
**CITY OF PERRY, OKLAHOMA
PERRY, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

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

CITY OF PERRY, OKLAHOMA
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Trustees
City of Perry, OK

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 City of Perry, OK, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Perry, OK's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

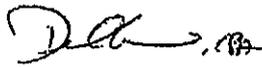
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2011, on our consideration of the City of Perry, OK'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 36 through 38, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States

of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pexy, OK's basic financial statements. The introductory section, combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Derrel S. White, CPA

Woodward, OK

November 4, 2011

Our discussion and analysis of the City of Perry's ("City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2011, the assets of the City exceeded its liabilities by \$12,990,207 (net assets). Of this amount \$4,927,731 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets are comprised of the following:
 - (1) Invested in capital assets, net of related debt of \$7,279,163 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase of construction of capital assets.
 - (2) Restricted net assets of \$783,313.
 - (3) Unrestricted net assets of \$4,927,731 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- After transfers of \$2,278,773 from business-type activities to governmental activities, net assets of governmental activities increased \$390,211 or 6%, and net assets of business-type activities decreased \$252,976 or 4%. Overall the health of the City improved when compared to prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,831,556 or 49% of total General Fund expenditures, excluding transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indication of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities includes general government; public safety and judiciary; transportation; and cultural, parks, and recreation. Business-types activities include utility services, including electricity, water, and sanitation, provided by the City.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). The Perry Municipal Hospital Authority is a separate legal entity which operates independently and provides services directly to the citizens though the City remains accountable for their actions. As such, the Perry Municipal Hospital Authority is reported separately from the primary government through included in the City's overall reporting entity. More comprehensive information about the City's component units can be found in footnotes.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for governmental funds deemed as major. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as water, sanitation, and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the City's compliance with the approved and revised budget for major governmental funds.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The City's combined net assets remained consistent between fiscal years 2010 and 2011, noting a \$158,857 or 1% increase. The following table provides a summary of the City's net assets at June 30:

	Governmental Activities		Business-Type Activities		Total		\$ Change	% Change
	2011	2010	2011	2010	2011	2010		
Current assets	\$ 2,924,533	\$ 2,671,731	\$ 4,129,109	\$ 4,013,408	\$ 7,053,642	\$ 6,685,139	\$ 368,503	6%
Non-current assets	-	-	3,018,701	3,550,408	3,018,701	3,550,408	(531,707)	-15%
Capital assets, net	6,760,393	7,061,491	10,406,310	10,407,736	17,166,703	17,469,227	(302,524)	-2%
Total assets	9,684,926	9,733,222	17,554,120	17,971,552	27,239,046	27,704,774	(465,728)	-2%
Current liabilities	617,653	544,735	1,834,089	1,555,254	2,451,742	2,099,989	351,753	17%
Non-current liabilities	2,428,334	2,961,361	9,368,763	9,812,054	11,797,097	12,773,435	(976,338)	-8%
Total liabilities	3,045,987	3,506,116	11,202,852	11,367,308	14,248,839	14,873,424	(624,585)	-4%
Net assets								
Invested in capital assets, net of related debt	3,937,059	3,725,110	3,342,104	3,353,537	7,279,163	7,078,647	200,516	3%
Restricted	477,622	600,865	305,491	305,491	783,113	906,356	(123,043)	-14%
Unrestricted	2,224,058	1,901,131	2,703,673	2,945,216	4,927,731	4,846,347	81,384	2%
Total net assets	\$ 6,638,939	\$ 6,227,106	\$ 6,351,268	\$ 6,604,244	\$ 12,990,207	\$ 12,831,350	\$ 158,857	1%

The City reported positive balances in net assets for both governmental and business-type activities. Governmental activities noted an increase in net assets of \$390,211, whereas net assets for business-type activities decreased \$252,976. Overall, the City's financial position improved 1% year over year.

Changes in Net Assets

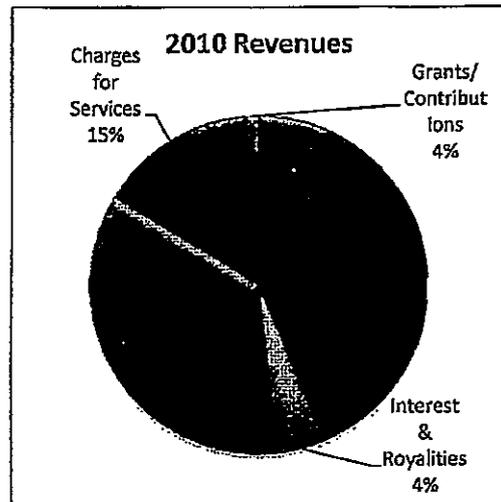
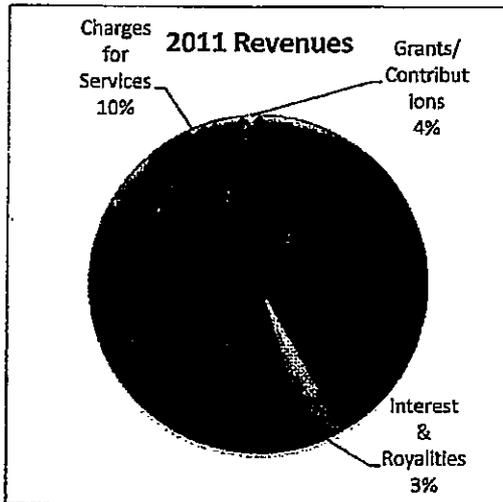
For the year ended June 30, 2011, net assets of the primary government changed as follows:

	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2011	2010	2011	2010	2011	2010		
Revenues								
Program revenues	\$ 595,798	\$ 691,866	\$ 9,916,332	\$ 9,279,141	\$ 10,512,130	\$ 9,971,007	\$ 541,123	5%
Taxes and other general revenues	2,431,118	2,310,840	343,477	103,691	2,774,595	2,414,531	360,064	15%
Total revenues	3,026,916	3,002,706	10,259,809	9,382,832	13,286,725	12,385,538	901,187	20%
Expenses								
General government	652,138	712,346	-	-	652,138	712,346	(60,207)	-8%
Public safety and judiciary	1,695,207	1,696,503	-	-	1,695,207	1,696,503	(1,296)	0%
Transportation	978,644	822,719	-	-	978,644	822,719	155,925	19%
Cultural, parks, and recreation	657,929	656,356	-	-	657,929	656,356	1,573	0%
Cemetery	191,975	165,278	-	-	191,975	165,278	26,697	16%
Ambulance	584,770	534,600	-	-	584,770	534,600	50,170	9%
Economic development	154,815	132,832	-	-	154,815	132,832	21,983	17%
Electric	-	-	5,053,836	4,522,942	5,053,836	4,522,942	530,894	12%
Water	-	-	1,638,914	1,667,051	1,638,914	1,667,051	(28,137)	-2%
Sewer	-	-	405,718	427,580	405,718	427,560	(21,842)	-5%
Sanitation	-	-	388,155	385,689	388,155	385,689	2,466	1%
Airport	-	-	498,502	207,503	498,502	207,503	41,384	20%
Customer service	-	-	248,887	476,165	498,502	476,165	22,337	5%
Total expenses	4,915,478	4,720,633	8,234,012	7,686,910	13,149,490	12,407,543	741,947	6%
Excess (deficiency) before transfers	\$ (1,888,562)	\$ (1,717,927)	\$ 2,025,797	\$ 1,695,922	\$ 137,235	\$ (22,005)	\$ 159,240	-724%
Transfers	2,278,773	1,508,780	(2,278,773)	(1,508,780)	-	-	-	0%
Increase (decrease) in net assets	\$ 390,211	\$ (209,147)	\$ (252,976)	\$ 187,142	\$ 137,235	\$ (22,005)	\$ 159,240	-724%

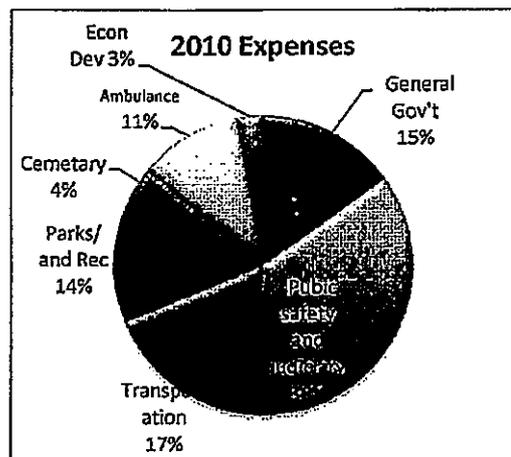
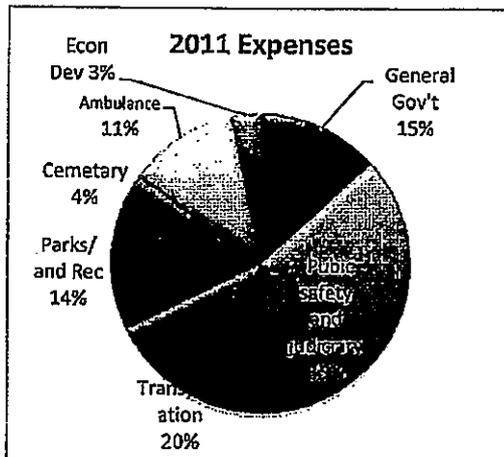
Revenues for the City increased 20% year over year. This increase in revenues is attributable to increase in utility usage from citizens, increase in general tax revenues, and an increase in intergovernmental revenues.

Operating expenses also noted an increase over fiscal year 2010 of 6%. The Electric department recorded a 12% increase in the cost of providing services to citizens. The large majority of this increase is the cost of electricity purchased which is a function of the increased usage by citizens. The Street department also recorded an increase in operations of 19%. This increase is a function of the repairs and improvements made to the City infrastructure during the fiscal year.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the City's activities.

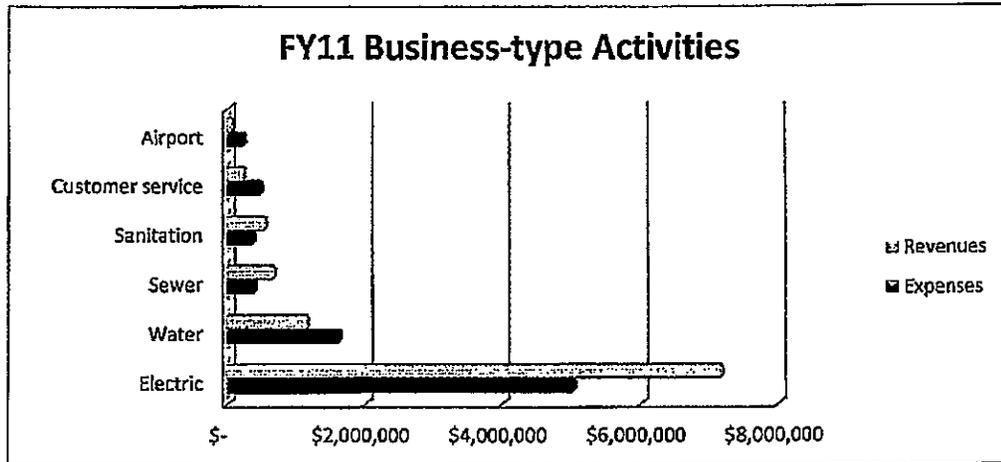


Taxes proved for 42% of the City's governmental revenues in fiscal year 2011 as compared to 44% in 2010. Charges for services increased in 2011 in majority due to increase in fines and forfeitures collected by the City.



For the year ended June 30, 2011, total expenses for governmental activities amounted to \$4,915,478. Of this amount, public safety and judiciary with \$1,695,207, was the largest operating service department at 35% of the total cost of services for the City government, which is consistent with prior year. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues and transfers in from the Perry Municipal Authority. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by the related services. Sanitation, Sewer, Water, and Electric activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

For the fiscal year ended June 30, 2011, revenues from electric, sewer, and sanitation services covered the cost of operating their respective departments.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2011 was \$3,840,215. Two budget amendments were approved during the fiscal year increasing the budget by \$214,300, for a final amended budget of \$4,054,515, prior to transfers. This was a decrease of \$33,959 over the previous year's budget attributable to capital projects. The General Fund budget complied with financial policies approved by the City.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the City had \$7,279,163 invested in capital assets, net of related debt, including vehicles and equipment for police and fire operations, street improvements, and park facilities, in governmental activities and electric lines, water lines and sewer lines in business-type activities. Refer to the table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land	\$ 173,856	\$ 173,856	\$ 500,000	\$ 500,000	\$ 673,856	\$ 673,856
Construction in process	2,100	-	230,938	109,593	233,038	109,593
Buildings	485,474	524,522	684,360	811,549	1,169,834	1,336,071
Machinery & equipment	1,091,418	1,331,533	98,248	115,018	1,189,666	1,446,551
Utility property & improvements	5,007,545	5,031,580	8,892,764	8,871,576	13,900,309	13,903,156
Totals	\$ 6,760,393	\$ 7,061,491	\$ 10,406,310	\$ 10,407,736	\$ 17,166,703	\$ 17,469,227

- In Governmental Activities, the most significant additions included street improvements, elevator improvements at the library, a John Deere welder for the parks department, and 2005 white Dodge pickup in the police department.
- In Business-type activities, capital additions included continued work and completion of the taxiway project at the Airport, water improvements for the City, new park equipment, and continued work in process on the sidewalks of the City.

Long-Term Debt

At year-end, the City had \$9,368,763 in long-term debt outstanding which represents a \$443,291 or 4.6% decrease from the prior year. This increase is attributable to payments made on debt during the fiscal year, offset by the issuance of debt for the water and sewer improvements. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Governmental		Business-type	
	Activities		Activities	
	2011	2010	2011	2010
Notes payable	-	38,438	7,064,206	7,054,199
Bonds payable	-	-	3,120,000	3,495,000
less current portion	-	(38,438)	(815,443)	(737,145)
Totals	\$ -	\$ -	\$ 9,368,763	\$ 9,812,054

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

The national economic recession resulted in economic concerns for the City. Overall tax revenues increased showing signs of improvement beginning in August 2010. Utility revenues showed modest increase due to the rate structure and increase in demand. Because the City has effective processes in place to deal with the economic declines, the impact on the City has not been as detrimental as it has in other cities and other part of the country. Continued improvement in the economic position is cautiously projected.

Fees and Rates

Sales tax rates remain consistent with prior year; however, in light of the cautious improvement in the economy, the City has budgeted recurring revenues, including sales and use tax, at 90% of fiscal year 2011 actual collections. Additional revenue sources are expected to arise from House Bill 1888 as it relates to the City's ambulance department. The impact of such has not been included in the fiscal year 2012 budget, as it cannot be reasonably determined.

The Perry Municipal Authority made no change in utility rates for fiscal year 2012.

Operating and Capital Expenses

Operating expenses for the General Fund and PMA are expected to remain consistent with fiscal year 2011. Projected capital expenses for the City total \$146,210 for fiscal year 2012, which includes roof repairs at City Hall, vehicles for the Street department, vehicle improvements in the Police department, and matching grants fund in the Fire department for equipment. The PMA has budgeted capital improvements for fiscal year 2012 totaling \$820,400. The improvements include additional work on the sidewalk project, electrical improvements around the City, and sludge processing equipment, and continued work on the sewer improvements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at Perry City Hall, 622 Cedar Street, Perry, Oklahoma, 73077-0798.

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

ASSETS	Governmental Activities	Business-type Activities	Total	Component Unit
Current Assets:				
Cash and cash equivalents	\$ 1,185,966	\$ 596,768	\$ 1,782,734	\$ 899,464
Investments	-	768,708	768,708	5,683,803
Accounts receivable (net)	289,191	927,544	1,216,735	887,970
Other receivables	339,441	-	339,441	-
Inventory	-	4,699	4,699	184,222
Due from other funds	-	-	-	-
Total current assets	1,814,598	2,297,719	4,112,317	7,655,459
Restricted assets:				
Cash and cash equivalents	472,727	578,693	1,051,420	-
Investments	637,208	1,251,697	1,888,905	-
Total restricted assets	1,109,935	1,830,390	2,940,325	-
Noncurrent Assets:				
Other assets	-	-	-	117,308
Due from other funds	-	2,823,334	2,823,334	-
Bond issuance costs	-	196,367	196,367	-
Land and construction in progress	175,956	730,936	906,894	-
Other capital assets (net of accumulated depreciation)	8,584,437	9,675,372	16,259,809	5,745,303
Total noncurrent assets	8,760,393	13,428,011	20,186,404	5,862,611
Total assets	\$ 9,684,926	\$ 17,554,120	\$ 27,239,046	\$ 13,518,070
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 58,059	\$ 629,450	\$ 685,509	\$ 242,396
Other accrued liabilities	-	19,190	19,190	-
Due to other funds	395,000	-	395,000	-
Accrued salary and vacation payable	64,357	32,749	97,116	-
Payroll taxes payable	102,227	-	102,227	-
Other liabilities	-	-	-	636,393
Notes payable, current	-	420,443	420,443	67,178
Total current liabilities	617,653	1,101,832	1,719,485	945,987
Liabilities payable from restricted assets:				
Accrued payables	-	64,055	64,055	-
Customer deposits payable	-	273,202	273,202	-
Bonds payable, current	-	395,000	395,000	-
Total liabilities payable from restricted assets	-	732,257	732,257	-
Noncurrent liabilities:				
Due to other funds	2,428,334	-	2,428,334	-
Notes payable, non-current	-	6,643,763	6,643,763	192,123
Bonds payable, non-current	-	2,725,000	2,725,000	-
Total noncurrent liabilities	2,428,334	9,368,763	11,797,097	192,123
Total liabilities	3,045,987	11,202,852	14,248,639	1,138,090
NET ASSETS				
Invested in capital assets, net of related debt	3,937,059	3,342,104	7,279,163	5,486,002
Reserved for restricted purposes	477,822	305,491	783,313	51,426
Unrestricted	2,224,058	2,703,673	4,927,731	6,842,552
Total net assets	\$ 6,638,939	\$ 6,351,268	\$ 12,990,207	\$ 12,379,980

See accompanying notes to financial statements.

City of Perry, Oklahoma
Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 652,138	\$ 34,917	\$ -	\$ 7,440	\$ (609,781)
Total general government	652,138	34,917	-	7,440	(609,781)
Public safety and judiciary:					
Police	1,237,043	117,308	9,455	-	(1,110,280)
Code enforcement	27,110	3,895	-	-	(23,215)
Animal control	43,724	320	-	-	(43,404)
Fire	259,112	-	500	-	(258,612)
Municipal court	128,155	23,823	-	-	(104,532)
Civil defense	63	-	-	-	(63)
Total public safety and judiciary	1,695,207	145,146	9,955	-	(1,540,106)
Transportation:					
Street	978,644	300	-	37,429	(940,915)
Total transportation	978,644	300	-	37,429	(940,915)
Cultural, parks and recreation:					
Park	367,249	11,524	5,280	-	(350,445)
Library	222,616	3,160	25,031	-	(194,425)
Public access	68,084	5,265	-	-	(62,799)
Total cultural, parks and recreation	657,929	19,949	30,311	-	(607,669)
Cemetery:					
Cemetery	191,975	41,797	-	-	(150,178)
Total cemetery	191,975	41,797	-	-	(150,178)
Ambulance					
Ambulance	584,770	268,554	-	-	(316,216)
Total ambulance	584,770	268,554	-	-	(316,216)
Economic development:					
Economic development	154,815	-	-	-	(154,815)
Total economic development	154,815	-	-	-	(154,815)
Total governmental activities	4,915,478	510,663	40,266	44,869	(4,319,680)
Business-type activities:					
Utility services:					
Electric	5,053,836	7,166,060	20,000	-	2,132,224
Water	1,638,914	1,167,684	-	58,012	(413,218)
Sewer	405,718	566,975	-	291,888	453,245
Sanitation	388,155	556,628	-	-	168,473
Customer service	498,502	236,215	6,264	-	(256,023)
Airport	248,887	78,554	-	-	(170,333)
Total business-type activities	8,234,012	9,772,116	26,264	350,000	1,914,368
Component Unit:					
Patient services	7,324,060	6,959,883	15,555	-	(348,622)
Total component unit activities	7,324,060	6,959,883	15,555	-	(348,622)
Total	\$ 20,473,550	\$ 17,242,662	\$ 82,085	\$ 394,869	\$ (2,753,934)

City of Perry, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2011

Changes in Net Assets:

	Governmental Activities	Business-type Activities	Total	Component Unit
Net (expense)/revenue	\$ (4,319,680)	\$ 1,914,368	\$ (2,405,312)	(348,622)
General revenues:				
Taxes:				
Sales and use tax	1,674,151	-	1,674,151	-
Franchise taxes	82,467	-	82,467	-
Motor vehicle and gasoline tax	46,693	-	46,693	-
911 tax	181,215	-	181,215	-
Hotel/Motel tax	110,470	-	110,470	-
Alcohol beverage tax	57,922	-	57,922	-
Tobacco tax	22,873	-	22,873	-
Investment income	54,060	16,896	70,956	91,811
Royalties	116,448	94,533	210,981	-
Transfers-Internal activity	2,278,773	(2,278,773)	-	-
Other	84,819	-	84,819	-
Total general revenues and transfers	<u>4,709,891</u>	<u>(2,167,344)</u>	<u>2,542,547</u>	<u>91,811</u>
Change in net assets	390,211	(252,976)	137,235	(256,811)
Net assets-beginning	6,248,728	6,604,244	12,852,972	12,636,791
Net assets-ending	<u>\$ 6,638,939</u>	<u>\$ 6,351,268</u>	<u>\$ 12,990,207</u>	<u>\$ 12,379,980</u>

**City of Perry, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2011**

	<u>General Fund</u>	<u>Limited Purpose Sales Tax</u>	<u>Street Improvement Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,062,438	\$ -	\$ -	\$ 123,528	\$ 1,185,966
Cash and investments, restricted	1,052,200	57,382	-	353	1,109,935
Accounts receivable	414,305	-	-	-	414,305
Allowance for doubtful accounts	(125,114)	-	-	-	(125,114)
Taxes receivable	81,018	51,282	41,026	-	173,326
Other receivable	166,115	-	-	-	166,115
Total assets	<u>\$ 2,650,962</u>	<u>\$ 108,664</u>	<u>\$ 41,026</u>	<u>\$ 123,881</u>	<u>\$ 2,924,533</u>
LIABILITIES					
Accounts payable	\$ 49,455	\$ -	\$ -	\$ 1,663	\$ 51,118
Sales tax payable	609	-	-	4,332	4,941
Due to other funds	395,000	-	-	-	395,000
Accrued vacation payable	64,367	-	-	-	64,367
Accrued payroll liabilities	102,227	-	-	-	102,227
Total liabilities	<u>611,658</u>	<u>-</u>	<u>-</u>	<u>5,995</u>	<u>617,653</u>
FUND BALANCES					
Reserved for:					
Cemetery care	-	-	-	123,039	123,039
Library	60,200	-	-	-	60,200
Economic development	108,201	-	-	-	108,201
Juvenile court	39,347	-	-	-	39,347
Public access	-	-	-	(2,655)	(2,655)
Streets	-	-	41,026	-	41,026
Water	-	108,664	-	-	108,664
Unreserved	1,831,556	-	-	(2,498)	1,829,058
Total fund balances	<u>2,039,304</u>	<u>108,664</u>	<u>41,026</u>	<u>117,886</u>	<u>2,306,880</u>
Total liabilities and fund balances	<u>\$ 2,650,962</u>	<u>\$ 108,664</u>	<u>\$ 41,026</u>	<u>\$ 123,881</u>	<u>\$ 2,924,533</u>
Total fund balance- total governmental funds					2,306,880
Amounts reported for governmental activities in the Statement of Net assets are different because:					
Land and capital assets, net of accumulated depreciation, are not financial resources and, in the funds, and therefore, are not reported					
			Land and construction in process	175,956	
			Capital assets	12,194,691	
			Less: Accumulated depreciation	<u>(5,610,254)</u>	
					6,760,393
Long-term portion of intercompany liabilities are not due and payable in the current period and are not reported					
					<u>(2,428,334)</u>
Net assets of governmental activities					<u>\$ 6,638,939</u>

City of Perry, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2011

	General Fund	Limited Purpose Sales Tax	Street Improvement Fund	Non-Major Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 688,124	\$ 609,034	\$ 487,227	\$ -	\$ 1,784,385
Shared taxes	348,606	-	-	41,799	391,405
Licenses and permits	7,326	-	-	-	7,326
Rents & royalties	148,414	-	-	-	148,414
Fines and forfeitures	144,209	-	-	-	144,209
Charges for services	272,253	-	-	47,062	319,315
Intergovernmental revenues	1,822	-	-	-	1,822
Donations	63,842	-	-	-	63,842
Other revenues	92,139	-	-	-	92,139
Interest	53,998	-	-	62	54,060
Total revenues	<u>1,821,733</u>	<u>609,034</u>	<u>487,227</u>	<u>88,923</u>	<u>3,006,917</u>
EXPENDITURES					
Current:					
General government:					
General government	578,259	-	-	-	578,259
Total general government	<u>578,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>578,259</u>
Public safety and judiciary:					
Police	1,190,684	-	-	-	1,190,684
Code enforcement	27,110	-	-	-	27,110
Animal control	43,724	-	-	-	43,724
Fire	233,929	-	-	-	233,929
Municipal court	113,578	-	-	-	113,578
Emergency management	63	-	-	-	63
Total public safety and judiciary	<u>1,609,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,609,088</u>
Transportation:					
Street	789,888	-	772,750	-	1,562,638
Total transportation	<u>789,888</u>	<u>-</u>	<u>772,750</u>	<u>-</u>	<u>1,562,638</u>
Cultural, parks and recreation:					
Parks	289,854	-	-	-	289,854
Library	229,542	-	-	-	229,542
Public access	-	-	-	68,064	68,064
Total cultural, parks and recreation	<u>519,406</u>	<u>-</u>	<u>-</u>	<u>68,064</u>	<u>587,470</u>
Cemetery:					
General cemetery	-	-	-	189,844	189,844
Total cemetery	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,844</u>	<u>189,844</u>
Ambulance:					
Ambulance	580,556	-	-	-	580,556
Total ambulance	<u>580,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,556</u>
Economic development:					
Economic development	58,011	-	-	-	58,011
Total economic development	<u>58,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,011</u>
Total expenditures	<u>4,135,208</u>	<u>-</u>	<u>772,750</u>	<u>257,908</u>	<u>5,165,866</u>
Excess (deficiency) of revenues over expenditures	<u>(2,313,475)</u>	<u>609,034</u>	<u>(285,523)</u>	<u>(168,985)</u>	<u>(2,158,949)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	2,585,974	-	136,158	143,951	2,866,083
Transfers out	(951)	(586,359)	-	-	(587,310)
Total other financing sources and uses	<u>2,585,023</u>	<u>(586,359)</u>	<u>136,158</u>	<u>143,951</u>	<u>2,278,773</u>
Net change in fund balances	271,548	22,675	(149,365)	(25,034)	119,824
Fund balances - beginning	1,767,756	85,989	190,391	142,920	2,187,056
Prior period adjustment	-	-	-	-	-
Fund balances - ending	<u>\$ 2,039,304</u>	<u>\$ 108,664</u>	<u>\$ 41,026</u>	<u>\$ 117,886</u>	<u>\$ 2,306,880</u>

See accompanying notes to financial statements.

City of Perry, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2011

Reconciliation of the change in fund balances - total governmental funds
to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$ 119,824
Amounts reported for governmental activities in the Statement of Activities are different because:	

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases capitalized	367,588
Depreciation expense	(668,686)

Repayment of debt principle is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt activity reported in the fund statements	
Debt and capital lease principle and interest	571,485

	\$ 390,211
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City of Perry, Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Component Unit			
	Public Utility Authority	Airport Authority	Total Enterprise Funds	Municipal Hospital Authority
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 495,802	\$ 100,966	\$ 596,768	\$ 899,484
Investments	766,192	2,516	768,708	5,683,803
Accounts receivable	940,994	4,103	945,097	1,582,970
Allowance for doubtful accounts	(17,553)	-	(17,553)	(695,000)
Inventory	-	4,699	4,699	184,222
Other assets	-	-	-	117,308
Total current assets	2,185,435	112,284	2,297,719	7,772,767
Current assets:				
Restricted assets:				
Cash, including time deposits	578,693	-	578,693	-
Investments	1,251,697	-	1,251,697	-
Total restricted assets	1,830,390	-	1,830,390	-
Noncurrent assets:				
Due from other funds	2,823,334	-	2,823,334	-
Unamortized bond issue costs	196,367	-	196,367	-
Capital assets (net)	9,042,996	1,363,314	10,406,310	5,745,303
Total noncurrent assets	12,062,697	1,363,314	13,426,011	5,745,303
Total assets	\$ 16,078,522	\$ 1,475,598	\$ 17,554,120	\$ 13,518,070
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 626,830	\$ 2,620	\$ 629,450	\$ 242,396
Sales tax payable	19,190	-	19,190	-
Compensated absences	31,099	1,650	32,749	-
Other liabilities	1,698	-	1,698	636,393
Notes payable, current	420,443	-	420,443	67,178
Total current liabilities	1,099,260	4,270	1,103,530	945,967
Liabilities payable from restricted assets:				
Customer deposits payable	273,202	-	273,202	-
Accrued interest payable	64,055	-	64,055	-
Bonds payable, current	395,000	-	395,000	-
Total liabilities payable from restricted assets	732,257	-	732,257	-
Noncurrent liabilities:				
Notes payable, non-current	6,643,763	-	6,643,763	192,123
Bonds payable, non-current	2,725,000	-	2,725,000	-
Total noncurrent liabilities	9,368,763	-	9,368,763	192,123
Total liabilities	11,200,280	4,270	11,204,550	1,138,090
NET ASSETS				
Invested in capital assets, net of related debt	1,978,790	1,363,314	3,342,104	5,486,002
Restricted	305,491	-	305,491	51,426
Unrestricted	2,593,961	108,014	2,701,975	6,842,552
Total net assets	\$ 4,878,242	\$ 1,471,328	\$ 6,349,570	\$ 12,379,980

See accompanying notes to financial statements.

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

	<u>Component Unit</u>			
	<u>Public Utility Authority</u>	<u>Airport Authority</u>	<u>Total Enterprise Funds</u>	<u>Municipal Hospital Authority</u>
<u>Operating revenues:</u>				
Charges for services:				
Electric charges	\$ 7,139,657	\$ -	\$ 7,139,657	\$ -
Water charges	1,167,684	-	1,167,684	-
Sewer charges	566,975	-	566,975	-
Sanitation charges	556,628	-	556,628	-
Penalties	98,490	-	98,490	-
Net patient and service charges	-	-	-	6,817,556
Total charges for services	<u>9,529,434</u>	<u>-</u>	<u>9,529,434</u>	<u>6,817,556</u>
Lease and rental income	-	18,757	18,757	-
Other fees and charges	26,432	650	27,082	142,327
Fees & oil sales	-	59,147	59,147	-
Total operating revenues	<u>9,555,866</u>	<u>78,554</u>	<u>9,634,420</u>	<u>6,959,883</u>
<u>Operating expenses:</u>				
Personal services	1,207,306	57,614	1,264,920	2,238,799
Materials and supplies	397,793	23,960	421,753	2,043,396
Purchases for resale	4,474,448	75,568	4,550,016	-
Other services and charges	596,500	20,199	616,699	2,506,757
Depreciation and amortization	854,208	71,546	925,754	515,066
Total operating expenses	<u>7,530,255</u>	<u>248,887</u>	<u>7,779,142</u>	<u>7,304,018</u>
Net operating income	2,025,611	(170,333)	1,855,278	(344,135)
<u>Nonoperating revenue (expense):</u>				
Investment income	15,441	1,455	16,896	91,811
Royalty income	-	94,533	94,533	-
Intergovernmental	350,000	-	350,000	-
Interest expense	(454,845)	-	(454,845)	(20,042)
Bad debt	-	-	-	-
Contributions	772	-	772	-
Other revenue (expenses)	161,465	-	161,465	15,555
Total nonoperating revenue (expense)	<u>72,833</u>	<u>95,988</u>	<u>168,821</u>	<u>87,324</u>
Net income before contributions and transfers	2,098,444	(74,345)	2,024,099	(256,811)
Transfers from other funds	586,359	-	586,359	-
Transfers to other funds	(2,865,132)	-	(2,865,132)	-
Change in net assets	(180,329)	(74,345)	(254,674)	(256,811)
Net assets-beginning of year	5,058,571	1,545,673	6,604,244	12,636,791
Net assets-end of year	<u>\$ 4,878,242</u>	<u>\$ 1,471,328</u>	<u>\$ 6,349,570</u>	<u>\$ 12,379,980</u>

See accompanying notes to financial statements.

City of Perry, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Component Unit			
	Public Utility Authority	Airport Authority	Total Enterprise Funds	Municipal Hospital Authority
Cash flows from operating activities:				
Receipts from customers/patients	\$ 9,495,659	\$ 83,012	\$ 9,578,671	\$ 7,158,497
Payments to suppliers	(5,264,848)	(105,161)	(5,370,009)	(3,637,383)
Payments to employees	(1,205,287)	(57,800)	(1,263,087)	(3,425,298)
Net cash provided (used) by operating activities	<u>3,025,524</u>	<u>(79,949)</u>	<u>2,945,575</u>	<u>95,816</u>
Cash flows from non-capital financing activities:				
Transfers from other funds	586,359	-	586,359	-
Transfers to other funds	(2,865,132)	-	(2,865,132)	-
Receipts from nonoperating income and contributions	187,897	94,533	282,430	15,555
Net cash provided (used) by non-capital financing activities	<u>(2,090,876)</u>	<u>94,533</u>	<u>(1,996,343)</u>	<u>15,555</u>
Cash flows from capital and related financing activities:				
Capital grants and contributions received	408,012	-	408,012	-
Purchases of capital assets	(835,478)	(88,850)	(924,328)	(292,606)
Issuance of capital debt	469,482	-	469,482	-
Principal paid on capital debt	(758,154)	-	(758,154)	(62,757)
Interest paid on capital debt	(468,456)	-	(468,456)	(20,042)
Net cash provided (used) by capital and related financing activities	<u>(1,184,594)</u>	<u>(88,850)</u>	<u>(1,273,444)</u>	<u>(375,405)</u>
Cash flows from investing activities:				
Net (purchase)/sale of certificates of deposits	12,185	-	12,185	(91,729)
Investment income	15,441	1,455	16,896	91,811
Net cash provided (used) by investing activities	<u>27,626</u>	<u>1,455</u>	<u>29,081</u>	<u>82</u>
Net increase (decrease) in cash and cash equivalents	(222,320)	(72,811)	(295,131)	(263,952)
Cash & cash equivalents, June 30, 2010	<u>1,296,815</u>	<u>173,777</u>	<u>1,470,592</u>	<u>1,163,416</u>
Cash & cash equivalents, June 30, 2011	<u>\$ 1,074,495</u>	<u>\$ 100,966</u>	<u>\$ 1,175,461</u>	<u>\$ 899,464</u>
Cash, including time deposits	\$ 495,802	\$ 100,966	596,768	\$ 899,464
Restricted cash, including time deposits	578,693	-	578,693	-
Total cash and cash equivalents, end of year	<u>\$ 1,074,495</u>	<u>\$ 100,966</u>	<u>\$ 1,175,461</u>	<u>\$ 899,464</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 2,025,611	\$ (170,333)	\$ 1,855,278	\$ (344,135)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	854,208	71,546	925,754	515,066
Provision for bad debt	-	-	-	876,162
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(60,207)	4,458	(55,749)	(777,836)
(Increase) decrease in inventory	-	12,161	12,161	(5,201)
(Increase) decrease in other assets	-	-	-	1,589
Increase (decrease) in accounts payable	200,188	2,405	202,593	(194,555)
Increase (decrease) in deposits subject to refund	3,705	-	3,705	-
Increase (decrease) in accrued vacation payable	2,019	(186)	1,833	-
Increase (decrease) in other liabilities	-	-	-	24,626
Total adjustments	<u>999,913</u>	<u>90,384</u>	<u>1,090,297</u>	<u>439,951.00</u>
Net cash provided (used) by operating activities	<u>\$ 3,025,524</u>	<u>\$ (79,949)</u>	<u>\$ 2,945,575</u>	<u>\$ 95,816</u>

**City of Perry, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011**

	<u>General Cemetery Fund</u>	<u>Cemetery Care Fund</u>	<u>Public Access Fund</u>	<u>Total Non-Major Funds</u>
ASSETS				
Cash and cash equivalents	\$ 489	\$ 2,391	\$ 353	\$ 3,233
Investments	-	120,648	-	120,648
Total assets	<u>\$ 489</u>	<u>\$ 123,039</u>	<u>\$ 353</u>	<u>\$ 123,881</u>
LIABILITIES				
Accounts payable	\$ 1,503	\$ -	\$ 160	\$ 1,663
Accrued vacation payable	1,484	-	2,848	4,332
Total liabilities	<u>2,987</u>	<u>-</u>	<u>3,008</u>	<u>5,995</u>
FUND BALANCES				
Restricted for cemetery care	-	123,039	-	123,039
Restricted for public access	-	-	(2,655)	(2,655)
Unreserved	(2,498)	-	-	(2,498)
Total fund balances	<u>(2,498)</u>	<u>123,039</u>	<u>(2,655)</u>	<u>117,886</u>
Total liabilities and fund balances	<u>\$ 489</u>	<u>\$ 123,039</u>	<u>\$ 353</u>	<u>\$ 123,881</u>

City of Perry, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2011

	General Cemetery Fund	Cemetery Care Fund	Public Access Fund	Total Non-Major Funds
REVENUES				
Franchise taxes	\$ -	\$ -	\$ 41,799	\$ 41,799
Charges for services	36,577	5,220	5,265	47,062
Interest income	62	-	-	62
Total revenues	<u>36,639</u>	<u>5,220</u>	<u>47,064</u>	<u>88,923</u>
EXPENDITURES				
Cultural, parks and recreation:				
General cemetery	182,515	7,329	-	189,844
Public information network	-	-	68,054	68,054
Total cultural, parks and recreation	<u>182,515</u>	<u>7,329</u>	<u>68,054</u>	<u>257,908</u>
Total expenditures	<u>182,515</u>	<u>7,329</u>	<u>68,054</u>	<u>257,908</u>
Excess (deficiency) of revenues over expenditures	(145,876)	(2,109)	(21,000)	(168,985)
OTHER FINANCING SOURCES (USES)				
Transfers in/(out)	143,000	-	951	143,951
Total other financing sources and uses	<u>143,000</u>	<u>-</u>	<u>951</u>	<u>143,951</u>
Net change in fund balances	(2,876)	(2,109)	(20,049)	(25,034)
Fund balances - beginning	378	125,148	17,394	142,920
Fund balances - ending	<u>\$ (2,498)</u>	<u>\$ 123,039</u>	<u>\$ (2,655)</u>	<u>\$ 117,886</u>

See accompanying notes to financial statements.

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Perry, Oklahoma (the "City") was organized in September 1893 and is incorporated under the provisions of the State of Oklahoma per Executive Department Proclamation on January 6, 1902. Upon incorporation, the City operated under the Aldermanic form of government. On November 11, 2006, the citizens of the City approved a change in the structure of the City government from Aldermanic to a Council-Manager form. This change was approved by Governor Brad Henry on January 4, 2007 and the amended municipal City charter was approved. The City provides the following services: public safety (police and fire protection), street maintenance, utility (sanitation, water, sewer, and electric), culture-recreation, public improvements, planning and zoning, and general administrative services.

The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of Perry. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance City services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government as an integral part of City operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

Blended Component Units Reported with Primary Government

Perry Municipal Authority (PMA) – was established December 6, 1993 to operate the City's electrical system. Subsequent amendments have transferred operations of all the utility systems, as well as the airport to the Authority. The activity of the Authority includes electric, water, sewer, and sanitation services, as well as the operations of the municipal airport. PMA is reported in two funds in the business-type activities, the Public Utility Authority and the Airport Authority.

Discretely Presented Component Unit

Perry Municipal Hospital Authority (PMH) – was established April 22, 1974 as a public trust under Title 80 Oklahoma Statute 1981 to provide a hospital and other community health facilities for the citizens of the City of Perry. PMH has a separate board of trustees, including the mayor of the City, five trustees appointed by the City, one trustee who is an active member of the hospital medical staff, and two other trustees nominated by the other trustees. PMH provides hospital, medical and residential care of the citizens of the City. PMH issues separately audited financial statements that can be obtained at City Hall. For purposes of this report, PMH is included as a discretely presented component unit.

Perry Economic Development Authority (PEDA) – was established September 26, 1995 to promote the economic development of the City. PEDA is a legally separate entity from the City and is governed by no more than 12 trustees, 9 of whom are the same aldermen who govern the City; the president of the Perry Chamber of Commerce, the executive director of Main Street Perry, Inc., and one trustee appointed by the City's aldermen. PEDA is inactive in the current year, and therefore, not included in the report for the period ended.

Perry Housing Authority (PHA) – was created under provision of the Oklahoma Statutes by a Declaration of the Trust. The Trust was inactive during the year.

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and statement of activities. These statements report financial information for the City as a whole. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or utility services.

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The City has no fiduciary funds.

Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Proprietary financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Date of Management's Review

Subsequent events were evaluated through November 4, 2011, which is the date the financial statements were available to be issued.

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

Street Improvement Fund

The Street Improvement Funds accounts for the legally restricted sales tax proceeds which were used to improve the streets and alleys of the City of Perry in accordance with the 1% sales tax issue passed in 2007.

CITY OF PERRY, OKLAHOMA
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Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

FUND	BRIEF DESCRIPTION
<u>Limited Purpose Sales Tax*</u>	Accounts for legally restricted sales tax proceeds
<u>General Cemetery</u>	Accounts for the operations of the City's cemetery
<u>Cemetery Care</u>	Accounts for 12 1/2% of cemetery revenue restricted by State law for cemetery capital improvements.
<u>Public Access Fund</u>	Accounts for the Board restricted 5% franchise fee from the cable television franchise

The General Fund and the Street Improvement Fund are considered major funds in accordance with GASB criteria. The Limited Purpose Sales Tax Fund is presented as a major fund based upon management's election.

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprises funds:

FUND	BRIEF DESCRIPTION
<u>Perry Utility Fund</u>	Accounts for the activities of the authority in providing electric, water, sewer, and solid waste services to the public. Perry Municipal Authority is the governing Trust for the operations accounted for by this fund.
<u>Perry Airport Fund</u>	Accounts for operations of the airport. Perry Municipal Authority is the governing Trust for the operations accounted for by this fund.

The City's Utility Fund and Airport Fund are considered major funds.

The Perry Municipal Hospital Authority is a component unit of the City and is discretely presented in the basic financial statements.

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The City Clerk submits an annual budget to the City Council in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the Council adopts the annual fiscal year budgets for City operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the City Clerk and must be approved by the Council. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Council review and approval process.

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

Budget Basis of Accounting

The combined statement of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the next fiscal year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

E. Assets, Liabilities and Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Allowance for Uncollectible Accounts

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The City has established an allowance for collectible accounts based on management's prior experience using past due amounts more than 60 to 90 days. Management does not believe there are significant losses in excess of the allowance.

Inventory

Inventories are recorded on a first-in first-out basis, which approximates market. Inventory, consisting of airport fuel for resale, is valued at the lower of cost or market.

Property, Plant and Equipment

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful life of the assets are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

• Buildings	10-25 years
• Other improvements	10-25 years
• Machinery, furniture & equipment	3-25 years
• Infrastructure	10-20 years

Fund Financial Statement:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

In the government-wide and proprietary financial statements, outstanding debt is reported as a liability.

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Equity Classifications

Fund Balance

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

Net Assets

Both proprietary fund financial statements and government-wide financial statements report net assets. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net assets.

Invested in capital assets, net of related debt

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets

Amounts reported as restricted consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

F. Revenues, Expenditures and Expenses

Sales Tax

The City levied a 3.25% sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. A portion of the sales tax received is restricted as to the use. The unrestricted portion (1%) is recorded as sales tax revenue within the General Fund; the remaining 2.25% is restricted and recorded as sales tax revenue in the Limited Purpose Sales Tax fund, allocated 1.25% for water improvements and Street Improvement fund the remaining 1%.

Franchise Tax

Effective February 21, 1994, the City approved a 2% increase in the franchise tax levied from 3% to a total of 5%. The total franchise tax revenue is restricted in use to provide public, educational, and governmental television access service. Funds are reported in the Public Access fund.

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time employees to specified maximums. Generally, after one year of services, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued current liabilities in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as local government unit, the City and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

A. Deficit Fund Net Assets/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The City reported no deficit fund balances or net assets for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2011, the City did not materially overspend in any department-level category.

C. Debt Covenants

The long term debt held by the Perry Municipal Authority contains a number of covenants which are related to financial matters. The most significant of which is the Debt Service Coverage, whereby, pledged revenues less operating expenses shall provide Net Revenues Available for Debt Service equal to 1.25 times average annual debt service on the respective notes for the Authority. The following is a calculation of the coverage requirements.

<u>Revenue Bond Coverage</u>	1997 OWRB	2006 OWRB	2007 Series	2010 OWRB
Gross revenue available for debt service:				
Operating revenues of pledged utility system(s)	\$ 624,987	\$ 1,167,684	\$ 7,166,060	\$ 1,167,684
Pledged revenues (taxes, utilities)	-	1,093,456	566,625	484,442
Operating expenses of utility system(s)	(405,718)	(1,638,914)	(5,053,836)	(1,638,914)
Excluding depreciation and amortization	92,685	642,022	97,015	642,022
Net revenues available for debt service	<u>\$ 311,954</u>	<u>\$ 1,264,248</u>	<u>\$ 2,765,854</u>	<u>\$ 655,234</u>
Average annual debt service	77,305	586,360	515,019	49,185
Computed coverage	4.04	2.16	5.37	13.32
Coverage requirement	1.25	1.25	1.25	1.25

D. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local or administrative requirements. The primary restricted revenue sources include:

<u>REVENUE SOURCE</u>	<u>LEGAL RESTRICTIONS OF USE</u>
Gasoline Excise/Commercial Vehicle Tax	Street and Alley Purposes
Cemetery Revenue (12.5%)	Cemetery Capital Improvements
Franchise Tax	Public television access
Sales Tax (1.25%)	Water system improvements
Sales Tax (1%)	Street Improvements
Hotel/Motel Tax	Economic Development

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance

CITY OF PERRY, OKLAHOMA
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Corporation (FDIC). Deposited funds may be invested in certificates of deposit in Institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The City invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Primary government				
INVESTMENTS:				
Certificates of deposit, pooled	\$ 2,657,613	\$ 2,657,613	N/A	185
Total investments	<u>2,657,613</u>	<u>2,657,613</u>		
Total primary government investments	<u>\$ 2,657,613</u>	<u>\$ 2,657,613</u>		

RECONCILIATION TO STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Investments, unrestricted	\$ -	\$ 768,708	\$ 768,708
Investments, restricted	637,208	1,251,697	1,888,905
Total investments	<u>\$ 637,208</u>	<u>\$ 2,020,405</u>	<u>\$ 2,657,613</u>

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using either duration or weighted average days to maturity depending on the respective policy.

It is the Perry Memorial Hospital Authority's (PMHA) policy to invest in demand and time deposit accounts and certificates of deposit. All deposits of PMHA were fully collateralized as of June 30, 2011. Refer to the Perry Memorial Hospital Authority and Controlled Entity June 30, 2011 audit report for further discussion of the investments held by PMHA.

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2011 follows:

	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Land	\$ 173,856	\$ -	\$ -	\$ 173,856
Construction in process	-	2,100	-	2,100
Buildings & structures	1,652,739	-	-	1,652,739
Machinery, furniture, & equipment	3,451,914	43,090	-	3,495,004
Infrastructure & improvements	<u>6,724,549</u>	<u>322,398</u>	-	<u>7,046,947</u>
Total	12,003,058	367,588	-	12,370,646
Less accumulated depreciation	<u>4,941,567</u>	<u>658,668</u>	-	<u>5,610,235</u>
Fixed assets, net	<u>\$ 7,061,491</u>	<u>\$ (301,088)</u>	<u>\$ -</u>	<u>\$ 6,760,393</u>

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2011 follows:

Perry Municipal Authority

	<u>Balance at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Buildings	3,416,785	-	-	3,416,785
Machinery, furniture, & equipment	1,223,873	21,465	-	1,245,338
Infrastructure	14,292,106	763,859	-	15,055,965
Construction in process	109,593	121,345	-	230,938
Total	19,542,357	906,669	-	20,449,026
Less accumulated depreciation	<u>9,134,621</u>	<u>908,095</u>	<u>-</u>	<u>10,042,716</u>
Fixed assets, net	<u>\$ 10,407,736</u>	<u>\$ (1,426)</u>	<u>\$ -</u>	<u>\$ 10,406,310</u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations.

Depreciation expense was charged to functions in the statement of activities as follows:

Governmental Activities		Business-type Activities	
General government	\$ 73,879	Electric	\$ 97,015
Public safety & judiciary	132,057	Water	642,022
Transportation	257,043	Sewer	32,685
Cultural, parks & recreation	95,679	Customer service	4,827
Cemetery	9,010	Airport	71,546
Ambulance	4,214		
Economic development	96,804	Total depreciation expense	<u>\$ 908,095</u>
Total depreciation expense	<u>\$ 668,686</u>		

C. LONG-TERM DEBT

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2011:

NOTES PAYABLE

Business-Type Activities:

On July 2, 1998, PMA entered into an agreement with the Oklahoma Water Resources Board for a loan in the amount of \$950,000 at a fixed interest rate of 2.757% and an additional administrative fee of .5% per year. The loan was for sewer system improvements. The loan requires monthly payments into a debt service account from which the note payments are made semi-annually. The note is scheduled to mature March 15, 2014 and is secured by a mortgage on certain real estate and sewer system revenues. Debt covenants include debt service coverage of 1.25 of net utility revenues of the sanitary sewer and wastewater treatment systems. \$ 224,046

On June 6, 2006, PMA issued the Perry Municipal Authority Utility System and Sales Tax Revenue Note, Series 2006 in the amount of \$7,735,000. The note carries an interest rate of 4.49%, maturing June 1, 2026. The loan requires monthly payments into a debt service account from which the semi-annual debt service payments are made. Debt covenants include debt service coverage of 1.25 of net utility revenues. The Note is secured by 1.25% restricted sales tax revenues, as well as water revenues and 1% general sales tax revenues. 6,391,676

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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On March 5, 2010, PMA entered into agreement with the Oklahoma Water Resources Board for the Series 2010 Drinking Water SRF loan in the amount of \$469,482. The note bears an interest rate of 2.34% plus an administration fee of 0.5%. The note matures September 15, 2020. Payments are made semi-annually in March and September. Debt covenants include debt service coverage of 1.25 of net utility revenues of the water system. The Note includes a pledge and assignment of operating revenues from the water system and a year to year pledge of sales tax in addition to a mortgage on certain real estate. 448,484

On January 1, 2008, PMA issued \$4,000,000 in sales tax revenue notes, series 2007 for the purpose of improving street and roads within the City limits. The notes mature January 1, 2018 and carry interest rates ranging from 3.75% to 6.75%. The notes require monthly payments into a debt service account from which annual debt service payments are made. The Note is secured by 1% restricted street sales tax revenues. 3,120,000

\$ 10,184,206

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

Type of Debt	Balance at July 1, 2010	Amount Issued	Amount Retired	Balance at June 30, 2011	Due Within One Year
Governmental activities					
Police vehicle	\$ 38,438	\$ -	\$ 38,438	\$ -	\$ -
Total governmental activities	<u>\$ 38,438</u>	<u>\$ -</u>	<u>\$ 38,438</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities:					
<i>Notes Payable</i>					
Sewer system	\$ 293,974	\$ -	\$ 69,929	\$ 224,045	\$ 72,235
Water system	6,760,225	469,482	389,546	6,840,161	348,208
<i>Bonds Payable</i>					
Street improvements	3,495,000	-	375,000	3,120,000	395,000
Total business-type activities	<u>\$ 10,549,199</u>	<u>\$ 469,482</u>	<u>\$ 834,475</u>	<u>\$ 10,184,206</u>	<u>\$ 815,443</u>
Total primary government	<u>\$ 10,587,637</u>	<u>\$ 469,482</u>	<u>\$ 872,913</u>	<u>\$ 10,184,206</u>	<u>\$ 815,443</u>

CITY OF PERRY, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011 follow:

Year Ending June 30	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2012	\$ 420,443	\$ 293,628	\$ 395,000	\$ 119,013
2013	437,920	276,758	410,000	103,123
2014	456,098	259,179	430,000	86,812
2015	395,339	242,463	445,000	70,668
2016	412,438	225,613	460,000	50,000
2017-2022	2,320,343	847,122	980,000	55,500
2023-2026	2,621,625	310,158	-	-
Totals	\$ 7,064,206	\$ 2,454,941	\$ 3,120,000	\$ 485,136

CITY OF PERRY, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2011 were as follows:

	<u>Due From</u>	<u>Due To</u>
GENERAL FUND		
Utility Authority	\$ -	\$ 2,823,334
UTILITY AUTHORITY		
General Fund	2,823,334	
	<u>\$ 2,823,334</u>	<u>\$ 2,823,334</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Public Access	\$ -	\$ 951
Utility Authority	2,585,974	-
Total General Fund	<u>2,585,974</u>	<u>951</u>
LIMITED PURPOSE SALES TAX		
Utility Authority	-	586,359
Total Limited Purpose Sales Tax	<u>-</u>	<u>586,359</u>
STREET IMPROVEMENT FUND		
Utility Authority	136,158	-
Total Street Improvement Fund	<u>136,158</u>	<u>-</u>
Public Access Fund		
General Fund	951	-
Total Public Access Fund	<u>951</u>	<u>-</u>
CEMETERY FUND		
Utility Authority	143,000	-
Total Cemetery Fund	<u>143,000</u>	<u>-</u>
UTILITY AUTHORITY		
General Fund	-	2,585,974
Street Improvement	-	136,158
Limited Purpose Sales Tax	586,359	-
General Cemetery	-	143,000
Total Utility Authority	<u>586,359</u>	<u>2,865,132</u>
GRAND TOTAL	<u>\$ 3,452,442</u>	<u>\$ 3,452,442</u>

(4) RETIREMENT PLANS

The City participates in three employee pension systems as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Oklahoma Municipal Retirement Fund	Agent Multiple Employer – Defined Benefit Plan
Oklahoma Police Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan
Oklahoma Firefighter Pension and Retirement Fund	Cost Sharing Multiple Employer – Defined Benefit Plan

A. Oklahoma Municipal Retirement Fund

Plan Description

The City contributes to a cost-sharing, multiple-employer defined benefit pension plan adopted by the City and administered by the Oklahoma Municipal Retirement System, which was established to administer pension plans for municipal employees. Membership in the plan is as follows:

CITY OF PERRY, OKLAHOMA
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JUNE 30, 2011

	As of
	March 2011
Retired participants and beneficiaries	13
Active participants	53
Total	66

The following is a summary of eligibility, contribution methods and benefits provisions:

Provision	OMRF Plan
a. Eligible to Participate	Full-time, employees of the City or Authority, except police, firefighters, and other employees who are covered under another approved system. The Plan has a 3 month probationary period.
b. Contributions Requirement	By City Ordinance
- Authorization	Yes
- Actuarially Determined	8.73% of covered payroll
- Employer Rate	4% of covered payroll
- Employee Rate	
c. Period Required to Vest	10 years of vesting service
d. Eligibility for Distribution	<ul style="list-style-type: none"> - Normal retirement at age 65 with 10 years of vesting service. - Early Retirement after age 55 with 10 years or more of vesting. - Disability retirement upon total and permanent disability with 10 years of service. - Death benefits with 10 years of vesting service, if married, 50% of accrued benefit payable to spouse until death or remarriage, if single, 50% of the accrued benefit is payable for 10 years certain.
e. Benefit Determination Base	Final average salary – the average of the five highest consecutive annual salaries out of the last 10 years of service.
f. Benefit Determination Methods:	
- Normal Retirement	2.625% of final average compensation multiplied by the number of years of credited service.
- Early Retirement	Payable starting at normal retirement or the accrued benefit reduced 5% per year for commencement prior to normal retirement age.
- Disability Retirement	Payable upon disablement without reduction for early payment
- Death Benefit	50% of employee's accrued benefit, see above
- Prior to 10 Years Service	Return of employee contributions with accrued interest.
g. Form of Benefit Payments	Normal form of payment of the accrued benefit is a monthly lifetime annuity with 10 years certain. Other retirement benefits are available under actuarially equivalent optional forms.

Funding Status and Progress

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (JAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	JAAL as a % of Covered Payroll (b-a/c)
01/01/11	2,683,433	3,110,570	427,137	86.3%	1,539,753	26.0%

a. Date of last Actuarial Valuation	March 2011
b. Significant Actuarial Assumptions Used:	
1. Rate of Return on Investments	7.5% per annum
2. Projected Salary Increase	4.0% - 7.42%
3. Retirement Age	Rates by age
4. Mortality Table	UP 1994 mortality (projected)
5. Asset Value	Actuarial method
c. Actuarial cost method	Entry age normal
d. Amortization method	Level % of payroll

CITY OF PERRY, OKLAHOMA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

The City made \$145,770 in employer contributions to the Plan for fiscal year 2011; employee contributions were \$67,488.

B. Oklahoma Police and Firefighter's Pension and Retirement Systems

Plan Description

The City participates in two statewide, cost-sharing, multiple-employer defined benefit plans on behalf of police officers and firefighters. The table below is a summary of eligibility factors contribution methods, and benefit provisions.

These two systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations as necessary.

	Oklahoma Firefighter's Pension and Retirement System	Oklahoma Police Pension and Retirement System
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.	All full-time officers employed by a participating municipality; not less than 21 years of age or more than 45 years of age when hired
Authority establishing contribution obligations and benefits	State Statute	State Statute
Plan member's contribution rate	0% of covered payroll	8% of covered payroll
City's contribution rate	\$60 per year, per firefighter	13% of covered payroll
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.	NA
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years.	Yes, 20 years credited service with option to participate in deferred option plan for a maximum of 5 years
<i>Annual Required Contributions</i>		
Provision for:		
Cost of living adjustment	Yes, if vested by 5/83	Yes
Death (duty, non-duty, post retirement)	Yes	Yes
Disability (duty, non-duty)	Yes	Yes
Cost of living allowances	Yes	Yes
Valuation Date	7/1/07	7/1/07
Actuarial cost method	Individual entry age normal	Individual entry age
Amortization method/period	Level dollar 30 years, open	Level dollar 30 years, open
<i>Actuarial assumptions:</i>		
Investment rate of return	7.5%	7.5%
Projected salary increases	5.0% - 19.0%	4.0% - 10.0%
Post retirement benefit increases	2.0%	2.0%
Inflation	3.0%	3.0%
Other	1994 group annuity table set forward 1 year for men and 2 years for women	1994 group annuity table set forward 1 year for men and 2 years for women

Employer contribution rates are determined by Oklahoma State Statute.

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(6) COMMITMENTS AND CONTINGENCIES

A. Litigation

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

B. Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

City of Perry, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2011

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Taxes	\$ 668,784	\$ 145,000	\$ 813,784	\$ 1,037,730	\$ 223,946
Licenses & permits	6,750	2,500	9,250	7,325	(1,924)
Rents & royalties	129,550	-	129,550	148,414	18,864
Fines and forfeitures	76,700	32,050	108,750	144,209	35,459
Charges for services	323,500	-	323,500	272,253	(51,247)
Intergovernmental	51,934	46,000	97,934	1,822	(96,112)
Interest	85,000	-	85,000	53,998	(31,002)
Other revenues	65,747	36,200	101,947	155,981	54,034
Total revenues	1,407,965	261,750	1,669,715	1,821,733	152,018
EXPENDITURES					
Current:					
General government:					
General government	890,400	(138,500)	551,900	551,938	(38)
Total general government	890,400	(138,500)	551,900	551,938	(38)
Public safety and judiciary:					
Police	1,253,250	(51,500)	1,201,750	1,190,684	11,066
Code enforcement	37,480	(10,000)	27,480	27,110	370
Animal control	46,475	-	46,475	43,724	2,751
Fire	246,400	(4,800)	241,600	233,929	7,671
Municipal court	86,000	28,000	114,000	113,578	422
Total public safety and judiciary	1,669,605	(38,300)	1,631,305	1,609,025	22,280
Transportation:					
Street	557,960	236,000	793,960	789,888	4,072
Total transportation	557,960	236,000	793,960	789,888	4,072
Cultural, parks and recreation:					
Parks	241,750	48,600	290,350	289,864	486
Library	202,500	30,000	232,500	229,542	2,958
Total cultural, parks and recreation	444,250	78,600	522,850	519,406	3,444
Ambulance:					
Ambulance	440,500	56,000	496,500	499,532	(3,032)
Total ambulance	440,500	56,000	496,500	499,532	(3,032)
Economic development					
Economic development	37,500	20,500	58,000	58,011	(11)
Total economic development	37,500	20,500	58,000	58,011	(11)
Total expenditures	3,840,215	214,300	4,054,515	4,027,800	26,715
Revenue over (under) expenditures	(2,432,250)	47,450	(2,384,800)	(2,208,067)	125,303
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	2,432,250	-	2,432,250	2,585,023	152,773
Net other financing sources (uses)	2,432,250	-	2,432,250	2,585,023	152,773
Revenues and other financing sources over (under) expenditures and other uses	-	47,450	47,450	378,956	278,076
Fund balance at beginning of year (Non-GAAP budgetary basis)				1,728,667	1,728,667
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 2,107,623	<u>\$ 2,006,743</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(68,319)	
Fund balance at end of year (GAAP basis)				<u>\$ 2,039,304</u>	

City of Perry, Oklahoma
 Limited Purpose Sales Tax
 Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2011

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Taxes	\$ 505,154	\$ -	\$ 505,154	\$ 605,524	\$ 100,370
Total revenues	505,154	-	505,154	605,524	100,370
Revenue over (under) expenditures	505,154	-	505,154	605,524	100,370
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	(498,355)	-	(498,355)	(588,359)	(90,004)
Net other financing sources (uses)	(498,355)	-	(498,355)	(588,359)	(90,004)
Revenues and other financing sources over (under) expenditures and other uses	8,799	-	8,799	19,165	10,366
Fund balance at beginning of year (Non-GAAP budgetary basis)				107,437	107,437
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 126,602	\$ 117,803
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Accrual adjustment				(17,938)	
Fund balance at end of year (GAAP basis)				\$ 108,664	

City of Perry, Oklahoma
Street Improvement Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2011

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Taxes	\$ 404,124	\$ -	\$ 404,124	\$ 484,419	\$ 80,295
Interest	500	-	500	-	(500)
Total revenues	<u>404,624</u>	<u>-</u>	<u>404,624</u>	<u>484,419</u>	<u>79,795</u>
EXPENDITURES					
Street Sales Tax					
Capital projects	225,000	-	225,000	259,704	(34,704)
Debt Service	512,763	-	512,763	513,047	(284)
Transfer out	(80,000)	-	(90,000)	(96,093)	6,093
Total general government	<u>647,763</u>	<u>-</u>	<u>847,763</u>	<u>676,658</u>	<u>(28,895)</u>
Revenues and other financing sources over (under) expenditures and other uses	(243,139)	-	(243,139)	(192,239)	108,660
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>230,457</u>	<u>230,457</u>
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 38,218	<u>\$ 230,457</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Taxes receivable				<u>2,608</u>	
Fund balance at end of year (GAAP basis)				<u>\$ 41,026</u>	

Derrel S. White, CPA

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

To the Honorable Mayor and the Board of Trustees
City of Perry, OK

We have audited 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 City of Perry, OK, as of and for the year ended June 30, 2011, which collectively comprise the City of Perry, OK's basic financial statements and have issued our report thereon dated November 4, 2011 with an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Perry, OK's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Perry, OK's financial statements that is more than inconsequential will not be prevented or detected by the City of Perry, OK's internal control. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Perry, OK's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Perry, OK'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*.

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



Derrel S. White, CPA

Woodward, OK

November 4, 2011