



## **CITY OF PURCELL, OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

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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, 2014, 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, 2014, 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 August 30, 2014 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  
August 30, 2014

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## CITY OF PURCELL, OKLAHOMA

### MANAGEMENT'S DISCUSSION AND ANALYSIS *For the Fiscal Year Ended June 30, 2014*

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, 2014.

#### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$23,180,880. Of this amount, \$3,559,491 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's net position increased by \$1,145,632 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 \$2,903,707, a decrease of \$1,241,673 in comparison with the prior year amount. Of this total amount, \$1,952,249 is *unassigned fund balance* for governmental funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,952,249, or approximately 39% of total General Fund expenditures.
- During the current fiscal year, the City's total long-term obligations decreased by \$1,111,883 (10%). The debt was reduced by payments on capital leases of \$254,605, reduced by principle payments on revenue notes of \$920,198, and a net increase in compensated absences payable of \$62,920.
- Sales and use taxes decreased by \$99,191 or 2.1% over the prior fiscal year.

#### 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, function 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 12-14 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 \$23,180,880 at the close of the most recent fiscal year. The following table provides a summary of the City's net position at June 30, 2014 compared to June 30, 2013.

Table 1  
Net Position  
(In Thousands)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 3,204	4,427	4,537	7,689	7,741	12,116
Capital assets	<u>10,746</u>	<u>10,139</u>	<u>14,860</u>	<u>10,969</u>	<u>25,606</u>	<u>21,108</u>
Total assets	<u>13,950</u>	<u>14,566</u>	<u>19,397</u>	<u>18,658</u>	<u>33,347</u>	<u>33,224</u>
Long-term debt outstanding	508	712	7,813	7,813	8,321	8,525
Other liabilities	<u>439</u>	<u>407</u>	<u>2,257</u>	<u>2,257</u>	<u>2,696</u>	<u>2,664</u>
Total liabilities	<u>947</u>	<u>1,119</u>	<u>10,070</u>	<u>10,070</u>	<u>11,017</u>	<u>11,189</u>
Net assets:						
Invested in capital assets, net of debt	10,301	9,550	6,892	5,272	17,193	14,822
Restricted	1,081	1,051	1,347	1,348	2,428	2,399
Unrestricted	<u>1,621</u>	<u>2,846</u>	<u>1,938</u>	<u>1,968</u>	<u>3,559</u>	<u>4,814</u>
Total net position	<u>\$ 13,003</u>	<u>13,447</u>	<u>10,177</u>	<u>8,588</u>	<u>23,180</u>	<u>22,035</u>

By far the largest portion of the City's Net Position (74.2%) reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (10.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (15.3%) 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 \$1,145,632 during the current fiscal year. This increase represents the overall excess of revenues over expenses including depreciation of \$1,583,505.

**Governmental activities.** Governmental activities decreased the City's net position by \$554,197. Included in expenses was a non-cash charge for depreciation on capital assets of \$936,442.

**Business-type activities.** Business-type activities increased the City's net position by \$1,589,280. Included in expenses was a non-cash charge for depreciation on capital assets of \$647,063.

Table 2  
Changes in Net Position (In Thousands)

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues						
Charges for services	\$ 428	455	10,733	10,312	11,161	10,767
Operating grants	41	343	-	-	41	343
Capital grants	-	-	95	160	95	160
General revenues						
Sales and use taxes	4,513	4,612	-	-	4,513	4,612
Franchise tax (fees)	72	68	-	-	72	68
Other taxes	288	134	-	-	288	134
Investment income	17	2	25	19	42	21
Other	181	92	120	134	301	226
Total revenues	<u>5,540</u>	<u>5,706</u>	<u>10,973</u>	<u>10,625</u>	<u>16,513</u>	<u>16,331</u>
Expenses:						
General government	865	635	1,356	1,440	2,221	2,075
Public safety	4,192	3,645	-	-	4,192	3,645
Public works	882	1,195	-	-	882	1,195
Cultural & recreation	301	280	-	-	301	280
Economic development	32	41	-	-	32	41
Electric	-	-	4,906	4,522	4,906	4,522
Water	-	-	844	805	844	805
Sewer	-	-	490	480	490	480
Sanitation	-	-	633	615	633	615
Ambulance	-	-	250	250	250	250
Golf course	-	-	588	528	588	528
Other	-	-	29	212	29	212
Total expenses	<u>6,272</u>	<u>5,796</u>	<u>9,096</u>	<u>8,852</u>	<u>15,368</u>	<u>14,648</u>
Increase in net position						
before transfers	(732)	(90)	1,877	1,773	1,145	1,683
Transfers	288	756	(288)	(756)	-	-
Change in net position	<u>(444)</u>	<u>666</u>	<u>1,589</u>	<u>1,017</u>	<u>1,145</u>	<u>1,683</u>
Beginning net position	13,447	12,781	8,588	7,571	22,035	20,352
Ending net position	<u>\$ 13,003</u>	<u>13,447</u>	<u>10,177</u>	<u>8,588</u>	<u>23,180</u>	<u>22,035</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 \$2,903,707, a decrease of \$1,241,673, in comparison with the prior year. Of this total amount, \$1,952,249 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 \$1,952,249. 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 39% of total General Fund expenditures.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$716,530.

**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 \$1,774,468. The total increase in net position was \$1,509,333.

- Operating revenues increased by \$433,397 compared to the prior year.
- Operating expenses decreased by \$399,811 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 \$5,384,162 were \$46,488 more than the estimated revenues in the budget of \$5,430,650. Actual expenditures of \$4,965,224 were \$293,203 less than the \$5,258,427 approved in budget appropriations. After a net transfer out of \$1,135,469 from other funds, the City decreased by \$716,531 its carry forward funds to cover the overall excess of expenditures over receipts. The amount of carryover funds budget for expenditure was \$1,967,826.

## 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, 2014, amounts to \$25,495,268 (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:

- Infrastructure improvements to the utility system.
- Infrastructure improvements including construction of the administration offices.

Table 3  
Capital Assets  
(In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2014	2013	2014	2013	2014	2013
Construction in progress	\$ -	-	3,660	3,189	3,660	3,189
Land	826	826	1,809	1,356	2,635	2,182
Buildings	7,134	6,042	838	1,221	7,972	7,263
Machinery and equipment	1,655	1,563	997	958	2,652	2,521
Vehicles	2,393	2,394	1,178	886	3,571	3,280
Infrastructure	22,441	22,033	20,290	16,610	42,731	38,643
Less: Accum. depreciation	(23,703)	(22,719)	(13,912)	(13,281)	(37,615)	(36,000)
Total capital assets, net	\$ 10,746	10,139	14,860	10,939	25,606	21,078

Additional information of the City's capital assets can be found in Note 2 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 \$8,616,726. This represents debt secured solely by specified revenue sources (i.e., general obligation bonds, revenue notes and bonds) of \$8,282,733 and capital lease obligations of \$333,993.

Table 4  
Long-term Debt  
(In Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2014	2013	2014	2013	2014	2013
Notes payable	\$ -	-	8,283	9,203	8,283	9,203
Revenue bonds	-	-	-	-	-	-
Other	334	589	-	-	334	589
Total long-term debt	\$ 334	589	8,283	9,203	8,617	9,792

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 Note 2 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 2014-2015 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 2014-2015.

- 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, 2014.
- As for the City's proprietary fund activities, we expect moderate growth in the revenues and expenses over those received in 2014.

All of these factors were considered in preparing the City's budget for the 2014-2015 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, 2014*

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Municipal Hospital
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 1,695,210	1,007,687	2,702,897	271,051
Investments	1,142,924	1,989,911	3,132,835	95,000
Restricted assets:				
Restricted cash and investments	-	314,890	314,890	491,543
Receivables (net of allowance for uncollectibles)	10,266	1,067,089	1,077,355	1,425,604
Due from other government agencies	356,507	-	356,507	88,197
Note receivable - Noncurrent, net	-	-	-	113,554
Inventories	-	156,629	156,629	63,211
Capital assets:				
Land, improvements, and construction in progress	825,903	5,469,638	6,295,541	-
Other capital assets, net of depreciation	9,919,762	9,390,514	19,310,276	4,138,962
Total assets	<u>13,950,572</u>	<u>19,396,358</u>	<u>33,346,930</u>	<u>6,687,122</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	-	-	-	-
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	169,714	576,752	746,466	2,441,096
Accrued interest payable	-	59,511	59,511	-
Due to depositors	-	177,071	177,071	-
Due to bondholders	2,446	-	2,446	-
Long-term liabilities:				
Due within one year	267,464	958,932	1,226,396	92,142
Due in more than one year	507,725	7,446,435	7,954,160	191,092
Total liabilities	<u>947,349</u>	<u>9,218,701</u>	<u>10,166,050</u>	<u>2,724,330</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	-	-	-	-
<b>NET POSITION</b>				
Net investment in capital assets	10,301,123	6,892,308	17,193,431	-
Restricted for:				
Debt service	-	1,190,831	1,190,831	-
Capital improvements	408,192	-	408,192	-
Risk management	129,040	-	129,040	-
Inventory	-	156,629	156,629	-
Other purposes	543,266	-	543,266	70
Unrestricted (deficit)	<u>1,621,602</u>	<u>1,937,889</u>	<u>3,559,491</u>	<u>3,962,722</u>
Total net position	<u>\$ 13,003,223</u>	<u>10,177,657</u>	<u>23,180,880</u>	<u>3,962,792</u>

See accompanying notes to the basic financial statement.

**City of Purcell, Oklahoma**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 864,572	250,147	-	(614,425)
Public safety	4,191,689	166,395	40,592	(3,984,702)
Public works	882,309	-	467	(881,842)
Culture and recreation	300,373	11,385	-	(288,988)
Economic deveolpment	32,301	-	-	(32,301)
Total government activities	<u>6,271,244</u>	<u>427,927</u>	<u>41,059</u>	<u>(5,802,258)</u>
Business-type activities:				
Administration	1,355,930	-	-	(1,355,930)
Electric	4,906,048	7,155,560	-	2,249,512
Water	844,079	1,604,963	-	760,884
Sewer	490,424	363,047	-	(127,377)
Sanitation	633,375	781,670	-	148,295
Ambulance	249,802	250,209	-	407
Golf course	587,779	577,708	-	(10,071)
Airport	28,514	-	-	66,898
Total business-type activities	<u>9,095,951</u>	<u>10,733,157</u>	<u>-</u>	<u>1,732,618</u>
Total primary government	<u>15,367,195</u>	<u>11,161,084</u>	<u>41,059</u>	<u>(4,069,640)</u>
<b>COMPONENT UNIT</b>				
Purcell Municipal Hospital	13,754,720	10,057,915	-	(3,696,805)
Total component units	<u>\$ 13,754,720</u>	<u>10,057,915</u>	<u>-</u>	<u>(3,696,805)</u>

**City of Purcell, Oklahoma**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Municipal Hospital
<b>Change in Net Position:</b>				
<b>Net (expense) revenue</b>	\$ (5,802,258)	1,732,618	(4,069,640)	(3,696,805)
<b>General revenues:</b>				
Taxes:				
Sales and use	4,513,168	-	4,513,168	-
Franchise	71,653	-	71,653	-
Other	287,833	-	287,833	-
Unrestricted investment income	17,491	24,624	42,115	278,168
Miscellaneous	180,465	120,038	300,503	1,624,987
Transfers - internal activity	(1,131,477)	1,131,477	-	-
Transfers - capital assets	1,419,477	(1,419,477)	-	-
Total general revenues and transfers	<u>5,358,610</u>	<u>(143,338)</u>	<u>5,215,272</u>	<u>1,903,155</u>
<b>Change in net position</b>	(443,648)	1,589,280	1,145,632	(1,793,650)
<b>Net Position - beginning</b>	<u>13,446,871</u>	<u>8,588,377</u>	<u>22,035,248</u>	<u>5,756,442</u>
<b>Net Position - ending</b>	<u>\$ 13,003,223</u>	<u>10,177,657</u>	<u>23,180,880</u>	<u>3,962,792</u>

See accompanying notes to the basic financial statement.

**City of Purcell, Oklahoma**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2014**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 723,241	840,483	1,563,724
Cash - Police bond account	2,446	-	2,446
Investments	1,010,244	132,680	1,142,924
Receivables, net	10,266	-	10,266
Due from other governments	352,277	4,230	356,507
Total assets	2,098,474	977,393	3,075,867
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	130,647	41,513	172,160
Police bonds outstanding	2,446	-	2,446
Total liabilities (Note 2)	130,647	41,513	172,160
<b>DEFERRED INFLOW OF RESOURCES</b>			
	-	-	-
Fund balances:			
Nonspendable	15,578	935,880	951,458
Unassigned	1,952,249	-	1,952,249
Total fund balances	1,967,827	935,880	2,903,707
Total liabilities, deferred inflows and fund balances	\$ 2,098,474	977,393	

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.	10,745,665
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.	129,040
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.	(333,993)
Accrued compensated absences payable is not reported on the governmental fund statements.	(441,196)
Net position of governmental activities	\$ 13,003,223

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, 2014**

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Taxes	\$ 4,584,821	-	4,584,821
Intergovernmental	266,131	74,288	340,419
Licenses and permits	151,953	-	151,953
Charge for services	98,194	31,785	129,979
Fines and forfeitures	134,468	-	134,468
Interest	16,808	683	17,491
Miscellaneous	131,788	48,676	180,464
Total revenues	<u>5,384,163</u>	<u>155,432</u>	<u>5,539,595</u>
 <b>EXPENDITURES</b>			
Current:			
General government	581,633	242,635	824,268
Public safety	3,481,167	318,842	3,800,009
Public works	665,118	32,338	697,456
Culture and recreation	237,306	58,451	295,757
Economic development	-	32,301	32,301
Total expenditures	<u>4,965,224</u>	<u>684,567</u>	<u>5,649,791</u>
 Excess (deficiency) of revenues over expenditures	 <u>418,939</u>	 <u>(529,135)</u>	 <u>(110,196)</u>
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	956,979	2,122,448	3,079,427
Transfers out	<u>(2,092,448)</u>	<u>(2,118,456)</u>	<u>(4,210,904)</u>
Total other financing sources and uses	<u>(1,135,469)</u>	<u>3,992</u>	<u>(1,131,477)</u>
 Net change in fund balances	 (716,530)	 (525,143)	 (1,241,673)
Fund balances-beginning	2,684,357	1,461,023	4,145,380
Fund balances-ending	<u>\$ 1,967,827</u>	<u>935,880</u>	<u>2,903,707</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, 2014

Net change in fund balances - total governmental funds	\$ (1,241,673)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current reporting period.</p>	
Capital outlay expenditures, net of retirements	1,543,722
Depreciation expense	(936,442)
	607,280
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position.</p>	
Principal payments on capital lease obligations	254,605
Change in accrued compensated absences	(62,900)
	191,705
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.</p>	
	(960)
Change in net position of governmental activities	\$ (443,648)

**City of Purcell, Oklahoma**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2014**

	Business-type Activities - Enterprise Funds				Governmental
	Public Works	Public Works	Airport	Total	Internal
	Authority	Authority		Enterprise	Service
	<u>Utilities</u>	<u>Golf Course</u>	<u>Authority</u>	<u>Funds</u>	<u>Fund</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 660,640	229,323	8,917	898,880	129,040
Cash - Utility deposits	108,807	-	-	108,807	-
Investments	1,989,911	-	-	1,989,911	-
Restricted:					
Cash and investments	314,890	-	-	314,890	-
Accounts, net of allowance for uncollectibles	1,062,690	2,029	-	1,064,719	-
Accrued interest	2,370	-	-	2,370	-
Inventories	150,039	6,590	-	156,629	-
Total current assets	<u>4,289,347</u>	<u>237,942</u>	<u>8,917</u>	<u>4,536,206</u>	<u>129,040</u>
Non-current assets:					
Land and construction progress	4,011,201	1,298,437	160,000	5,469,638	-
Other capital assets, net of accumulated depreciation	8,905,487	25,315	459,712	9,390,514	-
Total non-current assets	<u>12,916,688</u>	<u>1,323,752</u>	<u>619,712</u>	<u>14,860,152</u>	<u>-</u>
Total assets	<u>17,206,035</u>	<u>1,561,694</u>	<u>628,629</u>	<u>19,396,358</u>	<u>129,040</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
	-	-	-	-	-
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	555,023	21,529	200	576,752	-
Accrued interest payable	59,511	-	-	59,511	-
Deposits subject to refund	177,071	-	-	177,071	-
Current portion of long-term obligations	940,000	18,932	-	958,932	-
Total current liabilities	<u>1,731,605</u>	<u>40,461</u>	<u>200</u>	<u>1,772,266</u>	<u>-</u>
Non-current liabilities:					
Notes payable, net of current portion	7,055,000	268,801	-	7,323,801	-
Accrued compensated absences	67,515	55,119	-	122,634	-
Total non-current liabilities	<u>7,122,515</u>	<u>323,920</u>	<u>-</u>	<u>7,446,435</u>	<u>-</u>
Total liabilities	<u>8,854,120</u>	<u>364,381</u>	<u>200</u>	<u>9,218,701</u>	<u>-</u>
<b>DEFERRED INFLOW OF RESOURCES</b>					
	-	-	-	-	-
<b>NET POSITION</b>					
Net investment in capital assets	5,236,577	1,036,019	619,712	6,892,308	-
Restricted:					
Debt service	1,190,831	-	-	1,190,831	-
Inventory	150,039	6,590	-	156,629	-
Payment of claims	-	-	-	-	129,040
Unrestricted	1,774,468	154,704	8,717	1,937,889	-
Total net position	<u>\$ 8,351,915</u>	<u>1,197,313</u>	<u>628,429</u>	<u>10,177,657</u>	<u>129,040</u>

See accompanying notes to the basic financial statement.

**City of Purcell, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Fund Net Postion - Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Business-type Activities - Enterprise Funds			Total	Governmental
	Public Works	Public Works	Airport	Enterprise	Internal
	Authority Utilities	Authority Golf Course	Authority	Funds	Service Fund
<b>REVENUES</b>					
Electric	\$ 7,035,721	-	-	7,035,721	-
Water	1,604,963	-	-	1,604,963	-
Sewer	363,047	-	-	363,047	-
Sanitation	781,670	-	-	781,670	-
Other	119,839	-	-	119,839	13,016
Ambulance	250,209	-	-	250,209	-
Golf	-	577,708	-	577,708	-
Total operating revenues	<u>10,155,449</u>	<u>577,708</u>	<u>-</u>	<u>10,733,157</u>	<u>13,016</u>
<b>OPERATING EXPENSES</b>					
General and administration	780,258	-	-	780,258	14,039
Electric	4,754,638	-	-	4,754,638	-
Water	664,422	-	-	664,422	-
Sewer	233,464	-	-	233,464	-
Sanitation	633,375	-	-	633,375	-
Customer and information services	320,325	-	-	320,325	-
Maintenance	4,096	-	-	4,096	-
Ambulance	249,802	-	-	249,802	-
Broadband wireless	5,688	-	-	5,688	-
Golf	-	559,105	-	559,105	-
Airport	-	-	-	-	-
Depreciation and amortization	573,261	28,674	28,514	630,449	-
Total operating expenses	<u>8,219,329</u>	<u>587,779</u>	<u>28,514</u>	<u>8,835,622</u>	<u>14,039</u>
Operating income (loss)	<u>1,936,120</u>	<u>(10,071)</u>	<u>(28,514)</u>	<u>1,897,535</u>	<u>(1,023)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Miscellaneous revenues	92,730	18,822	8,486	120,038	-
Grant income	-	-	95,412	95,412	-
Interest income	24,610	14	-	24,624	63
Interest expense and fiscal charges	(246,127)	(14,202)	-	(260,329)	-
Total nonoperating revenues (expenses)	<u>(128,787)</u>	<u>4,634</u>	<u>103,898</u>	<u>(20,255)</u>	<u>63</u>
<b>OPERATING TRANSFERS AND CAPITAL ITEMS</b>					
Transfers in	2,118,456	-	10,000	2,128,456	-
Transfers out	(996,979)	-	-	(996,979)	-
Transfer out - Governmental capital assets	(1,419,477)	-	-	(1,419,477)	-
Total operating transfers	<u>(298,000)</u>	<u>-</u>	<u>10,000</u>	<u>(288,000)</u>	<u>-</u>
Change in net position	1,509,333	(5,437)	85,384	1,589,280	(960)
Net Position - beginning	6,842,582	1,202,750	543,045	8,588,377	130,000
Net Position - ending	<u>\$ 8,351,915</u>	<u>1,197,313</u>	<u>628,429</u>	<u>10,177,657</u>	<u>129,040</u>

See accompanying notes to the basic financial statement.

**City of Purcell, Oklahoma**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Business-type Activities - Enterprise Funds				Governmental
	Public Works Authority Utilities	Public Works Authority Golf Course	Airport Authority	Total Enterprise Funds	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 9,636,863	-	-	9,636,863	13,016
Payments to suppliers and employees	(8,655,948)	27,898	380	(8,627,670)	(14,039)
Refund of meter deposits	(7,325)	-	-	(7,325)	-
Net cash provided (used) by operating activities	<u>973,590</u>	<u>27,898</u>	<u>380</u>	<u>1,001,868</u>	<u>(1,023)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating transfers in (out)	(298,000)	-	10,000	(288,000)	-
Net cash provided (used) by noncapital financing activities	<u>(298,000)</u>	<u>-</u>	<u>10,000</u>	<u>(288,000)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Grant proceeds	-	-	95,412	95,412	-
Principal paid on long-term debt	(905,000)	(15,197)	-	(920,197)	-
Interest expense and fiscal charges	(246,127)	(14,202)	-	(260,329)	-
(Acquisition) disposition of capital assets	(4,395,043)	(20,000)	(106,014)	(4,521,057)	-
Net cash provided (used) by capital and related financing activities	<u>(5,546,170)</u>	<u>(49,399)</u>	<u>(10,602)</u>	<u>(5,606,171)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Decrease (increase) in investments	(598,729)	-	-	(598,729)	-
Interest received	24,610	14	-	24,624	63
Net cash provided (used) by investing activities	<u>(574,119)</u>	<u>14</u>	<u>-</u>	<u>(574,105)</u>	<u>63</u>
Net increase (decrease) in cash and cash equivalents	(5,444,699)	(21,487)	(222)	(5,466,408)	(960)
Cash and cash equivalents, beginning of the year	5,109,559	231,988	653	5,342,200	130,000
Cash and cash equivalents, end of the year	<u>\$ (335,140)</u>	<u>210,501</u>	<u>431</u>	<u>(124,208)</u>	<u>129,040</u>
Reconciliation to Statement of Net Position:					
Cash and cash equivalents	769,447	229,323	8,917	1,007,687	129,040
Restricted cash and cash equivalents	314,890	-	-	314,890	-
Total cash and cash equivalents, end of year	<u>\$ 1,084,337</u>	<u>229,323</u>	<u>8,917</u>	<u>1,322,577</u>	<u>129,040</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	1,936,120	(10,071)	(28,514)	1,897,535	(1,023)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Cash flows reported in other categories:					
Depreciation expense	573,261	28,674	28,514	630,449	-
Miscellaneous revenue	92,730	18,822	8,486	120,038	-
Change in assets and liabilities:					
Receivable, net	(268,377)	-	180	(268,197)	-
Inventories	(55)	-	-	(55)	-
Accounts payable	82,435	(1,049)	200	81,586	-
Accrued expenses	(15,722)	10,344	-	(5,378)	-
Total adjustments	<u>464,272</u>	<u>56,791</u>	<u>37,380</u>	<u>558,443</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 2,400,392</u>	<u>46,720</u>	<u>8,866</u>	<u>2,455,978</u>	<u>(1,023)</u>

See accompanying notes to the basic financial statement.

**NOTES TO BASIC  
FINANCIAL STATEMENTS**

**City of Purcell, Oklahoma**  
**Notes to Basic Financial Statements**  
***As of and for the Year Ended June 30, 2014***

**NOTE 1. ORGANIZATION**

The City of Purcell, Oklahoma (the City) is a municipal corporation, incorporated in 1887. The City is governed by a five-member council. The mayor is selected by a vote of the council members. The City operates under a Council-Manager Charter form of government under Title 11 of the *Oklahoma Statutes*. The City provides the following services to its citizens: public safety (police and fire), streets and highways, sanitation, social services, culture and recreation, public improvements, utilities, planning and zoning, and general administrative services.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity** - The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations. Each blended unit has a June 30 fiscal 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.

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

**Discretely Presented Component Unit** - The Purcell Municipal Hospital's ownership was transferred to Purcell Public Works Authority on April 4, 1969 to operate, regulate and administer the hospital. The governing body consists of six members composed of two at large members who are residents of Purcell, two members who are residents of McClain County or a Lexington zip code, a member from the medical industry, and the hospital chief of staff who is a non-voting member. All Board members shall be approved and appointed by the Authority. Any issuance of debt requires a 2/3 approval of the PPWA board of trustees.

The Purcell Municipal Hospital issued separate financial statements, which are available by contacting their administrative office.

**City of Purcell, Oklahoma**  
**Notes to Basic Financial Statements**  
***As of and for the Year Ended June 30, 2014***

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by Statement 61, and includes all component units for which the City is financially accountable. Each component unit is a Public Trust established pursuant to Title 60 of the Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through the issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the City Council. In addition, the City has leased certain existing assets at the creation for the Authority to the Trustees on a long-term basis. The City, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

**Basis of Presentation and Accounting:**

**Government-Wide Financial Statements** - The statements of net position and activities are reported on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

- Public Safety - Police and Fire - fines and forfeitures, fire run charges, 911 revenue, operating and capital grants
- Streets - commercial vehicle and gasoline excise tax shared by the State, operating and capital grants
- Culture and Recreation - recreation fees, library fees and operating grants
- Cemetery - cemetery revenues
- General Government - licenses and permits, rentals, operating and capital grants

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

***Governmental Funds:***

**Major Fund:**

The following are the City's major governmental funds:

General Fund - accounts for general operations of the City including: public safety, parks, public facilities, street maintenance and internal service support.

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
*As of and for the Year Ended June 30, 2014*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

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.

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

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

The General Fund is considered a major fund and therefore displayed in a separate column. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds.

*Proprietary Funds:*

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.

**City of Purcell, Oklahoma**  
**Notes to Basic Financial Statements**  
***As of and for the Year Ended June 30, 2014***

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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 proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus.

For purposes of the statement of revenues, expenses and changes in financial position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

**Assets, Deferred Outflows, Liabilities, Deferred Inflows 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. The City Charter requires all cash belonging to the City to be placed in the custody of the Financial Services Department of the City.
- 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, 2014, to be the fair value of its investments. 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,

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- d. 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.
- e. *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.

- f. *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."
- g. *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.
- h. *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.

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

- i. *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.
- j. *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.

- k. *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, 2014, 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.
- l. *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.

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- m. *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 retirement, 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 employee's years of service. Upon retirement, an employee's accumulated sick leave is paid at varying percentages depending on the employee's hire date and classification.
- n. *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, 2014 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.

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.

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
*As of and for the Year Ended June 30, 2014*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- 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, 2014 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.
- 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.

City of Purcell, Oklahoma  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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.

**New Accounting Pronouncements** - There were no new accounting pronouncements applicable to the City's financial reporting for the year ended June 30, 2014.

**NOTE 3 - 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.

**Cash and Investments**

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

Cash and equivalents	\$ 2,702,897
Investments	<u>3,132,835</u>
Total	<u>\$ 5,835,732</u>

The local government had the following deposits and investments at June 30, 2014:

	Credit rating	Fair value	Maturities in Years		
			On demand	Less than 1	1-5
Demand deposits and cash on hand	(1)	\$ 2,702,897	2,702,897	-	-
Money market mutual funds	AAA	41,155	41,155	-	-
Time deposits	(1)	<u>3,091,680</u>	-	<u>1,450,680</u>	<u>1,641,000</u>
Total		<u>\$ 5,835,732</u>	<u>2,744,052</u>	<u>1,450,680</u>	<u>1,641,000</u>

(1) Not subject to rating

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

City of Purcell, Oklahoma  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued**

*Custodial Credit Risk*

At June 30, 2014, the City held deposits of approximately \$5,857,236 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, 2014, 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.

*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 (\$2,884,000) and 1% in Money Market funds (\$41,155).

City of Purcell, Oklahoma  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued**

**Receivables and Uncollectible Accounts**

	General Fund	Nonmajor Governmental Funds	Purcell Public Works Authority	Total
Receivables:				
Taxes	\$ 352,277	4,230	-	356,507
Accounts	<u>10,267</u>	<u>-</u>	<u>1,533,307</u>	<u>1,543,574</u>
Gross receivables	362,544	4,230	1,533,307	1,900,081
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>470,617</u>	<u>470,617</u>
Net total receivables	<u>\$ 362,544</u>	<u>4,230</u>	<u>1,062,690</u>	<u>1,429,464</u>

**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	\$ 75,028
Sales Tax Revenue Note, Series 2011:	
Debt service	163,387
Sales Tax Revenue Note, Series 2007:	
Debt service	<u>76,475</u>
Total restricted assets	<u>\$ 314,890</u>

City of Purcell, Oklahoma  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued**

**Capital Assets**

Capital asset balances and activities for the year ended June 30, 2014, were as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
<b>Governmental activities</b>				
Capital assets not being depreciated :				
Land	\$ 825,903	-	-	825,903
Total capital assets not being depreciated	<u>825,903</u>	<u>-</u>	<u>-</u>	<u>825,903</u>
Capital assets being depreciated :				
Buildings and improvements	6,041,650	1,092,463	-	7,134,113
Machinery and equipment	1,588,054	32,093	35,000	1,655,147
Vehicles	2,379,827	-	12,795	2,392,622
Infrastructure	<u>22,032,889</u>	<u>408,243</u>	<u>-</u>	<u>22,441,132</u>
Total capital assets being depreciated	32,042,420	1,532,799	47,795	33,623,014
Less : Accumulated depreciation	<u>22,719,015</u>	<u>936,442</u>	<u>47,795</u>	<u>23,703,252</u>
Governmental activities capital assets, net	<u>\$ 10,149,308</u>	<u>596,357</u>	<u>-</u>	<u>10,745,665</u>

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

**Governmental activities:**

General government	\$ 31,674
Public safety	342,056
Public works administration	558,096
Cultural and recreation	<u>4,616</u>
Total depreciation expense - governmental activities	<u>\$ 936,442</u>

**City of Purcell, Oklahoma**  
**Notes to the Basic Financial Statements**  
*As of and for the Year Ended June 30, 2014*

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued**

Capital asset activity for business-type activities for the year ended June 30, 2014 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
<b><i>Business-type activities</i></b>				
Capital assets not being depreciated :				
Land	\$ 1,809,373	-	-	1,809,373
Construction in progress	3,188,493	471,772	-	3,660,265
Total capital assets not being depreciated	<u>4,997,866</u>	<u>471,772</u>	-	<u>5,469,638</u>
Capital assets being depreciated :				
Buildings and improvements	767,944	70,022	-	837,966
Machinery and equipment	976,606	20,000	-	996,606
Vehicles	854,676	307,184	15,774	1,177,634
Infrastructure	16,610,381	3,679,615	-	20,289,996
Total capital assets being depreciated	19,209,607	4,076,821	15,774	23,302,202
Less : Accumulated depreciation	13,248,851	647,063	15,774	13,911,688
Business-type activities capital assets, net	<u>\$ 10,958,622</u>	<u>3,901,530</u>	<u>-</u>	<u>14,860,152</u>

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

**Business-type activities:**

Electric	\$ 151,410
Water	179,657
Sewer	256,960
Sanitation	-
General government	1,848
Airport	28,514
Golf course	28,674
Total depreciation expense - business-type activities	<u>\$ 647,063</u>

**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, 2014, cash and investments included \$183,807 available for refund of customer deposits, while the liability to customers was \$177,071.

City of Purcell, Oklahoma  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued**

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, 2014, \$0 was being held that was subject to refund.

**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.	\$ 137,827
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.	196,166
Total governmental activities capital lease obligations	\$ <u>333,993</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>487,599</u>
Net capital asset cost	\$ <u>760,273</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2015	\$ 278,152
2016	<u>67,408</u>
Total required payments	345,560
Less: Interest expense	<u>11,567</u>
Total principal payments	\$ <u>333,993</u>

City of Purcell, Oklahoma  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued**

**Long-term Debt**

Long-term liabilities of the City of Purcell as of June 30, 2014, 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%. \$ 710,000

\$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%. 6,440,000

\$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%. 845,000

\$295,448 Purcell Public Works Authority Series 2014 Golf Course and Proshop Note. Note dated January 10, 2014, due in 151 monthly installments of \$2,450, beginning February 10, 2014, with a final payment due September 10, 2026, with interest at 3.75%, secured by the operations of the golf course. 287,733

Total net revenue bonds and notes payable 8,282,733

Total business-type activities \$ 8,282,733

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued**

Long-term liabilities transactions for the year ended June 30, 2014, 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	\$ 905,000	-	195,000	710,000	200,000
Sales Tax Revenue Notes-2011	6,895,000	-	455,000	6,440,000	470,000
Sales Tax Revenue Notes-2007	1,100,000	-	255,000	845,000	270,000
Note payable - Golf course	302,931	295,448	310,646	287,733	18,932
Total business-type activities	<u>\$ 9,202,931</u>	<u>295,448</u>	<u>1,215,646</u>	<u>8,282,733</u>	<u>958,932</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, 2014 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>
2015	\$ -	-	958,932	239,744
2016	-	-	984,628	211,058
2017	-	-	1,020,403	181,370
2018	-	-	646,182	147,415
2019	-	-	556,990	130,886
2020-2024	-	-	3,073,165	400,391
2025-2029	-	-	1,042,433	30,732
Totals	<u>\$ -</u>	<u>-</u>	<u>8,282,733</u>	<u>1,341,596</u>

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - 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 \$3,232,256. Debt service payments on the 2012, 2011 and 2007 Revenue Notes of \$1,157,923 for the current fiscal year were 36% 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 67% of pledged net utility revenues of \$1,281,419 and 19% of both pledged utility revenues and pledged sales taxes.

**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 200 hours may be carried over from one benefit year into another, except for police and fire who may carry 240 hours and 360 hours, respectively. 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 a maximum of 700 hours and 960 hours, respectively, 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	\$	441,196
Business-type activities		<u>122,633</u>
Total compensated absences	\$	<u><u>563,829</u></u>

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued**

**Interfund Receivables, Payables, and Transfers**

Interfund transactions:

	Transfers In			<u>Total</u>
	General <u>Fund</u>	Nonmajor <u>Governmental</u>	Purcell Public Works <u>Authority</u>	
Transfer out:				
General fund	\$ -	2,092,448	-	2,092,448
Nonmajor governmental	-	-	2,118,456	2,118,456
Purcell Public Works Auth.	<u>956,979</u>	<u>30,000</u>	-	<u>986,979</u>
Totals	<u>\$ 956,979</u>	<u>2,122,448</u>	<u>2,118,456</u>	<u>5,197,883</u>

**NOTE 4 - OTHER INFORMATION**

**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.

**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.

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 4 - OTHER INFORMATION - Continued**

**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. Copies of the State of Oklahoma sponsored multiple-employer plans and a schedule of funding progress is available, for each from the respective Plan. The State of Oklahoma is responsible for any funding deficiencies. 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 System (OPPRS)***

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

Funding Policy - Plan members are required to contribute 8.0% of their annual covered salary, and the City of Purcell contributes 13.0% of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by the state legislature. Contributions to the OPPRS for the year ended June 30, 2014, for employees and employer were \$64,155 and \$118,715, respectively, on covered payroll of \$916,231. The state made on-behalf payments for the police pension system of \$109,948 (or 12% of covered payroll). These on-behalf payments were recognized as both revenue and expenditures in the current year.

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

Fiscal Year	Required Contribution	Amount Contributed
2014	\$ 118,715	118,715
2013	112,026	112,026
2012	109,289	109,289

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 4 - OTHER INFORMATION - Continued**

***Oklahoma Firefighters' Pension and Retirement System (OFPRS)***

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

Funding Policy - Plan members are required to contribute 8.0% of their annual covered salary, and the City of Purcell contributes 13.0% of annual covered payroll through October, 2013. Effective November 1, 2013 the required contribution rates for the employee and employer are 9.0% and 14.0%, respectively. The contribution requirements of the plan members and the City are established and may be amended by the state legislature. Contributions to the OFPRS for the year ended June 30, 2014, for employees and employer were \$46,537 and \$73,549, respectively, on covered payroll of \$555,259. The state made on-behalf payments for the fire pension system of \$166,578 (or 30% of covered payroll). These on-behalf payments were recognized as both revenue and expenditures in the current year.

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

Fiscal Year	Required Contribution	Amount Contributed
2014	\$ 73,549	73,549
2013	60,939	60,939
2012	67,105	67,105

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
As of and for the Year Ended June 30, 2014

**NOTE 4 - OTHER INFORMATION - Continued**

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

Plan Description - The City of Purcell, Oklahoma Employee Retirement Plan, is a single-employer defined contribution money purchase pension plan is available to all full-time employees except those participating in state fire and police retirement programs. 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. Full-time employees 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.

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, 2014, for employees and employer were \$154,578 and \$173,230, respectively. For the year ended June 30, 2014, the City’s covered payroll was \$2,471,834. 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, 2014 totaled \$606,451.

**City of Purcell, Oklahoma**  
**Notes to Basic Financial Statements**  
***As of and for the Year Ended June 30, 2014***

**NOTE 4 - OTHER INFORMATION - Continued**

Funding Policy - DC Plan participants may contribute up to \$17,500 of eligible compensations in calendar years 2013 and 2014, respectively. In addition, employees age 50 and older may contribute a catch-up contribution of \$5,500. Contributions to the Plan for the year ended June 30, 2014, for employees and employer were \$0 and \$43,536, respectively.

The employer's contribution are subject to immediate vesting.

***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, 2014 was \$182,831.

**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, 2014, 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

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
*As of and for the Year Ended June 30, 2014*

**NOTE 4 - OTHER INFORMATION - Continued**

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 2014, 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, 2014 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.

*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.

**New Accounting Pronouncements**

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

Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27.* GASB No. 68 establishes standards of measuring and recognizing liabilities, deferred outflow of resources, deferred inflow of resources, and pension expense. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure

City of Purcell, Oklahoma  
Notes to Basic Financial Statements  
*As of and for the Year Ended June 30, 2014*

**NOTE 4 - OTHER INFORMATION - Continued**

requirements are addressed for each classification. GASB No. 68 was issued in June, 2013, and the City has not yet determined the impact that implementation of GASB No. 68 will have on its net position. The Statement is effective for fiscal years ended June 30, 2015.

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

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

Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB No. 68* - amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with provisions of Statement No. 68. The City has not yet evaluated the effects that GASB NO. 71 will have on its financial statements.

**Subsequent Events**

Management has evaluated subsequent events through August 30, 2014, 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, 2014

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 4,493,000	4,752,000	4,584,821	(167,179)
Intergovernmental	140,000	263,200	266,131	2,931
Licenses and permits	145,000	136,000	151,953	15,953
Charge for services	22,400	84,300	98,194	13,894
Fines and forfeitures	135,035	155,750	134,468	(21,282)
Interest	1,100	1,000	16,808	15,808
Miscellaneous	203,000	38,400	131,788	93,388
Total revenues	<u>5,139,535</u>	<u>5,430,650</u>	<u>5,384,163</u>	<u>(46,487)</u>
<b>EXPENDITURES</b>				
General government:				
General government	246,675	245,456	181,279	64,177
Administration	232,146	217,447	210,319	7,128
Information technology	43,225	39,130	38,556	574
Municipal court	153,941	157,208	151,479	5,729
Public safety:				
Police	1,811,073	1,788,214	1,782,224	5,990
Fire	969,055	958,933	910,148	48,785
Animal control	145,990	141,139	136,358	4,781
Maintenance	50,306	18,483	17,797	686
Communications	451,219	439,479	428,994	10,485
Emergency management	88,253	93,726	83,070	10,656
Code administration	234,084	188,565	122,576	65,989
Public works:				
Streets	619,963	525,876	515,340	10,536
Cemetery	130,136	180,343	149,778	30,565
Culture and recreation:				
Parks maintenance	171,876	164,800	152,131	12,669
Park and recreation	114,332	21,000	19,071	1,929
Swimming pool	77,660	78,628	66,104	12,524
Total expenditures	<u>5,539,934</u>	<u>5,258,427</u>	<u>4,965,224</u>	<u>293,203</u>
Excess (deficiency) of revenues over (under) expenditures	(400,399)	172,223	418,939	246,716
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	400,399	(1,176,021)	(1,135,469)	40,552
Net change in fund balances	-	(1,003,798)	(716,530)	287,268
Fund balances - beginning	-	1,003,798	2,684,357	1,680,559
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>1,967,827</u>	<u>1,967,827</u>

See accompanying notes to the basic financial statement.

**City of Purcell, Oklahoma**  
**Notes to Required Supplemental Information**  
**On Budgetary Accounting and Control**  
*For the Year Ended June 30, 2014*

**BUDGETARY ACCOUNTING AND CONTROL**

**Budget Law**

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

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

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

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

In accordance with Title 60 of the Oklahoma State Statutes, the Purcell City Utilities Authority is required to prepare an annual budget and submit a copy to the City as beneficiary. However, there are no further requirements such as form of budget, approval of budget or definition of a legal spending limit.

**Budgetary Accounting**

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

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

**OTHER SUPPLEMENTARY  
INFORMATION**

**City of Purcell, Oklahoma**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2014**

	<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>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 284,725	92,367	3,772	8,238	116,668	-	334,713	840,483
Investments	-	-	-	-	-	25,000	107,680	132,680
Receivables, net	4,180	-	-	-	50	-	-	4,230
<b>TOTAL</b>	<u>288,905</u>	<u>92,367</u>	<u>3,772</u>	<u>8,238</u>	<u>116,718</u>	<u>25,000</u>	<u>442,393</u>	<u>977,393</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	6,303	226	-	-	783	-	34,201	41,513
<b>Total liabilities</b>	<u>6,303</u>	<u>226</u>	<u>-</u>	<u>-</u>	<u>783</u>	<u>-</u>	<u>34,201</u>	<u>41,513</u>
Fund balances:								
Committed	282,602	92,141	3,772	8,238	115,935	25,000	408,192	935,880
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<u>282,602</u>	<u>92,141</u>	<u>3,772</u>	<u>8,238</u>	<u>115,935</u>	<u>25,000</u>	<u>408,192</u>	<u>935,880</u>
<b>TOTAL</b>	<u>\$ 288,905</u>	<u>92,367</u>	<u>3,772</u>	<u>8,238</u>	<u>116,718</u>	<u>25,000</u>	<u>442,393</u>	<u>977,393</u>

See accompanying notes to the basic financial statement.

**City of Purcell, Oklahoma**  
**Combining Statement of Revenues, Expenses and Changes in Fund Balance - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

	Special Revenue					Permanent	Capital Projects	Total
	Street & Alley	Rural Fire	Drug Enforcement	Economic Development	Cemetery Care	Cemetery Perpetual Care	Capital Improvements	Nonmajor Governmental Funds
<b>REVENUES</b>								
Intergovernmental	\$ 57,787	4,974	11,527	-	-	-	-	74,288
Charge for services	-	20,400	-	-	11,385	-	-	31,785
Interest	-	67	-	-	106	-	510	683
Miscellaneous	-	21,053	-	17,181	10,442	-	-	48,676
Total revenues	<u>57,787</u>	<u>46,494</u>	<u>11,527</u>	<u>17,181</u>	<u>21,933</u>	<u>-</u>	<u>510</u>	<u>155,432</u>
<b>EXPENDITURES</b>								
Current:								
General government	-	-	-	-	-	-	242,635	242,635
Public safety	-	226	8,682	-	-	-	309,934	318,842
Public works	32,338	-	-	-	-	-	-	32,338
Economic development	-	-	-	32,301	-	-	-	32,301
Cultural and recreation	-	-	-	-	18,218	-	40,233	58,451
Total expenditures	<u>32,338</u>	<u>226</u>	<u>8,682</u>	<u>32,301</u>	<u>18,218</u>	<u>-</u>	<u>592,802</u>	<u>684,567</u>
Excess (deficiency) of revenues over expenditures	<u>25,449</u>	<u>46,268</u>	<u>2,845</u>	<u>(15,120)</u>	<u>3,715</u>	<u>-</u>	<u>(592,292)</u>	<u>(529,135)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	30,000	-	-	2,092,448	2,122,448
Transfers out	-	-	-	-	-	-	(2,118,456)	(2,118,456)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>(26,008)</u>	<u>3,992</u>
Net change in fund balances	25,449	46,268	2,845	14,880	3,715	-	(618,300)	(525,143)
Fund balances-beginning	257,153	45,873	927	(6,642)	112,220	25,000	1,026,492	1,461,023
Fund balances-ending	<u>\$ 282,602</u>	<u>92,141</u>	<u>3,772</u>	<u>8,238</u>	<u>115,935</u>	<u>25,000</u>	<u>408,192</u>	<u>935,880</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, 2014, 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 August 30, 2014.

#### **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.

## **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*.

## **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  
August 30, 2014

City of Purcell, Oklahoma  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	FEDERAL EXPENDITURES
<b>FEDERAL ASSISTANCE</b>			
<u>U.S. Department of Homeland Security</u>			
Passed through Okla. Dept. of Emergency Management:			
Emergency Management Performance Grant	97.042	EMPG 13 - SLA	5,000
Emergency Management Performance Grant	97.042	EMPG 14 - SLA	5,000
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	95,412
Passed through Oklahoma Highway Safety Department:			
Oklahoma Highway Safety Office	20.600	OP-14-03-11-10	8,878
Oklahoma Highway Safety Office	20.600	SE-13-03-07-09	1,966
Oklahoma Highway Safety Office	20.600	AL-13-03-05-09	5,604
Oklahoma Highway Safety Office	20.600	CE-13-03-05-09	2,470
Total U.S. Department of Transportation			<u>114,330</u>
Total Federal Assistance			<u>\$ 124,330</u>

**Footnotes to Schedule of Expenditures of Federal Awards:**

1. The Schedule of Expenditures of Federal Awards is prepared on an accrual basis of accounting. The expenditures are recorded when the liability is incurred regardless of when the award proceeds are received.

City of Purcell, Oklahoma  
 Schedule of Expenditures of State Awards  
 For the Year Ended June 30, 2014

STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	PASS - THROUGH GRANTOR NUMBER	STATE EXPENDITURES
<b>STATE ASSISTANCE</b>		
<u>State of Oklahoma</u>		
Passed through the Oklahoma Dept. of Agriculture, Food and Forestry Services :		
Rural Fire Defense Program		\$ <u>4,474</u>
Total State of Oklahoma		<u>4,474</u>
Total State Assistance		\$ <u><u>4,474</u></u>