



CITY OF PURCELL, OKLAHOMA

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

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

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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, 2016, 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, 2016, 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.

Emphasis of Matters

As noted in the Auditor's Responsibility section above, the audit the financial statements of Purcell Municipal Hospital which is a discretely presented component unit of the City of Purcell was performed by other auditors. Their opinion included a section regarding the Hospital operating as a going concern. The management of the Hospital and management of the City have determined a plan to improve the liquidity of the Hospital. As noted in footnote 4, the citizens of Purcell on August 23, 2016 approved a new one cent sales tax dedicated to the Hospital.

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 October 15, 2016 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
October 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF PURCELL, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2016
Unaudited

Our discussion and analysis of the City of Purcell's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The City's total net position increased by \$1,037,672 and the assets of the City exceeded its liabilities \$22,726,809 (net position). Of this amount, \$2,559,325 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At June 30, 2016, the City's governmental funds reported combined ending fund balances of \$3,981,025. Of this total amount, \$2,848,099 is available for spending at the government's discretion (unassigned fund balance).
- At the end of fiscal year 2016, unassigned fund balance for the General Fund was \$2,848,099, or approximately 52.8% of total General Fund expenditures.
- Sales and use taxes increased by \$38,621 or 0.8% over the prior fiscal year.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the City of Purcell (the "City") and the Purcell Public Works Authority (PPWA). Included in this report are government-wide statements for each of two categories of activities - governmental and business-type, along with one discretely-presented component unit. This discussion and analysis focuses on the primary government, composed of the City of Purcell and Purcell Public Works Authority.

The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. For governmental activities, these statements tell how their services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

The Statement of Net Position and the Statement of Activities

This discussion and analysis is intended to serve as an introduction to the City of Purcell's basic financial statements. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way determining

whether the City's overall financial condition improved, declined or remained steady over the past year. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's Net Position and changes in Net Position from the prior year. You can think of the City's Net Position - the difference between assets and deferred outflows and liabilities and deferred inflows - as one way to measure the City's financial condition, or position. Over time, increases or decreases in Net Position are one indicator of whether the financial position of the City is improving, deteriorating or remaining steady. However, you must consider other non-financial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities are divided into three types of activities:

- Governmental activities - Most of the City's basic services are reported here, including the police, fire, general administration, streets and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities - The City's activities that charge a fee to customers to help cover all or most of the cost of certain services it provides. The City's electric, water, sewer, solid waste utilities, golf course and airport operations are reported here.
- Discretely-presented component units - This account for activities of the City's reporting entity that do not meet the criteria for blending, and include the Purcell Municipal Hospital.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide

financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds. When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Enterprise funds are one type of proprietary funds and are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

For the year ended June 30, 2016, net position for governmental activities and business-type activities increased \$1,037,672. The results indicate the City, as a whole, incurred an increase in its financial condition from the prior year.

The following is a summary comparison of changes in net position from last year for the City:

	Governmental			Business-type			Total		
	Activities		% Inc.	Activities		% Inc.	Primary Government		% Inc.
	2016	2015	(Dec.)	2016	2015	(Dec.)	2016	2015	(Dec.)
Current and other assets	\$ 4,326	3,800	14%	4,696	4,702	0%	9,022	8,502	6%
Capital assets	9,907	10,047	-1%	14,476	14,534	0%	24,383	24,581	-1%
Total assets	<u>14,233</u>	<u>13,847</u>	3%	<u>19,172</u>	<u>19,236</u>	0%	<u>33,405</u>	<u>33,083</u>	1%
Deferred outflow of resources	<u>555</u>	<u>145</u>		<u>-</u>	<u>-</u>		<u>555</u>	<u>145</u>	
Long-term debt outstanding	3,145	2,448	28%	6,456	7,429	-13%	9,601	9,877	-3%
Other liabilities	179	202	-11%	858	764	12%	1,037	966	7%
Total liabilities	<u>3,324</u>	<u>2,650</u>	25%	<u>7,314</u>	<u>8,193</u>	-11%	<u>10,638</u>	<u>10,843</u>	-2%
Deferred inflow of resources	<u>595</u>	<u>696</u>		<u>-</u>	<u>-</u>		<u>595</u>	<u>696</u>	
Net assets:									
Invested in capital assets, net of debt	9,569	9,981	-4%	8,137	7,210	13%	17,706	17,191	3%
Restricted	1,133	1,247	-9%	1,329	1,347	-1%	2,462	2,594	-5%
Unrestricted (deficit)	167	(582)	-129%	2,392	2,486	-4%	2,559	1,904	34%
Total net assets	<u>\$ 10,869</u>	<u>10,646</u>	2%	<u>11,858</u>	<u>11,043</u>	7%	<u>22,727</u>	<u>21,689</u>	5%

The largest portion of the City's net position 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. 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, \$2,461,928 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$2,559,325, may be used to meet the government's ongoing obligations to citizens and creditors.

Change in Net Position

Table 2
Changes in Net Position (In Thousands)

	Governmental			Business-type			Total		
	Activities		% Inc.	Activities		% Inc.	Primary Government		% Inc.
	2016	2015	(Dec.)	2016	2015	(Dec.)	2016	2015	(Dec.)
Revenues									
Charges for services	\$ 561	250	124%	9,912	10,519	-6%	10,473	10,769	-3%
Operating grants	352	284	24%	-	23	-	352	307	15%
Capital grants	-	-	-	455	177	-	455	177	157%
Sales and use taxes	4,782	4,744	1%	-	-	-	4,782	4,744	1%
Fines/forfeitures	148	133	11%	-	-	-	148	133	11%
Franchise tax (fees)	61	68	-10%	-	-	-	61	68	-10%
Other taxes	80	339	-76%	-	-	-	80	339	-76%
Investment income	16	11	45%	143	-	-	159	11	1345%
Other	177	129	37%	24	116	-79%	201	245	-18%
Total revenues	<u>6,177</u>	<u>5,958</u>	4%	<u>10,534</u>	<u>10,835</u>	-3%	<u>16,711</u>	<u>16,793</u>	0%
Expenses									
General government	858	1,311	-35%	1,299	1,117	16%	2,157	2,428	-11%
Public safety	4,170	3,992	4%	-	-	-	4,170	3,992	4%
Public works	1,265	1,102	15%	-	-	-	1,265	1,102	15%
Cultural & recreation	562	316	78%	-	-	-	562	316	78%
Economic development	46	35	31%	-	-	-	46	35	31%
Electric	-	-	-	3,856	4,488	-14%	3,856	4,488	-14%
Water	-	-	-	1,416	1,005	41%	1,416	1,005	41%
Sewer	-	-	-	644	534	21%	644	534	21%
Sanitation	-	-	-	647	636	2%	647	636	2%
Ambulance	-	-	-	309	264	17%	309	264	17%
Golf course	-	-	-	568	569	0%	568	569	0%
Other	-	-	-	33	252	-87%	33	252	-87%
Total expenses	<u>6,901</u>	<u>6,756</u>	2%	<u>8,772</u>	<u>8,865</u>	-1%	<u>15,673</u>	<u>15,621</u>	0%
Increase in net position									
before transfers	(724)	(798)	-9%	1,762	1,970	-11%	1,038	1,172	-11%
Transfers	947	1,104	-14%	(947)	(1,104)	-14%	-	-	-
Change in net position	<u>223</u>	<u>306</u>	-27%	<u>815</u>	<u>866</u>	-6%	<u>1,038</u>	<u>1,172</u>	-11%
Beginning net position	<u>10,646</u>	<u>10,340</u>	3%	<u>11,043</u>	<u>10,177</u>	9%	<u>21,689</u>	<u>20,517</u>	6%
Ending net position	<u>\$ 10,869</u>	<u>10,646</u>	2%	<u>11,858</u>	<u>11,043</u>	7%	<u>22,727</u>	<u>21,689</u>	5%

The City's governmental activities capital grants and contributions increased approximately \$323,206 due in large part to grants received for the airport in the amount of \$455,186.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

Table 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expenses		% Inc. (Dec.)	Net Revenue		% Inc. (Dec.)
	of Services			(Expense) of Services		
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>		
General government	\$ 858	1,311	-35%	(355)	(723)	-51%
Public safety	4,170	3,992	4%	(3,671)	(3,575)	3%
Public works	1,265	1,102	15%	(1,207)	(1,102)	10%
Cultural & recreation	562	316	78%	(561)	(316)	78%
Economic development	46	35	31%	(46)	(34)	35%
Total	\$ 6,901	6,756	2%	(5,840)	(5,750)	2%

For the year ended June 30, 2016, total expenses for governmental activities amounted to \$6,900,955 which is a 2.2% increase from the prior year.

Business-type Activities

Table 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)

	Total Expenses		% Inc. (Dec.)	Net Revenue		% Inc. (Dec.)
	of Services			(Expense) of Services		
	2016	2015	2016	2015		
General government	\$ 1,299	1,117	16%	(1,299)	(1,117)	16%
Electric	3,856	4,488	-14%	2,168	2,238	-3%
Water	1,416	1,005	41%	423	797	-47%
Sewer	644	534	21%	(291)	(172)	69%
Sanitation	647	636	2%	165	175	-6%
Ambulance	309	264	17%	12	6	100%
Golf course	568	569	0%	(5)	-	0%
Other	33	252	-87%	422	(75)	-663%
Total	\$ 8,772	8,865	-1%	1,595	1,852	-14%

The City's business-type activities include utility services for electric, water, sewer, sanitation, golf course, airport operations.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2016 fiscal year, the governmental funds reported a combined fund balance of \$3,981,025, or 19.2% increase from the prior year. The enterprise funds reported combined net position of \$11,858,028, or 7.3% increase from 2015.

Other Fund Highlights Include:

- For the year ended June 30, 2016, the General Fund's total fund balance increased by \$501,625, or 21.1%, due to an increase in tax receipts and a decrease in expenses and purchases of capital assets.
- The PPWA Enterprise Fund reported a net position increase before contributions and transfers of \$423,717.

General Fund Budgetary Highlights

For the year ended June 30, 2016, the General Fund reported actual budgetary basis revenues above final estimates by \$273,801 or a 5.0% positive variance. General Fund actual expenditures were under final appropriations by \$278,031 or a 4.9% positive variance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2016, the City had approximately \$24,382,891 invested in capital assets, net of depreciation, including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net decrease of approximately \$198,515 over last year due to depreciation.

Table 5
Capital Assets

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Construction in progress	\$ -	18	359	359	359	377
Land	826	826	1,809	1,809	2,635	2,635
Buildings	7,177	7,134	838	838	8,015	7,972
Machinery and equipment	1,642	1,562	1,062	997	2,704	2,559
Vehicles	3,012	2,441	1,178	1,178	4,190	3,619
Infrastructure	22,658	22,659	24,598	24,017	47,256	46,676
Less: Accum. depreciation	(25,408)	(24,593)	(15,368)	(14,664)	(40,776)	(39,257)
Total capital assets, net	\$ 9,907	10,047	14,476	14,534	24,383	24,581

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

- Major street construction.
- Runway improvements at the municipal airport.

Long-term Debt

At year-end, the City had \$6,898,320 in long-term debt outstanding, which represents approximately a \$492,010 decrease from the prior year.

Table 6
Outstanding Debt

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue notes payable	\$ -	-	6,339	7,324	6,339	7,324
Other	559	67	-	-	559	67
Total long-term debt	\$ 559	67	6,339	7,324	6,898	7,391

ECONOMIC OUTLOOK

- The unemployment rate for the Oklahoma City metropolitan area which includes Purcell is currently 3.4 percent, which is a decrease of 1.0 percent from a year ago. This compares favorably to the state's average unemployment rate of 4.2 percent and favorably to the national average rate of 5.8 percent.
- Inflationary trends in the region compare favorably to national indices.
- The City's major source of revenue is sales and use tax revenue. Sales and use tax revenue increased 0.8% over the prior year total.

All of these factors were considered in preparing the City's budget for the 2016 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Municipal Hospital
ASSETS				
Pooled cash and cash equivalents	\$ 2,497,550	1,164,441	3,661,991	69,649
Investments	1,166,451	1,950,732	3,117,183	5,000
Restricted assets:				
Restricted cash and investments	220,987	517,152	738,139	478,517
Receivables (net of allowance for uncollectibles)	29,960	906,817	936,777	1,242,178
Due from other government agencies	411,209		411,209	
Prepaid expenses	-	-	-	101,909
Inventories	-	156,629	156,629	49,185
Capital assets:				
Land, improvements, and construction in progress	825,903	1,638,834	2,464,737	-
Other capital assets, net of depreciation	9,081,186	12,836,968	21,918,154	3,262,031
Total assets	14,233,246	19,171,573	33,404,819	5,208,469
DEFERRED OUTFLOW OF RESOURCES	554,791	-	554,791	-
LIABILITIES				
Accounts payable and accrued expenses	178,096	597,302	775,398	1,747,936
Accrued interest payable	-	45,129	45,129	-
Due to depositors	-	215,126	215,126	-
Due to bondholders	1,242	-	1,242	-
Long-term liabilities:				
Net pension liability	2,131,222	-	2,131,222	-
Due within one year	123,056	1,020,403	1,143,459	40,787
Due in more than one year	890,343	5,435,585	6,325,928	65,840
Total liabilities	3,323,959	7,313,545	10,637,504	1,854,563
DEFERRED INFLOW OF RESOURCES	595,297	-	595,297	-
NET POSITION				
Net investment in capital assets	9,568,928	8,136,628	17,705,556	-
Restricted for:				
Debt service	-	1,172,373	1,172,373	-
Capital improvements	519,655	-	519,655	-
Risk management	165,794	-	165,794	-
Inventory	-	156,629	156,629	-
Other purposes	447,477	-	447,477	70
Unrestricted (deficit)	166,927	2,392,398	2,559,325	3,353,836
Total net position	\$ 10,868,781	11,858,028	22,726,809	3,353,906

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 857,802	502,565	-	-
Public safety	4,170,448	148,164	351,777	-
Public works	1,265,099	58,214	-	-
Culture and recreation	561,698	-	-	-
Economic development	45,908	-	-	-
Total governmental activities	<u>6,900,955</u>	<u>708,943</u>	<u>351,777</u>	<u>-</u>
Business-type activities:				
Administration	1,299,151	-	-	-
Electric	3,855,638	6,023,444	-	-
Water	1,416,117	1,838,670	-	-
Sewer	644,093	352,951	-	-
Sanitation	646,888	812,577	-	-
Ambulance	308,826	321,122	-	-
Golf course	567,667	562,852	-	-
Airport	33,071	-	-	455,186
Total business-type activities	<u>8,771,451</u>	<u>9,911,616</u>	<u>-</u>	<u>455,186</u>
Total primary government	<u>15,672,406</u>	<u>10,620,559</u>	<u>351,777</u>	<u>455,186</u>
COMPONENT UNIT				
Purcell Municipal Hospital	11,637,328	10,282,643	-	-
Total component units	<u>\$ 11,637,328</u>	<u>10,282,643</u>	<u>-</u>	<u>-</u>

City of Purcell, Oklahoma
Statement of Activities
For the Year Ended June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Municipal Hospital
Change in Net Position:				
Net (expense) revenue	\$ (5,840,235)	1,595,351	(4,244,884)	(1,354,685)
General revenues:				
Taxes:				
Sales and use	4,782,147	-	4,782,147	-
Franchise	61,100	-	61,100	-
Other	79,503	-	79,503	-
Unrestricted investment income	16,449	142,578	159,027	1,606
Miscellaneous	176,906	23,873	200,779	299,756
Transfers - internal activity	946,801	(946,801)	-	-
Total general revenues and transfers	<u>6,062,906</u>	<u>(780,350)</u>	<u>5,282,556</u>	<u>301,362</u>
Change in net position	222,671	815,001	1,037,672	(1,053,323)
Net Position - beginning	<u>10,646,110</u>	<u>11,043,027</u>	<u>21,689,137</u>	<u>4,407,229</u>
Net Position - ending	<u>\$ 10,868,781</u>	<u>11,858,028</u>	<u>22,726,809</u>	<u>3,353,906</u>

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,558,521	769,860	2,328,381
Cash - Police bond account	3,375	-	3,375
Restricted cash and investments	-	220,987	220,987
Investments	1,033,771	132,680	1,166,451
Receivables, net	29,960	-	29,960
Due from other governments	406,979	4,230	411,209
	<u>3,032,606</u>	<u>1,127,757</u>	<u>4,160,363</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	154,861	23,235	178,096
Police bonds outstanding	1,242	-	1,242
	<u>156,103</u>	<u>23,235</u>	<u>179,338</u>
DEFERRED INFLOW OF RESOURCES			
	-	-	-
Fund balances:			
Nonspendable	28,404	1,104,522	1,132,926
Unassigned	2,848,099	-	2,848,099
	<u>2,876,503</u>	<u>1,104,522</u>	<u>3,981,025</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,032,606</u>	<u>1,127,757</u>	
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, net of accumulated depreciation of \$25,408,331			9,907,089
Internal service funds are used by management to charge the costs of certain activities to individual funds. Assets and liabilities of the internal service funds are allocated in the statement of net position.			165,794
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: Pension related deferred outflows			554,791
Certain liabilities are not due and payable in the current period from current financial resources, and therefore are not reported in the funds: Capital lease payable Net pension liability Pension related deferred inflows Accrued compensated absences			(559,148) (2,131,222) (595,297) (454,251)
Net position of governmental activities			<u>\$ 10,868,781</u>

See accompanying notes to the basic financial statement.

City of Purcell, Oklahoma
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 4,843,247	-	4,843,247
Intergovernmental	321,304	63,004	384,308
Licenses and permits	197,469	-	197,469
Charge for services	67,755	28,993	96,748
Fines and forfeitures	148,164	-	148,164
Interest	15,862	587	16,449
Proceeds from debt issuance	-	630,000	630,000
Miscellaneous	142,772	34,134	176,906
Total revenues	<u>5,736,573</u>	<u>756,718</u>	<u>6,493,291</u>
 EXPENDITURES			
Current:			
General government	573,424	683,147	1,256,571
Public safety	3,576,060	563,890	4,139,950
Public works	784,469	38,753	823,222
Culture and recreation	453,469	79,729	533,198
Economic development	-	45,908	45,908
Total expenditures	<u>5,387,422</u>	<u>1,411,427</u>	<u>6,798,849</u>
 Excess (deficiency) of revenues over expenditures	 <u>349,151</u>	 <u>(654,709)</u>	 <u>(305,558)</u>
 OTHER FINANCING SOURCES (USES)			
Transfers in	1,297,051	1,176,577	2,473,628
Transfers out	(1,144,577)	(382,250)	(1,526,827)
Total other financing sources and uses	<u>152,474</u>	<u>794,327</u>	<u>946,801</u>
 Net change in fund balances	 501,625	 139,618	 641,243
Fund balances-beginning	2,374,878	964,904	3,339,782
Fund balances-ending	<u>\$ 2,876,503</u>	<u>1,104,522</u>	<u>3,981,025</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, 2016

Net change in fund balances - total governmental funds	\$	641,243
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:</p>		
Capital outlay expenditures, net of retirements		792,750
Depreciation expense		(933,050)
<p>In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.</p>		
		314,524
<p>Issuance of long-term debt is a revenue in the governmental funds, but the gross debt increases long-term liabilities in the Statement of Net Position:</p>		
Issuance of long-term debt		(630,000)
<p>Repayment of debt principal and note issue costs is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:</p>		
Long-term debt principal payments		137,381
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>		
Change in accrued compensated absences		(117,755)
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of certain internal is reported with governmental activities.</p>		
		17,578
Change in net position of governmental activities	\$	222,671

City of Purcell, Oklahoma
Statement of Net Position - Proprietary Funds
June 30, 2016

	Business-type Activities - Enterprise Funds				Governmental
	Public Works	Public Works	Airport	Total	Internal
	Authority	Authority		Enterprise	Service
	<u>Utilities</u>	<u>Golf Course</u>	<u>Authority</u>	<u>Funds</u>	<u>Fund</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,004,186	249,887	(89,632)	1,164,441	165,794
Investments	1,950,732	-	-	1,950,732	-
Restricted:					
Cash and investments	295,156	-	-	295,156	-
Cash and investments - Utility deposits	221,996	-	-	221,996	-
Accounts, net of allowance for uncollectibles	904,447	-	-	904,447	-
Accrued interest	2,370	-	-	2,370	-
Inventories	150,039	6,590	-	156,629	-
Total current assets	<u>4,528,926</u>	<u>256,477</u>	<u>(89,632)</u>	<u>4,695,771</u>	<u>165,794</u>
Non-current assets:					
Land and construction progress	710,704	928,130	-	1,638,834	-
Other capital assets, net of accumulated depreciation	11,345,416	353,104	1,138,448	12,836,968	-
Total non-current assets	<u>12,056,120</u>	<u>1,281,234</u>	<u>1,138,448</u>	<u>14,475,802</u>	<u>-</u>
Total assets	<u>16,585,046</u>	<u>1,537,711</u>	<u>1,048,816</u>	<u>19,171,573</u>	<u>165,794</u>
DEFERRED OUTFLOW OF RESOURCES					
	-	-	-	-	-
LIABILITIES					
Current liabilities:					
Accounts payable	575,030	22,267	5	597,302	-
Accrued interest payable	45,129	-	-	45,129	-
Deposits subject to refund	215,126	-	-	215,126	-
Current portion of long-term obligations	1,000,000	20,403	-	1,020,403	-
Total current liabilities	<u>1,835,285</u>	<u>42,670</u>	<u>5</u>	<u>1,877,960</u>	<u>-</u>
Non-current liabilities:					
Notes payable, net of current portion	5,090,000	228,770	-	5,318,770	-
Accrued compensated absences	55,015	61,800	-	116,815	-
Total non-current liabilities	<u>5,145,015</u>	<u>290,570</u>	<u>-</u>	<u>5,435,585</u>	<u>-</u>
Total liabilities	<u>6,980,300</u>	<u>333,240</u>	<u>5</u>	<u>7,313,545</u>	<u>-</u>
DEFERRED INFLOW OF RESOURCES					
	-	-	-	-	-
NET POSITION					
Net investment in capital assets	5,966,120	1,032,060	1,138,448	8,136,628	-
Restricted:					
Debt service	1,172,373	-	-	1,172,373	-
Inventory	150,039	6,590	-	156,629	-
Payment of claims	-	-	-	-	165,794
Unrestricted	2,316,214	165,821	(89,637)	2,392,398	-
Total net position	<u>\$ 9,604,746</u>	<u>1,204,471</u>	<u>1,048,811</u>	<u>11,858,028</u>	<u>165,794</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, 2016

	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>
REVENUES					
Electric	\$ 5,906,198	-	-	5,906,198	-
Water	1,838,670	-	-	1,838,670	-
Sewer	352,951	-	-	352,951	-
Sanitation	812,577	-	-	812,577	-
Other	117,246	-	-	117,246	17,456
Ambulance	321,122	-	-	321,122	-
Golf	-	562,852	-	562,852	-
Total operating revenues	<u>9,348,764</u>	<u>562,852</u>	<u>-</u>	<u>9,911,616</u>	<u>17,456</u>
OPERATING EXPENSES					
General and administration	992,214	-	-	992,214	-
Purchasing	22,987	-	-	22,987	-
Electric	3,772,459	-	-	3,772,459	-
Water	927,693	-	-	927,693	-
Sewer	383,277	-	-	383,277	-
Sanitation	646,888	-	-	646,888	-
Customer services	237,381	-	-	237,381	-
Maintenance	7,868	-	-	7,868	-
Ambulance	308,826	-	-	308,826	-
Information technologies	37,839	-	-	37,839	-
Golf	-	541,781	-	541,781	-
Airport	-	-	1,581	1,581	-
Depreciation and amortization	635,361	25,886	31,490	692,737	-
Total operating expenses	<u>7,972,793</u>	<u>567,667</u>	<u>33,071</u>	<u>8,573,531</u>	<u>-</u>
Operating income (loss)	<u>1,375,971</u>	<u>(4,815)</u>	<u>(33,071)</u>	<u>1,338,085</u>	<u>17,456</u>
NONOPERATING REVENUES (EXPENSES)					
Grant income - Airport	-	-	455,186	455,186	-
Miscellaneous revenues	122,367	18,466	1,745	142,578	-
Interest income	23,873	-	-	23,873	122
Interest expense and fiscal charges	(188,148)	(9,772)	-	(197,920)	-
Total nonoperating revenues (expenses)	<u>(41,908)</u>	<u>8,694</u>	<u>456,931</u>	<u>423,717</u>	<u>122</u>
OPERATING TRANSFERS AND CAPITAL ITEMS					
Transfers in	382,250	-	55,000	437,250	-
Transfers out	(1,384,051)	-	-	(1,384,051)	-
Total operating transfers	<u>(1,001,801)</u>	<u>-</u>	<u>55,000</u>	<u>(946,801)</u>	<u>-</u>
Change in net position	332,262	3,879	478,860	815,001	17,578
Net Position - beginning	9,272,484	1,200,592	569,951	11,043,027	148,216
Net Position - ending	<u>\$ 9,604,746</u>	<u>1,204,471</u>	<u>1,048,811</u>	<u>11,858,028</u>	<u>165,794</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, 2016

	Business-type Activities - Enterprise Funds				Governmental
	Public Works Authority Utilities	Public Works Authority Golf Course	Airport Authority	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 9,027,642	562,852	170	9,590,664	17,456
Payments to suppliers and employees	(6,830,046)	(511,803)	-	(7,341,849)	-
Refund of meter deposits	17,175	-	-	17,175	-
Net cash provided (used) by operating activities	<u>2,214,771</u>	<u>51,049</u>	<u>170</u>	<u>2,265,990</u>	<u>17,456</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers in (out)	(1,001,801)	-	55,000	(946,801)	-
Net cash provided (used) by noncapital financing activities	<u>(1,001,801)</u>	<u>-</u>	<u>55,000</u>	<u>(946,801)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Grant proceeds	-	-	455,186	455,186	-
Principal paid on long-term debt	(965,000)	(19,628)	-	(984,628)	-
Interest expense and fiscal charges	(188,148)	(9,772)	-	(197,920)	-
(Acquisition) disposition of capital assets	(40,715)	(13,300)	(580,507)	(634,522)	-
Net cash provided (used) by capital and related financing activities	<u>(1,193,863)</u>	<u>(42,700)</u>	<u>(125,321)</u>	<u>(1,361,884)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Decrease (increase) in investments	(21,219)	-	-	(21,219)	-
Interest received	23,873	-	-	23,873	122
Net cash provided (used) by investing activities	<u>2,654</u>	<u>-</u>	<u>-</u>	<u>2,654</u>	<u>122</u>
Net increase (decrease) in cash and cash equivalents	21,761	8,349	(70,151)	(40,041)	17,578
Cash and cash equivalents, beginning of the year	1,499,577	241,538	(19,481)	1,721,634	148,216
Cash and cash equivalents, end of the year	<u>\$ 1,521,338</u>	<u>249,887</u>	<u>(89,632)</u>	<u>1,681,593</u>	<u>165,794</u>
Reconciliation to Statement of Net Position:					
Cash and cash equivalents	1,004,186	249,887	(89,632)	1,164,441	165,794
Restricted cash and cash equivalents	517,152	-	-	517,152	-
Total cash and cash equivalents, end of year	<u>\$ 1,521,338</u>	<u>249,887</u>	<u>(89,632)</u>	<u>1,681,593</u>	<u>165,794</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	1,375,971	(4,815)	(33,071)	1,338,085	17,456
Adjustments to reconcile operating income to net cash provided by operating activities:					
Cash flows reported in other categories:					
Depreciation expense	635,361	25,886	31,490	692,737	-
Miscellaneous revenue	-	-	1,745	1,745	-
Change in assets and liabilities:					
Receivable, net	(24,674)	1,888	-	(22,786)	-
Inventories	-	-	-	-	-
Accounts payable	95,276	(1,939)	6	93,343	-
Accrued expenses	(6,705)	11,563	-	4,858	-
Total adjustments	<u>699,258</u>	<u>37,398</u>	<u>33,241</u>	<u>769,897</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 2,075,229</u>	<u>32,583</u>	<u>170</u>	<u>2,107,982</u>	<u>17,456</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, 2016

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

The accounting and reporting policies of the City of Purcell, Oklahoma conform to accounting principles generally accepted in the United States of America for state and local governments. Generally accepted accounting principles for municipalities are defined as those principles promulgated by the Governmental Accounting Standards Board (“GASB”). The following represent the more significant accounting and reporting policies and practices of the City.

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, 2016

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, and operating and capital grants
- Streets - commercial vehicle and gasoline excise tax shared by the State, operating and capital grants
- Culture and Recreation - recreation 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, 2016

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, 2016

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, 2016, 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, 2016

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, 2016

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, 2016, 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, 2016

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. *Pensions* - For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflow of resources related to pensions and pension expense, information about the fiduciary net position of the City's multiemployer pension plans and additions to/deductions from the multiemployer pension plans have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- o. *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, 2016 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.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- b) *Restricted* - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- c) *Committed* - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through formal action of the highest level of decision making authority. To commit these funds, formal action is required by the City Council either by resolution or ordinance that identifies the specific circumstances under which the resources may be expended.
- d) *Assigned* - Includes fund balance amount that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be stipulated by the governing body, another body (such as Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance of the classification for all governmental funds with positive balances.
- e) *Unassigned* - Includes the residual balance of the General Fund that has not been assigned to other funds and that has not been 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, 2016 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 20th of the month following collection. The tax is then paid to the City by the 10th 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.

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- d. *Intergovernmental Revenues/Capital Grants Earned* - Revenues from Federal and State operating grants are recognized when expenditures are made. Similarly, capital grants are considered earned when the expenditures are made. The earned portion of capital grants in Proprietary Funds is treated as a capital contribution within the statement of revenues, expenses and changes in fund net position.
- e. *Investment Earnings* - Investment earnings on pooled cash and investments are allocated on a pro-rata basis to the City's funds based on the percentage of each fund's average month-end pooled cash balance.

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

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	\$ 3,661,991
Investments	<u>3,117,183</u>
Total	<u>\$ 6,779,174</u>

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

The local government had the following deposits and investments at June 30, 2016:

	Credit rating	Fair value	Maturities in Years		
			On demand	Less than 1	1-5
Demand deposits and cash on hand	(1)	\$ 3,644,587	3,644,587	-	-
Money market mutual funds	AAA	17,404	17,404	-	-
Time deposits	(1)	3,117,183	-	1,297,534	1,819,649
Total		\$ 6,779,174	3,661,991	1,297,534	1,819,649

(1) Not subject to rating

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

Custodial Credit Risk

At June 30, 2016, the City held deposits of approximately \$7,190,545 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, 2016, 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.

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

- c. With certain limitation, negotiable certificates of deposit, prime banker's 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 (\$3,117,183) and 1% in Money Market funds (\$17,404).

Receivables and Uncollectible Accounts

	General Fund	Nonmajor Governmental Funds	Purcell Public Works Authority	Total
Receivables:				
Taxes	\$ 406,979	4,230	-	411,209
Accounts	29,960	-	1,457,760	1,487,720
Interest	-	-	2,370	2,370
	<u>436,939</u>	<u>4,230</u>	<u>1,460,130</u>	<u>1,901,299</u>
Gross receivables	436,939	4,230	1,460,130	1,901,299
Less: Allowance for uncollectibles	-	-	553,313	553,313
Net total receivables	<u>\$ 436,939</u>	<u>4,230</u>	<u>906,817</u>	<u>1,347,986</u>

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

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.

Meter deposits	\$	221,996
Sales Tax Revenue Note, Series 2012:		
Debt service		75,639
Sales Tax Revenue Note, Series 2011:		
Debt service		146,593
Sales Tax Revenue Note, Series 2007:		
Debt service		72,924
Sales Tax Revenue Note, Series 2015:		
Capital projects		220,987
Total restricted assets	\$	738,139

Capital Assets

Capital asset balances and activities for the year ended June 30, 2016, were as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
<i>Governmental activities</i>				
Capital assets not being depreciated :				
Land	\$ 825,903	-	-	825,903
Construction in progress	17,857	-	(17,857)	-
Total capital assets not being depreciated	843,760	-	(17,857)	825,903
Capital assets being depreciated :				
Buildings and improvements	7,134,113	44,986	(2,000)	7,177,099
Machinery and equipment	1,562,423	150,693	(71,495)	1,641,621
Vehicles	2,441,092	619,570	(48,409)	3,012,253
Infrastructure	22,658,544	-	-	22,658,544
Total capital assets being depreciated	33,796,172	815,249	(121,904)	34,489,517
Less : Accumulated depreciation	24,592,543	933,050	(117,262)	25,408,331
Governmental activities capital assets, net	\$ 10,047,389	(117,801)	(22,499)	9,907,089

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

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

Governmental activities:

General government	\$	53,185
Public safety		312,523
Public works administration		556,699
Cultural and recreation		10,643
Total depreciation expense - governmental activities	\$	<u>933,050</u>

Capital asset activity for business-type activities for the year ended June 30, 2016 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
<i>Business-type activities</i>				
Capital assets not being depreciated :				
Land	\$ 1,809,373	-	-	1,809,373
Construction in progress	359,769	-	-	359,769
Total capital assets not being depreciated	<u>2,169,142</u>	<u>-</u>	<u>-</u>	<u>2,169,142</u>
Capital assets being depreciated :				
Buildings and improvements	837,966	-	-	837,966
Machinery and equipment	996,606	59,515	5,500	1,061,621
Vehicles	1,177,634	-	-	1,177,634
Infrastructure	24,017,007	580,507	-	24,597,514
Total capital assets being depreciated	27,029,213	640,022	5,500	27,674,735
Less : Accumulated depreciation	14,664,338	698,237	5,500	15,368,075
Business-type activities capital assets, net	<u>\$ 14,534,017</u>	<u>(58,215)</u>	<u>-</u>	<u>14,475,802</u>

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

Business-type activities:

Electric	\$	83,179
Water		290,504
Sewer		260,816
Sanitation		-
General government		2,662
Airport		31,490
Golf course		29,586
Total depreciation expense - business-type activities	\$	<u>698,237</u>

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

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, 2016, cash and investments included \$221,996 available for refund of customer deposits, while the liability to customers was \$215,126.

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, 2016, \$1,242 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 eleven police vehicles dated November 20, 2015, payable in monthly installments of \$10,946, including interest at 1.65%, through November 20, 2020.

	559,148
Total governmental activities capital lease obligations	\$ 559,148

The assets acquired through capital leases are as follows:

Police vehicles	\$ 569,709
Less: Accumulated depreciation	40,693
Net capital asset cost	\$ 529,016

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2017	\$ 131,352
2018	131,352
2019	131,352
2020	131,352

City of Purcell, Oklahoma
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

<u>Year Ending June 30,</u>	<u>Governmental</u> <u>Activities</u>
2021	\$ 54,730
Total required payments	580,138
Less: Interest expense	20,990
Total principal payments	<u>\$ 559,148</u>

Long-term Debt

Long-term liabilities of the City of Purcell as of June 30, 2016, 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 gross revenues of the water, sewer and electric systems 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%. \$ 310,000

\$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 gross revenues of the water, sewer and electric systems to provide funds to retire the debt and 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%. 5,485,000

\$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%. 295,000

\$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. 249,173

Total net revenue bonds and notes payable 6,339,173

Total business-type activities \$ 6,339,173

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 3 - DETAILED NOTES CONCERNING THE FUNDS - Continued

Long-term liabilities transactions for the year ended June 30, 2016, and changes therein were as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
Business-type activities					
Sales Tax Revenue Notes-2012	\$ 510,000	-	200,000	310,000	205,000
Sales Tax Revenue Notes-2011	5,970,000	-	485,000	5,485,000	500,000
Sales Tax Revenue Notes-2007	575,000	-	280,000	295,000	295,000
Note payable - Golf course	268,801	-	19,628	249,173	20,403
Total business-type activities	<u>\$ 7,323,801</u>	<u>-</u>	<u>984,628</u>	<u>6,339,173</u>	<u>1,020,403</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, 2016 are as follows:

Year Ending	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30,				
2017	\$ -	-	1,020,403	181,370
2018	-	-	646,182	147,415
2019	-	-	556,990	130,886
2020	-	-	572,811	109,958
2021	-	-	593,699	97,970
2022-2026	-	-	2,942,761	218,443
2027-2031	-	-	6,327	37
Totals	<u>\$ -</u>	<u>-</u>	<u>6,339,173</u>	<u>886,079</u>

Applicability of Federal Arbitrage Regulations - Debt issuances of the City and Authorities issued after the Tax Reform Act of 1986 are subject to the federal arbitrage regulations. The arbitrage rebate regulations require that all earnings from investment of gross proceeds of a bond issue in excess of the amount that could have been earned had the yield on the investment been equal to the yield on the bonds be remitted to the federal government. These carry strict penalties for noncompliance including taxability of interest retroactive to the date of the issue. The City's management believes the City is in compliance with these rules and regulations.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

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 1.75 cents) 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 \$6,929,604. Pledged sales taxes received in the current year was \$2,003,010. Debt service payments on the 2012, 2011 and 2007 Revenue Notes of \$1,160,445 for the current fiscal year were 57.9% 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 gross water, sewer and electric revenues to repay Series 2012 and Series 2011 referenced above. If the gross 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 \$858,993 which was 10.6% of pledged gross utility revenues of \$8,097,819 and 9.3% 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	\$	454,251
Business-type activities		<u>116,815</u>
Total compensated absences	\$	<u><u>571,066</u></u>

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

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	\$ -	1,144,577	-	1,144,577
Nonmajor governmental	-	-	382,250	382,250
Purcell Public Works Auth.	1,297,051	32,000	-	1,329,051
Totals	\$ 1,297,051	1,176,577	382,250	2,855,878

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.

Commitments and Contingencies

Litigation - The City is party to various legal proceedings which normally occur in governmental operations. Management and management's counsel do not believe these legal proceedings will have a material adverse impact on the affected funds of the City. However, events could occur in the near term that would cause these estimates to change materially. Resulting judgments will be paid from ad valorem taxes to be received over a three year period.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4 - OTHER INFORMATION - Continued

Federal Grants - In the normal course of operations, the City receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Management does not believe any liability for reimbursement which may arise as the result of these audits will be material.

Commitments - The City has committed through their 2017 budget to transfer to the Purcell Municipal Hospital a monthly amount of \$80,000 through March, 2017.

Stewardship, Compliance, and Accountability

By its nature as a local government entity, the City and its component units are subject to various federal, state and local laws and contractual regulations. Title 11, Section 17-211 of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund of the City (excluding public trusts). At June 30, 2016, the City did not have deficits in any funds.

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. 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 (PPRS)

Plan Description - The City of Purcell, as the employer, participates in the Police Pension & Retirement - a cost-sharing multi-employer defined benefit pension plan administered by the Oklahoma Police Pension & Retirement System (PPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the PPRS. PPRS issues a publicly available financial report that can be obtained at www.ok.gov/pprs.

Benefits Provided - PPRS provides retirement, disability, and death benefits to members of the Plan.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participant's contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment had continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated based on two and a half percent (2.5%) of final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participant's final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute eight percent (8%) of their annual pay. Participating cities are required to contribute thirteen percent (13%) of the employees' annual pay. Contributions to the pension plan from the City were \$118,684. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$113,894. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities/Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$13,169 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was 0.00323%.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

For the year ended June 30, 2016, the City recognized pension expense of \$48,714. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 72,822
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	235,992	286,667
Changes in proportion and differences between City contributions and proportionate share of contributions	-	2,836
City contributions during measurement period	-	-
City contributions subsequent to the measurement date	<u>117,185</u>	<u>-</u>
Total	<u>\$ 353,177</u>	<u>\$ 362,325</u>

\$117,185 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (54,109)
2017	(54,109)
2018	(54,109)
2019	41,714
2020	<u>(5,720)</u>
	<u>\$ (126,333)</u>

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	4.5% to 17.0% averages, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA. Active employees (post retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using Scale AA. Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed income	2.24%
Domestic equity	4.87%
International equity	7.68%
Real estate	5.47%
Private equity	5.80%
Commodities	2.96%

The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds; high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the net position liability (asset) of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability(asset) would be if it were calculated using a discount rate that is one percentage point lower - (6.5%) or one percentage point higher - (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability(asset) \$	791,319	\$ 13,170	\$ (642,865)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the PPRS; which can be located at www.ok.gov/PPRS.

Oklahoma Firefighters' Pension and Retirement System (OFPRS)

Plan Description - The City of Purcell, as the employer, participates in the Firefighters Pension & Retirement - a cost-sharing multi-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

Benefits Provided - FPRS provides retirement, disability, and death benefits to members of the Plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5% of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5% of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. Benefits vest with 11 years or more of service.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty benefit is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not in-the-line-of-duty disability is also limited to only those with less than 20 years of services, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum, death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$979,511. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$182,062. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$2,118,046 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the City's proportion was 0.1996%.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% averages, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	5.13%
Domestic equity	37%	8.02%
International equity	20%	9.94%
Real estate	10%	7.47%
Other assets	13%	6.25%

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State Statutes. Projected cash flows also assume the State of Oklahoma will continue contributing thirty-six percent (36%) of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4. OTHER INFORMATION - Continued

all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net position liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower - (6.5%) or one percentage point higher - (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net pension liability	\$ 2,750,060	\$ 2,118,046	\$ 1,587,972

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at www.ok.gov/fprs.

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.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4 - OTHER INFORMATION - Continued

Funding Policy - The employee contributes either 5% or 7% of compensation to the Plan, and the employer contributes 7% of employee compensation. Contributions to the Plan for the year ended June 30, 2016, for employees and employer were \$152,583 and \$167,050, respectively. For the year ended June 30, 2016, the City's covered payroll was \$2,386,421. 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, 2016 totaled \$739,249.

Funding Policy - DC Plan participants may contribute up to \$17,500 of eligible compensations in calendar years 2014 and 2016, 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, 2016, for employees and employer were \$0 and \$59,264, respectively.

The employer's contributions 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, 2016 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.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4 - OTHER INFORMATION - Continued

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, 2016, approximately no retired employees are receiving benefits under this plan.

Funding Policy. The contribution requirement of the City is an implicit subsidy. The implicit subsidy is not a direct payment from the employer on behalf of the member but rather stems from retiree contribution levels that are less than the claims cost at retiree ages. Since claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. There is an implicit subsidy from the employee group since the premiums paid by the retirees are lower than they would have been if the retirees were insured separately. The subsidies are valued using the difference between the age-based claims costs and the premium paid by the retiree. The amount required to fund the implicit rate is based on projected pay-as-you-go financing requirements. For fiscal year 2016, 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, 2016 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.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4 - OTHER INFORMATION - Continued

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:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes accounting and financial reporting standards related to improving the usefulness of information about postemployment benefits other than pension plans (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. It is the result of a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity and creating additional transparency. This standard is effective for financial reporting period beginning after June 15, 2016. Earlier application is encouraged. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers. GASB Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For defined benefit OPEB, GASB Statement No. 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This standard is effective for financial reporting periods beginning after June 15, 2017. Earlier application is encouraged. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (1) agreements that are entered into by the reporting government and (2) agreements that are entered into by other governments and reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. This standard is effective for financial reporting periods beginning after December 15, 2016. Earlier application is encouraged. The City has not yet determined the potential impact, if any, this statement could have on its financial statements.

City of Purcell, Oklahoma
Notes to Basic Financial Statements
As of and for the Year Ended June 30, 2016

NOTE 4 - OTHER INFORMATION - Continued

Subsequent Events

Management has evaluated subsequent events through October 15, 2016, which is the date the financial statements were available to be issued.

On August 23, 2016, the citizens of Purcell approved a new one cent sales tax to fund the Purcell Municipal Hospital.

**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, 2016

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 4,725,000	4,725,000	4,843,247	118,247
Intergovernmental	153,000	310,267	321,304	11,037
Licenses and permits	145,000	173,005	197,469	24,464
Charge for services	4,750	61,300	67,755	6,455
Fines and forfeitures	120,000	120,100	148,164	28,064
Interest	750	750	15,862	15,112
Miscellaneous	260,000	72,350	142,772	70,422
Total revenues	<u>5,408,500</u>	<u>5,462,772</u>	<u>5,736,573</u>	<u>273,801</u>
EXPENDITURES				
General government:				
General government	235,250	235,750	185,623	50,127
Administration	235,221	235,221	219,864	15,357
Information technology	46,688	46,688	45,430	1,258
Municipal court	115,520	125,920	122,507	3,413
Public safety:				
Police	1,904,391	1,937,494	1,802,074	135,420
Fire	936,036	963,935	932,597	31,338
Animal control	155,342	155,342	143,799	11,543
Communications	474,240	454,240	429,612	24,628
Emergency management	92,700	92,700	82,490	10,210
Code administration	209,202	209,202	185,488	23,714
Public works:				
Streets	722,149	712,149	635,617	76,532
Cemetery	159,762	159,762	148,852	10,910
Culture and recreation:				
Park and recreation	294,050	337,050	453,469	(116,419)
Total expenditures	<u>5,580,551</u>	<u>5,665,453</u>	<u>5,387,422</u>	<u>278,031</u>
Excess (deficiency) of revenues over (under) expenditures	(172,051)	(202,681)	349,151	551,832
OTHER FINANCING SOURCES (USES)				
Transfers	172,051	144,046	(1,144,577)	(1,288,623)
Net change in fund balances	-	(58,635)	(795,426)	(736,791)
Fund balances - beginning	-	58,635	2,374,878	2,316,243
Fund balances - ending	<u>\$ -</u>	<u>-</u>	<u>1,579,452</u>	<u>1,579,452</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, 2016

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.

**City of Purcell, Oklahoma
Schedule of Employer's Share of Net Pension Liability
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years***

	2014	2015
1. Employer's proportion of the net pension liability (asset)	0.326400%	0.323000%
2. Employer's proportionate share of the net pension liability (asset)	\$ (109,903)	\$ 13,169
3. Employer's covered-employee payroll	\$ 913,200	\$ 912,954
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-12.03%	1.44%
5. Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2014.

**City of Purcell, Oklahoma
Schedule of Employer Contributions
Oklahoma Police Pension and Retirement System
Last 10 Fiscal Years***

	2014	2015
Statutorily required contribution	\$ 118,716	\$ 118,684
Contributions in relation to the statutorily required contribution	\$ (118,716)	\$ (118,684)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 913,200	\$ 912,954
Contributions as a percentage of covered-employee payroll	13.00%	13.00%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2014.

City of Purcell, Oklahoma
Schedule of Employer's Share of Net Pension Liability
Oklahoma Firefighters' Pension and Retirement System
Last 10 Fiscal Years*

	2014	2015
1. Employer's proportion of the net pension liability (asset)	0.198900%	0.199600%
2. Employer's proportionate share of the net pension liability (asset)	\$ 2,045,089	\$ 2,118,046
3. Employer's covered-employee payroll	\$ 555,259	\$ 545,221
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	368.31%	388.47%
5. Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2014.

City of Purcell, Oklahoma
Schedule of Employer Contributions
Oklahoma Firefighters' Pension and Retirement System
Last 10 Fiscal Years*

	2014	2015
Statutorily required contribution	\$ 74,328	\$ 76,331
Contributions in relation to the statutorily required contribution	\$ (74,328)	\$ (76,331)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 530,914	\$ 545,221
Contributions as a percentage of covered-employee payroll	14.00%	14.00%

* Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of July 1, 2014.

**OTHER SUPPLEMENTARY
INFORMATION**

City of Purcell, Oklahoma
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2016

	Special Revenue					Permanent Cemetery	Capital Projects	Total Nonmajor
	Street & Alley	Rural Fire	Drug Enforcement	Economic Development	Cemetery Care	Perpetual Care	Capital Improvements	Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 318,072	135,941	5,354	27,332	72,048	-	211,113	769,860
Restricted cash and investments	-	-	-	-	-	-	220,987	220,987
Investments	-	-	-	-	-	25,000	107,680	132,680
Receivables, net	4,180	-	-	-	50	-	-	4,230
	<u>322,252</u>	<u>135,941</u>	<u>5,354</u>	<u>27,332</u>	<u>72,098</u>	<u>25,000</u>	<u>539,780</u>	<u>1,127,757</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	3,110	-	-	-	-	-	20,125	23,235
Total liabilities	<u>3,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,125</u>	<u>23,235</u>
Fund balances:								
Committed	319,142	135,941	5,354	27,332	72,098	25,000	519,655	1,104,522
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>319,142</u>	<u>135,941</u>	<u>5,354</u>	<u>27,332</u>	<u>72,098</u>	<u>25,000</u>	<u>519,655</u>	<u>1,104,522</u>
TOTAL	<u>\$ 322,252</u>	<u>135,941</u>	<u>5,354</u>	<u>27,332</u>	<u>72,098</u>	<u>25,000</u>	<u>539,780</u>	<u>1,127,757</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, 2016

	<u>Special Revenue</u>					<u>Permanent</u>	<u>Capital Projects</u>	<u>Total</u>
	<u>Street & 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>
REVENUES								
Intergovernmental	\$ 58,214	4,790	-	-	-	-	-	63,004
Charge for services	-	17,290	-	-	11,703	-	-	28,993
Interest	-	160	-	-	100	-	327	587
Proceeds from debt issuance	-	-	-	-	-	-	630,000	630,000
Miscellaneous	-	5,445	-	19,140	9,549	-	-	34,134
Total revenues	<u>58,214</u>	<u>27,685</u>	<u>-</u>	<u>19,140</u>	<u>21,352</u>	<u>-</u>	<u>630,327</u>	<u>756,718</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	683,147	683,147
Public safety	-	11,188	-	-	-	-	552,702	563,890
Public works	38,753	-	-	-	-	-	-	38,753
Economic development	-	-	-	45,908	-	-	-	45,908
Cultural and recreation	-	-	-	-	66,829	-	12,900	79,729
Total expenditures	<u>38,753</u>	<u>11,188</u>	<u>-</u>	<u>45,908</u>	<u>66,829</u>	<u>-</u>	<u>1,248,749</u>	<u>1,411,427</u>
Excess (deficiency) of revenues over expenditures	<u>19,461</u>	<u>16,497</u>	<u>-</u>	<u>(26,768)</u>	<u>(45,477)</u>	<u>-</u>	<u>(618,422)</u>	<u>(654,709)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	32,000	-	-	1,144,577	1,176,577
Transfers out	-	-	-	-	-	-	(382,250)	(382,250)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,000</u>	<u>-</u>	<u>-</u>	<u>762,327</u>	<u>794,327</u>
Net change in fund balances	19,461	16,497	-	5,232	(45,477)	-	143,905	139,618
Fund balances-beginning	299,681	119,444	5,354	22,100	117,575	25,000	375,750	964,904
Fund balances-ending	<u>\$ 319,142</u>	<u>135,941</u>	<u>5,354</u>	<u>27,332</u>	<u>72,098</u>	<u>25,000</u>	<u>519,655</u>	<u>1,104,522</u>

See accompanying notes to the basic financial statement.

DILLON & ASSOCIATES, P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council Members
City of Purcell, Oklahoma

We have audited, 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, 2016, 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 October 15, 2016.

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
October 15, 2016

City of Purcell, Oklahoma
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH GRANTOR NUMBER	FEDERAL EXPENDITURES
FEDERAL ASSISTANCE			
<u>U.S. Department of Homeland Security</u>			
Passed through Okla. Dept. of Emergency Management: Emergency Management Performance Grant	97.042	EMPG 16 - SLA	10,000
Passed through Okla. Dept. of Homeland Security: Homeland Security Grant Program	97.073	660.033	<u>7,899</u>
Total U.S. Department of Homeland Security			<u>17,899</u>
<u>U.S. Federal Emergency Management Agency:</u>			
Passed through Okla. Dept. of Emergency Management: Emergency Management Assistance	97.036	FEMA DR 4222	<u>3,718</u>
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration: Airport Improvement Program	20.106	3-40-0130-008-2015	455,186
Passed through Oklahoma Highway Safety Department: Oklahoma Highway Safety Office	20.600	OP-16-03-06-12	12,212
Oklahoma Highway Safety Office	20.600	OP-15-03-04-11	<u>11,053</u>
Total U.S. Department of Transportation			<u>478,451</u>
Total Federal Assistance			<u>\$ 500,068</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, 2016

STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	PASS - THROUGH GRANTOR NUMBER	STATE EXPENDITURES
STATE ASSISTANCE		
<u>State of Oklahoma</u>		
Passed through the Oklahoma Dept. of Agriculture, Food and Forestry Services :		
Rural Fire Defense Program		\$ <u>4,290</u>
Total State of Oklahoma		<u>4,290</u>
Total State Assistance		\$ <u><u>4,290</u></u>