

CITY OF PURCELL, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

CONTENTS

	Page Number
BASIC FINANCIAL STATEMENTS:	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
<i>Government-Wide Financial Statements:</i>	
Statement of Fiduciary Net Assets	11
Statement of Activities	12-13
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Assets - Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19
Statement of Fiduciary Net Assets - Agency Funds	20
Notes to Basic Financial Statements	21-44
REQUIRED SUPPLEMENTAL INFORMATION:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	45
Notes to Required Supplemental Information	46
OTHER SUPPLEMENTAL INFORMATION:	
Combining Financial Statements Nonmajor Governmental Funds Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Assets	48
Compliance and Internal Control Report Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	49-50
Schedule of Reportable Findings and Responses	51-52
Schedule of Expenditures of Federal Awards	53
Schedule of Grant Revenues and Expenditures	54

**INDEPENDENT AUDITOR'S
REPORT**

DILLON & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
1401 S. DOUGLAS BLVD., SUITE A
MIDWEST CITY, OK 73130

ROBERT S. DILLON, CPA
bobdilloncpa@gmail.com

Phone: (405) 732-1800
Fax : (405) 737-7446

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 (the City), as of and for the year ended June 30, 2012, 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, as of June 30, 2012, 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 October 30, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and budgetary comparison information on page 45 and the notes on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basis financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Dillon & Associates, P.C.

Midwest City, Oklahoma
October 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012
Unaudited

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, 2012. 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 \$20,595,761 (net assets), an increase of \$252,436 or 1.2% from the prior year.
- During the year, the City's expenses for governmental activities were \$5,884,692 funded by program revenues of \$534,193, and further funded with taxes and other general revenues, grants and net transfers that totaled \$5,389,612.
- In the business-type activities, which are primarily utilities, had program expenses of \$8,886,319 and were funded by program revenues of \$10,460,836 and other general revenues and net transfers totaled \$(332,936).
- Sales and use taxes increased by \$338,349 or 8.2% over the prior fiscal year.
- At June 30, 2012, the General Fund reported an unreserved, undesignated fund balance of \$1,723,784, an increase of \$440,625 from the prior year.

The City's total debt increased by \$5,907,509 during the current fiscal year. The key factors in this increase was the issuance of the Series 2012 and 2011 Sales Tax Revenue Notes.

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).

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012
Unaudited

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012
Unaudited

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 21-44 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 45 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 47-48 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 \$20,595,761 at the close of the most recent fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012
Unaudited

By far the largest portion of the City's net assets (67.1%) 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 3,321	2,587	10,209	2,482	13,530	5,069
Capital assets	10,833	11,667	8,540	8,900	19,373	20,567
Total assets	<u>14,154</u>	<u>14,254</u>	<u>18,749</u>	<u>11,382</u>	<u>32,903</u>	<u>25,636</u>
Long-term debt outstanding	589	-	8,855	2,729	9,444	2,729
Other liabilities	783	483	2,080	2,080	2,863	2,563
Total liabilities	<u>1,372</u>	<u>483</u>	<u>10,935</u>	<u>4,809</u>	<u>12,307</u>	<u>5,292</u>
Net assets:						
Invested in capital assets, net of debt	10,001	11,667	3,809	4,656	13,810	16,323
Restricted	1,176	835	1,340	1,018	2,516	1,853
Unrestricted	1,604	1,269	2,666	899	4,270	2,168
Total net assets	<u>\$ 12,781</u>	<u>13,771</u>	<u>7,815</u>	<u>6,573</u>	<u>20,596</u>	<u>20,344</u>

A portion of the City's net assets (12.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$4,269,664 may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net assets increased by \$252,436 during the current fiscal year. This increase represents the overall excess of revenues over expenses.

Governmental activities. Governmental activities decreased the City's net assets by \$989,145. The key element of this decrease was the restatement of the prior year fund balance to include capital lease obligations.

Business-type activities. Business-type activities increased the City's net assets by \$1,241,581. The key elements in this increase are an increase in revenues and a decrease of operating expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2
Changes in Net Assets (In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services \$	534	294	10,461	9,463	10,995	9,757
Operating grants	44	590	-	-	44	590
Capital grants	59	-	-	-	59	-
General revenues						
Sales and use taxes	4,458	4,120	-	-	4,458	4,120
Franchise tax (fees)	60	81	-	-	60	81
Other taxes	86	300	-	-	86	300
Investment income	4	6	5	12	9	18
Other	188	122	153	169	341	291
Total revenues	<u>5,433</u>	<u>5,513</u>	<u>10,619</u>	<u>9,644</u>	<u>16,052</u>	<u>15,157</u>
Expenses:						
General government	707	706	1,551	1,602	2,258	2,308
Public safety	3,712	2,630	-	-	3,712	2,630
Public works	1,285	1,164	-	-	1,285	1,164
Cultural & recreation	134	156	-	-	134	156
Economic development	47	-	-	-	47	-
Electric	-	-	4,516	4,302	4,516	4,302
Water	-	-	850	894	850	894
Sewer	-	-	493	334	493	334
Sanitation	-	-	628	594	628	594
Ambulance	-	-	247	248	247	248
Golf course	-	-	574	507	574	507
Other	-	-	27	32	27	32
Total expenses	<u>5,885</u>	<u>4,656</u>	<u>8,886</u>	<u>8,513</u>	<u>14,771</u>	<u>13,169</u>
Increase in net assets						
before transfers	(452)	857	1,733	1,131	1,281	1,988
Transfers	491	239	(491)	(239)	-	-
Change in net assets	39	1,096	1,242	892	1,281	1,988
Beginning net assets	13,770	12,675	6,573	5,681	20,343	18,356
Prior period adjustment	(1,028)	-	-	-	(1,028)	-
Ending net assets \$	<u>12,781</u>	<u>13,771</u>	<u>7,815</u>	<u>6,573</u>	<u>20,596</u>	<u>20,344</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012
Unaudited

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, 2012, amounts to \$19,372,692 (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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 3
Capital Assets
(In Thousands)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Construction in progress	\$ -	-	168	1,434	168	1,434
Land	822	972	1,356	1,356	2,178	2,328
Buildings	6,026	6,130	1,221	1,221	7,247	7,351
Machinery and equipment	1,362	1,676	958	1,064	2,320	2,740
Vehicles	2,383	1,439	886	806	3,269	2,245
Infrastructure	22,033	21,917	16,610	14,630	38,643	36,547
Less: Accum. depreciation	(21,794)	(20,895)	(12,659)	(11,503)	(34,453)	(32,398)
Total capital assets, net	\$ 10,832	11,239	8,540	9,008	19,372	20,247

Additional information of the City's capital assets can be found in Note 2.D. on pages 32-33 of this report.

Long-term debt. As of the end of the current fiscal year, the City had total debt outstanding of \$10,095,348. This represents debt secured solely by specified revenue sources (i.e., revenue notes and bonds).

Table 4
Long-term Debt
(In Thousands)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Notes payable	\$ -	-	10,095	3,049	10,095	3,049
Revenue bonds	-	-	-	1,140	-	1,140
Other	-	-	-	55	-	55
Total long-term debt	\$ -	-	10,095	4,244	10,095	4,244

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012
Unaudited

The City's total debt increased by \$5,907,509 during the current fiscal year. The key factors in this increase was the issuance of the Series 2012 and 2011 Sales Tax Revenue Notes.

Additional information on the City's long-term debt can be found in Notes 2.G. on pages 36-38 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 2012-2013 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 2012-2013.

❖ 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, 2012.

❖ As for the City's proprietary fund activities, we expect growth in the revenues and expenses over those received in 2012 due to a water and sewer rate increase.

All of these factors were considered in preparing the City's budget for the 2012-2013 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$1,723,784. The City has this amount available for spending in the 2012-2013 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 2012-2013 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, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Municipal Hospital
ASSETS				
Current assets:				
Pooled cash and cash equivalents	\$ 2,778,316	1,212,399	3,990,715	598,824
Investments	132,680	400,000	532,680	95,000
Receivables, net of allowance for uncollectibles:				
Accounts	2,268	858,513	860,781	4,231,306
Taxes	402,983	-	402,983	-
Accrued interest	-	2,370	2,370	-
Internal balances	4,857	6,670	11,527	-
Inventories	-	149,327	149,327	48,528
Prepaid expenses	-	-	-	59,546
Restricted assets:				
Restricted cash and investments	-	7,312,536	7,312,536	1,224,765
Total current assets	<u>3,321,104</u>	<u>9,941,815</u>	<u>13,262,919</u>	<u>6,257,969</u>
Noncurrent assets:				
Debt issuance costs, net of accumulated amortization	-	267,062	267,062	5,349
Note receivable - Net	-	-	-	260,354
Capital assets, net of accumulated depreciation	10,832,450	8,540,242	19,372,692	3,577,668
Total noncurrent assets	<u>10,832,450</u>	<u>8,807,304</u>	<u>19,639,754</u>	<u>3,843,371</u>
Total assets	<u><u>14,153,554</u></u>	<u><u>18,749,119</u></u>	<u><u>32,902,673</u></u>	<u><u>10,101,340</u></u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	138,516	633,001	771,517	1,843,162
Accrued interest payable	-	69,182	69,182	-
Current portion of long-term obligations	242,417	815,248	1,057,665	400,199
Total current liabilities	<u>380,933</u>	<u>1,517,431</u>	<u>1,898,364</u>	<u>2,243,361</u>
Noncurrent liabilities:				
Capital lease obligations	588,597	-	588,597	-
Notes payable	-	9,302,970	9,302,970	537,723
Accrued compensated absences	402,731	114,250	516,981	-
Total noncurrent liabilities	<u>991,328</u>	<u>9,417,220</u>	<u>10,408,548</u>	<u>537,723</u>
Total liabilities	<u><u>1,372,261</u></u>	<u><u>10,934,651</u></u>	<u><u>12,306,912</u></u>	<u><u>2,781,084</u></u>
NET ASSETS				
Invested in capital assets, net of related debt	10,001,436	3,809,047	13,810,483	-
Restricted for:				
Encumbrances	2,693	-	2,693	-
Capital improvements	1,007,346	-	1,007,346	-
Debt service	-	1,190,831	1,190,831	-
Other purposes	165,417	149,327	314,744	70
Unrestricted (deficit)	1,604,401	2,665,263	4,269,664	7,320,186
Total net assets	<u><u>\$ 12,781,293</u></u>	<u><u>7,814,468</u></u>	<u><u>20,595,761</u></u>	<u><u>7,320,256</u></u>

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma
Statement of Activities
For the Year Ended June 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 706,557	405,157	-	(301,400)
Public safety	3,712,517	129,036	33,346	(3,550,135)
Public works	1,284,697	-	-	59,363
Culture and recreation	133,929	-	10,060	(123,869)
Economic development	46,992	-	-	(46,992)
Total government activities	<u>5,884,692</u>	<u>534,193</u>	<u>43,406</u>	<u>59,363</u>
Business-type activities:				
Administration	1,551,075	-	-	(1,551,075)
Electric	4,515,933	6,613,284	-	2,097,351
Water	849,692	1,825,494	-	975,802
Sewer	493,422	375,571	-	(117,851)
Sanitation	628,450	741,338	-	112,888
Ambulance	247,226	247,863	-	637
Golf course	573,991	537,969	-	(36,022)
Other	26,530	119,317	-	92,787
Total business-type activities	<u>8,886,319</u>	<u>10,460,836</u>	<u>-</u>	<u>1,574,517</u>
Total primary government	<u>14,771,011</u>	<u>10,995,029</u>	<u>43,406</u>	<u>59,363</u>
COMPONENT UNITS				
Purcell Municipal Hospital	18,330,995	18,700,114	-	369,119
Total component units	<u>\$ 18,330,995</u>	<u>18,700,114</u>	<u>-</u>	<u>369,119</u>

City of Purcell, Oklahoma
Statement of Activities
For the Year Ended June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Municipal Hospital
Change in net assets:				
Net (expense) revenue	\$ (5,247,730)	1,574,517	(3,673,213)	369,119
General revenues:				
Taxes:				
Sales and use	4,458,230	-	4,458,230	-
Franchise	59,921	-	59,921	-
Other	85,817	-	85,817	-
Unrestricted investment income	3,835	5,387	9,222	4,496
Miscellaneous	187,979	152,738	340,717	274,279
Transfers - internal activity	491,061	(491,061)	-	-
Total general revenues and transfers	<u>5,286,843</u>	<u>(332,936)</u>	<u>4,953,907</u>	<u>278,775</u>
Change in net assets	39,113	1,241,581	1,280,694	647,894
Net assets - beginning, as previously stated	13,770,438	6,572,887	20,343,325	6,672,362
Adjustment to record capital lease obligations	(1,028,258)	-	(1,028,258)	-
Net assets - beginning, as restated	<u>12,742,180</u>	<u>6,572,887</u>	<u>19,315,067</u>	<u>6,672,362</u>
Net assets - ending	<u>\$ 12,781,293</u>	<u>7,814,468</u>	<u>20,595,761</u>	<u>7,320,256</u>

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma
 Governmental Funds
 Balance Sheet
 June 30, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,430,060	1,237,105	2,667,165
Investments	-	132,680	132,680
Receivables, net	2,268	-	2,268
Due from other governments	398,558	4,425	402,983
Due from other funds	4,857	-	4,857
Total assets	<u><u>1,835,743</u></u>	<u><u>1,374,210</u></u>	<u><u>3,209,953</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	<u>111,959</u>	<u>26,557</u>	<u>138,516</u>
Total liabilities (Note 2)	<u><u>111,959</u></u>	<u><u>26,557</u></u>	<u><u>138,516</u></u>
Fund balances:			
Reserved for:			
Capital improvements	-	1,007,346	1,007,346
Encumbrances	2,693	-	2,693
Grant projects	165,417	-	165,417
Unreserved, reported in:			
General fund	1,555,674	-	1,555,674
Special revenue funds	<u>-</u>	<u>340,307</u>	<u>340,307</u>
Total fund balances	<u><u>1,723,784</u></u>	<u><u>1,347,653</u></u>	<u><u>3,071,437</u></u>
Total liabilities and fund balances	<u><u>\$ 1,835,743</u></u>	<u><u>1,374,210</u></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.	10,832,450
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.	111,152
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Capital lease obligations	(831,015)
Accrued compensated absences	(402,731)
	<u> </u>
Net assets of governmental activities	<u><u>\$ 12,781,293</u></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, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 4,518,151	-	4,518,151
Intergovernmental	188,586	73,770	262,356
Licenses and permits	164,553	-	164,553
Charge for services	138,684	28,150	166,834
Fines and forfeitures	129,036	-	129,036
Interest	2,932	903	3,835
Miscellaneous	152,177	35,802	187,979
Total revenues	<u>5,294,119</u>	<u>138,625</u>	<u>5,432,744</u>
EXPENDITURES			
Current:			
General government	607,971	62,886	670,857
Public safety	3,291,879	411,234	3,703,113
Public works	693,168	75,080	768,248
Culture and recreation	71,297	46,992	118,289
Economic development	-	46,992	46,992
Total expenditures	<u>4,664,315</u>	<u>643,184</u>	<u>5,307,499</u>
Excess (deficiency) of revenues over expenditures	<u>629,804</u>	<u>(504,559)</u>	<u>125,245</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	879,541	1,068,720	1,948,261
Transfers out	(1,068,720)	(388,480)	(1,457,200)
Total other financing sources and uses	<u>(189,179)</u>	<u>680,240</u>	<u>491,061</u>
Net change in fund balances	440,625	175,681	616,306
Fund balances-beginning	1,283,159	1,138,405	2,421,564
Fund balances-ending	<u>\$ 1,723,784</u>	<u>1,314,086</u>	<u>3,037,870</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, 2012

Net change in fund balances - total governmental funds	\$	616,306
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital outlay expenditures, net of retirements		147,352
Depreciation expense		(981,706)
		(834,354)
<p>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.</p>		
Principal payments on capital lease obligations		230,810
Change in accrued compensated absences		10,823
		241,633
<p>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.</p>		
		15,528
Change in net assets of governmental activities.	\$	39,113

City of Purcell, Oklahoma
Proprietary Funds
Statement of Net Assets
June 30, 2012

	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>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,098,440	154,805	(40,846)	1,212,399	111,152
Investments	400,000	-	-	400,000	-
Receivables, accounts					
Accounts, net of allowance for uncollectibles	856,321	2,192	-	858,513	-
Accrued interest	2,370	-	-	2,370	-
Due from other funds	6,670	-	-	6,670	-
Inventories	142,737	6,590	-	149,327	-
Restricted assets - cash and investments	7,312,536	-	-	7,312,536	-
Total current assets	<u>9,819,074</u>	<u>163,587</u>	<u>(40,846)</u>	<u>9,941,815</u>	<u>111,152</u>
Non-current assets:					
Bond issuance costs, net of accumulated amortization	267,062	-	-	267,062	-
Capital assets, net of accumulated depreciation	6,613,029	1,360,021	567,192	8,540,242	-
Total non-current assets	<u>6,880,091</u>	<u>1,360,021</u>	<u>567,192</u>	<u>8,807,304</u>	<u>-</u>
Total assets	<u><u>16,699,165</u></u>	<u><u>1,523,608</u></u>	<u><u>526,346</u></u>	<u><u>18,749,119</u></u>	<u><u>111,152</u></u>
LIABILITIES					
Current liabilities:					
Accounts payable	609,804	23,197	-	633,001	-
Accrued interest payable	69,182	-	-	69,182	-
Current portion of long-term obligations	802,870	12,378	-	815,248	-
Total current liabilities	<u>1,481,856</u>	<u>35,575</u>	<u>-</u>	<u>1,517,431</u>	<u>-</u>
Non-current liabilities:					
Notes payable	9,000,000	302,970	-	9,302,970	-
Accrued compensated absences	71,144	43,106	-	114,250	-
Total non-current liabilities	<u>9,071,144</u>	<u>346,076</u>	<u>-</u>	<u>9,417,220</u>	<u>-</u>
Total liabilities	<u><u>10,553,000</u></u>	<u><u>381,651</u></u>	<u><u>-</u></u>	<u><u>10,934,651</u></u>	<u><u>-</u></u>
NET ASSETS					
Invested in capital assets, net of related debt	3,809,047	-	-	3,809,047	-
Restricted:					
Debt service	1,190,831	-	-	1,190,831	-
Inventory	142,737	6,590	-	149,327	-
Payment of claims	-	-	-	-	111,152
Unrestricted	1,003,550	1,135,367	526,346	2,665,263	-
Total net assets	<u><u>\$ 6,146,165</u></u>	<u><u>1,141,957</u></u>	<u><u>526,346</u></u>	<u><u>7,814,468</u></u>	<u><u>111,152</u></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, 2012

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental
	Public Works Authority Utilities	Public Works Authority Golf Course	Airport Authority		Internal Service Fund
<u>OPERATING REVENUES:</u>					
Charges for services					
Electric	\$ 6,613,284	-	-	6,613,284	-
Water	1,825,494	-	-	1,825,494	-
Sewer	375,571	-	-	375,571	-
Sanitation	741,338	-	-	741,338	-
Other	119,317	-	-	119,317	19,775
Ambulance	247,863	-	-	247,863	-
Golf	-	537,969	-	537,969	-
Total operating revenues	<u>9,922,867</u>	<u>537,969</u>	<u>-</u>	<u>10,460,836</u>	<u>19,775</u>
<u>OPERATING EXPENSES:</u>					
General and administration	637,496	-	-	637,496	4,318
Electric	4,382,640	-	-	4,382,640	-
Water	621,250	-	-	621,250	-
Sewer	263,429	-	-	263,429	-
Sanitation	628,450	-	-	628,450	-
Customer and information services	362,021	-	-	362,021	-
Maintenance	207,806	-	-	207,806	-
Ambulance	247,226	-	-	247,226	-
Broadband wireless	5,873	-	-	5,873	-
Golf	-	540,000	-	540,000	-
Airport	-	-	1,550	1,550	-
Depreciation and amortization	667,830	33,991	24,980	726,801	-
Total operating expenses	<u>8,024,021</u>	<u>573,991</u>	<u>26,530</u>	<u>8,624,542</u>	<u>4,318</u>
Operating income (loss)	<u>1,898,846</u>	<u>(36,022)</u>	<u>(26,530)</u>	<u>1,836,294</u>	<u>15,457</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>					
Miscellaneous revenues	124,037	26,105	2,596	152,738	-
Interest income	5,315	72	-	5,387	71
Interest expense and fiscal charges	(238,630)	(23,147)	-	(261,777)	-
Total nonoperating revenues (expenses)	<u>(109,278)</u>	<u>3,030</u>	<u>2,596</u>	<u>(103,652)</u>	<u>71</u>
<u>OPERATING TRANSFERS</u>					
Transfers in	388,480	85,993	-	474,473	-
Transfers out	(965,534)	-	-	(965,534)	-
Total operating transfers	<u>(577,054)</u>	<u>85,993</u>	<u>-</u>	<u>(491,061)</u>	<u>-</u>
Change in net assets	1,212,514	53,001	(23,934)	1,241,581	15,528
Net assets - beginning	4,933,651	1,088,956	550,280	6,572,887	95,624
Net assets-ending	<u>\$ 6,146,165</u>	<u>1,141,957</u>	<u>526,346</u>	<u>7,814,468</u>	<u>111,152</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, 2012

	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>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Receipts from customers	\$ 9,877,881	-	-	9,877,881	19,775
Payments to suppliers	(7,039,572)	12,309	(1,550)	(7,028,813)	(4,318)
Payments to employees	(81,210)	-	-	(81,210)	-
Net cash provided (used) by operating activities	<u>2,757,099</u>	<u>12,309</u>	<u>(1,550)</u>	<u>2,767,858</u>	<u>15,457</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Miscellaneous revenues	124,037	26,106	2,596	152,739	-
Operating transfers in (out)	(577,054)	85,993	-	(491,061)	-
Net cash provided (used) by noncapital financing activities	<u>(453,017)</u>	<u>112,099</u>	<u>2,596</u>	<u>(338,322)</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Issuance of long-term debt, net of issuance costs	8,288,900	-	-	8,288,900	-
Principal paid on long-term debt	(2,649,839)	(11,603)	-	(2,661,442)	-
Interest expense and fiscal charges	(238,630)	(23,147)	-	(261,777)	-
Decrease (increase) in restricted assets	(6,436,353)	-	-	(6,436,353)	-
(Acquisition) disposition of capital assets	(288,836)	-	-	(288,836)	-
Net cash provided (used) by capital and related financing activities	<u>(1,324,758)</u>	<u>(34,750)</u>	<u>-</u>	<u>(1,359,508)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Decrease (increase) in investments	(400,000)	-	-	(400,000)	-
Interest received	5,315	72	-	5,387	71
Net cash provided (used) by investing activities	<u>(394,685)</u>	<u>72</u>	<u>-</u>	<u>(394,613)</u>	<u>71</u>
Net increase (decrease) in cash and cash equivalents	584,639	89,730	1,046	675,415	15,528
Cash and cash equivalents, beginning of the year	513,801	65,075	(41,892)	536,984	95,624
Cash and cash equivalents, end of the year	<u>\$ 1,098,440</u>	<u>154,805</u>	<u>(40,846)</u>	<u>1,212,399</u>	<u>111,152</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>					
Operating income (loss)	1,898,846	(36,022)	(26,530)	1,836,294	15,457
Adjustments to reconcile operating income to net cash provided by operating activities:					
Cash flows reported in other categories:					
Depreciation expense	667,830	33,991	24,980	726,801	-
Change in assets and liabilities:					
Receivable, net	(44,186)	(2,192)	-	(46,378)	-
Due to/from other funds	(100)	-	-	(100)	-
Inventories	(829)	-	-	(829)	-
Accounts payable	210,589	(4,435)	-	206,154	-
Accrued expenses	24,949	20,967	-	45,916	-
Total adjustments	<u>858,253</u>	<u>48,331</u>	<u>24,980</u>	<u>931,564</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 2,757,099</u>	<u>12,309</u>	<u>(1,550)</u>	<u>2,767,858</u>	<u>15,457</u>

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2012

	Agency Funds	
	Meter Deposit Fund	Municipal Court Fund
ASSETS		
Cash and cash equivalents	\$ 106,706	9,726
Investments	75,000	-
Total assets	181,706	9,726
LIABILITIES		
Customer deposits	175,036	-
Due to bondholders	-	4,857
Due to other funds	6,670	4,869
Total liabilities	181,706	9,726
NET ASSETS	\$ -	-

See accompanying notes to the basic financial statement.

**NOTES TO BASIC
FINANCIAL STATEMENTS**

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Purcell, Oklahoma (the City) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

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), utilities (streets and cemetery), culture and recreation, general government and administration, along with utility services to include electric, water, wastewater, sanitation and golf and airport facilities.

As required by accounting principles generally accepted in the United States of America, these financial statements present the activities of 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 and so data from these units are combined with the data of the primary government.

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.

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.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1.B. - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION - FUND ACCOUNTING

The City's basic financial statements consist of government-wide statements, including a statement of net assets, and a statement of activities, and fund financial statements, which provide a more detailed level of financial statement information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specially associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the city, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Major funds represent 10% of assets, liabilities, revenues, or expenditures of the corresponding element for all funds of that category *and* is at least 5% of the corresponding element total for all governmental and enterprise funds combined *or* is a fund that government believes is important enough for financial statement users to be reported as a major fund. Each is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting - The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

1.B. - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

Governmental Funds - are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurements focus and the modified accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Sales and use taxes, gasoline excise taxes, cigarette taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the City are susceptible to accrual and are recognized as revenue. Other receipts and taxes (franchise taxes, licenses, etc.) become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following are the City's major governmental funds:

General Fund - is the general operating fund of the City. It accounts and reports for all financial resources not required to be reported in another fund.

Proprietary Funds - are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with Governmental Accounting Standards Board (GASB) Statement No. 20 the City adopted only Financial Accounting Standards Board (FASB), Accounting Principles Board (APB), and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB. Proprietary funds are classified as enterprise.

Enterprise Funds - are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that the determination of revenues earned, costs, incurred and/or net income is necessary for capital maintenance, public policy, or management accountability. The following is the City's major enterprise fund:

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

1.B. - MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION - FUND ACCOUNTING - Continued

Purcell Public Works Authority - accounts for the operations of providing public works (electric, water, sewer, and refuse) to the City.

Fiduciary Funds - account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and do not present results of operations of have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in agency capacity. The City's only fiduciary fund is agency funds that are composed of customer deposit funds.

1.C. - ASSETS, LIABILITIES AND EQUITY

1. Deposits and Investments

Oklahoma Statutes authorize the City to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such investment.

For financial statement presentation and for purposes of the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with maturity date of three months or less. Debt investments with a maturity date of more than three months from the date of issue are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

The restricted bond fund cash and investments are the result of financial requirements of bond issues and consist of funds held at the Trustee Bank in Escrow, Debt Service, Reserve and Construction Accounts. Under the terms and provisions of the Debt Indenture, these special accounts and reserve funds are maintained with the Trustee bank for the benefit of the holders of the debt and are not subject to lien or attachment by any other creditors. These accounts and reserve funds are to be maintained so long as any debt is outstanding. Monies contained in accounts and reserve funds held by the Trustee are required to be continuously invested in authorized securities that mature not later than the respective dates when the funds shall be required for the purpose intended by the trust indenture.

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1.C. - ASSETS, LIABILITIES AND EQUITY - Continued

3. Fair Value of Financial Statements

The City's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The City's estimates of fair value of all financial instruments do not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

4. Estimates

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

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of such inventories are recorded as expenditures when purchased rather than when consumed.

7. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net assets and in the respective funds. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000 for the governmental and proprietary funds.

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1.C. - ASSETS, LIABILITIES AND EQUITY - Continued

7. Capital Assets - Continued

The City's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage systems, lighting systems and similar assets that immovable and of value only to the City. Such infrastructure assets acquired are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings	35-60 years	35-60 years
Building improvements	35-60 years	35-60 years
Furniture and fixtures	5-10 years	5-10 years
Machinery and equipment	5-20 years	5-20 years
Vehicles	5-10 years	5-10 years
Infrastructure - Parks	25-99 years	25-99 years
Infrastructure - Water/sewer	25-99 years	25-99 years
Infrastructure - Streets	15-25 years	15-25 years

8. Deferred Charges

Debt issuance costs are amortized ratably over the repayment period of the applicable bond or note using the straight-line method. Deferred loss on early retirement of debt is being amortized over the life of the refunded issue and is presented net of related debt as required by Governmental Accounting Standards Board Statement No. 23.

9. Compensated Absences

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.

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1.C. - ASSETS, LIABILITIES AND EQUITY - Continued

9. Compensated Absences - Continued

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.

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.

10. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associates with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditure and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1.C. - ASSETS, LIABILITIES AND EQUITY - Continued

11. Deferred Compensation Plan

The deferred compensation plan is voluntary for city employees who participate in the city's pension plans. These plans comply with sections 401(k) and 457(b) of the Internal Revenue Code. Participants in the city's voluntary 401(k) and 457(b) plans have full discretion to choose investments from a list of standard plan options, a linked brokerage account, and a commingled pool managed by plan administrator. The list of standard plan options includes mutual funds with varying styles and levels of investment risk. All the account balances in the mandatory 457(b) plan are invested in the same commingled pool. All contributions to these plans are deferred by plan participants from their compensation and all the earnings are allocated to each participant's account. Distributions from all the deferred compensation plans are available after termination of employment. Additionally, participants in the city's voluntary plans may also take out loans and may receive hardship withdrawals in accordance with federal regulations. The assets held in these plans are not included in the city's financial statements and cannot be used for purposes other than the exclusive benefit of the participants or their beneficiaries or to pay the reasonable expenses of plan administration.

12. Net Assets/Fund Balance

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance between amounts that are considered *nonspendable* (i.e. fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments and receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1.C. - ASSETS, LIABILITIES AND EQUITY - Continued

12. Net Assets/Fund Balance - Continued

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

13. Resource Use Policy

It is in the City's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the City considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the City's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the City considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS

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 the Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.A. - Cash and Investments

A summary of cash and investments shown in the statement of net assets is as follows:

Cash and equivalents	\$ 3,990,715
Investments	<u>532,680</u>
Total	<u>\$ 4,523,395</u>

The local government had the following deposits and investments at June 30, 2012:

	Credit rating	Fair value	Maturities in Years		
			On demand	Less than 1	1-5
Demand deposits and cash on hand	(1)	\$ 3,990,715	3,990,715	-	-
Money market mutual funds	AAA	-	-	-	-
Time deposits	(1)	<u>532,680</u>	-	<u>532,680</u>	-
Total		<u>\$ 4,523,395</u>	<u>3,990,715</u>	<u>532,680</u>	<u>-</u>

(1) Not subject to rating

Standard and Poor's (S&P) was the source for all credit ratings reported above.

Custodial Credit Risk

At June 30, 2012, the City held deposits of approximately \$4,879,178 at financial institutions. The City's cash deposits, including interest-bearing certificates of deposit had custodial credit exposure risk of \$2,040,226 with one local bank. State statutes requires the City's cash deposits to be entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with the securities held by the City or by its agent in the City's name.

Investment Interest Credit Risk

The City does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.A. - Cash and Investments - Continued

Investment Credit Risk

The City has no policy that limits its investment choice other than the limitation of the state law as follows:

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

Concentration of Investment Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has the following of credit risk: 100% in Certificates of deposit (\$532,680) and 0% in Money Market funds.

2.B. - Receivables and Uncollectible Accounts

	General Fund	Nonmajor Governmental Funds	Purcell Public Works Authority	Total
Receivables:				
Taxes	\$ 398,558	4,425	-	402,983
Accounts	2,268	-	1,218,826	1,221,094
Due from other governments	-	-	-	-
Gross receivables	400,826	4,425	1,218,826	1,624,077
Less: Allowance for uncollectibles	-	-	360,313	360,313
Net total receivables	\$ 400,826	4,425	858,513	1,263,764

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.C. - Restricted Assets

The revenue bonds and notes as issued from time-to-time by the City, 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 2012:	
Debt service	\$ 3,186
Sales Tax Revenue Note, Series 2011:	
Project account	7,067,945
Debt service	162,263
Sales Tax Revenue Note, Series 2007:	
Project account	125
Debt service	<u>79,017</u>
Total restricted assets	<u>\$ 7,312,536</u>

2.D. - Capital assets

Capital asset balances and activities for the year ended June 30, 2012, were as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
<i>Governmental activities</i>				
Capital assets not being depreciated :				
Land	\$ 982,325	-	(160,000)	<u>822,325</u>
Total capital assets not being depreciated	<u>982,325</u>	<u>-</u>	<u>(160,000)</u>	<u>822,325</u>
Capital assets being depreciated :				
Buildings and improvements	6,025,960	-	-	6,025,960
Machinery and equipment	1,323,113	43,426	(3,800)	1,362,739
Vehicles	2,298,116	150,544	(65,804)	2,382,856
Infrastructure	21,917,234	115,655	-	22,032,889
Total capital assets being depreciated	<u>31,564,423</u>	<u>309,625</u>	<u>(69,604)</u>	<u>31,804,444</u>
Less : Accumulated depreciation	<u>20,879,944</u>	<u>(67,331)</u>	<u>981,706</u>	<u>21,794,319</u>
Governmental activities capital assets, net	<u>\$ 11,666,804</u>	<u>376,956</u>	<u>(1,051,310)</u>	<u>10,832,450</u>

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.D. - Capital assets - Continued

Depreciation expense for governmental activities is charged to functions as follows:

Governmental activities:

General government	\$	21,515
Public safety		352,846
Public works administration		581,458
Cultural and recreation		25,887
Total depreciation expense - governmental activities	\$	<u>981,706</u>

Capital asset activity for business-type activities for the year ended June 30, 2012 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
Business-type activities				
Capital assets not being depreciated :				
Land	\$ 1,355,935	-	-	1,355,935
Construction in progress	-	167,738	-	167,738
Total capital assets not being depreciated	<u>1,355,935</u>	<u>167,738</u>	<u>-</u>	<u>1,523,673</u>
Capital assets being depreciated :				
Buildings and improvements	1,221,381	-	-	1,221,381
Machinery and equipment	963,194	-	(5,600)	957,594
Vehicles	784,352	101,872	-	886,224
Infrastructure	16,585,555	24,826	-	16,610,381
Total capital assets being depreciated	19,554,482	126,698	(5,600)	19,675,580
Less : Accumulated depreciation	12,010,052	(5,600)	654,559	12,659,011
Business-type activities capital assets, net	<u>\$ 8,900,365</u>	<u>300,036</u>	<u>(660,159)</u>	<u>8,540,242</u>

Depreciation expense for business-type activities is charged to functions as follows:

Business-type activities:

Electric	\$	133,293
Water		228,442
Sewer		229,993
Sanitation		-
General government		3,860
Airport		24,980
Golf course		33,991
Total depreciation expense - business-type activities	\$	<u>654,559</u>

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.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, 2012, cash and investments included \$181,706 available for refund of customer deposits, while the liability to customers was \$175,036.

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, 2012, \$4,857 was being held that was subject to refund.

2.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:

Governmental activities:

Lease purchase agreement for the purchase of various vehicles for the Police Department dated May 12, 2010, payable in quarterly installments of \$35,834, including interest at 6.35%, through May 12, 2015.	\$ 388,742
Lease purchase agreement for the purchase of an E-One fire truck dated December 10, 2010, payable in quarterly installments of \$33,704, including interest at 3.50%, through December 21, 2015.	<u>442,273</u>
Total governmental activities capital lease obligations	<u>\$ 831,015</u>

The assets acquired through capital leases are as follows:

Various police vehicles	\$ 698,496
One E-One fire truck	615,904
Less: Accumulated depreciation	<u>250,946</u>
Net capital asset cost	<u>\$ 1,063,454</u>

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.F. Leases - Continued

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2013	\$ 278,152
2014	278,152
2015	278,152
2016	67,408
Total required payments	<u>901,864</u>
Less: Interest expense	<u>70,849</u>
Total principal payments	<u><u>\$ 831,015</u></u>

Business-type activities:

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.	\$ <u>22,670</u>
Total business-type activities	\$ <u><u>22,670</u></u>

The assets acquired through capital leases are as follows:

Two fire pumper units	\$ 326,352
Less: Accumulated depreciation	<u>219,381</u>
Net capital cost	\$ <u><u>106,971</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>
2013	\$ <u>23,276</u>
Total required payments	<u>23,276</u>
Less: Interest expense	<u>606</u>
Total principal payments	<u><u>\$ 22,670</u></u>

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.G. Long-term debt

Long-term liabilities of the City of Purcell as of June 30, 2012, are as summarized as follows:

Business-type activities:

Notes payable:

<p>\$1,100,000 Purcell Public Works Authority Utility System and Sales Tax Revenue Notes, Series 2012 dated June 20, 2012, secured by a pledge of a one cent sales tax and net revenues of the utility system to provide funds to retire existing debt, due in semi-annual principal and interest payments ranging from \$95,000 to \$105,000 with a final payment due September 1, 2017, interest at 1.58%.</p>	\$ 1,100,000	
<p>\$7,435,000 Purcell Public Works Authority Utility System and Sales Tax Revenue Notes, Series 2011 dated December 12, 2011, secured by a pledge of a one cent sales tax and net revenues of the utility system to provide funds for various capital improvements, due in semi-annual principal and interest payments ranging from \$100,000 to \$330,000 with a final payment due October 1, 2025, interest at 2.85%.</p>	7,335,000	
<p>\$2,435,000 Purcell Public Works Authority Sales Tax Revenue Notes, Series 2007, dated March 1, 2007, secured by a pledge of a three-fourths (3/4) of a one percent sales tax to provide funds for various capital improvements due in semi-annual principal and interest payments ranging from \$148,338 to \$153,186 with a final payment due April 1, 2017, interest at 4.248%.</p>	1,345,000	
<p>\$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.</p>	315,348	
<p>Total net revenue bonds and notes payable</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black;">10,095,348</td> </tr> </table>	10,095,348
10,095,348		
<p>Total business-type activities</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 10,095,348</td> </tr> </table>	\$ 10,095,348
\$ 10,095,348		

City of Purcell, Oklahoma
Notes to Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.G. Long-term debt - Continued

Long-term liabilities transactions for the year ended June 30, 2012, 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>
Business-type activities					
Sales Tax Revenue Notes-2012	\$ -	1,100,000	-	1,100,000	195,000
Sales Tax Revenue Notes-2011	-	7,435,000	100,000	7,335,000	440,000
Sales Tax Revenue Notes-2007	1,580,000	-	235,000	1,345,000	245,000
Revenue bonds - Series 2000	1,140,000	-	1,140,000	-	-
Note payable - OWRB	1,141,889	-	1,141,889	-	-
Note payable - Golf course	325,950	-	10,602	315,348	12,378
Total business-type activities	<u>\$ 4,187,839</u>	<u>8,535,000</u>	<u>2,627,491</u>	<u>10,095,348</u>	<u>892,378</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, 2012 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>
	2013	\$ -	-	892,378
2014	-	-	1,207,970	265,865
2015	-	-	940,000	229,276
2016	-	-	965,000	201,286
2017	-	-	1,000,000	172,373
2018-2022	-	-	2,870,000	538,910
2023-2027	-	-	2,220,000	128,321
Totals	<u>\$ -</u>	<u>-</u>	<u>10,095,348</u>	<u>1,830,017</u>

City of Purcell, Oklahoma
Notes to Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.G. Long-term debt - Continued

Pledge of Future Revenues

Sales Tax Pledge - The City has pledged one and three-fourth cents (or 75%) of future sales tax revenues to repay \$10,970,000 of the Series 2012, 2011, 2007 Purcell Public Works Authority Revenue Notes which are payable through 2025. Proceeds from the notes provided financing for construction of designated capital improvements and retirement of existing debt. The total principal and interest payable for the remainder of the life of the notes is \$11,583,364. Pledged sales taxes received in the current year was \$3,209,306. Debt service payments on the 2012, 2011 and 2007 Revenue Notes of \$1,190,831 for the current fiscal year were 37% of pledged sales tax. Other sources of revenues such as water and sewer are also pledged.

Utility Revenue Pledge - The City has also pledged future net water, sewer and sanitation revenues to repay Series 2012 and Series 2011 referenced above. If the net utility revenues are sufficient to service the debt, the pledged sales tax revenues are transferred back to the General Fund. The debt service payments on the notes this year were \$883,727 which was 35% of pledged net utility revenues of \$2,547,513 and 15% of both pledged utility revenues and pledged sales taxes.

2.H. Debt issuance costs

Debt issuance costs of \$602,893 have been capitalized on enterprise funds sales tax revenue notes, and are being amortized on the straight-line basis over the term of the relevant debt issues. During the year ended June 30, 2012, \$72,241 in debt issuance costs was amortized, leaving an unamortized balance of \$267,062.

2.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. In accordance with general accepted accounting principles a provision has been made for accumulated vacation as follows:

Governmental activities	\$ 402,731
Business-type activities	114,250
	<hr/>
Total compensated absences	\$ 516,981

City of Purcell, Oklahoma
Notes to Basic Financial Statements
June 30, 2012

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.J. Interfund receivables, payables, and transfers

Interfund transactions:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Municipal Court Fund - Agency	General Fund	\$ 4,869
Seminole Utilities Authority	Meter Deposit Fund	6,670
		<u>\$ 11,539</u>

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Purcell Public Works Authority</u>	
Transfer out:				
General fund	\$ -	1,068,720	-	1,068,720
Nonmajor governmental	-	-	388,480	388,480
Purcell Public Works Auth.	879,541	-	-	879,541
Totals	<u>\$ 879,541</u>	<u>1,068,720</u>	<u>388,480</u>	<u>2,336,741</u>

NOTE 3 - OTHER INFORMATION

3.A. - Risk management

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

- General Liability - Covered through purchased insurance with a \$25,000 deductible, per occurrence.
- Physical Property - Covered through purchased insurance with a \$25,000 deductible, per occurrence.
- Workers' Compensation - Workers' compensation is covered through self-insurance with the City administering the claims process. The City does not carry stop-loss insurance.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
June 30, 2012

NOTE 3 - OTHER INFORMATION - Continued

3.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 party to legal proceedings which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

3.C. Employee Retirement Systems and Pension Plans

The City of Purcell participates in the Oklahoma State Police Pension and Retirement System and the Oklahoma State Firefighters' Pension and Retirement System, both of which are cost sharing multiple-employer defined benefit plans administered by the State of Oklahoma. Additionally, for other City employees not covered by the other plans, the City maintains the City of Purcell Employee Retirement Plan, a single-employer defined contribution plan, and a 457 deferred compensation plan.

Oklahoma Police Pension and Retirement Plan

All City police department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Police Pension and Retirement System (OPPRS). Under this plan, police department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OPPRS issue publicly available financial reports that include financial statements and required supplemental information for the fund. These reports may be obtained by writing to the Oklahoma Police Pension and Retirement System, 101 NW 63rd Street, Suite 305, Oklahoma City, OK 73116-7335, or by calling 1-800-347-6552.

The required contributions from the City for the OPPRS plan are as follows:

Fiscal Year	Required Contribution	Amount Contributed
2012	\$ 109,289	109,289
2011	99,295	99,295
2010	104,414	104,414

City of Purcell, Oklahoma
Notes to Basic Financial Statements
June 30, 2012

NOTE 3 - OTHER INFORMATION - Continued

3.C. Employee Retirement Systems and Pension Plans - Continued

Oklahoma Firefighters' Pension and Retirement Plan

All City fire department employees hired before age 45 are covered by a statewide cost sharing multi-employer defined benefit plan adopted under Oklahoma Statutes. This plan is operated and administered by the Oklahoma Firefighters' Pension and Retirement System (OFPRS). Under this plan, police department personnel contribute 8.0% of base salary and the City contributes an additional 13.0%. The OFPRS issue publicly available financial reports that include financial statements and required supplemental information for the fund. These reports may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System, 4545 north Lincoln Blvd., Suite 265, Oklahoma City, OK 73105-3414, or by calling 1-800-525-7461.

The required contributions from the City for the OFPRS plan are as follows:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Amount Contributed</u>
2012	\$ 67,105	67,105
2011	67,099	67,099
2010	68,338	68,338

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.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
June 30, 2012

NOTE 3 - OTHER INFORMATION - Continued

3.C. Employee Retirement Systems and Pension Plans - Continued

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, 2012, for employees and employer were \$142,163 and \$158,993, respectively. For the year ended June 30, 2012, the City's covered payroll was \$2,273,202. 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 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, 2012 totaled \$194,818.

Funding Policy - DC Plan participants may contribute up to \$16,500 and \$17,000 of eligible compensations in calendar years 2011 and 2012, respectively. In addition, employees age 50 and older may contribute a catch-up contribution of \$5,500. The City contributes seven percent (7%) of the employee's total payroll to the employee's plan account. The employer's contribution are subject to immediate vesting. The contributions to the DC Plan for the last three years are as follows:

<u>Fiscal Year</u>	<u>Employer Contribution</u>	<u>Employee Contributions</u>
2012	\$ 23,435	-
2011	21,280	-
2010	12,110	-

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, 2012 was \$170,879.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
June 30, 2012

NOTE 3 - OTHER INFORMATION - Continued

3.D. Other Post-Employment Benefits

Plan Description: City provides post-retirement benefit options for health care, prescription drug, dental and vision benefits for retired employees and their dependents that elect to make required contributions. The benefits are provided in accordance with State Law, police and firefighter's union contracts and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The relationship for these benefits is not formalized in a contract or plan document, only a few sentences in the administrative policy. These benefits are considered for accounting purposes to be provided in accordance with a single employer substantive plan. A substantive plan is one in which the plan terms are understood by the City and plan members. This understanding is based on communications between the employers and plan member and the historical pattern of practice with regard to the sharing of benefit costs.

Substantially all of the government's employees may become eligible for those post-retirement benefits if they reach normal retirement age while working for the City. The plan is only provided for employees between the ages of 62 and 65. As of June 30, 2012, approximately no retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2012, the City contributed 0% to the plan for previously retired employees (0 retirees) and 0% of premiums on newly retired employees (0 retirees).

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB 45 requires entities with over 200 employees to have the actuarial valuation performed biennially. The City is not required to perform the actuarial valuation of the OPEB cost and related OPEB obligation for the year ended June 30, 2012 since no one is participating at this time.

Actuarial valuations of an ongoing plan involve estimates of the value of reporting amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
June 30, 2012

NOTE 3 - OTHER INFORMATION - Continued

3.D. Other Post-Employment Benefits

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

4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 30, 2012, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

**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, 2012

	Budget		Actual	Variance with Final Budget Over
	Original	Final		(Under)
REVENUES				
Taxes	\$ 4,257,100	4,292,100	4,518,151	226,051
Intergovernmental	167,500	286,800	188,586	(98,214)
Licenses and permits	103,200	148,200	164,553	16,353
Charge for services	123,100	140,000	138,684	(1,316)
Fines and forfeitures	150,000	151,000	129,036	(21,964)
Interest	4,000	4,000	2,932	(1,068)
Miscellaneous	164,500	103,100	152,177	49,077
Total revenues	<u>4,969,400</u>	<u>5,125,200</u>	<u>5,294,119</u>	<u>168,919</u>
EXPENDITURES				
General government:				
General government	237,300	306,800	198,461	108,339
City manager	61,092	63,292	60,948	2,344
City clerk	165,321	170,726	170,144	582
Information Technology	37,490	38,490	36,170	2,320
Municipal court	131,538	143,838	142,248	1,590
Public safety:				
Police	1,629,951	1,664,951	1,589,244	75,707
Fire	886,585	918,585	885,078	33,507
Animal control	119,582	123,282	119,275	4,007
Maintenance	69,519	92,764	86,388	6,376
Communications	388,531	433,431	411,379	22,052
Emergency management	74,770	81,870	79,017	2,853
Code administration	130,693	135,393	121,498	13,895
Public works:				
Streets	561,236	592,686	538,586	54,100
Cemetery	156,468	156,468	154,582	1,886
Culture and recreation:				
Multipurpose center	9,500	4,735	3,187	1,548
Swimming pool	64,365	69,130	68,110	1,020
Total expenditures	<u>4,723,941</u>	<u>4,996,441</u>	<u>4,664,315</u>	<u>332,126</u>
Excess (deficiency) of revenues over (under) expenditures	245,459	128,759	629,804	501,045
OTHER FINANCING SOURCES (USES)				
Transfers	(245,459)	(120,459)	(189,179)	(68,720)
Net change in fund balances	-	8,300	440,625	432,325
Fund balances - beginning	-	-	1,283,159	1,283,159
Fund balances - ending	<u>\$ -</u>	<u>8,300</u>	<u>1,723,784</u>	<u>1,715,484</u>

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma
Notes to Required Supplemental Information
For the Year Ended June 30, 2012

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds. The enterprise fund adopts budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the City Manager (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Council Members (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the City Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

The City uses encumbrance accounting. Encumbrances are recorded when purchase orders are issued but generally are not considered expenditures until liabilities for payments are incurred. At year-end, open purchase orders are reviewed and payments are made on those where receipt of goods and services is eminent. The remaining purchase orders (and encumbrances) are cancelled and reissued during the following year. There are no outstanding encumbrances at year-end.

**OTHER SUPPLEMENTARY
INFORMATION**

City of Purcell, Oklahoma
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2012

	Special Revenue					Permanent	Capital Projects	Total
	Street & Alley	Rural Fire	Drug Enforcement	Economic Development	Cemetery Care	Cemetery Perpetual Care	Capital Improvements	Nonmajor Governmental Funds
<u>ASSETS</u>								
Cash and cash equivalents	\$ 212,481	31,101	(614)	(19,653)	112,916	-	900,874	1,237,105
Investments	-	-	-	-	-	25,000	107,680	132,680
Receivables, net	4,375	-	-	-	50	-	-	4,425
TOTAL	216,856	31,101	(614)	(19,653)	112,966	25,000	1,008,554	1,374,210
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	-	219	-	-	130	-	26,208	26,557
Total Liabilities	-	219	-	-	130	-	26,208	26,557
Fund balances:								
Reserved for:								
Capital improvements	-	-	-	-	-	25,000	982,346	1,007,346
Unreserved:								
Designated	216,856	30,882	(614)	(19,653)	112,836	-	-	340,307
Total Fund Balances	216,856	30,882	(614)	(19,653)	112,836	25,000	982,346	1,347,653
TOTAL	\$ 216,856	31,101	(614)	(19,653)	112,966	25,000	1,008,554	1,374,210

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, 2012

	Special Revenue					Permanent	Capital Projects	Total
	Street & Alley	Rural Fire	Drug Enforcement	Economic Development	Cemetery Care	Cemetery Perpetual Care	Capital Improvements	Nonmajor Governmental Funds
REVENUES								
Intergovernmental	\$ 51,022	8,525	14,223	-	-	-	-	73,770
Charge for services	-	17,990	-	-	10,160	-	-	28,150
Interest	-	52	-	-	116	-	735	903
Miscellaneous	-	-	-	23,840	11,962	-	-	35,802
Total revenues	51,022	26,567	14,223	23,840	22,238	-	735	138,625
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	62,886	62,886
Public safety	-	37,799	13,128	-	-	-	360,307	411,234
Public works	4,240	-	-	-	-	-	70,840	75,080
Economic development	-	-	-	46,992	-	-	-	46,992
Cultural and recreation	-	-	-	-	3,178	-	10,247	13,425
Total expenditures	4,240	37,799	13,128	46,992	3,178	-	504,280	609,617
Excess (deficiency) of revenues over expenditures	46,782	(11,232)	1,095	(23,152)	19,060	-	(503,545)	(470,992)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	1,068,720	1,068,720
Transfers out	-	-	-	-	-	-	(388,480)	(388,480)
Total other financing sources and uses	-	-	-	-	-	-	680,240	680,240
Net change in fund balances	46,782	(11,232)	1,095	(23,152)	19,060	-	176,695	209,248
Fund balances-beginning	170,074	42,114	(1,709)	3,499	93,776	25,000	805,651	1,138,405
Fund balances-ending	\$ 216,856	30,882	(614)	(19,653)	112,836	25,000	982,346	1,347,653

See accompanying notes to the basic financial statement.

DILLON & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
1401 S. DOUGLAS BLVD., SUITE A
MIDWEST CITY, OK 73130

ROBERT S. DILLON, CPA
bobdilloncpa@gmail.com

Phone: (405) 732-1800
Fax : (405) 737-7446

**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, 2012, which collectively comprise the City of Purcell's basic financial statements and have issued our report thereon dated October 30, 2012. 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, Oklahoma'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 and correct 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 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 accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. The finding reference number is 2012-01. 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.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as item 2012-02.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and accordingly, we express no opinion on them.

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
October 30, 2012

**CITY OF PURCELL, OKLAHOMA
SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012**

Finding 2012-01 - Internal Control - Material Adjusting Journal Entries

Criteria - The government's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the government's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balance required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balance prior to audit.

Condition - The government's trial balance for the year ended June 30, 2012, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: yearend revenue accruals, depreciation expense, and transactions related to debt service.

Cause - Although the government's accounting and financial reporting staff possess the necessary knowledge and expertise to provide reasonable assurance that the trial balances used for preparing the governmental GAAP financial statements are complete and accurate prior to audit, because of work load and other time constraints sufficient efforts were not expended to correct these misstatements prior to the auditor's arrival to perform fieldwork. As a result, management had to rely on the external auditors to identify and correct a number of material misstatements in the trial balance. However, management was able to review, understand and accept the adjusting entries proposed by the external auditor in order to take responsibility for them and the financial statements.

Effect or Potential Effect - As a result of this condition, without reliance on its external auditors, the government did not comply with its internal controls over completeness and accuracy of the trial balances that are used in the preparation of financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management continues to rely on the external auditor. To detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence since management is responsible for the completeness and accuracy of the financial statements.

**CITY OF PURCELL, OKLAHOMA
SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012**

Recommendation - The accounting and financial reporting staff should spend sufficient time in evaluating the completeness and accuracy of trial balances that will be used to prepare the government's annual financial statements. If accounting staff doesn't have sufficient time because of workload constraints the government might consider outsourcing certain activities to other individuals or a qualified accounting firm other than the external auditor.

Management's Response - The City concurs with the recommendation, and will strive to prepare and post material adjusting journal entries to the financial statements.

Finding 2012-02 - Compliance over Laws and Regulations - Cash Collateralization

Criteria - Oklahoma state statutes require that all uninsured deposits of municipal funds in financial institutions must be secured by the financial institution with acceptable collateral.

Condition - At June 30, 2012, deposits totaling \$2,040,226 were not insured or collateralized as required by state law.

Cause - Controls were not in place to ensure that deposits at the City's financial institutions were fully insured or collateralized, or to monitor and update agreements, as applicable, with financial institutions on an on-going basis.

Effect or Potential Effect - The failure to adequately collateralize its deposits exposed the City to potential losses resulting from custodial credit risk at June 30, 2012.

Recommendation - We recommend the City have proper procedures in place to ensure that all applicable deposits are adequately insured or collateralized throughout the year.

Management's Response - The City concurs with the recommendation and has subsequently made adjustments to comply with the state statutes on collateralization.

City of Purcell, Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	PROGRAM OR AWARD AMOUNT	EXPENDITURES
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Oklahoma Department of Commerce:				
Community Development Block Grant - Nonentitlement	14.228	13115 CDBG 08	150,000	60,263
Total U.S. Department of Housing and Urban Development			150,000	60,263
<u>U.S. Department of Justice</u>				
Passed through Oklahoma Department of Civil Emergency Mangement:				
Emergency Management Assistance			1,803	1,803
Total U.S. Department of Justice			1,803	1,803
<u>U.S. Department of Homeland Security</u>				
Passed through Okla. Dept. of Emergency Management:				
Emergency Management Performance Grant	97.042	EMPG - SLA	3,079	3,079
Emergency Management Performance Grant	97.042	EMPG - SLA	30,123	6,800
Emergency Management Performance Grant	97.042	EMPG - SLA	10,000	10,000
Total U.S. Department of Homeland Security			43,202	19,879
<u>U.S. Department of Transportation</u>				
Passed through Oklahoma Highway Safety Department:				
Oklahoma Highway Safety Office	20.600	SE-12-13-08-08	12,000	6,270
Oklahoma Highway Safety Office	20.600	OP-11-03-12-07	20,000	12,322
Total U.S. Department of Transportation			32,000	18,592
Total Federal Assistance			227,005	100,537
STATE PROGRAMS				
<u>State of Oklahoma</u>				
Passed through the Association of South Central Oklahoma Governments (ASCOG) :				
Community Expansion of Nutrition Assistance			3,790	3,790
Passed through the Oklahoma Dept. of Agriculture, Food and Forestry Services :				
Rural Fire Defense Program			8,525	8,525
Total State of Oklahoma			12,315	12,315
Total Federal and State Assistance			\$ 239,320	112,852

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 Grant Revenues and Expenditures
Budget, Actual and Reconciliation of Audit Grant
June 30, 2012

13115 CDBG 08

	Program <u>Budget</u>	Cumulative Expenditures to Date Per Expenditure <u>Report</u>	<u>Adjustments</u>	<u>Per Audit</u>	Current Year Activity <u>Per Audit</u>
<u>REVENUE</u>					
Grant Proceeds	\$ 150,000	102,707	-	102,707	60,263
Matching funds	75,590	33,000	-	33,000	-
Total Revenue	225,590	135,707	-	135,707	60,263
<u>EXPENDITURES</u>					
Flood and drainage	141,000	93,707	-	93,707	59,363
Flood and drainage - Match	75,590	33,000	-	33,000	-
Administration	9,000	9,000	-	9,000	900
Total Expenditures	225,590	135,707	-	135,707	60,263
Revenues Over (Under) Expenditures	\$ -	-	-	-	-