibles:				
Accounts	13,681	812,135	825,816	3,125,286
Taxes	399,889	-	399,889	-
Accrued interest	-	2,370	2,370	218
Internal balances	5,960	6,570	12,530	-
Inventories	-	148,498	148,498	45,419
Prepaid expenses	-	-	-	87,016
Restricted assets:				
Restricted cash and investments	-	876,183	876,183	1,487,421
Total current assets	<u>2,586,915</u>	<u>2,382,740</u>	<u>4,969,655</u>	<u>5,367,700</u>
Noncurrent assets:				
Debt issuance costs, net of accumulated amortization	-	98,804	98,804	10,429
Capital assets, net of accumulated depreciation	11,666,804	8,900,365	20,567,169	3,534,999
Total noncurrent assets	<u>11,666,804</u>	<u>8,999,169</u>	<u>20,665,973</u>	<u>3,545,428</u>
Total assets	<u><u>14,253,719</u></u>	<u><u>11,381,909</u></u>	<u><u>25,635,628</u></u>	<u><u>8,913,128</u></u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	69,728	426,847	496,575	906,668
Accrued interest payable	-	44,327	44,327	-
Current portion of long-term obligations	-	1,515,383	1,515,383	404,140
Total current liabilities	<u>69,728</u>	<u>1,986,557</u>	<u>2,056,285</u>	<u>1,310,808</u>
Noncurrent liabilities:				
Capital lease obligations	-	22,870	22,870	-
Notes payable	-	2,706,406	2,706,406	929,958
Accrued compensated absences	413,553	93,189	506,742	-
Total noncurrent liabilities	<u>413,553</u>	<u>2,822,465</u>	<u>3,236,018</u>	<u>929,958</u>
Total liabilities	<u><u>483,281</u></u>	<u><u>4,809,022</u></u>	<u><u>5,292,303</u></u>	<u><u>2,240,766</u></u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	11,666,804	4,655,707	16,322,511	-
Restricted for:				
Capital improvements	834,972	-	834,972	-
Debt service	-	876,058	876,058	-
Other purposes	-	141,908	141,908	70
Unrestricted	1,268,662	899,214	2,167,876	6,672,292
Total net assets	<u><u>\$ 13,770,438</u></u>	<u><u>6,572,887</u></u>	<u><u>20,343,325</u></u>	<u><u>6,672,362</u></u>

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma  
Statement of Activities  
For the Year Ended June 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities:					
General government	\$ 705,711	206,728	-	-	(498,983)
Public safety	2,630,435	87,065	36,583	-	(2,506,787)
Public works	1,163,626	-	551,573	-	(612,053)
Culture and recreation	155,887	-	2,287	-	(153,600)
Total government activities	<u>4,655,659</u>	<u>293,793</u>	<u>590,443</u>	<u>-</u>	<u>(3,771,423)</u>
Business-type activities:					
Administration	1,602,055	-	-	-	(1,602,055)
Electric	4,302,455	6,253,167	-	-	1,950,712
Water	893,761	1,409,579	-	-	515,818
Sewer	333,668	262,846	-	-	(70,822)
Sanitation	593,990	665,835	-	-	71,845
Ambulance	247,653	247,912	-	-	259
Golf course	508,617	511,383	-	-	2,766
Other	32,118	112,372	-	-	80,254
Total business-type activities	<u>8,514,317</u>	<u>9,463,094</u>	<u>-</u>	<u>-</u>	<u>948,777</u>
Total primary government	<u>13,169,976</u>	<u>9,756,887</u>	<u>590,443</u>	<u>-</u>	<u>(2,822,646)</u>
<b>COMPONENT UNITS</b>					
Purcell Municipal Hospital	15,298,587	15,844,378	-	-	545,791
Total component units	<u>\$ 15,298,587</u>	<u>15,844,378</u>	<u>-</u>	<u>-</u>	<u>545,791</u>

City of Purcell, Oklahoma  
Statement of Activities  
For the Year Ended June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Municipal Hospital
<b>Change in net assets:</b>				
Net (expense) revenue	\$ (3,771,423)	948,777	(2,822,646)	545,791
<b>General revenues:</b>				
Taxes:				
Sales and use	4,119,881	-	4,119,881	-
Franchise	81,322	-	81,322	-
Other	299,800	-	299,800	-
Unrestricted investment income	5,781	12,339	18,120	12,461
Miscellaneous	121,443	169,138	290,581	12,871
Transfers - internal activity	238,794	(238,794)	-	-
<b>Total general revenues and transfers</b>	<u>4,867,021</u>	<u>(57,317)</u>	<u>4,809,704</u>	<u>25,332</u>
<b>Change in net assets</b>	1,095,598	891,460	1,987,058	571,123
<b>Net assets - beginning</b>	<u>12,674,840</u>	<u>5,681,427</u>	<u>18,356,267</u>	<u>6,101,239</u>
<b>Net assets - ending</b>	<u>\$ 13,770,438</u>	<u>6,572,887</u>	<u>20,343,325</u>	<u>6,672,362</u>

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma  
 Governmental Funds  
 Balance Sheet  
 June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 928,740	1,143,022	2,071,762
Receivables, net	13,681	-	13,681
Due from other governments	395,410	4,479	399,889
Due from other funds	5,960	-	5,960
	<u>1,343,791</u>	<u>1,147,501</u>	<u>2,491,292</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	60,632	9,096	69,728
Total liabilities (Note 2)	<u>60,632</u>	<u>9,096</u>	<u>69,728</u>
Fund balances:			
Reserved for:			
Capital improvements	4,321	830,651	834,972
Unreserved, reported in:			
General fund	1,278,838	-	1,278,838
Special revenue funds	-	307,754	307,754
Total fund balances	<u>1,283,159</u>	<u>1,138,405</u>	<u>2,421,564</u>
Total liabilities and fund balances	<u>\$ 1,343,791</u>	<u>1,147,501</u>	
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not required in the funds.			11,666,804
Internal service funds are used to charge the costs of unemployment insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.			95,623
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Accrued compensated absences			(413,553)
			<u>11,348,874</u>
Net assets of governmental activities		<u>\$ 13,770,438</u>	

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Taxes	\$ 4,201,203	-	4,201,203
Intergovernmental	835,658	54,585	890,243
Licenses and permits	106,923	-	106,923
Charge for services	93,428	6,377	99,805
Fines and forfeitures	87,065	-	87,065
Interest	4,499	1,282	5,781
Miscellaneous	60,767	60,676	121,443
Total revenues	<u>5,389,543</u>	<u>122,920</u>	<u>5,512,463</u>
<b>EXPENDITURES</b>			
Current:			
General government	587,661	61,849	649,510
Public safety	3,178,585	34,954	3,213,539
Public works	564,737	-	564,737
Culture and recreation	121,634	-	121,634
Capital outlay	-	566,921	566,921
Total expenditures	<u>4,452,617</u>	<u>663,724</u>	<u>5,116,341</u>
Excess (deficiency) of revenues over expenditures	<u>936,926</u>	<u>(540,804)</u>	<u>396,122</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	657,637	1,592,611	2,250,248
Transfers out	(990,735)	(1,020,719)	(2,011,454)
Total other financing sources and uses	<u>(333,098)</u>	<u>571,892</u>	<u>238,794</u>
Net change in fund balances	603,828	31,088	634,916
Fund balances-beginning	679,331	1,107,317	1,786,648
Fund balances-ending	<u>\$ 1,283,159</u>	<u>1,138,405</u>	<u>2,421,564</u>

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 634,916

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current reporting period.

Capital outlay expenditures, net	1,412,402
Depreciation expense	(984,803)
	427,599

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Change in accrued compensated absences	22,200
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

10,883
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Change in net assets of governmental activities.	\$ 1,095,598
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City of Purcell, Oklahoma  
Proprietary Funds  
Statement of Net Assets  
June 30, 2011

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental
	Public Works Authority	Public Works Authority	Airport		Internal Service
	<u>Utilities</u>	<u>Golf Course</u>	<u>Authority</u>		<u>Fund</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 513,801	65,075	(41,892)	536,984	95,624
Receivables, accounts					
Accounts, net of allowance for uncollectibles	812,135	-	-	812,135	-
Accrued interest	2,370	-	-	2,370	-
Due from other funds	6,570	-	-	6,570	-
Inventories	141,908	6,590	-	148,498	-
Restricted assets - cash and investments	876,183	-	-	876,183	-
Total current assets	<u>2,352,967</u>	<u>71,665</u>	<u>(41,892)</u>	<u>2,382,740</u>	<u>95,624</u>
Non-current assets:					
Bond issuance costs, net of accumulated amortization	98,804	-	-	98,804	-
Capital assets, net of accumulated depreciation	6,914,181	1,394,012	592,172	8,900,365	-
Total non-current assets	<u>7,012,985</u>	<u>1,394,012</u>	<u>592,172</u>	<u>8,999,169</u>	<u>-</u>
Total assets	<u>9,365,952</u>	<u>1,465,677</u>	<u>550,280</u>	<u>11,381,909</u>	<u>95,624</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	399,215	27,632	-	426,847	-
Accrued interest payable	44,327	-	-	44,327	-
Current portion of long-term obligations	1,503,665	11,718	-	1,515,383	-
Total current liabilities	<u>1,947,207</u>	<u>39,350</u>	<u>-</u>	<u>1,986,557</u>	<u>-</u>
Non-current liabilities:					
Capital lease obligations	22,870	-	-	22,870	-
Notes payable	2,391,174	315,232	-	2,706,406	-
Accrued compensated absences	71,050	22,139	-	93,189	-
Total non-current liabilities	<u>2,485,094</u>	<u>337,371</u>	<u>-</u>	<u>2,822,465</u>	<u>-</u>
Total liabilities	<u>4,432,301</u>	<u>376,721</u>	<u>-</u>	<u>4,809,022</u>	<u>-</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,996,473	1,067,062	592,172	4,655,707	-
Restricted:					
Debt service	876,058	-	-	876,058	-
Inventory	141,908	-	-	141,908	-
Payment of claims	-	-	-	-	95,624
Unrestricted	919,212	21,894	(41,892)	899,214	-
Total net assets	<u>\$ 4,933,651</u>	<u>1,088,956</u>	<u>550,280</u>	<u>6,572,887</u>	<u>95,624</u>

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Public Works	Public Works	Airport	Total	Internal
	Authority	Authority		Enterprise	Service
	<u>Utilities</u>	<u>Golf Course</u>	<u>Authority</u>	<u>Funds</u>	<u>Fund</u>
<b><u>OPERATING REVENUES:</u></b>					
Charges for services					
Electric	\$ 6,253,167	-	-	6,253,167	-
Water	1,409,579	-	-	1,409,579	-
Sewer	262,846	-	-	262,846	-
Sanitation	665,835	-	-	665,835	-
Other	110,827	-	1,545	112,372	15,095
Ambulance	247,912	-	-	247,912	-
Golf	-	511,383	-	511,383	-
Total operating revenues	<u>8,950,166</u>	<u>511,383</u>	<u>1,545</u>	<u>9,463,094</u>	<u>15,095</u>
<b><u>OPERATING EXPENSES:</u></b>					
General and administration	732,198	-	-	732,198	4,394
Electric	4,169,090	-	-	4,169,090	-
Water	673,531	-	-	673,531	-
Sewer	103,674	-	-	103,674	-
Sanitation	593,990	-	-	593,990	-
Customer and information services	365,818	-	-	365,818	-
Maintenance	156,299	-	-	156,299	-
Ambulance	247,653	-	-	247,653	-
Broadband wireless	5,688	-	-	5,688	-
Golf	-	450,619	-	450,619	-
Airport	-	-	1,450	1,450	-
Depreciation and amortization	679,666	57,998	24,980	762,644	-
Total operating expenses	<u>7,727,607</u>	<u>508,617</u>	<u>26,430</u>	<u>8,262,654</u>	<u>4,394</u>
Operating income (loss)	<u>1,222,559</u>	<u>2,766</u>	<u>(24,885)</u>	<u>1,200,440</u>	<u>10,701</u>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>					
Miscellaneous revenues	153,269	15,869	-	169,138	-
Interest income	12,201	138	-	12,339	183
Interest expense and fiscal charges	(233,346)	(18,317)	-	(251,663)	-
Total nonoperating revenues (expenses)	<u>(67,876)</u>	<u>(2,310)</u>	<u>-</u>	<u>(70,186)</u>	<u>183</u>
<b><u>OPERATING TRANSFERS</u></b>					
Transfers in	372,943	-	-	372,943	-
Transfers out	(611,737)	-	-	(611,737)	-
Total operating transfers	<u>(238,794)</u>	<u>-</u>	<u>-</u>	<u>(238,794)</u>	<u>-</u>
Change in net assets	915,889	456	(24,885)	891,460	10,884
Net assets - beginning	4,017,762	1,088,500	575,165	5,681,427	84,740
Net assets-ending	<u>\$ 4,933,651</u>	<u>1,088,956</u>	<u>550,280</u>	<u>6,572,887</u>	<u>95,624</u>

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Public Works	Public Works	Airport	Total	Internal
	Authority	Authority		Enterprise	Service
	<u>Utilities</u>	<u>Golf Course</u>	<u>Authority</u>	<u>Funds</u>	<u>Fund</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>					
Receipts from customers	\$ 8,716,994	511,383	1,545	9,229,922	15,095
Payments to suppliers	(5,723,791)	(168,609)	(1,450)	(5,893,850)	(4,394)
Payments to employees	(1,247,515)	(301,015)	-	(1,548,530)	-
Net cash provided (used) by operating activities	<u>1,745,688</u>	<u>41,759</u>	<u>95</u>	<u>1,787,542</u>	<u>10,701</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>					
Miscellaneous revenues	153,269	15,870	-	169,139	-
Operating transfers in (out)	(238,794)	-	-	(238,794)	-
Net cash provided (used) by noncapital financing activities	<u>(85,525)</u>	<u>15,870</u>	<u>-</u>	<u>(69,655)</u>	<u>-</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>					
Principal paid on long-term debt	(2,243,676)	(11,084)	-	(2,254,760)	-
Interest expense and fiscal charges	(233,346)	(18,317)	-	(251,663)	-
Decrease (increase) in restricted assets	1,085,801	-	-	1,085,801	-
(Acquisition) disposition of capital assets	(589,547)	(30,230)	-	(619,777)	-
Net cash provided (used) by capital and related financing activities	<u>(1,980,768)</u>	<u>(59,631)</u>	<u>-</u>	<u>(2,040,399)</u>	<u>-</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>					
Interest received	12,201	138	-	12,339	183
Net cash provided (used) by investing activities	<u>12,201</u>	<u>138</u>	<u>-</u>	<u>12,339</u>	<u>183</u>
Net increase (decrease) in cash and cash equivalents	(308,404)	(1,864)	95	(310,173)	10,884
Cash and cash equivalents, beginning of the year	822,205	66,939	(41,987)	847,157	84,740
Cash and cash equivalents, end of the year	<u>\$ 513,801</u>	<u>65,075</u>	<u>(41,892)</u>	<u>536,984</u>	<u>95,624</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>					
Operating income (loss)	1,222,559	2,766	(24,885)	1,200,440	10,701
Adjustments to reconcile operating income to net cash provided by operating activities:					
Cash flows reported in other categories:					
Depreciation expense	679,666	57,998	24,980	762,644	-
Change in assets and liabilities:					
Receivable, net	(70,873)	-	-	(70,873)	-
Due to/from other funds	(440)	-	-	(440)	-
Inventories	(1,455)	-	-	(1,455)	-
Prepaid expenses	4,470	-	-	4,470	-
Accounts payable	(66,745)	(7,730)	-	(74,475)	-
Accrued expenses	(21,494)	(11,275)	-	(32,769)	-
Total adjustments	<u>523,129</u>	<u>38,993</u>	<u>24,980</u>	<u>587,102</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 1,745,688</u>	<u>41,759</u>	<u>95</u>	<u>1,787,542</u>	<u>10,701</u>

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma  
Statement of Fiduciary Net Assets  
Agency Funds  
June 30, 2011

	Agency Funds	
	Meter Deposit Fund	Municipal Court Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 168,395	8,716
Total assets	168,395	8,716
<b>LIABILITIES</b>		
Customer deposits	161,825	-
Due to bondholders	-	5,960
Due to other funds	6,570	2,756
Total liabilities	168,395	8,716
<b>NET ASSETS</b>	\$ -	-

See accompanying notes to the basic financial statement.

**NOTES TO BASIC  
FINANCIAL STATEMENTS**

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In accordance with GASB Statement Nos. 20, 34, and 39, for its governmental and business-type activities, enterprise funds the City has elected to apply Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**1.A. - REPORTING ENTITY**

The City of Purcell, Oklahoma (the City) was established in 1887 and 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), public works (streets and cemetery), culture and recreation, general government and administration, along with utility services to include electric, water, wastewater, and sanitation, and golf and airport facilities.

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. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the City.

**Blended component units.** The Purcell Public Works Authority (PPWA) serves all the citizens of the City and is governed by a board comprised of the City's elected council (Trustees). The rates for user charges and debt authorization are approved by the city council. The PPWA was created December 14, 1965, to finance, develop, and operate the electric, water, wastewater, and solid waste activities of the City. The PPWA is reported as an enterprise fund type.

The Purcell Airport Authority was created November 5, 1990 to operate and maintain the Purcell municipal airport. The Purcell Airport Authority and the Purcell Golf Course are reported as enterprise fund types.

Separate financial statements have not been prepared for these component units.

**Discretely presented component unit.** The Purcell Municipal Hospital (Hospital) is a department of the Purcell Public Works Authority created to operate and maintain a health care facility in Purcell. The board of trustees of the Hospital are appointed by the members of the Purcell city council acting as trustees of the PPWA. The PPWA as beneficiary of the Hospital will receive all residual assets of the Hospital upon termination. The PPWA must approve the annual operating budget and the incurrence of any long-term debt of the Hospital. Separate financial statements of the Purcell Municipal Hospital may be obtained by contacting the Hospital.

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

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**1.B. - BASIC FINANCIAL STATEMENTS**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally 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.

*Government-wide financial statements* display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements.

These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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*.

*Fund financial statements* display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charges between the City's business-type activities/enterprise funds, as well as some special revenue funds, and the General Fund. The City allocates charges as reimbursement for services provided by the General Fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**1.C. - BASIS OF PRESENTATION**

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

GASB No. 34 sets forth minimum criteria (percentage of the assets liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City selectively added funds as major funds, which either had debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The City reports the following major governmental funds:

*General Fund*

This is the City's primary operating fund. It accounts for all the financial operations of the City except those required to be accounted for in another fund. Principal sources of revenue are sales tax, licenses and permits, state and county shared revenues and fines and forfeitures. Primary expenditures are for general government, public safety, public works and community development.

Additionally, the City reports seven non-major funds within the governmental fund type. Financial statement for the non-major governmental funds are presented on pages 45 and 46.

The City reports the following major proprietary fund:

*Purcell Utilities Authority Fund*

Accounts for the operation, and maintenance of electric, water, sewer and sanitation systems. This fund is used to account for the acquisition, operation, and maintenance of electric, water and sewer assets. These funds are entirely or predominantly self-supported through user charges to customers.

**1.D. - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus.

The Government-wide Financial Statements and the Proprietary Funds Financial Statements are presented on a *full accrual* basis of accounting with an *economic resource* measurement focus. An economic resource focus concentrates on an entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

Governmental Funds and Permanent Fund Financial Statements are presented on a *modified accrual* basis of accounting with a *current financial resource* measurement focus. This measurement focus concentrates on the fund's resources available for spending in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from a modified accrual basis of accounting. Under modified accrual 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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 Purcell Public Works Authority are charges to customers for sales and services. Operating expenses for enterprise 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.

**1.E. - ASSETS, LIABILITIES AND EQUITY**

***Cash and Investments***

Cash and cash equivalents include cash on hand, demand deposits, short-term investments with original or remaining maturities of three months or less when purchased, and cash and investments in the City-wide investment pool. Investments, including equity in pooled cash and investments, are stated at fair value.

***Restricted Assets***

Assets whose use is restricted for construction, debt service or by other agreement are segregated on the Government-wide Statement of Net Assets and the Proprietary Fund Statement of Net Assets.

***Receivables and Payables***

Activity between funds that represent 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 non-current 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".

Uncollected property taxes receivable that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue.

Property taxes are levied and become a lien on July 1. Collection dates are January 1 and March 1 following the lien date.

Taxes unpaid and outstanding on March 1 are considered delinquent.

Receivables of the enterprise funds are recognized as revenue when earned. Receivables in governmental and enterprise funds are stated net of an allowance for uncollectibles.

***Inventories***

Inventories of materials and supplies in the enterprise funds are stated at cost on a first-in, first-out basis and charged to expenses as used.

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, pathways, street lights, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$1,500 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful lives:

<u>ASSET</u>	<u>YEARS</u>
Buildings and improvements	35-60
Furniture and fixtures	5-10
Machinery and equipment	5-20
Vehicles	5-10
Utility systems	25-99
Infrastructure	25-99

One-half year of depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

***Accrued Compensated Absences and Sick Pay***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees accrue vacation at 6.7 to 13.3 hours per month, depending on length of service, up to a maximum of 200 hours for all employees other than police and firefighters who may accumulate up to 240 hours. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave may be accumulated up to a maximum of 600 hours for employees other than firefighters and 700 hours for firefighters. A liability for fifty percent these amounts is reported in governmental funds only if the employee is eligible for normal retirement. In addition, to be paid sick leave upon retirement, the employee must give a sixty day notice to the City.

In accordance with the guidelines set forth by Governmental Accounting Standards Board (GASB) Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation, compensatory time, and holiday pay.

The Fraternal Order of Police and the firemen accrue sick leave at ten hours per month, with the maximum limit of 700 hours. All other employees accrue eight hours of sick leave per month with a maximum limit of 600 hours. Sick leave is not recorded until paid. Employees who retire meeting the City's retirement requirements, shall be paid one-half (1/2) of their accrued sick leave up to a maximum of three hundred (300) hours. Fraternal Order of Police employees and firemen who are eligible for normal retirement or who are terminated due to disability shall receive pay for one hundred percent (100%) of his or her accrued sick leave.

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Long-Term Debt***

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 Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as other financing uses. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Fund Equity***

Tentative plans for utilization of fund balances in future periods are recorded as designations of fund balance in the fund-level financial statements. Planned expenditures include future capital projects, debt service, equipment reserves and other commitments for which fund balances have not been appropriated or specifically segregated.

***Use of Estimates***

In preparing the City of Purcell's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Subsequent Events***

Subsequent events have been evaluated through August 29, 2011, which is the date the financial statements were issued.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2.A. - DEFICIT FUND BALANCES OR NET ASSETS**

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). At June 30, 2011, the City reported no individual fund deficits.

**2.B. - BUDGETARY INFORMATION**

**2.B.1. - BUDGET POLICY AND PRACTICE**

The City Manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. By June, the City Council adopts the annual fiscal year budgets for City operating funds. The City's financial statement presents budget and actual financial statements for the following funds approved in the budget: General, Capital Projects, Debt Service and Purcell Public Works Authority. In addition, the City Council approves budgets for other operations, in part or in whole, not presented in the financial statements. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budgets and other planning documents to their respective governing bodies.

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued**

**2.B.2. - BASIS OF BUDGETING**

Revenues are budgeted by source. Expenditures are budgeted by department and classified as follows: personal services, material and supplies, other services and charges, capital outlays, transfers and debt service. Budget revisions at this level are managed administratively and reported to the City Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without approval. Revisions to the budget are made throughout the year.

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditure/encumbrance basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

**2.C. - DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

In accordance with State Law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), the financial institutions pledging collateral to the City must do so with a written collateral agreement approved by the board of directors or loan committee.

Investments of the City (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by State Law to the following:

Direct obligations of the U.S. Government, its agencies and instrumentalities.

- a. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.
- b. Negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations. Any investments in these instruments must be fully collateralized with investments mentioned in the previous paragraphs a. and b., where the collateral has been deposited with a trustee in an irrevocable trust or escrow account.
- c. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- d. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c. and d.

Public trusts created under Title 60 of the Oklahoma Statutes, are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2011, the City and its included component unit complied, in all material respects, with the above noted investment restrictions.

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued**

**2.D. - REVENUE RESTRICTIONS**

Certain restrictions are placed over certain revenue sources due to state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	Debt service on Revenue Notes
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
Grant Revenues	Grant Agreement Specified Uses
Electric, Water and Sewer	Debt service on Revenue Notes and Bonds

For the year ended June 30, 2011, the City complied, in all material respects, with these revenue restrictions.

***Other Long-Term Debt***

As required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval.

***Enterprise Fund Debt***

The bond indenture relating to debt issuance of the Purcell Public Works Authority contain a number of restrictions or covenants that are financial related. These include covenants such as a required flow of funds through special accounts, a debt service coverage requirement and required reserve account balances. The following schedule presents a brief summary of the most significant requirements and the Authority's level of compliance thereon as of June 30, 2011.

Requirement

a. Flow of Funds -

- |  |   |
|--|---|
| 1. 2007 Sales Tax Revenue Notes Payable - Revenue Account and Project Account.                 | The Authority maintained all required accounts and made all required payments into such accounts. |
| 2. 2000 Utility Refunding Revenue Bonds Payable - Revenue Account, Bond Account, Sinking Fund. | The Authority maintained all required accounts and made all required payments into such accounts. |
| 3. 2000 OWRB Note Payable - Revenue Account.   | The Authority maintained all required accounts and made all required payments into such accounts. |

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued**

b. Debt Service Coverage Requirements -

- |   |  |
|---|--|
| 1. 2007 Sales Tax Revenue Notes Payable - Net operating revenue plus pledged sales tax must equal 125% the maximum annual debt service on all obligations payable from the revenue. | Net revenues, including sales tax transferred, amounts to \$1,343,247. The maximum annual debt service amounted to \$324,547. Actual coverage was 4.14 times debt service. |
| 2. 2000 Utility Refunding Revenue Bonds Payable - Net operating revenue must equal 125% the maximum annual debt service on all obligations payable from the revenue.                | Net revenues, including sales tax transferred, amounts to \$1,343,247. The maximum annual debt service amounted to \$324,547. Actual coverage was 4.14 times debt service. |
| 3. 2000 OWRB Note Payable - Net operating revenue must equal 125% the maximum annual debt service on all obligations payable from the revenue.                                      | Net revenues, including sales tax transferred, amounts to \$1,343,247. The maximum annual debt service amounted to \$324,547. Actual coverage was 4.14 times debt service. |

**2.E. - FUND EQUITY RESTRICTIONS**

Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. For the year ended June 30, 2011, the City had not incurred any fund balance deficit.

***Fund Balance Required Reserves***

The only required reserves of fund equity relate to restricted revenue accounted for within the General Fund. The only significant restricted revenue of the General Fund is the restricted sales tax (as described in Note 1) and gasoline excise/commercial vehicle tax (as described in Note 2). As of June 30, 2011, all such restricted revenue had been used in accordance with their specified purposes, therefore, no such fund balance reserves are necessary.

***Retained Earnings Required Reserves***

The required reserves of retained earnings relate to net assets held to meet revenue bond and note indenture requirements (as described in Note 2). Details on these reserves at June 30, 2011, are at Note 3.

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS**

The following notes present detailed information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, net assets/fund balances, revenues and expenditures/expenses.

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

**3.A. - Deposits and Investment Risks:**

	<u>Carrying Value</u>	<u>Credit Rating</u>	<u>Maturity Date</u>
<b>Deposits</b>			
Demand deposits	\$ <u>2,704,369</u>		
<b>Investments</b>			
Investments held with Bond Trustees: Bank of Okla US Treasury Money Mkt Fd	<u>876,183</u>	AA+m	N/A
<b>Total Deposits and Investments</b>	<b>\$ <u><u>3,580,552</u></u></b>		
 <b>Reconciliation to Statement of Net</b>			
<b>Assets</b>			
Cash	\$ 2,704,369		
Investments	<u>876,183</u>		
	<b>\$ <u><u>3,580,552</u></u></b>		

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

The City's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no at no more than market value, at least at a level of 110% of the uninsured deposits and accrued interest thereon. The investment policy also limits acceptable collateral to U.S. Treasury securities and direct debt obligations of municipalities, counties and school districts in the state of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

The bank balances of the City's deposits totaled \$2,115,270 at June 30, 2011. At June 30, 2011, the City was not exposed to custodial credit risk as defined above.

Investment Credit Risk - The City's investment policy limits investments to those allowed in state law applicable to municipalities. These investment limitations are described in Note 2.C. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations - rating agencies - as of the year end. Unless there is information to the contrary, obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

As noted in the schedule of deposits and investments above, at June 30, 2011, all of the City's investments in debt securities were rated either AA+m by Standard and Poor's or Aaa by Moody's Investor Service.

Investment Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City discloses its exposure to interest rate risk by disclosing the maturity dates of its investments.

As noted in the schedule of deposits and investments above, at June 30, 2011, the investments held by the City had no stated maturity dates.

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 concentration. At June 30, 2011, the City had no concentration of credit risk as defined above.

**3.B. Receivables**

Receivables as of June 30, 2011, for the City of Purcell's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Governmental Funds	Purcell Public Works Authority	Total
Receivables:				
Taxes	\$ 395,410	4,479	-	399,889
Accounts	13,681	-	1,113,588	1,127,269
Gross receivables	<u>409,091</u>	<u>4,479</u>	<u>1,113,588</u>	<u>1,527,158</u>
Less: Allowance for uncollectibles	-	-	301,453	301,453
Net total receivables	<u>\$ 409,091</u>	<u>4,479</u>	<u>812,135</u>	<u>1,225,705</u>

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

**3.C. Restricted assets**

The Purcell Public Works Authority Sales Tax Revenue, Series 2001 and Series 2007 notes payable and the Utility Revenue Bonds Refunding Series 2000 include restricted cash and investments for a debt service fund for repayment of the principal and interest when due, and a debt service reserve to be used for payment of principal and interest provided sufficient funds are not available in the debt service fund. All funds are on deposit with trustee banks.

Sales Tax Revenue Note, Series 2007 :

Project account	\$	125
Debt service		77,155

Utility Revenue Bonds, Refunding, Series 2000 :

Debt service	151,395
Debt service reserve	<u>647,508</u>
Total restricted assets	<u>\$ 876,183</u>

**D. Capital assets**

Capital asset balances and activities for the year ended June 30, 2011, were as follows:

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

<i><b>Governmental activities</b></i>	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
Capital assets not being depreciated :				
Land	\$ 972,242	10,083	-	982,325
Total capital assets not being depreciated	<u>972,242</u>	<u>10,083</u>	<u>-</u>	<u>982,325</u>
Capital assets being depreciated :				
Buildings and improvements	6,129,960	66,000	170,000	6,025,960
Machinery and equipment	1,675,525	47,447	399,859	1,323,113
Vehicles	1,439,014	922,883	63,781	2,298,116
Infrastructure	21,917,234	-	-	21,917,234
Total capital assets being depreciated	<u>31,161,733</u>	<u>1,036,330</u>	<u>633,640</u>	<u>31,564,423</u>
Less accumulated depreciation for :				
Buildings and improvements	(1,797,822)	(168,786)	148,660	(1,817,948)
Machinery and equipment	(1,220,939)	(45,507)	294,866	(971,580)
Vehicles	(1,065,904)	(235,803)	556,103	(745,604)
Infrastructure	(16,810,105)	(534,707)	-	(17,344,812)
Total accumulated depreciation	<u>(20,894,770)</u>	<u>(984,803)</u>	<u>999,629</u>	<u>(20,879,944)</u>
Total capital assets being depreciated, net	<u>10,266,963</u>	<u>51,527</u>	<u>1,633,269</u>	<u>10,684,479</u>
Governmental activities capital assets, net	<u>\$ 11,239,205</u>	<u>61,610</u>	<u>1,633,269</u>	<u>11,666,804</u>
<i><b>Business-type activities</b></i>				
Capital assets not being depreciated :				
Land	1,355,935	-	-	1,355,935
Construction in progress	\$ 1,434,040	521,580	1,955,620	-
Total capital assets not being depreciated	<u>2,789,975</u>	<u>521,580</u>	<u>1,955,620</u>	<u>1,355,935</u>
Capital assets being depreciated :				
Buildings and improvements	1,221,381	-	-	1,221,381
Machinery and equipment	1,063,574	1,175	101,555	963,194
Vehicles	806,065	91,387	113,100	784,352
Infrastructure	14,629,936	1,955,619	-	16,585,555
Total capital assets being depreciated	<u>17,720,956</u>	<u>2,048,181</u>	<u>214,655</u>	<u>19,554,482</u>
Less accumulated depreciation for :				
Buildings and improvements	(578,809)	(30,762)	-	(609,571)
Machinery and equipment	(957,834)	(39,513)	109,432	(887,915)
Vehicles	(596,562)	(117,819)	113,050	(601,331)
Infrastructure	(9,369,373)	(541,862)	-	(9,911,235)
Total accumulated depreciation	<u>(11,502,578)</u>	<u>(729,956)</u>	<u>222,482</u>	<u>(12,010,052)</u>
Total capital assets being depreciated, net	<u>6,218,378</u>	<u>1,318,225</u>	<u>437,137</u>	<u>7,544,430</u>
Business-type activities capital assets, net	<u>\$ 9,008,353</u>	<u>1,839,805</u>	<u>2,392,757</u>	<u>8,900,365</u>

City of Purcell, Oklahoma  
Notes to Financial Statements  
June 30, 2011

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 99,367
Public safety	252,294
Public works	598,889
Cultural and recreation	34,253
Total depreciation expense - governmental activities	\$ 984,803

Business-type activities:

Electric	\$ 133,365
Water	220,230
Sewer	229,994
Sanitation	-
General and administrative	63,389
Airport	24,980
Golf course	57,998
Total depreciation expense - business-type activities	\$ 729,956

**3.E. Deposits subject to refund**

Utility customers are required to make a meter deposit, which is refunded upon the customer's termination of services, provided there are no outstanding bills. Monies are deposited in separate accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2011, cash and investments included \$168,395 available for refund of customer deposits, while the liability to customers was \$161,825.

Appearance bonds and other payments made to the municipal court funds are held until final disposition by the court at which time they are refunded to the bondholder or paid over to the City general fund as fines. As of June 30, 2011, \$5,960 was being held that was subject to refund.

**3.F. Leases**

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of equipment. This lease agreement qualifies as capital leases for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The capital lease obligations are as follows:

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

Purcell Public Works Authority

Lease purchase agreement with Emergency One, Inc. through Federal Signal Leasing dated June 3, 2002, payable in monthly installments of \$2,911, including interest at 4.85%, through February 2013, for two pumper units.

	\$ 55,820
Total business-type activities	55,820
Total capital lease obligations	\$ 55,820

The assets acquired through capital leases are as follows:

Asset - Business-type Activities

Two fire pumper units	\$ 326,352
Less: Accumulated depreciation	197,624
Net unit cost	\$ 128,728

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, are as follows:

<u>Year Ending June 30,</u>	<u>Business-type</u> <u>Activities</u>
2012	\$ 34,931
2013	23,276
Total required payments	58,207
Less: Interest expense	2,387
Total principal payments	\$ 55,820

**3.G. Long-term debt**

Long-term liabilities of the City of Purcell as of June 30, 2010, are as summarized as follows:

**Governmental activities**

Accrued compensated absences	413,533
Total governmental activities	\$ 413,533

City of Purcell, Oklahoma  
Notes to Financial Statements  
June 30, 2011

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

**Business-type activities:**

Revenue bonds:

\$6,475,000 Purcell Public Works Authority Utility Revenue Bonds, Refunding Series 2000, dated April 1, 2000, payable in annual principal installments of \$480,000 to \$1,140,000, with interest at 5.00% to 5.35% due semi-annually each April 1 and October 1 through April 1, 2012, secured by a pledge of gross revenues derived from the utility systems. \$ 1,140,000  
Total revenue bonds payable 1,140,000

Notes payable:

\$1,990,000 Purcell Public Works Authority, Series 2000 Small Community Drinking Water SRF Promissory Note to the Oklahoma Water Resources Board dated April 27, 2000, due in semi-annual principal installments of \$34,835 to \$67,917 through March 15, 2021, plus interest at a rate of 3.254% and an administrative fee of 0.5%, secured by a pledge of revenues from the water, sewer and electric systems. 1,141,889

\$2,435,000 Purcell Public Works Authority Sales Tax Revenue Notes, Series 2007. Notes dated March 1, 2007, due in annual principal installments of \$100,000 to \$150,000 through April 1, 2017, with interest at 4.248%, secured by a year to year pledge of a portion of the city sales tax. 1,580,000

\$350,000 Purcell Public Works Authority Series 2009 Club House and Proshop Note. Note dated January 20, 2009, due in fifty-five monthly installments of \$2,450, beginning June 10, 2009, with a final payment due January 10, 2014 in the amount of \$306,222, with interest at 5.5%, secured by the operations of the golf course. 326,950

Total net revenue bonds and notes payable 4,188,839

Accrued compensated absences 93,189

Total business-type activities \$ 4,282,028

City of Purcell, Oklahoma  
Notes to Financial Statements  
June 30, 2011

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

Long-term liabilities transactions for the year ended June 30, 2011, and changes therein were as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
<b>Governmental activities</b>					
Accrued compensated absences	\$ 435,753	-	22,220	413,533	103,383
Total governmental activities	<u>435,753</u>	<u>-</u>	<u>22,220</u>	<u>413,533</u>	<u>103,383</u>
<b>Business-type activities</b>					
Revenue bonds Series 2000	1,820,000	-	680,000	1,140,000	1,140,000
Sales tax revenue note - 2001	815,000	-	815,000	-	-
Sales tax revenue note - 2007	1,805,000	-	225,000	1,580,000	235,000
Note payable - OWRB	1,234,172	-	92,283	1,141,889	95,715
Note payable - Golf course	338,033	-	11,083	326,950	11,718
Note payable - Bank	400,000	-	400,000	-	-
Accrued compensated absences	102,954	-	9,765	93,189	23,297
Total business-type activities	<u>\$ 6,515,159</u>	<u>-</u>	<u>2,233,131</u>	<u>4,282,028</u>	<u>1,505,730</u>

**Annual Debt Service Requirements**

The annual debt service requirements to maturity, including principal and interest, for long-term debt, excluding accrued compensated absences, with interest rates applicable at June 30, 2011 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ -	-	1,482,433	190,916
2013	-	-	356,885	115,598
2014	-	-	661,176	94,083
2015	-	-	377,300	69,755
2016	-	-	391,352	54,339
2017-2021	-	-	919,665	84,812
Totals	<u>\$ -</u>	<u>-</u>	<u>4,188,811</u>	<u>609,503</u>

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

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

1992 PPWA Refunding Revenue Bonds	\$	<u><u>775,000</u></u>
-----------------------------------	----	-----------------------

**3.H. Debt issuance costs**

Debt issuance costs of \$431,143 have been capitalized on enterprise funds sales tax revenue notes and revenue refunding bonds, and are being amortized on the straight-line basis over the term of the relevant debt issues. During the year ended June 30, 2011, \$32,689 in debt issuance costs was amortized, leaving an unamortized balance of \$98,804.

**3.I. Compensated absences**

Full-time employees with at least six months of service earn vacation of ten to twenty days per year depending on years of service completed. A maximum of five days may be carried over from one benefit year into another, except for police and fire who may carry over 30 days of vacation. Full-time employees earn sick leave at the rate of eight hours per month, up to 75 days. Leave accumulated in excess of 75 days is forfeited. Police and fire employees earn 10 hours per month up to 700 hours, and can sell back up to 120 hours per year. Upon retirement, employees are paid at the rate of one day's pay for every two days accumulated sick leave up to the maximum accrual, except for police and fire who are paid one for one, or 100% of sick leave up to the maximum accrual. In accordance with the guidelines set forth by GASB Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation as follows:

Governmental activities		413,533
Business-type activities		<u>93,189</u>
Total accrued compensated absences		<u><u>506,722</u></u>

**3.J. Interfund receivables, payables, and transfers**

Interfund transactions:

The composition of interfund balances as of June 30, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency	<u>2,756</u>
Purcell Public Works Authority	Agency	<u>6,570</u>
Total		<u><u>9,326</u></u>

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 3 - DETAILED NOTES - TRANSACTION CLASSES/ACCOUNTS - Continued**

Interfund transactions:

	Transfers In			Total
	General <u>Fund</u>	Nonmajor <u>Governmental</u>	Purcell Public Works <u>Authority</u>	
Transfer out:				
General fund	\$ -	990,735	-	990,735
Nonmajor governmental	45,900	-	372,943	418,843
Purcell Public Works Auth.	611,737	-	-	611,737
Totals	<u>\$ 657,637</u>	<u>990,735</u>	<u>372,943</u>	<u>2,021,315</u>

**NOTE 4 - OTHER NOTES**

**4.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. The City is self-insured for workers' compensation and unemployment, with applicable excess loss coverage for workers' compensation. A third party workers' compensation administrator is used to evaluate claims and estimate the City's liability for outstanding claims not assumed by the issuer. The City is self-insured up to \$250,000 per occurrence and \$1,000,000 in the aggregate, and has obtained overlying insurance coverage for claims in excess of these amounts. Commercial insurance is used to cover general liability claims and the risk of loss to City buildings and mobile equipment. Judgments against the City may be paid by a property tax assessment over a three-year period.

**4.B. Contingent liabilities**

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.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 4 - OTHER NOTES - Continued**

**4.C. Employee retirement systems and pension plans**

The City participates in three employee pension systems as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
City of Purcell, Oklahoma Employee Retirement Plan	Single Employer-Defined Benefit Plan
City of Purcell 457 Defined Benefit Plan	Single Employer-Defined Benefit Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan

***Oklahoma Police and Firefighter's Pension and Retirement Systems***

The City of Purcell, as the employer, participates in two statewide cost-sharing multiple employer defined benefit plans on behalf of the police officers and firefighters. The systems are funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

***A. Eligibility Factors, Contribution Methods, and Benefit Provisions***

	<u>Oklahoma Police Pension and Retirement System</u>	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Obtaining separately issued financial statements	Police Pension and Retirement 1001 N.W. 63rd St., Suite 605 Oklahoma City, OK 73116-7335	Firefighter's Pension & Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time officers, employed by a participating municipality, not less than 21 years of age or more than 45 years of age when hired.	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute	State Statute
Employee's contribution rate (percent of covered Payroll)	8%	8%
State obligation	State appropriation to fund the unfunded actuarial accrued liability	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	10 years	10 years

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 4 - OTHER NOTES - Continued**

	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
Eligibility and benefits distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	-	20 years credited service equal to \$7.24 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with additional option to participate in Louisiana Plan.	Yes, 20 years credited service with continued service for a maximum of 30 or more years.
Provisions for: Cost of living adjustments (normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes

**B. Trend Information**

Contributions required by State statute and made:

Fiscal Year	Oklahoma Police Pension and Retirement System	Oklahoma Firefighter's Pension and Retirement System
	Required Contribution	Required Contribution
2009	\$ 40,047	\$ 17,777
2010	40,756	19,981
2011	35,277	19,772
	Percentage Contributed	Percentage Contributed
	100%	100%
	100%	100%
	100%	100%

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 4 - OTHER NOTES - Continued**

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their respective separate annual financial reports.

*C. Related Party Investments*

As of June 30, 2011, the Systems held no related-party investments of the City or of its related entities.

City of Purcell, Oklahoma Employee Retirement Plan (the Plan)

Plan Description - The City of Purcell, Oklahoma Employee Retirement Plan, is a single-employer defined contribution money purchase pension plan covering City employees not covered by other plans. The Plan operates as a trust administered by the Ameritas Life Insurance. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. All regular, full-time City employees not covered by other plans are eligible to participate in the Plan after six months of service. Benefits vest after five years of service, as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than five years	0%
Five years or more	100%

Benefits to be paid to employees at a future date are dependent on the sum of the employee contributions with interest, the City financed contributions with interest, and the respective employee vesting percentage as established by the plan. There are no guaranteed retirement benefits in the plan, and the City disclaims any liability between the employer and the employee regarding benefits in the plan. Any and all claims of the employee may be satisfied only out of the funds held in the plan under the individual employee's account. Each employee receives a year-end statement of his account and selects how the funds are invested.

Funding Policy - The employee contributes either 5% or 7% of compensation to the Plan, and the employer contributes 7% of employee compensation. Contributions to the Plan for the year ended June 30, 2011, for employees and employer were \$136,804 and \$151,490, respectively. For the year ended June 30, 2011, the City's covered payroll was \$2,183,285. Covered payroll refers to all compensation paid by the City of Purcell to active employees covered by the Plan on which contributions are based.

City of Purcell 457 Deferred Compensation Plan (DC Plan)

Plan Description - The City of Purcell 457 Deferred Compensation Plan is available to all full-time employees. The DC Plan is in addition to the City of Purcell, Oklahoma Employee Retirement Plan. The DC Plan was created in accordance with Section 457 of the *Internal Revenue Code*, and permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to the employee until retirement, termination, death, or unforeseeable emergency. Employees may choose investments offered by Ameritas Life Insurance Corp. or Nationwide Retirement Solutions, Inc., both acting as trustees of the DC Plan. The balances in the DC Plan at June 30, 2011 totaled \$177,148.

**City of Purcell, Oklahoma**  
**Notes to Financial Statements**  
*June 30, 2011*

**NOTE 4 - OTHER NOTES - Continued**

Funding Policy - DC Plan participants may contribute up to \$13,000 of eligible compensation. During the year ended June 30, 2011, employees contributed \$24,755 to the DC Plan.

Employee Retirement System of Purcell

Plan Description - On March 1, 1970, the City of Purcell established the Employee Retirement System of Purcell as part of the Oklahoma Municipal Retirement Fund, as a defined contribution plan. The plan was effective until June 1, 1986, when the City of Purcell approved participation in the City of Purcell, Oklahoma Employee Retirement Plan. The accounts of retired employees at that time were retained in the Employee Retirement System of Purcell. The plan trust is currently administered by Ameritas Investment Corp. The plan has two retirees currently receiving benefits. The value of plan assets as of June 30, 2011 was \$170,663.

**4.D. Compliance with bond indenture**

The bond and note indentures require the Authority to maintain the net revenue available for debt service of at least 1.25 times the maximum annual amount to be paid into the Sinking Fund. The amount available is computed as follows:

Gross revenue available for debt service :	
Pledged sales tax	\$ 990,735
System-wide Gross Revenues	8,950,166
System-wide Operating Expense - Exclusive of debt service and depreciation	<u>6,800,288</u>
Net revenues available for debt service	<u>\$ 3,140,613</u>
Annual amount to be paid into Sinking Fund	<u>\$ 1,208,526</u>
Coverage	<u>2.60</u>
Coverage requirement	<u>1.25</u>

**4.E. Subsequent event**

The Purcell Public Works Authority has issued their Utility System and Sales Tax Revenue Note, Series 2011 dated September 30, 2011 in the amount of \$6,720,000. The Note yields an interest rate of 3.750% and is amortized in varying amounts over a fourteen year period with a final payment on October 1, 2025.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

City of Purcell, Oklahoma  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Over
	Original	Final		(Under)
<b>REVENUES</b>				
Taxes	\$ 4,020,800	4,020,800	4,201,203	180,403
Intergovernmental	134,000	167,000	835,658	668,658
Licenses and permits	79,000	79,000	106,923	27,923
Charge for services	449,025	68,700	93,428	24,728
Fines and forfeitures	215,100	215,800	87,065	(128,735)
Interest	5,000	5,000	4,499	(501)
Miscellaneous	114,000	29,025	60,767	31,742
Total revenues	<u>5,016,925</u>	<u>4,585,325</u>	<u>5,389,543</u>	<u>804,218</u>
<b>EXPENDITURES</b>				
General government:				
General government	197,545	154,196	153,505	691
City manager	53,489	95,724	95,174	550
City clerk	177,664	174,418	170,067	4,351
Information Technology	31,654	32,260	32,109	151
Municipal court	134,241	139,221	136,806	2,415
Public safety:				
Police	1,556,960	1,532,364	1,509,052	23,312
Fire	909,979	921,886	905,815	16,071
Animal control	108,771	116,322	115,524	798
Maintenance	107,158	119,156	117,007	2,149
Communications	426,117	364,240	348,967	15,273
Emergency management	62,504	76,548	75,335	1,213
Code administration	111,205	110,165	106,885	3,280
Public works:				
Streets	463,160	461,253	444,299	16,954
Cemetery	159,792	133,812	120,438	13,374
Culture and recreation:				
Multipurpose center	110,160	78,450	73,555	4,895
Swimming pool	63,263	51,503	48,079	3,424
Total expenditures	<u>4,673,662</u>	<u>4,561,518</u>	<u>4,452,617</u>	<u>108,901</u>
Excess (deficiency) of revenues over (under) expenditures	343,263	23,807	936,926	913,119
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	(955,000)	(379,301)	(333,098)	46,203
Net change in fund balances	(611,737)	(355,494)	603,828	959,322
Fund balances - beginning	177,344	(151,818)	679,331	831,149
Fund balances - ending	<u>\$ (434,393)</u>	<u>(507,312)</u>	<u>1,283,159</u>	<u>1,790,471</u>

See accompanying notes to the basic financial statement.

**OTHER SUPPLEMENTARY  
INFORMATION**

City of Purcell, Oklahoma  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2011

	Special Revenue					Permanent	Capital Projects		Total
	Street & Alley	Rural Fire	Drug Enforcement	Economic Development	Cemetery Care	Cemetery Perpetual Care	Capital Improvements	Police & Fire Facilities	Nonmajor Governmental Funds
<b>ASSETS</b>									
Cash and cash equivalents	\$ 165,645	42,114	(1,709)	3,499	93,726	25,000	805,651	9,096	1,143,022
Receivables, net	4,429	-	-	-	50	-	-	-	4,479
<b>TOTAL</b>	<u>170,074</u>	<u>42,114</u>	<u>(1,709)</u>	<u>3,499</u>	<u>93,776</u>	<u>25,000</u>	<u>805,651</u>	<u>9,096</u>	<u>1,147,501</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	-	-	-	-	-	-	-	9,096	9,096
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,096</u>	<u>9,096</u>
Fund balances:									
Reserved for:									
Capital improvements	-	-	-	-	-	25,000	805,651	-	830,651
Unreserved:									
Designated	170,074	42,114	(1,709)	3,499	93,776	-	-	-	307,754
<b>Total Fund Balances</b>	<u>170,074</u>	<u>42,114</u>	<u>(1,709)</u>	<u>3,499</u>	<u>93,776</u>	<u>25,000</u>	<u>805,651</u>	<u>-</u>	<u>1,138,405</u>
<b>TOTAL</b>	<u>\$ 170,074</u>	<u>42,114</u>	<u>(1,709)</u>	<u>3,499</u>	<u>93,776</u>	<u>25,000</u>	<u>805,651</u>	<u>9,096</u>	<u>1,147,501</u>

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma  
 Nonmajor Governmental Funds  
 Statement of Revenues, Expenses and Changes in Fund Net Assets  
 For the Year Ended June 30, 2011

	Special Revenue					Permanent	Capital Projects		Total
	Street & Alley	Rural Fire	Drug Enforcement	Economic Development	Cemetery Care	Cemetery Perpetual Care	Capital Improvements	Police & Fire Facilities	Nonmajor Governmental Funds
<b>REVENUES</b>									
Intergovernmental	\$ 49,517	4,398	670	-	-	-	-	-	54,585
Charge for services	-	-	-	-	6,377	-	-	-	6,377
Interest	-	128	-	-	256	-	416	482	1,282
Miscellaneous	-	21,100	-	28,429	11,147	-	-	-	60,676
Total revenues	<u>49,517</u>	<u>25,626</u>	<u>670</u>	<u>28,429</u>	<u>17,780</u>	<u>-</u>	<u>416</u>	<u>482</u>	<u>122,920</u>
<b>EXPENDITURES</b>									
Current:									
Public safety	-	34,954	-	-	-	-	-	-	34,954
Economic development	-	-	14,380	47,469	-	-	-	-	61,849
Capital outlay	74,971	-	-	-	28,305	-	62	463,583	566,921
Total expenditures	<u>74,971</u>	<u>34,954</u>	<u>14,380</u>	<u>47,469</u>	<u>28,305</u>	<u>-</u>	<u>62</u>	<u>463,583</u>	<u>663,724</u>
Excess (deficiency) of revenues over expenditures	<u>(25,454)</u>	<u>(9,328)</u>	<u>(13,710)</u>	<u>(19,040)</u>	<u>(10,525)</u>	<u>-</u>	<u>354</u>	<u>(463,101)</u>	<u>(540,804)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	-	-	-	-	-	-	601,876	990,735	1,592,611
Transfers out	-	-	-	(45,900)	-	-	-	(974,819)	(1,020,719)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,900)</u>	<u>-</u>	<u>-</u>	<u>601,876</u>	<u>15,916</u>	<u>571,892</u>
Net change in fund balances	(25,454)	(9,328)	(13,710)	(64,940)	(10,525)	-	602,230	(447,185)	31,088
Fund balances-beginning	195,528	51,442	12,001	68,439	104,301	25,000	203,421	447,185	1,107,317
Fund balances-ending	<u>\$ 170,074</u>	<u>42,114</u>	<u>(1,709)</u>	<u>3,499</u>	<u>93,776</u>	<u>25,000</u>	<u>805,651</u>	<u>-</u>	<u>1,138,405</u>

See accompanying notes to the basic financial statement.

**CITY OF PURCELL, OKLAHOMA  
SINGLE AUDIT SUPPLEMENT AND  
INDEPENDENT AUDITOR'S REPORTS  
ON COMPLIANCE AND INTERNAL CONTROL**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011**

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

Honorable Mayor and City Council Members  
City of Purcell, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Purcell, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the City of Purcell's basic financial statements and have issued our report thereon dated August 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Purcell, Oklahoma's internal control over financial reporting as a basis for our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Purcell's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Purcell, Oklahoma's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the following paragraph that we consider to be significant deficiencies in internal control over financial reporting. Finding 2011-1 is considered a significant deficiency. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Finding 2011-1 Presentation of Financial Statements**

In accordance with accounting standard SAS 115, should management choose to allow the auditors to prepare the City's financial statements, including full footnote disclose, instead of preparing the statements themselves, this is considered an internal control deficiency. While it is common practice for the auditors to prepare the financial statements for many organizations, the standard requires us to communicate to those charged with governance this choice to have the auditors prepare the financial statements as a significant deficiency or material weakness. This is to ensure that you understand that the auditors, not management, have prepared the financial statements and allow those charged with governance the ability to determine whether the cost of implementing an appropriate control to prepare the financial statements outweighs the benefit that could be gained. An appropriate control could be hiring additional staff with knowledge and ability to prepare the financial statements or hiring another accountant to prepare the financial statements before the audit commences.

### **Management Response**

In accordance with the Statement of Auditing Standards (SAS) No. 115, it is the responsibility of the City of Purcell to prepare the City's financial statements. The City of Purcell chose to allow the independent auditor to prepare the financial statements for the reporting period, as has been standard practice for previous audits. It is important to note that this practice is not precluded under the guideline, but rather is listed as a significant deficiency under published standards.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the City of Purcell, Oklahoma in a separate letter dated August 29, 2011.

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

***Dillon & Associates, P.C.***

Midwest City, Oklahoma  
August 29, 2011

**DILLON & ASSOCIATES, P.C.**

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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

**COMPLIANCE**

We have audited the compliance of the City of Purcell, Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The City of Purcell, Oklahoma's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Purcell, Oklahoma's management. Our responsibility is to express an opinion on the City of Purcell, Oklahoma's compliance based on our audit.

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

In our opinion, the City of Purcell, Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

## INTERNAL CONTROL OVER COMPLIANCE

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

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

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

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Purcell, Oklahoma as of and for the year ended June 30, 2011, and have issued our report thereon dated August 29, 2011. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Purcell, Oklahoma's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

***Dillon & Associates, P.C.***

Midwest City, Oklahoma  
August 29, 2011

City of Purcell, Oklahoma  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	EXPENDITURES
<u>Federal Emergency Management Agency</u>				
Passed through Oklahoma Department of Civil Emergency Mangement:				
Emergency Management Assistance	97.036	FEMA-DR-1883-OK	551,573	551,573
Total Federal Emergency Management Agency			551,573	551,573
<u>U.S. Department of Homeland Security</u>				
Passed through Okla. Dept. of Emergency Management:				
Emergency Management Performance Grant	97.042	EMPG - SLA	30,123	20,000
Total U.S. Department of Homeland Security			30,123	20,000
<u>U.S. Department of Transportation</u>				
Passed through Oklahoma Highway Safety Department:				
Oklahoma Highway Safety Office	20.600	OP-10-03-05-06	20,000	8,905
Oklahoma Highway Safety Office	20.600	OP-11-03-12-07	20,000	7,678
Total U.S. Department of Transportation			40,000	16,583
Total Federal Assistance			621,696	588,156
STATE PROGRAMS				
<u>State of Oklahoma</u>				
Passed through the Association of South Central Oklahoma Governments (ASCOG) :				
Community Expansion of Nutrition Assistance			2,287	2,287
Total State of Oklahoma			2,287	2,287
Total Federal and State Assistance			\$ 623,983	590,443

Notes to Schedule of Expenditures of Federal Awards

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

CITY OF PURCELL, OKLAHOMA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2011

**A. SUMMARY OF AUDIT RESULTS**

***Financial Statements***

Type of auditor's report issued:	Unqualified
Internal Control over financial reporting:	
• Material weakness(es) identifies?	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major problems:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	FEMA - Emergency Management Assistance

Dollar threshold used to distinguish between type A And type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	No
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**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**Compliance**

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

None