

**CITY OF PURCELL, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2013**

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**INDEPENDENT AUDITOR'S  
REPORT**

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**INDEPENDENT AUDITOR'S REPORT**

City Council  
City of Purcell  
Purcell, Oklahoma

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Purcell, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Purcell Municipal Hospital which is a discretely presented component unit of the City of Purcell. These statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Purcell is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Purcell, Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

#### ***Other Information***

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 combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013 on our consideration of the City of Purcell's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Purcell's internal control over financial reporting and compliance.

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

Midwest City, Oklahoma  
November 14, 2013

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## CITY OF PURCELL, OKLAHOMA

### MANAGEMENT'S DISCUSSION AND ANALYSIS *For the Fiscal Year Ended June 30, 2013*

As management of the City of Purcell (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013.

#### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$22,035,248. Of this amount, \$4,385,272 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's net position increased by \$1,682,946 from the prior year restated amount.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,145,380, an increase of \$1,073,943 in comparison with the prior year amount. Of this total amount, \$3,074,314 is *unassigned fund balance* for governmental funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,664,783, or approximately 57% of total General Fund expenditures.
- During the current fiscal year, the City's total long-term obligations decreased by \$1,882,974 (18%). The debt was reduced by payments on capital leases of \$265,285, reduced by principle payments on revenue notes of \$892,417, and a net decrease in compensated absences payable of \$17,470.
- Sales and use taxes increased by \$154,128 or 3.5% over the prior fiscal year.
- The City implemented Governmental Accounting Standards Board Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*" (GASB #63) for the current fiscal year ended June 30, 2013. GASB No. 63 establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB's 2007 Concepts Statement No. 4, "*Elements of Financial Statements.*" In Concepts Statement No. 4, the GASB defined a *deferred outflow of resources* as a consumption of net position by a government that is applicable to a future reporting period; a *deferred inflow of resources* as an acquisition of net position by a government that is applicable to a future reporting period; and *net position* as a residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net

position rather than as net position in a statement of financial position. Since the City had no deferred outflows or inflows of resources at June 30, 2013, the City's implementation of GASB #63 has no material effect on the presentation of its fiscal year 2012-2013 financial statements.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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 position* presents information on all of the City's residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in Net Position 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).

Both of the government-wide financial statements distinguish functions of the City 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 include general government, public safety, public works, and culture and recreation. The business-type activities of the City, which include the City's water, wastewater, sanitation utility and golf course operations, are included in the Purcell Public Works Authority.

The government-wide financial statements include not only the City itself, but also the legally separate Purcell Public Works Authority and Purcell Airport Authority as blended component units. The Authorities, although also legally separate, functions for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-15 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, 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 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.

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 as listed in the table of contents.

**Proprietary funds.** The City maintains three types of proprietary fund. 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, golf course authority and airport authority.

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 risk management and insurance activities. These services have been allocated to governmental and business-type functions 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 which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found as listed in the table of contents.

**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 as listed in the table of contents.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's (a) variances in budget to actual revenues and expenditures for the General Fund. Required supplementary information can be found as listed in table of contents.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found as listed in the table of contents.

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$22,035,248 at the close of the most recent fiscal year. The following table provides a summary of the City's net position at June 30, 2013 compared to June 30, 2012.

Table 1  
Net Position  
(In Thousands)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 4,427	3,321	7,689	10,209	12,116	13,530
Capital assets	10,139	10,833	10,969	8,540	21,108	19,373
Total assets	<u>14,566</u>	<u>14,154</u>	<u>18,658</u>	<u>18,749</u>	<u>33,224</u>	<u>32,903</u>
Long-term debt outstanding	712	589	7,813	8,855	8,525	9,444
Other liabilities	407	783	2,257	2,080	2,664	2,863
Total liabilities	<u>1,119</u>	<u>1,372</u>	<u>10,070</u>	<u>10,935</u>	<u>11,189</u>	<u>12,307</u>
Net assets:						
Invested in capital assets, net of debt	9,550	10,001	5,272	3,809	14,822	13,810
Restricted	1,051	1,176	1,348	1,340	2,399	2,516
Unrestricted	2,846	1,604	1,968	2,666	4,814	4,270
Total net assets	\$ <u>13,447</u>	<u>12,781</u>	<u>8,588</u>	<u>7,815</u>	<u>22,035</u>	<u>20,596</u>

By far the largest portion of the City's Net Position (67.3%) 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.

An additional portion of the City's net position (10.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (21.8%) may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year the City's net position increased by \$1,682,946 during the current fiscal year. This increase represents the overall excess of revenues over expenses including depreciation of \$1,546,924.

**Governmental activities.** Governmental activities increased the City's net position by \$665,578. Included in expenses was a non-cash charge for depreciation on capital assets of \$924,696.

**Business-type activities.** Business-type activities increased the City's net position by \$1,017,368. Included in expenses was a non-cash charge for depreciation on capital assets of \$622,228.

Table 2  
Changes in Net Position (In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues						
Charges for services	\$ 455	534	10,312	10,461	10,767	10,995
Operating grants	343	44	-	-	343	44
Capital grants	-	59	160	-	160	59
General revenues						
Sales and use taxes	4,612	4,458	-	-	4,612	4,458
Franchise tax (fees)	68	60	-	-	68	60
Other taxes	134	86	-	-	134	86
Investment income	2	4	19	5	21	9
Other	92	188	134	153	226	341
Total revenues	<u>5,706</u>	<u>5,433</u>	<u>10,625</u>	<u>10,619</u>	<u>16,331</u>	<u>16,052</u>
Expenses:						
General government	635	707	1,440	1,551	2,075	2,258
Public safety	3,645	3,712	-	-	3,645	3,712
Public works	1,195	1,285	-	-	1,195	1,285
Cultural & recreation	280	134	-	-	280	134
Economic development	41	47	-	-	41	47
Electric	-	-	4,522	4,516	4,522	4,516
Water	-	-	805	850	805	850
Sewer	-	-	480	493	480	493
Sanitation	-	-	615	628	615	628
Ambulance	-	-	250	247	250	247
Golf course	-	-	528	574	528	574
Other	-	-	212	27	212	27
Total expenses	<u>5,796</u>	<u>5,885</u>	<u>8,852</u>	<u>8,886</u>	<u>14,648</u>	<u>14,771</u>
Increase in net assets						
before transfers	(90)	(452)	1,773	1,733	1,683	1,281
Transfers	756	491	(756)	(491)	-	-
Change in net assets	<u>666</u>	<u>39</u>	<u>1,017</u>	<u>1,242</u>	<u>1,683</u>	<u>1,281</u>
Beginning net assets	12,781	13,770	7,571	6,329	20,352	20,099
Prior period adjustment	-	(1,028)	-	-	-	(1,028)
Ending net assets	<u>\$ 13,447</u>	<u>12,781</u>	<u>8,588</u>	<u>7,571</u>	<u>22,035</u>	<u>20,352</u>

## 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, *unassigned 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 \$4,145,380, an increase of \$1,073,943, in comparison with the prior year. Of this total amount, \$3,074,314 is *unassigned fund balance* for the governmental funds.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,664,783. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. *Unassigned fund balance* and *total fund balance* represents approximately 57% of total General Fund expenditures.

During the current fiscal year, the fund balance of the City's General Fund increased by \$960,573.

**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 position of the Purcell Public Works Authority at the end of the year amounted to \$1,968,789. The total increase in net position was \$1,017,368.

- Operating revenues decreased by \$148,490 compared to the prior year primarily due to seasonal issues.
- Operating expenses decreased by \$64,955 compared to the prior year.

### 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 \$5,582,524 were \$526,694 more than the estimated revenues in the budget of \$5,055,830. Actual expenditures of \$4,650,047 were \$444,130 less than the \$5,094,177 approved in budget appropriations. After a net transfer in of \$28,096 from other funds, the City increased by \$960,573 its carry forward funds to cover the overall excess of expenditures over receipts. The amount of carryover funds budget for expenditure was \$2,684,357.

## Capital Asset and Long-term Obligations

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$21,107,931 (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.
- Infrastructure improvements including construction of the administration offices.

Table 3  
Capital Assets  
(In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2013	2012	2013	2012	2013	2012
Construction in progress	\$ -	-	3,189	168	3,189	168
Land	826	822	1,356	1,356	2,182	2,178
Buildings	6,042	6,026	1,221	1,221	7,263	7,247
Machinery and equipment	1,563	1,362	988	958	2,551	2,320
Vehicles	2,394	2,383	886	886	3,280	3,269
Infrastructure	22,033	22,033	16,610	16,610	38,643	38,643
Less: Accum. depreciation	(22,719)	(21,794)	(13,281)	(12,659)	(36,000)	(34,453)
Total capital assets, net	\$ 10,139	10,832	10,969	8,540	21,108	19,372

Additional information of the City's capital assets can be found in Note 2.D. in the Notes to the Basic Financial Statements as listed in the table of contents.

**Long-term obligations.** At the end of the current fiscal year, the City had total debt outstanding of \$9,791,529. This represents debt secured solely by specified revenue sources (i.e., general obligation bonds, revenue notes and bonds) of \$9,202,931 and capital lease obligations of \$588,598.

Table 4  
Long-term Debt  
(In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2013	2012	2013	2012	2013	2012
Notes payable	\$ -	-	9,203	10,118	9,203	10,118
Revenue bonds	-	-	-	-	-	-
Other	589	831	-	-	589	831
Total long-term debt	\$ 589	831	9,203	10,118	9,792	10,949

The City's total debt decreased by \$1,157,704 during the current fiscal year. The key factors in this decrease were principal payment on Purcell Public Works Authority revenue notes.

Additional information on the City's long-term debt can be found in Notes 2.F. and G. in the Notes to the Basic Financial Statements as listed in the table of contents.

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

The City's elected and appointed officials considered many factors when setting the fiscal-year 2013-2014 budget, tax rates, and fees that will be charged for the proprietary fund type activities. One of these factors is the economy. Slower growth of the national economy has affected the local economy. Unemployment is up, sales tax revenues, however, have shown steady growth for the last several years, and utility revenues were strong and have shown moderate growth.

These indicators were taken into account when adopting the general fund budget for 2013-2014.

- Revenues, transfers in 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, 2013.
- As for the City's proprietary fund activities, we expect moderate growth in the revenues and expenses over those received in 2013.

All of these factors were considered in preparing the City's budget for the 2013-2014 fiscal year.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, bond rating agencies and creditors with a general overview of the City's finances reflecting the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office at 230 W. Main Street, Purcell, Oklahoma 73080.

# **BASIC FINANCIAL STATEMENTS**

City of Purcell, Oklahoma  
Statement of Net Position  
June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Municipal Hospital
<b>ASSETS</b>				
Current assets:				
Pooled cash and cash equivalents	\$ 2,867,180	982,575	3,849,755	486,592
Investments	1,127,680	1,391,182	2,518,862	95,000
Restricted cash and investments	-	4,359,625	4,359,625	632,324
Receivables (net of allowance for uncollectibles)	14,827	798,892	813,719	3,138,207
Receivables from other governments	417,625	-	417,625	93,427
Inventories	-	156,574	156,574	56,405
Total current assets	4,427,312	7,688,848	12,116,160	4,501,955
Non-current assets:				
Note receivable - Net	-	-	-	185,273
Capital assets:				
Land, improvements, and construction in progress	825,903	4,544,428	5,370,331	-
Other capital assets, net of depreciation	9,312,483	6,425,117	15,737,600	4,405,059
Total non-current assets	10,138,386	10,969,545	21,107,931	4,590,332
Total assets	14,565,698	18,658,393	33,224,091	9,092,287
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	151,933	495,166	647,099	3,211,427
Accrued interest payable	-	66,307	66,307	-
Deposits	-	184,396	184,396	-
Current portion of long-term debt	254,605	1,510,862	1,765,467	53,118
Total current liabilities	406,538	2,256,731	2,663,269	3,264,545
Non-current liabilities:				
Long-term debt and other liabilities	712,289	7,813,285	8,525,574	71,300
Total non-current liabilities	712,289	7,813,285	8,525,574	71,300
Total liabilities	1,118,827	10,070,016	11,188,843	3,335,845
<b>NET POSITION</b>				
Net investment in capital assets	9,549,788	5,272,183	14,821,971	-
Restricted for:				
Debt service	-	1,190,831	1,190,831	-
Capital improvements	1,051,492	-	1,051,492	-
Risk management	-	156,574	156,574	-
Other purposes	429,108	-	429,108	70
Unrestricted (deficit)	2,416,483	1,968,789	4,385,272	5,756,372
Total net position	\$ 13,446,871	8,588,377	22,035,248	5,756,442

See accompanying notes to the basic financial statement.

**City of Purcell, Oklahoma**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities:					
General government	\$ 635,071	274,841	25,725	-	(334,505)
Public safety	3,645,471	179,664	44,930	-	(3,420,877)
Public works	1,195,154	-	261,918	-	(933,236)
Culture and recreation	279,667	-	10,000	-	(269,667)
Economic deveolpment	41,744	-	-	-	(41,744)
Total government activities	<u>5,797,107</u>	<u>454,505</u>	<u>342,573</u>	<u>-</u>	<u>(5,000,029)</u>
Business-type activities:					
Administration	1,440,579	110,669	-	-	(1,329,910)
Electric	4,522,666	6,570,507	-	-	2,047,841
Water	805,003	1,660,317	-	-	855,314
Sewer	479,813	365,920	-	-	(113,893)
Sanitation	614,885	767,163	-	-	152,278
Ambulance	249,886	247,476	-	-	(2,410)
Golf course	527,523	590,294	-	-	62,771
Airport	212,546	-	-	160,023	(52,523)
Total business-type activities	<u>8,852,901</u>	<u>10,312,346</u>	<u>-</u>	<u>160,023</u>	<u>1,619,468</u>
Total primary government	<u>14,650,008</u>	<u>10,766,851</u>	<u>342,573</u>	<u>160,023</u>	<u>(3,380,561)</u>
<b>COMPONENT UNITS</b>					
Purcell Municipal Hospital	14,839,125	13,260,075	-	-	(1,579,050)
Total component units	<u>\$ 14,839,125</u>	<u>13,260,075</u>	<u>-</u>	<u>-</u>	<u>(1,579,050)</u>

**City of Purcell, Oklahoma**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Municipal Hospital
<b>Change in Net Position:</b>				
<b>Net (expense) revenue</b>	\$ (5,000,029)	1,619,468	(3,380,561)	(1,579,050)
<b>General revenues:</b>				
Taxes:				
Sales and use	4,612,359	-	4,612,359	-
Franchise	68,330	-	68,330	-
Other	134,376	-	134,376	-
Unrestricted investment income	2,393	19,399	21,792	2,511
Miscellaneous	92,363	134,287	226,650	12,725
Transfers - internal activity	755,786	(755,786)	-	-
Total general revenues and transfers	<u>5,665,607</u>	<u>(602,100)</u>	<u>5,063,507</u>	<u>15,236</u>
<b>Change in Net Position</b>	665,578	1,017,368	1,682,946	(1,563,814)
<b>Net Position - beginning</b>	<u>12,781,293</u>	<u>7,571,009</u>	<u>20,352,302</u>	<u>7,320,256</u>
<b>Net Position - ending</b>	<u>\$ 13,446,871</u>	<u>8,588,377</u>	<u>22,035,248</u>	<u>5,756,442</u>

See accompanying notes to the basic financial statement.

**City of Purcell, Oklahoma**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2013**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,402,016	1,335,165	2,737,181
Cash - Police bond account	2,214	-	2,214
Investments	995,000	132,680	1,127,680
Receivables, net	12,613	-	12,613
Due from other governments	413,395	4,230	417,625
Total assets	2,825,238	1,472,075	4,297,313
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	140,881	11,052	151,933
Total liabilities (Note 2)	140,881	11,052	151,933
Fund balances:			
Reserved for:			
Capital improvements	-	1,051,492	1,051,492
Encumbrances	19,574	-	19,574
Unreserved, reported in:			
General fund	2,664,783	-	2,664,783
Special revenue funds	-	409,531	409,531
Total fund balances	2,684,357	1,461,023	4,145,380
Total liabilities and fund balances	\$ 2,825,238	1,472,075	

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

Capital assets used in governmental activities are not financial resources and therefore are not required in the funds.	10,138,386
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	129,999
Long-term liabilities, including bonds, notes, and capital lease obligations are not due and payable in the current period and therefore are not reported in the individual funds.	
Accrued compensated absences payable is not reported on the governmental fund statements.	(588,598) (378,296)
Net Position of governmental activities	\$ 13,446,871

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, 2013**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 4,680,687	-	4,680,687
Intergovernmental	418,688	58,262	476,950
Licenses and permits	136,658	-	136,658
Charge for services	112,166	26,017	138,183
Fines and forfeitures	179,664	-	179,664
Interest	1,650	743	2,393
Miscellaneous	53,011	39,353	92,364
Total revenues	<u>5,582,524</u>	<u>124,375</u>	<u>5,706,899</u>
<b>EXPENDITURES</b>			
Current:			
General government	606,347	81,937	688,284
Public safety	3,273,199	410,760	3,683,959
Public works	624,980	68,592	693,572
Culture and recreation	145,521	135,662	281,183
Economic development	-	41,744	41,744
Total expenditures	<u>4,650,047</u>	<u>738,695</u>	<u>5,388,742</u>
Excess (deficiency) of revenues over expenditures	<u>932,477</u>	<u>(614,320)</u>	<u>318,157</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,132,887	1,134,791	2,267,678
Transfers out	<u>(1,104,791)</u>	<u>(407,101)</u>	<u>(1,511,892)</u>
Total other financing sources and uses	<u>28,096</u>	<u>727,690</u>	<u>755,786</u>
Net change in fund balances	960,573	113,370	1,073,943
Fund balances-beginning	1,723,784	1,347,653	3,071,437
Fund balances-ending	<u>\$ 2,684,357</u>	<u>1,461,023</u>	<u>4,145,380</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, 2013

Net change in fund balances - total governmental funds	\$ 1,073,943
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current reporting period.	
Capital outlay expenditures, net of retirements	230,632
Depreciation expense	(924,696)
	(694,064)
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 Position.	
Principal payments on capital lease obligations	242,416
Change in accrued compensated absences	24,435
	266,851
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.	
	18,848
Change in net position of governmental activities.	\$ 665,578

**City of Purcell, Oklahoma**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2013**

	Business-type Activities - Enterprise Funds			Total	Governmental
	Public Works Authority <u>Utilities</u>	Public Works Authority <u>Golf Course</u>	Airport <u>Authority</u>	Enterprise Funds	Internal Service Fund
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 558,834	231,988	653	791,475	130,000
Cash - Utility deposits	191,100	-	-	191,100	-
Investments	1,391,182	-	-	1,391,182	-
Receivables, accounts					
Accounts, net of allowance for uncollectibles	794,313	2,029	180	796,522	-
Accrued interest	2,370	-	-	2,370	-
Inventories	149,984	6,590	-	156,574	-
Restricted assets - cash and investments	4,359,625	-	-	4,359,625	-
Total current assets	<u>7,447,408</u>	<u>240,607</u>	<u>833</u>	<u>7,688,848</u>	<u>130,000</u>
Non-current assets:					
Capital assets, net of accumulated depreciation	9,094,906	1,332,427	542,212	10,969,545	-
Total non-current assets	<u>9,094,906</u>	<u>1,332,427</u>	<u>542,212</u>	<u>10,969,545</u>	<u>-</u>
 Total assets	 <u>16,542,314</u>	 <u>1,573,034</u>	 <u>543,045</u>	 <u>18,658,393</u>	 <u>130,000</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	472,588	22,578	-	495,166	-
Accrued interest payable	66,307	-	-	66,307	-
Utility customer deposits	184,396	-	-	184,396	-
Current portion of long-term obligations	1,207,931	302,931	-	1,510,862	-
Total current liabilities	<u>1,931,222</u>	<u>325,509</u>	<u>-</u>	<u>2,256,731</u>	<u>-</u>
Non-current liabilities:					
Notes payable	7,692,069	-	-	7,692,069	-
Accrued compensated absences	76,441	44,775	-	121,216	-
Total non-current liabilities	<u>7,768,510</u>	<u>44,775</u>	<u>-</u>	<u>7,813,285</u>	<u>-</u>
 Total liabilities	 <u>9,699,732</u>	 <u>370,284</u>	 <u>-</u>	 <u>10,070,016</u>	 <u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	4,242,688	1,029,495	-	5,272,183	-
Restricted:					
Debt service	1,190,831	-	-	1,190,831	-
Inventory	149,984	6,590	-	156,574	-
Payment of claims	-	-	-	-	130,000
Unrestricted	1,259,079	166,665	543,045	1,968,789	-
 Total net position	 <u>\$ 6,842,582</u>	 <u>1,202,750</u>	 <u>543,045</u>	 <u>8,588,377</u>	 <u>130,000</u>

See accompanying notes to the basic financial statement.

**City of Purcell, Oklahoma**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**For the Year Ended June 30, 2013**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental
	Public Works Authority	Public Works Authority	Airport		Internal Service
	<u>Utilities</u>	<u>Golf Course</u>	<u>Authority</u>		<u>Fund</u>
<b><u>OPERATING REVENUES:</u></b>					
Charges for services					
Electric	\$ 6,570,507	-	-	6,570,507	-
Water	1,660,317	-	-	1,660,317	-
Sewer	365,920	-	-	365,920	-
Sanitation	767,163	-	-	767,163	-
Other	110,669	-	-	110,669	27,617
Ambulance	247,476	-	-	247,476	-
Golf	-	590,294	-	590,294	-
Total operating revenues	<u>9,722,052</u>	<u>590,294</u>	<u>-</u>	<u>10,312,346</u>	<u>27,617</u>
<b><u>OPERATING EXPENSES:</u></b>					
General and administration	793,173	-	-	793,173	8,827
Electric	4,389,491	-	-	4,389,491	-
Water	601,811	-	-	601,811	-
Sewer	249,264	-	-	249,264	-
Sanitation	614,885	-	-	614,885	-
Customer and information services	335,869	-	-	335,869	-
Maintenance	9,798	-	-	9,798	-
Ambulance	249,886	-	-	249,886	-
Broadband wireless	5,688	-	-	5,688	-
Golf	-	499,929	-	499,929	-
Airport	-	-	187,566	187,566	-
Depreciation and amortization	569,653	27,594	24,980	622,227	-
Total operating expenses	<u>7,819,518</u>	<u>527,523</u>	<u>212,546</u>	<u>8,559,587</u>	<u>8,827</u>
Operating income (loss)	<u>1,902,534</u>	<u>62,771</u>	<u>(212,546)</u>	<u>1,752,759</u>	<u>18,790</u>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>					
Miscellaneous revenues	110,584	20,327	3,376	134,287	-
Grant income	-	-	160,023	160,023	-
Interest income	19,372	27	-	19,399	58
Interest expense and fiscal charges	(270,982)	(22,332)	-	(293,314)	-
Total nonoperating revenues (expenses)	<u>(141,026)</u>	<u>(1,978)</u>	<u>163,399</u>	<u>20,395</u>	<u>58</u>
<b><u>OPERATING TRANSFERS</u></b>					
Transfers in	407,101	-	65,846	472,947	-
Transfers out	(1,228,733)	-	-	(1,228,733)	-
Total operating transfers	<u>(821,632)</u>	<u>-</u>	<u>65,846</u>	<u>(755,786)</u>	<u>-</u>
Change in net position	939,876	60,793	16,699	1,017,368	18,848
Net position - beginning	5,902,706	1,141,957	526,346	7,571,009	111,152
Net position - ending	<u>\$ 6,842,582</u>	<u>1,202,750</u>	<u>543,045</u>	<u>8,588,377</u>	<u>130,000</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, 2013**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Internal Service Fund
	Public Works Authority Utilities	Public Works Authority Golf Course	Airport Authority		
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Receipts from customers	\$ 9,538,688	-	-	9,538,688	27,617
Payments to suppliers	(6,143,148)	91,578	(187,746)	(6,239,316)	(8,827)
Payments to employees	(979,815)	-	-	(979,815)	-
Net cash provided (used) by operating activities	<u>2,415,725</u>	<u>91,578</u>	<u>(187,746)</u>	<u>2,319,557</u>	<u>18,790</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Miscellaneous revenues	110,584	20,327	3,376	134,287	-
Operating transfers in (out)	(821,632)	-	65,846	(755,786)	-
Net cash provided (used) by noncapital financing activities	<u>(711,048)</u>	<u>20,327</u>	<u>69,222</u>	<u>(621,499)</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Grant proceeds	-	-	160,023	160,023	-
Principal paid on long-term debt	(902,870)	(12,417)	-	(915,287)	-
Interest expense and fiscal charges	(270,982)	(22,332)	-	(293,314)	-
Decrease (increase) in restricted assets	2,952,910	-	-	2,952,910	-
(Acquisition) disposition of capital assets	(3,051,531)	-	-	(3,051,531)	-
Net cash provided (used) by capital and related financing activities	<u>(1,272,473)</u>	<u>(34,749)</u>	<u>160,023</u>	<u>(1,147,199)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Decrease (increase) in investments	(991,182)	-	-	(991,182)	-
Interest received	19,372	27	-	19,399	58
Net cash provided (used) by investing activities	<u>(971,810)</u>	<u>27</u>	<u>-</u>	<u>(971,783)</u>	<u>58</u>
Net increase (decrease) in cash and cash equivalents	(539,606)	77,183	41,499	(420,924)	18,848
Cash and cash equivalents, beginning of the year	1,098,440	154,805	(40,846)	1,212,399	111,152
Cash and cash equivalents, end of the year	<u>\$ 558,834</u>	<u>231,988</u>	<u>653</u>	<u>791,475</u>	<u>130,000</u>
	1,943				
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>					
Operating income (loss)	1,902,534	62,771	(212,546)	1,752,759	18,790
Adjustments to reconcile operating income to net cash provided by operating activities:					
Cash flows reported in other categories:					
Depreciation expense	569,653	27,594	24,980	622,227	-
Change in assets and liabilities:					
Receivable, net	62,007	163	(180)	61,990	-
Due to/from other funds	(34)	-	-	(34)	-
Inventories	16,360	-	-	16,360	-
Accounts payable	(128,147)	835	-	(127,312)	-
Accrued expenses	(6,648)	215	-	(6,433)	-
Total adjustments	<u>513,191</u>	<u>28,807</u>	<u>24,800</u>	<u>566,798</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 2,415,725</u>	<u>91,578</u>	<u>(187,746)</u>	<u>2,319,557</u>	<u>18,790</u>

See accompanying notes to the basic financial statement.

**NOTES TO BASIC  
FINANCIAL STATEMENTS**

**City of Purcell, Oklahoma**  
**Notes to Basic Financial Statements**  
*June 30, 2013*

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

The accounting and reporting policies of the City of Purcell, Oklahoma (the City) conform to accounting principles generally accepted in the United States of America for state and local governments. General accepted accounting principles for municipalities are defined as those principles promulgated by the Governmental Accounting Standards Board (“GASB”). Business-type activities and enterprise funds apply Financial Accounting Standards Board (“FASB”) and Accounting Principles Board (“APB”) opinions issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The following represents the more significant accounting and reporting policies of the City:

**Reporting Entity** - The City is a municipal corporation, incorporated in 1887. The City is governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America (primarily Governmental Accounting Standards Board Statement No. 14, *Reporting Entity*), these financial statements present the government and its component units, entities for which the City is considered to be financial accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and therefore data from these units are combined with the data of the City. Each blended component unit has a June 30 year end.

**Blended Component Units** - The Purcell Public Works Authority (PPWA) was created pursuant to a Trust Indenture, for the benefit of the City of Purcell. PPWA was established to acquire, construct, develop, equip, operate and maintain the City’s electric, water, sanitary sewer, solid waste disposal systems and golf course. The water, sanitary sewer and solid waste disposal systems owned by the City have been leased to PPWA, including long-term financing and capital development. Council members serve as Trustees and the City Manager is General Manager. The Authority is reported as an enterprise fund.

The Purcell Airport Authority (PAA) was created pursuant to a Trust Indenture, for the benefit of the City of Purcell. PPA was created to operate and maintain the municipal airport. City Council members serve as Trustees and the City Manager is General Manager. The Authority is reported as an enterprise fund.

**Basis of Presentation** - The City follows Governmental Accounting Standards Board (“GASB”) Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis - for States and Local Governments” and related pronouncements in the preparation of its financial statements. Additional information regarding the basis of accounting and the differences in presentation are contained in Management’s Discussion and Analysis, which preceded the financial statements.

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2013

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

**Government-wide and Fund Financial Statements** - The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of Interfund activity has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

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

Separate financial statements are provided for governmental funds, proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Sales taxes, excise taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2013

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

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.

The following are the City's major proprietary funds:

Purcell Public Works Authority (PPWA) - accounts for the revenues from operations of water, sanitary sewer, solid waste and golf course.

Purcell Airport Authority (PAA) - accounts for the revenues from operations of the municipal airport.

Internal Service Fund - accounts for insurance and other risk management functions provided to various funds of the City.

The following are the City's agency funds:

Meter Deposit Fund - accounts for utility customer deposits.

Municipal Court Fund - accounts for municipal court bonds related intergovernmental payments.

The following are the City's non-major governmental funds:

Special Revenue Funds - accounts for the proceeds of government grants or specific revenue sources (other than grants applicable to enterprise fund activities, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

- Street & Alley Fund
- Rural Fire Fund
- Drug Enforcement Fund
- Economic Development Fund
- Cemetery Care Fund

Cemetery Perpetual Care Fund - accounts for and reports resources that are restricted, committed, or assigned to expenditure for the maintenance and care of the cemetery.

Capital Projects - accounts for and report financial resources that are restricted, committed, or assigned to expenditure for the construction and repair of streets as approved by a special sales tax ordinance.

As a general rule the effect of Interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu of taxes and other charges between governments risk management internal service fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2013

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

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

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

**Accounting Policies** - The City's significant accounting policies related to the following financial statement categories are summarized below:

**Assets, Liabilities, and Fund Equity**

- a. *Cash and Cash Equivalents* - The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.
- b. *Pooled Cash and Investments* - The City Charter requires all cash belonging to the City to be placed in the custody of the Financial Services Department of the City. A "Pooled Cash" concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has an equity in the pooled amounts. Investments are allocated to the individual participating funds based upon a percentage determined by the Financial Services Department of the City. An interfund receivable/payable is recognized if the allocation of investments to a particular fund exceeds the fund's pooled cash amount before the allocation of the pooled investments.

Purchases and maturities of the pooled investments, as reported in the fund's statement of cash flow, are allocated to the participating proprietary funds based on their portion of total pooled investments.

- c. *Investments* - Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers quoted market price at June 30, 2013, to be the fair value of its investments.

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2013

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

Oklahoma Statutes authorize the City to invest in obligations of the United States government, its agencies and instrumentalities; collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state, or fully insured certificates of deposit at banks, savings bank, savings and loan associations and credit unions located out of state; negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank; prime banker's acceptances which are eligible for purchases by the Federal Reserve System and which do not exceed 270 days maturity; prime commercial paper which shall not have a maturity that exceeds 180 days nor represent more than 10% of the outstanding paper of an issuing corporation; repurchase agreements that have underlying collateral consisting of those items specified above; and money market funds regulated by the Securities and Exchange Commission and which investments consist of those items noted above.

- d. *Receivables and payables* - In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

In the governmental fund financial statements, receivables are recorded when they are both measurable and available. Proprietary fund receivables consist of all revenues earned at year-end and not yet received.

- e. *Interfund Receivable and Payables* - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / due from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."
- f. *Restricted Assets* - Restricted assets include cash and investments of both governmental activities and business-type activities that are legally restricted as to their use. The restricted assets are primarily related to debt trustee accounts and guaranty deposits.

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2013

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

- g. *Capital Assets* - Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, the majority of which generally consists of donated land and infrastructure which is recorded in the governmental funds and donated water and sewer distribution systems which are recorded in the proprietary funds, are recorded at estimated fair value at the date of donation.

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

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 - 65 years
Infrastructure	25 - 50 years
Improvements other than buildings & infrastructure	10 - 20 years
Machinery and equipment	3 - 20 years
Vehicles	3 - 7 years

- h. *Inventory* - The City records parts and fuel inventory within the General Fund. Parts inventory is recorded using actual cost. Fuel inventory is recorded using average cost.
- i. *Long-term Debt* - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, issuance costs and losses on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred losses on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issues is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2013

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

- j. *Liability for Incurred Claims* - The liability for incurred claims represents estimates claims (including future claim adjustment expenses) incurred but unpaid for workers compensation, group medical and dental, and unemployment claims as of the fiscal year end. The estimate includes claims reported as of June 30, 2013, as well as an estimated amount representing claims uncured but not reported. The City utilizes the services of an actuary in computation of the incurred but unpaid workers compensation portion of the liability.
  
- k. *Claims and Judgments Payable* - Under state law, judgments against the City can be paid over three years or can be paid immediately. The General Fund pays all claims and judgments. A liability has been recorded within the government-wide, proprietary and fiduciary fund financial statements for claims and judgments payable. A liability for these amounts is reported in governmental funds only if they will be paid from current financial resources.
  
- l. *Compensated Absences* - Under the terms of union contracts and City personnel policies, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for vacation leave accumulated and vested accumulated sick leave. Vesting of sick leave by employees and maximum number of hours that can be accumulated for vacation and sick leave are dependent upon an employees' years of service. Upon retirement, one-half of accumulated sick leave is converted to vacation time, subject to the above limitation for maximum compensation for unused compensated absences.
  
- m. *Fund Equity* - In the government-wide financial statements, equity is classified as net position and displayed in three components:
  - 1. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
  
  - 2. *Restricted net position* - Consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. The most significant restriction as of June 30, 2013 related to three ordinances benefiting the City's wastewater system which provide funds that are being held to complete capital projects.
  
  - 3. *Unrestricted net position* - All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted net position are available for use, generally it is the City's policy to use restricted resources first. For projects funded with tax-exempt debt proceeds and other sources, the debt proceeds are used first.

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2013

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a) *Nonspendable* - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- b) *Restricted* - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- c) *Committed* - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision making authority. To commit these funds, formal action is required by the City Council either by resolution or ordinance that identifies the specific circumstances under which the resources may be expended.
- d) *Assigned* - Includes fund balance amount that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be stipulated by the governing body, another body (such as Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance of the classification for all governmental funds with positive balances.
- e) *Unassigned* - Includes the residual balance of the General Fund that has not been assigned to other funds and that has not be restricted, committed, or assigned to specific purposes with the General Fund.

***Revenues, Expenditures and Expenses***

- a. *Property Tax Revenue* - Property taxes attach an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due one-half by December 31 and one-half by March 31. The Tax Assessor's office bills and collects the property taxes and remits to the City its portion. Property taxes not paid prior to April are considered delinquent. Such delinquent tax payments have not historically been material. Delinquent tax payments are received throughout the year and are recognized as revenue in the year received, except those received within 60 days of year end, which are recognized as revenues as of June 30, 2013 in both the government-wide and fund financial statements. The City is currently not assessing a property tax.
- b. *Sales Taxes* - Sales taxes are collected by vendors and required to be remitted to the State of Oklahoma by the 20<sup>th</sup> of the month following collection. The tax is then paid to the City by the 10<sup>th</sup> of the next month. A two month lag exists between collection by the vendor and payment to the City by the State. Revenue received in July and August from sales made in May and June, respectively, is available for prior year expenses and is accrued in both the government-wide and fund financial statements.

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2013

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

- c. *Charges for Services* - Charges for service consist primarily of charges made by the General Fund for services such as self insurance, motor pool usage, printing, accounting, data processing, facilities usage and other benefits provided to the other funds of the City.
- d. *Intergovernmental Revenues/Capital Grants Earned* - Revenues from Federal and State operating grants are recognized when expenditures are made. Similarly, capital grants are considered earned when the expenditures are made. The earned portion of capital grants in Proprietary Funds is treated as a capital contribution within the statement of revenues, expenses and changes in fund net position.
- e. *Investment Earnings* - Investment earnings on pooled cash and investments are allocated on a pro-rata basis to the City's funds based on the percentage of each fund's average month-end pooled cash balance.

***Use of Estimates*** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Reclassifications*** - Certain amounts in prior-year financial statements have been reclassified to conform with the current-year presentation.

City of Purcell, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2013

**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 position/fund balances, revenues and expenditures/expenses.

**2.A. - Cash and Investments**

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

Cash and equivalents	\$ 3,658,658
Investments	<u>2,518,862</u>
Total	<u>\$ 6,177,520</u>

The local government had the following deposits and investments at June 30, 2013:

	Credit rating	Fair value	Maturities in Years		
			On demand	Less than 1	1-5
Demand deposits and cash on hand	(1)	\$ 3,253,092	3,253,092	-	-
Money market mutual funds	AAA	20,623	20,623	-	-
Time deposits	(1)	<u>2,903,805</u>	<u>-</u>	<u>1,908,805</u>	<u>995,000</u>
Total		<u>\$ 6,177,520</u>	<u>3,273,715</u>	<u>1,908,805</u>	<u>995,000</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, 2013, the City held deposits of approximately \$6,429,824 at financial institutions. 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. At June 30, 2013, the City was not exposed to custodial credit risk as defined above.

*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, 2013

**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: 99% in Certificates of deposit (\$2,903,805) and 1% in Money Market funds (\$20,623).

**2.B. - Receivables and Uncollectible Accounts**

	General Fund	Nonmajor Governmental Funds	Purcell Public Works Authority	Total
Receivables:				
Taxes	\$ 413,395	4,230	-	417,625
Accounts	12,613	-	1,209,958	1,222,571
Due from other governments	-	-	-	-
Gross receivables	<u>426,008</u>	<u>4,230</u>	<u>1,209,958</u>	<u>1,640,196</u>
Less: Allowance for uncollectibles	-	-	413,436	413,436
Net total receivables	<u>\$ 426,008</u>	<u>4,230</u>	<u>796,522</u>	<u>1,226,760</u>

**City of Purcell, Oklahoma**  
**Notes to the Basic Financial Statements**  
*June 30, 2013*

**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	\$	71,289
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Sales Tax Revenue Note, Series 2011:

Project account		4,047,782
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Debt service		161,642
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Sales Tax Revenue Note, Series 2007:

Project account		-
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Debt service		78,912
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Total restricted assets	\$	4,359,625
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**2.D. - Capital assets**

Capital asset balances and activities for the year ended June 30, 2013, 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	\$ 822,325	3,578	-	825,903
Total capital assets not being depreciated	822,325	3,578	-	825,903
Capital assets being depreciated :				
Buildings and improvements	6,025,960	15,690	-	6,041,650
Machinery and equipment	1,362,739	200,564	-	1,563,303
Vehicles	2,382,856	10,800	-	2,393,656
Infrastructure	22,032,889	-	-	22,032,889
Total capital assets being depreciated	31,804,444	227,054	-	32,031,498
Less : Accumulated depreciation	21,794,319	924,696	-	22,719,015
Governmental activities capital assets, net	\$ 10,832,450	(694,064)	-	10,138,386

City of Purcell, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2013

**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	\$ 27,345
Public safety	340,868
Public works administration	550,899
Cultural and recreation	5,584
Total depreciation expense - governmental activities	<u>\$ 924,696</u>

Capital asset activity for business-type activities for the year ended June 30, 2013 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
<b>Business-type activities</b>				
Capital assets not being depreciated :				
Land	\$ 1,355,935	-	-	1,355,935
Construction in progress	167,738	3,020,755	-	3,188,493
Total capital assets not being depreciated	<u>1,523,673</u>	<u>3,020,755</u>	-	<u>4,544,428</u>
Capital assets being depreciated :				
Buildings and improvements	1,221,381	-	-	1,221,381
Machinery and equipment	957,594	30,776	-	988,370
Vehicles	886,224	-	-	886,224
Infrastructure	16,610,381	-	-	16,610,381
Total capital assets being depreciated	19,675,580	30,776	-	19,706,356
Less : Accumulated depreciation	12,659,011	622,228	-	13,281,239
Business-type activities capital assets, net	<u>\$ 8,540,242</u>	<u>2,429,303</u>	-	<u>10,969,545</u>

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

**Business-type activities:**

Electric	\$ 133,175
Water	203,192
Sewer	230,549
Sanitation	-
General government	2,738
Airport	24,980
Golf course	27,594
Total depreciation expense - business-type activities	<u>\$ 622,228</u>

City of Purcell, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2013

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, 2013, cash and investments included \$191,100 available for refund of customer deposits, while the liability to customers was \$184,396.

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, 2013, \$0 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.	\$ 267,235
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>321,363</u>
Total governmental activities capital lease obligations	<u>\$ 588,598</u>

The assets acquired through capital leases are as follows:

Various police vehicles	\$ 631,968
One E-One fire truck	615,904
Less: Accumulated depreciation	<u>450,313</u>
Net capital asset cost	<u>\$ 797,559</u>

City of Purcell, Oklahoma  
Notes to the Basic Financial Statements  
*June 30, 2013*

**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, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2014	\$ 278,152
2015	278,152
2016	<u>67,408</u>
Total required payments	623,712
Less: Interest expense	<u>35,114</u>
Total principal payments	<u>\$ 588,598</u>

City of Purcell, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2013

**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, 2013, are as summarized as follows:

**Business-type activities:**

Notes payable:

\$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%. \$ 905,000

\$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%. 6,895,000

\$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%. 1,100,000

\$350,000 Purcell Public Works Authority Series 2009 Club House and Proshop Note. Note dated January 20, 2009, due in fifty-five monthly installments of \$2,450, beginning June 10, 2009, with a final payment due January 10, 2014 in the amount of \$306,222, with interest at 5.5%, secured by the operations of the golf course. 302,931

Total net revenue bonds and notes payable 9,202,931

Total business-type activities \$ 9,202,931

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2013

NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued

2.G. Long-term debt - Continued

Long-term liabilities transactions for the year ended June 30, 2013, and changes therein were as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
<b>Business-type activities</b>					
Sales Tax Revenue Notes-2012	\$ 1,100,000	-	195,000	905,000	195,000
Sales Tax Revenue Notes-2011	7,335,000	-	440,000	6,895,000	455,000
Sales Tax Revenue Notes-2007	1,345,000	-	245,000	1,100,000	255,000
Note payable - Golf course	315,348	-	12,417	302,931	302,931
Total business-type activities	<u>\$ 10,095,348</u>	<u>-</u>	<u>892,417</u>	<u>9,202,931</u>	<u>1,207,931</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, 2013 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>
2014	\$ -	-	1,207,931	284,964
2015	-	-	940,000	256,233
2016	-	-	965,000	229,276
2017	-	-	1,000,000	201,286
2018	-	-	625,000	172,373
2019-2023	-	-	2,855,000	458,636
2024-2028	-	-	1,610,000	69,398
Totals	<u>\$ -</u>	<u>-</u>	<u>9,202,931</u>	<u>1,672,166</u>

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2013

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 \$10,564,166. Pledged sales taxes received in the current year was \$3,314,374. Debt service payments on the 2012, 2011 and 2007 Revenue Notes of \$1,154,001 for the current fiscal year were 35% 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 \$852,280 which was 65% of pledged net utility revenues of \$1,327,440 and 29% of both pledged utility revenues and pledged sales taxes.

2.H. 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	\$	378,296
Business-type activities		<u>121,216</u>
Total compensated absences	\$	<u><u>499,512</u></u>

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2013

**NOTE 2 - DETAILED NOTES CONCERNING THE FUNDS - Continued**

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

Interfund transactions:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Municipal Court Fund - Agency	General Fund	\$ 2,214
Purcell Public Works Authority	Meter Deposit Fund	6,704
		<u>\$ 8,918</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	\$ -	1,104,791	-	1,104,791
Nonmajor governmental	-	-	407,101	407,101
Purcell Public Works Auth.	<u>1,132,887</u>	<u>30,000</u>	-	<u>1,162,887</u>
Totals	<u>\$ 1,132,887</u>	<u>1,134,791</u>	<u>407,101</u>	<u>2,674,779</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; employee's 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, 2013

**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 63<sup>rd</sup> 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
2013	\$ 112,026	112,026
2012	109,289	109,289
2011	99,295	99,295

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2013

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:

Fiscal Year	Required Contribution	Amount Contributed
2013	\$ 60,939	60,939
2012	67,105	67,105
2011	67,099	67,099

*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:

Years of Service	Vested Percentage
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, 2013

**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, 2013, for employees and employer were \$146,735 and \$164,753, respectively. For the year ended June 30, 2013, the City's covered payroll was \$2,353,609. 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, 2013 totaled \$211,379.

Funding Policy - DC Plan participants may contribute up to \$17,000 and \$17,500 of eligible compensations in calendar years 2012 and 2013, 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>
2013	\$ 27,860	-
2012	23,435	-
2011	21,280	-

***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, 2013 was \$182,831.

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
June 30, 2013

**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, 2013, 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 2013, 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, 2013 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, 2013

**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 November 14, 2013, 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, 2013

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 4,752,000	4,409,200	4,680,687	271,487
Intergovernmental	146,000	264,930	418,688	153,758
Licenses and permits	136,000	140,200	136,658	(3,542)
Charge for services	23,350	88,000	112,166	24,166
Fines and forfeitures	155,100	127,000	179,664	52,664
Interest	1,000	1,500	1,650	150
Miscellaneous	207,000	25,000	53,011	28,011
Total revenues	<u>5,420,450</u>	<u>5,055,830</u>	<u>5,582,524</u>	<u>526,694</u>
<b>EXPENDITURES</b>				
General government:				
General government	237,043	245,432	221,817	23,615
Administration	238,692	212,660	200,110	12,550
Information Technology	37,107	37,850	36,425	1,425
Municipal court	157,087	150,192	147,995	2,197
Public safety:				
Police	1,756,003	1,723,646	1,649,816	73,830
Fire	1,004,581	948,594	807,317	141,277
Animal control	141,520	129,850	125,932	3,918
Maintenance	45,174	53,592	43,359	10,233
Communications	415,930	436,635	423,446	13,189
Emergency management	94,177	84,673	82,056	2,617
Code administration	211,188	172,751	141,273	31,478
Public works:				
Streets	512,249	564,511	464,833	99,678
Cemetery	175,915	165,478	160,147	5,331
Culture and recreation:				
Multipurpose center	6,000	6,000	3,167	2,833
Park and recreation	168,151	86,965	73,554	13,411
Swimming pool	43,612	75,348	68,800	6,548
Total expenditures	<u>5,244,429</u>	<u>5,094,177</u>	<u>4,650,047</u>	<u>444,130</u>
Excess (deficiency) of revenues over (under) expenditures	176,021	(38,347)	932,477	970,824
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	(176,021)	28,096	28,096	-
Net change in fund balances	-	(10,251)	960,573	970,824
Fund balances - beginning	438,579	438,579	1,723,784	1,285,205
Fund balances - ending	<u>\$ 438,579</u>	<u>428,328</u>	<u>2,684,357</u>	<u>2,256,029</u>

See accompanying notes to the basic financial statement.

**City of Purcell, Oklahoma**  
**Notes to Required Supplemental Information**  
***For the Year Ended June 30, 2013***

**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, 2013*

	<u>Special Revenue</u>					<u>Permanent</u>	<u>Capital Projects</u>	<u>Total</u>
	<u>Street &amp; Alley</u>	<u>Rural Fire</u>	<u>Drug Enforcement</u>	<u>Economic Development</u>	<u>Cemetery Care</u>	<u>Cemetery Perpetual Care</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>
<u>ASSETS</u>								
Cash and cash equivalents	\$ 252,973	46,210	927	(6,642)	112,170	-	929,527	1,335,165
Investments	-	-	-	-	-	25,000	107,680	132,680
Receivables, net	4,180	-	-	-	50	-	-	4,230
<b>TOTAL</b>	<b><u>257,153</u></b>	<b><u>46,210</u></b>	<b><u>927</u></b>	<b><u>(6,642)</u></b>	<b><u>112,220</u></b>	<b><u>25,000</u></b>	<b><u>1,037,207</u></b>	<b><u>1,472,075</u></b>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	-	337	-	-	-	-	10,715	11,052
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>337</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>10,715</u></b>	<b><u>11,052</u></b>
Fund balances:								
Reserved for:								
Capital improvements	-	-	-	-	-	25,000	1,026,492	1,051,492
Unreserved:								
Designated	257,153	45,873	927	(6,642)	112,220	-	-	409,531
<b>Total Fund Balances</b>	<b><u>257,153</u></b>	<b><u>45,873</u></b>	<b><u>927</u></b>	<b><u>(6,642)</u></b>	<b><u>112,220</u></b>	<b><u>25,000</u></b>	<b><u>1,026,492</u></b>	<b><u>1,461,023</u></b>
<b>TOTAL</b>	<b><u>\$ 257,153</u></b>	<b><u>46,210</u></b>	<b><u>927</u></b>	<b><u>(6,642)</u></b>	<b><u>112,220</u></b>	<b><u>25,000</u></b>	<b><u>1,037,207</u></b>	<b><u>1,472,075</u></b>

See accompanying notes to the basic financial statement.

**City of Purcell, Oklahoma**  
**Nonmajor Governmental Funds**  
**Statement of Revenues, Expenses and Changes in Fund Balances**  
**For the Year Ended June 30, 2013**

	Special Revenue					Permanent Cemetery Perpetual Care	Capital Projects Capital Improvements	Total Nonmajor Governmental Funds
	Street & Alley	Rural Fire	Drug Enforcement	Economic Development	Cemetery Care			
<b>REVENUES</b>								
Intergovernmental	\$ 53,262	-	5,000	-	-	-	-	58,262
Charge for services	-	15,450	-	-	10,567	-	-	26,017
Interest	54	43	-	-	128	-	518	743
Miscellaneous	-	4,072	-	24,755	10,526	-	-	39,353
Total revenues	<u>53,316</u>	<u>19,565</u>	<u>5,000</u>	<u>24,755</u>	<u>21,221</u>	<u>-</u>	<u>518</u>	<u>124,375</u>
<b>EXPENDITURES</b>								
Current:								
General government	-	-	-	-	-	-	81,937	81,937
Public safety	-	4,574	3,459	-	-	-	402,727	410,760
Public works	13,019	-	-	-	-	-	55,573	68,592
Economic development	-	-	-	41,744	-	-	-	41,744
Cultural and recreation	-	-	-	-	21,837	-	113,825	135,662
Total expenditures	<u>13,019</u>	<u>4,574</u>	<u>3,459</u>	<u>41,744</u>	<u>21,837</u>	<u>-</u>	<u>654,062</u>	<u>738,695</u>
Excess (deficiency) of revenues over expenditures	<u>40,297</u>	<u>14,991</u>	<u>1,541</u>	<u>(16,989)</u>	<u>(616)</u>	<u>-</u>	<u>(653,544)</u>	<u>(614,320)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	30,000	-	-	1,104,791	1,134,791
Transfers out	-	-	-	-	-	-	(407,101)	(407,101)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>697,690</u>	<u>727,690</u>
Net change in fund balances	40,297	14,991	1,541	13,011	(616)	-	44,146	113,370
Fund balances-beginning	216,856	30,882	(614)	(19,653)	112,836	25,000	982,346	1,347,653
Fund balances-ending	<u>\$ 257,153</u>	<u>45,873</u>	<u>927</u>	<u>(6,642)</u>	<u>112,220</u>	<u>25,000</u>	<u>1,026,492</u>	<u>1,461,023</u>

See accompanying notes to the basic financial statement.

# DILLON & ASSOCIATES, P.C.

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

### INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council Members  
City of Purcell, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Purcell, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Purcell's basic financial statements and have issued our report thereon dated November 14, 2013.

#### **Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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.

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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of reportable findings and responses that we consider to be significant deficiencies, referred to as Findings 2013-01.

## **Compliance and Other Matters**

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

## **City of Purcell's Response to Findings**

The City of Purcell's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Purcell's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Midwest City, Oklahoma  
November 14, 2013

**City of Purcell, Oklahoma**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	FEDERAL 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	\$ <u>900</u>
<u>U.S. Department of Justice</u> Passed through Oklahoma District Attorneys Council: Bullet-proof Vests	16.607	FY 2012	<u>1,860</u>
<u>Federal Emergency Management Agency</u> Passed through Oklahoma Department of Civil Emergency Management: Fire Management Assistance Grant	97.016	FEMA DR-2871	<u>39,930</u>
<u>U.S. Department of Homeland Security</u> Passed through Okla. Dept. of Emergency Management: Emergency Management Performance Grant Emergency Management Performance Grant	97.042 97.042	EMPG 12 - SLA EMPG 13 - SLA	5,000 <u>5,000</u>
Total U.S. Department of Homeland Security			<u>10,000</u>
<u>U.S. Department of Transportation</u> Federal Aviation Administration: Airport Improvement Program	20.106	3-40-0130-006-2013	160,023
Passed through Oklahoma Highway Safety Department: Oklahoma Highway Safety Office Oklahoma Highway Safety Office Oklahoma Highway Safety Office Oklahoma Highway Safety Office Oklahoma Highway Safety Office	20.600 20.600 20.600 20.600 20.600	SE-12-13-08-08 CF-12-03-25-08 SE-13-03-07-09 AL-13-03-05-09 CE-13-03-05-09	4,239 782 6,633 4,396 <u>1,931</u>
Total U.S. Department of Transportation			<u>178,004</u>
Total Federal Assistance			<u>230,694</u>
<b>STATE PROGRAMS</b>			
<u>State of Oklahoma</u>			
Passed through Oklahoma Department of Civil Emergency Management: Emergency Management Assistance		FEMA DR-1883	92,878
Passed through the Oklahoma Dept. of Agriculture, Food and Forestry Services : Rural Fire Defense Program			<u>4,484</u>
Total State of Oklahoma			<u>97,362</u>
Total Federal and State Assistance			\$ <u>328,056</u>

**City of Purcell, Oklahoma**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

**NOTE A - BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal awards activity of the City of Harrah, Oklahoma (the “City”), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**CITY OF PURCELL, OKLAHOMA  
SCHEDULE OF REPORTABLE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2013**

**Finding 2013-01 - 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, 2013, 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.

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*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.