

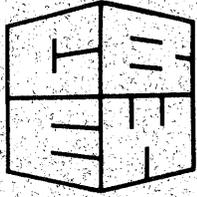
**CITY OF PERRY, OKLAHOMA
PERRY, OKLAHOMA**

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

**FOR THE YEAR ENDED
JUNE 30, 2012**

CITY OF PERRY, OKLAHOMA
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INDEPENDENT AUDITOR'S REPORT

December 17, 2012

Honorable City Council
City of Perry
Perry, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Perry, Oklahoma, (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 the 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Perry, Oklahoma, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10, budgetary comparison information on pages 36 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

City of Perry
December 17, 2012

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Perry's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

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, 2012. 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, 2012, the assets of the City exceeded its liabilities by \$14,128,380 (net assets) compared to \$12,990,207 in prior year. Of this amount \$4,524,566 (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 \$7,622,038 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 \$1,981,776.
 - (3) Unrestricted net assets of \$4,524,566 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- After transfers of \$1,488,514 from business-type activities to governmental activities, net assets of governmental activities decreased \$510,408 or 8%, and net assets of business-type activities increased \$1,634,569 or 26%. Overall the health of the City improved when compared to prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$291,181.

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 though 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 two 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 2011 and 2012, noting a \$1,124,161 or 9% increase. The following table provides a summary of the City's net assets at June 30:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>		
Current assets	\$ 2,864,629	\$ 2,924,533	\$ 4,505,245	\$ 4,129,109	\$ 7,369,874	\$ 7,053,642	\$ 316,232	4%
Non-current assets	-	-	3,078,853	3,018,701	3,078,853	3,018,701	60,152	2%
Capital assets, net	6,366,643	6,760,393	10,863,581	10,406,310	17,230,224	17,166,703	63,521	0%
Total assets	9,231,272	9,684,926	18,447,679	17,554,120	27,678,951	27,239,046	439,905	2%
Current liabilities	1,188,389	617,653	1,926,987	1,834,089	3,115,376	2,451,742	663,634	27%
Non-current liabilities	1,914,352	2,428,334	8,520,843	9,368,763	10,435,195	11,797,097	(1,361,902)	-12%
Total liabilities	3,102,741	3,045,987	10,447,830	11,202,852	13,550,571	14,248,839	(698,268)	-5%
Net assets								
Invested in capital assets, net of related debt	3,402,220	3,937,059	4,219,818	3,342,104	7,622,038	7,279,163	342,875	5%
Restricted	1,676,240	477,822	305,536	305,491	1,981,776	783,313	1,198,463	153%
Unrestricted	1,050,071	2,224,058	3,474,495	2,703,673	4,524,566	4,927,731	(403,165)	-8%
Total net assets	\$ 6,128,531	\$ 6,638,939	\$ 7,999,849	\$ 6,351,268	\$ 14,128,380	\$ 12,990,207	\$ 1,138,173	9%

The City reported positive balances in net assets for both governmental and business-type activities. Governmental activities noted a decrease in net assets of \$510,408, whereas net assets for business-type activities increased \$1,643,569. Overall, the City's financial position improved 9% year over year.

Changes in Net Assets

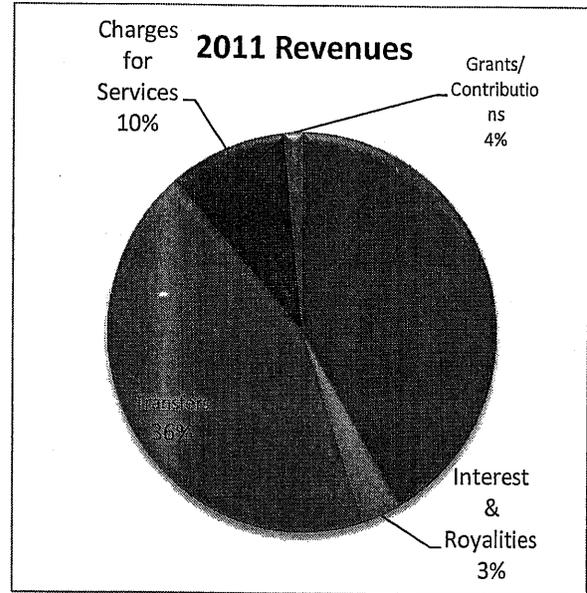
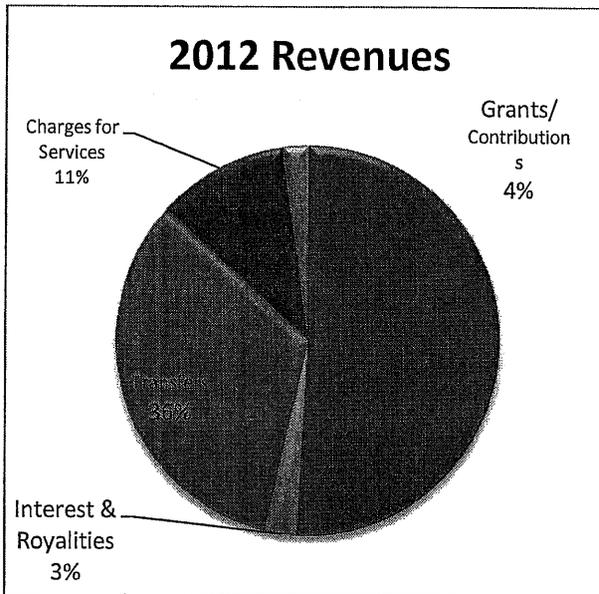
For the year ended June 30, 2012, net assets of the primary government changed as follows:

	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2012	2011	2012	2011	2012	2011		
Revenues								
Program revenues	\$ 595,595	\$ 595,798	\$ 11,115,680	\$ 9,916,332	\$ 11,711,275	\$ 10,512,130	\$ 1,199,145	11%
Taxes and other general revenues	2,507,873	2,431,118	112,622	343,477	2,620,495	2,774,595	(154,100)	-6%
Total revenues	3,103,468	3,026,916	11,228,302	10,259,809	14,331,770	13,286,725	1,045,045	6%
Expenses								
General government	677,562	652,138	-	-	677,562	652,138	25,424	4%
Public safety and judiciary	1,746,831	1,695,207	-	-	1,746,831	1,695,207	51,624	3%
Transportation	893,446	978,644	-	-	893,446	978,644	(85,198)	-9%
Cultural, parks, and recreation	602,512	657,929	-	-	602,512	657,929	(55,417)	-8%
Cemetery	167,252	191,975	-	-	167,252	191,975	(24,723)	-13%
Ambulance	837,964	584,770	-	-	837,964	584,770	253,194	43%
Economic development	176,823	154,815	-	-	176,823	154,815	22,008	14%
Electric	-	-	5,132,423	5,053,836	5,132,423	5,053,836	78,587	2%
Water	-	-	1,687,730	1,638,914	1,687,730	1,638,914	48,816	3%
Sewer	-	-	404,513	405,718	404,513	405,718	(1,205)	0%
Sanitation	-	-	403,221	388,155	403,221	388,155	15,066	4%
Airport	-	-	314,814	498,502	314,814	498,502	(183,688)	-37%
Customer service	-	-	162,518	248,887	162,518	248,887	(86,369)	-35%
Total expenses	5,102,390	4,915,478	8,105,219	8,234,012	13,207,609	13,149,490	58,119	0%
Excess (deficiency) before transfers	\$ (1,998,922)	\$ (1,888,562)	\$ 3,123,083	\$ 2,025,797	\$ 1,124,161	\$ 137,235	\$ 986,926	719%
Transfers	1,488,514	2,278,773	(1,488,514)	(2,278,773)	-	-	-	0%
Increase (decrease) in net assets	\$ (510,408)	\$ 390,211	\$ 1,634,569	\$ (252,976)	\$ 1,124,161	\$ 137,235	\$ 986,926	719%

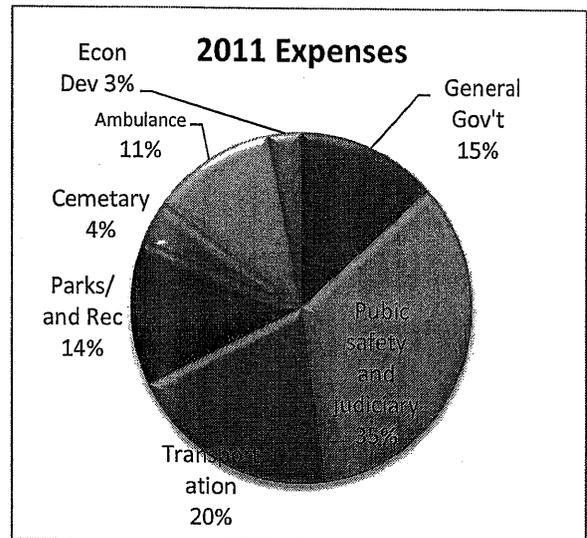
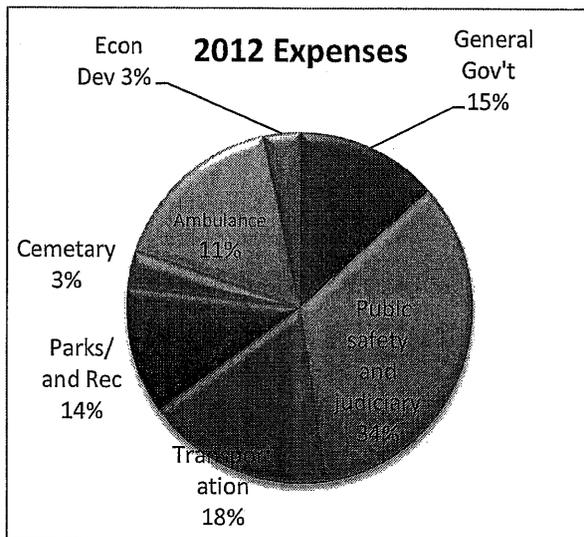
Total revenues for the City increased 6% year over year. This increase in revenues is attributable to an increase in program revenues, specifically, grants funds for the sidewalk project and utility system improvements as well as an increase in utility usage from citizens.

Operating expenses remained consistent between fiscal years, noting a calculated change of 0.44%. The consistent in expenses for the City is a function of strict budgeting and adherence to established management goals during the fiscal year.

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

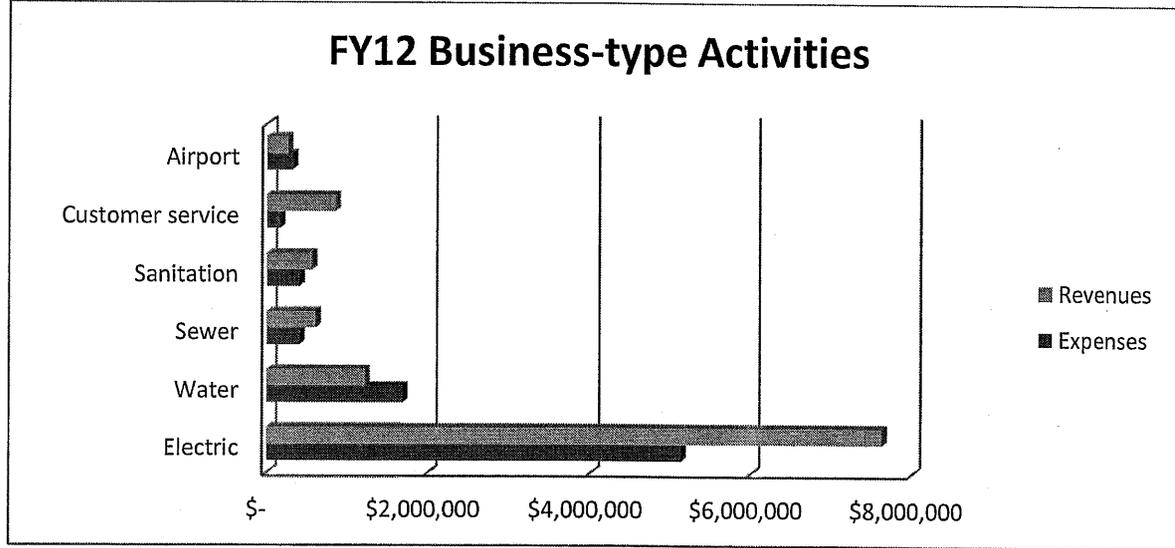


Taxes provided for 51% of the City's governmental revenues in fiscal year 2012 as compared to 42% in 2011. An increase in sales tax collections of approximately 7% is the driving factor in the increase in tax revenues. All other revenue sources remained consistent between years.



For the year ended June 30, 2012, total expenses for governmental activities amounted to \$5,102,390. Of this amount, public safety and judiciary with \$1,746,831, was the largest operating service department at 34% 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, 2012, revenues from electric, sewer, and sanitation services covered the cost of operating their respective departments. Customer service noted revenues in excess of expenses due to the grant reimbursement received on the sidewalk project.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2012 was \$3,909,910. Two budget amendments were approved during the fiscal year increasing the budget by \$571,900, for a final amended budget of \$4,481,810, prior to transfers. This was an increase of \$427,295 over the previous year's budget attributable to capital projects and increasing cost of department expenses. 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, 2012, the City had \$7,622,038 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			
	2012	2011	2012	2011	2012	2011
Land	\$ 364,944	\$ 173,856	\$ 500,000	\$ 500,000	\$ 864,944	\$ 673,856
Construction in process	2,100	2,100	1,039,566	230,938	1,041,666	233,038
Buildings	450,412	485,474	571,767	684,360	1,022,179	1,169,834
Machinery & equipment	898,487	1,091,418	71,988	98,248	970,475	1,189,666
Utility property & improvements	4,650,700	5,007,545	8,680,260	8,892,764	13,330,960	13,900,309
Totals	<u>\$ 6,366,643</u>	<u>\$ 6,760,393</u>	<u>\$ 10,863,581</u>	<u>\$ 10,406,310</u>	<u>\$ 17,230,224</u>	<u>\$ 17,166,703</u>

- In Governmental Activities, the most significant additions included the purchase of land for economic development and two used vehicles for the street department
- In Business-type activities, capital additions included continued work on the sidewalks of the City, \$80,419 in water improvements for the City, and \$97,749 in electrical improvements

Long-Term Debt

At year-end, the City had \$8,520,843 in long-term debt outstanding which represents a \$847,920 or 9% decrease from the prior year. This increase is attributable to payments made on debt during the fiscal year. The City did not issue any new debt during fiscal year 2012. The City's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	Business-type	
	Activities	
	2012	2011
Notes payable	6,643,763	7,064,206
Bonds payable	2,725,000	3,120,000
less current portion	(847,920)	(815,443)
Totals	<u>\$ 8,520,843</u>	<u>\$ 9,368,763</u>

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

The economic outlook of the City of Perry is based, in a small way, of that of the Oklahoma City market area. The City of Oklahoma City noted improvement from the national recession beginning in May 2011. Furthermore, the City of Oklahoma City surpassed revenue expectations in fiscal year 2011 and 2012.

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. The City of Perry noted increasing sales tax collections for the fiscal year 2012.

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 2012 actual collections. Other revenues are budgeted consistent with fiscal year 2012 collections.

The City has budgeted a new revenue source for fiscal year 2013 related to the ambulance district election. The budget includes a full year of the sales tax increase and six months of the approved property tax increase. The ambulance subscription fee is budgeted at a reduced level.

The Perry Municipal Authority increased utility rates 3% for fiscal year 2013.

Operating and Capital Expenses

Operating expenses for the General Fund and PMA are expected to remain consistent with fiscal year 2012. The Council has considered several capital projects for fiscal year 2013. As management continues to navigate the fiscal changes of state and local economy, capital funding decisions will be made and approved by the Council.

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, 2012

ASSETS	Governmental Activities	Business-type Activities	Total	Component Unit
Current Assets:				
Cash and cash equivalents	\$ 553,159	\$ 748,132	\$ 1,301,291	\$ 1,301,563
Investments	901,930	418,710	1,320,640	3,091,047
Accounts receivable (net)	52,876	857,365	910,241	1,296,707
Other receivables	189,466	692,833	882,299	-
Inventory	-	23,902	23,902	192,900
Due from other funds	-	64,277	64,277	-
Total current assets	<u>1,697,431</u>	<u>2,805,219</u>	<u>4,502,650</u>	<u>5,882,217</u>
Restricted assets:				
Cash and cash equivalents	1,053,550	589,418	1,642,968	-
Investments	113,648	1,110,608	1,224,256	2,569,384
Total restricted assets	<u>1,167,198</u>	<u>1,700,026</u>	<u>2,867,224</u>	<u>2,569,384</u>
Noncurrent Assets:				
Other assets	-	-	-	85,543
Due from other funds	-	2,900,146	2,900,146	-
Bond issuance costs	-	178,707	178,707	-
Land and construction in progress	367,044	1,539,566	1,906,610	-
Other capital assets (net of accumulated depreciation)	5,999,599	9,324,015	15,323,614	6,057,235
Total noncurrent assets	<u>6,366,643</u>	<u>13,942,434</u>	<u>20,309,077</u>	<u>6,142,778</u>
Total assets	<u>\$ 9,231,272</u>	<u>\$ 18,447,679</u>	<u>\$ 27,678,951</u>	<u>\$ 14,594,379</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 19,341	\$ 684,318	\$ 703,659	\$ 324,016
Other accrued liabilities	-	19,536	19,536	-
Due to other funds	1,050,071	-	1,050,071	-
Accrued salary and vacation payable	72,691	35,963	108,654	-
Payroll taxes payable	46,286	-	46,286	-
Other liabilities	-	-	-	647,186
Notes payable, current	-	437,920	437,920	71,909
Total current liabilities	<u>1,188,389</u>	<u>1,177,737</u>	<u>2,366,126</u>	<u>1,043,111</u>
Liabilities payable from restricted assets:				
Accrued payables	-	55,298	55,298	-
Customer deposits payable	-	283,952	283,952	-
Bonds payable, current	-	410,000	410,000	-
Total liabilities payable from restricted assets	<u>-</u>	<u>749,250</u>	<u>749,250</u>	<u>-</u>
Noncurrent liabilities:				
Due to other funds	1,914,352	-	1,914,352	-
Notes payable, non-current	-	6,205,843	6,205,843	120,214
Bonds payable, non-current	-	2,315,000	2,315,000	-
Total noncurrent liabilities	<u>1,914,352</u>	<u>8,520,843</u>	<u>10,435,195</u>	<u>120,214</u>
Total liabilities	<u>3,102,741</u>	<u>10,447,830</u>	<u>13,550,571</u>	<u>1,163,325</u>
NET ASSETS				
Invested in capital assets, net of related debt	3,402,220	4,219,818	7,622,038	5,865,112
Reserved for restricted purposes	1,676,240	305,536	1,981,776	50,006
Unrestricted	1,050,071	3,474,495	4,524,566	7,515,936
Total net assets	<u>\$ 6,128,531</u>	<u>\$ 7,999,849</u>	<u>\$ 14,128,380</u>	<u>\$ 13,431,054</u>

City of Perry, Oklahoma
Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 677,552	\$ 42,340	\$ -	\$ 79,705	\$ (555,507)
Total general government	677,552	42,340	-	79,705	(555,507)
Public safety and judiciary:					
Police	1,272,709	167,763	3,031	-	(1,101,915)
Code enforcement	32,338	1,606	-	-	(30,732)
Animal control	40,854	875	-	-	(39,979)
Fire	271,223	-	1,350	-	(269,873)
Municipal court	129,672	29,649	-	-	(100,023)
Civil defense	35	-	-	-	(35)
Total public safety and judiciary	1,746,831	199,893	4,381	-	(1,542,557)
Transportation:					
Street	893,446	200	101	-	(893,145)
Total transportation	893,446	200	101	-	(893,145)
Cultural, parks and recreation:					
Park	324,361	24,989	-	-	(299,372)
Library	217,515	2,761	15,583	-	(199,171)
Public access	60,636	1,400	1,050	-	(58,186)
Total cultural, parks and recreation	602,512	29,150	16,633	-	(556,729)
Cemetery:					
Cemetery	167,262	51,372	25	-	(115,865)
Total cemetery	167,262	51,372	25	-	(115,865)
Ambulance					
Ambulance	837,964	171,735	60	-	(666,169)
Total ambulance	837,964	171,735	60	-	(666,169)
Economic development:					
Economic development	176,823	-	-	-	(176,823)
Total economic development	176,823	-	-	-	(176,823)
Total governmental activities	5,102,390	494,690	21,200	79,705	(4,506,795)
Business-type activities:					
Utility services:					
Electric	5,132,423	7,615,456	20,000	-	2,503,033
Water	1,687,730	1,211,097	-	-	(476,633)
Sewer	404,513	564,416	-	40,000	199,903
Sanitation	403,221	557,467	-	-	154,246
Customer service	162,518	100,637	-	750,986	689,105
Airport	314,814	128,429	-	127,192	(59,193)
Total business-type activities	8,105,219	10,177,502	20,000	918,178	3,010,461
Component Unit:					
Patient services	8,221,523	9,024,101	58,666	101,432	962,676
Total component unit activities	8,221,523	9,024,101	58,666	101,432	962,676
Total	\$ 21,429,132	\$ 19,696,293	\$ 99,866	\$ 1,099,315	\$ (533,658)

City of Perry, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2012

Changes in Net Assets:

	Governmental Activities	Business-type Activities	Total	Component Unit
Net (expense)/revenue	\$ (4,506,795)	\$ 3,010,461	\$ (1,496,334)	962,676
General revenues:				
Taxes:				
Sales and use tax	1,822,942	-	1,822,942	-
Franchise taxes	88,530	-	88,530	-
Motor vehicle and gasoline tax	47,394	-	47,394	-
911 tax	79,666	-	79,666	-
Hotel/Motel tax	159,480	-	159,480	-
Alcohol beverage tax	64,025	-	64,025	-
Tobacco tax	24,294	-	24,294	-
Investment income	28,792	19,864	48,656	78,937
Royalties	94,595	92,758	187,353	-
Transfers-Internal activity	1,488,514	(1,488,514)	-	-
Other	98,155	-	98,155	9,461
Total general revenues and transfers	<u>3,996,387</u>	<u>(1,375,892)</u>	<u>2,620,495</u>	<u>88,398</u>
Change in net assets	(510,408)	1,634,569	1,124,161	1,051,074
Net assets-beginning	6,638,939	6,351,268	12,990,207	12,379,980
Prior period adjustment	-	14,012	14,012	-
Net assets-ending	<u>\$ 6,128,531</u>	<u>\$ 7,999,849</u>	<u>\$ 14,128,380</u>	<u>\$ 13,431,054</u>

**City of Perry, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2012**

	<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	\$ 1,329,710	\$ -	\$ -	\$ 125,379	\$ 1,455,089
Cash and investments, restricted	1,049,801	115,223	1,378	796	1,167,198
Accounts receivable	75,490	-	-	-	75,490
Allowance for doubtful accounts	(22,614)	-	-	-	(22,614)
Taxes receivable	81,543	59,957	47,966	-	189,466
Total assets	<u>\$ 2,513,930</u>	<u>\$ 175,180</u>	<u>\$ 49,344</u>	<u>\$ 126,175</u>	<u>\$ 2,864,629</u>
LIABILITIES					
Accounts payable	\$ 18,858	\$ -	\$ -	\$ 483	\$ 19,341
Due to other funds	1,050,071	-	-	-	1,050,071
Accrued vacation payable	70,103	-	-	2,588	72,691
Accrued payroll liabilities	46,286	-	-	-	46,286
Total liabilities	<u>1,185,318</u>	<u>-</u>	<u>-</u>	<u>3,071</u>	<u>1,188,389</u>
FUND BALANCES					
Restricted	-	175,180	49,344	122,697	347,221
Committed	275,751	-	-	407	276,158
Assigned	761,680	-	-	-	761,680
Unassigned	291,181	-	-	-	291,181
Total fund balances	<u>1,328,612</u>	<u>175,180</u>	<u>49,344</u>	<u>123,104</u>	<u>1,676,240</u>
Total liabilities and fund balances	<u>\$ 2,513,930</u>	<u>\$ 175,180</u>	<u>\$ 49,344</u>	<u>\$ 126,175</u>	<u>\$ 2,864,629</u>
Total fund balance- total governmental funds					1,676,240
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	367,044	
			Capital assets	12,267,654	
			Less: Accumulated depreciation	<u>(6,268,055)</u>	
					6,366,643
					<u>(1,914,352)</u>
Net assets of governmental activities					<u>\$ 6,128,531</u>

City of Perry, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2012

	General Fund	Limited Purpose Sales Tax	Street Improvement Fund	Non-Major Funds	Total Governmental Funds
REVENUES					
Sales tax	\$ 522,300	\$ 652,876	\$ 522,300	\$ -	\$ 1,697,476
Use tax	125,466	-	-	-	125,466
Franchise tax	43,670	-	-	44,860	88,530
Hotel/motel tax	159,480	-	-	-	159,480
Other taxes	215,380	-	-	-	215,380
Licenses and permits	21,718	-	-	-	21,718
Rents & royalties	130,672	-	-	-	130,672
Fines and forfeitures	198,614	-	-	-	198,614
Charges for services	185,510	-	-	51,597	237,107
Intergovernmental revenues	79,705	-	-	-	79,705
Donations	20,125	-	-	1,050	21,175
Other revenues	170,933	-	-	-	170,933
Interest	28,792	-	-	-	28,792
Total revenues	<u>1,902,365</u>	<u>652,876</u>	<u>522,300</u>	<u>97,507</u>	<u>3,175,048</u>
EXPENDITURES					
Current:					
General government:					
General government	603,953	-	-	-	603,953
Total general government	<u>603,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>603,953</u>
Public safety and judiciary:					
Police	1,183,534	-	-	-	1,183,534
Code enforcement	32,338	-	-	-	32,338
Animal control	40,854	-	-	-	40,854
Fire	249,368	-	-	-	249,368
Municipal court	115,432	-	-	-	115,432
Emergency management	35	-	-	-	35
Total public safety and judiciary	<u>1,621,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,621,561</u>
Transportation:					
Street	705,469	-	513,982	-	1,219,451
Total transportation	<u>705,469</u>	<u>-</u>	<u>513,982</u>	<u>-</u>	<u>1,219,451</u>
Cultural, parks and recreation:					
Parks	244,186	-	-	-	244,186
Library	209,371	-	-	-	209,371
Public access	-	-	-	60,637	60,637
Total cultural, parks and recreation	<u>453,557</u>	<u>-</u>	<u>-</u>	<u>60,637</u>	<u>514,194</u>
Cemetery:					
General cemetery	-	-	-	156,852	156,852
Total cemetery	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,852</u>	<u>156,852</u>
Ambulance:					
Ambulance	834,120	-	-	-	834,120
Total ambulance	<u>834,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>834,120</u>
Economic development:					
Economic development	80,019	-	-	-	80,019
Total economic development	<u>80,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,019</u>
Capital outlay					
Total expenditures	4,555,731	-	513,982	224,489	5,294,202
Excess (deficiency) of revenues over expenditures	<u>(2,653,366)</u>	<u>652,876</u>	<u>8,318</u>	<u>(126,982)</u>	<u>(2,119,154)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	2,074,874	-	-	132,200	2,207,074
Transfers out	(132,200)	(586,360)	-	-	(718,560)
Total other financing sources and uses	<u>1,942,674</u>	<u>(586,360)</u>	<u>-</u>	<u>132,200</u>	<u>1,488,514</u>
Net change in fund balances	(710,692)	66,516	8,318	5,218	(630,640)
Fund balances - beginning	2,039,304	108,664	41,026	117,886	2,306,880
Fund balances - ending	<u>\$ 1,328,612</u>	<u>\$ 175,180</u>	<u>\$ 49,344</u>	<u>\$ 123,104</u>	<u>\$ 1,676,240</u>

City of Perry, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2012

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 \$ (630,640)

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	264,052
Depreciation expense	(657,802)

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	<u>513,982</u>

Change in Net Assets of Governmental Activities	<u>\$ (510,408)</u>
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City of Perry, Oklahoma
Statement of Net Assets
Proprietary Funds
June 30, 2012

				Component Unit
	Public Utility Authority	Airport Authority	Total Enterprise Funds	Municipal Hospital Authority
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 638,699	\$ 109,433	\$ 748,132	\$ 1,301,563
Investments	416,192	2,518	418,710	3,091,047
Accounts receivable	873,662	-	873,662	2,215,707
Allowance for doubtful accounts	(16,297)	-	(16,297)	(919,000)
Grant receivable	692,833	-	692,833	-
Inventory	-	23,902	23,902	192,900
Other assets	64,277	-	64,277	85,543
Total current assets	<u>2,669,366</u>	<u>135,853</u>	<u>2,805,219</u>	<u>5,967,760</u>
Current assets:				
Restricted assets:				
Cash, including time deposits	589,418	-	589,418	-
Investments	1,110,608	-	1,110,608	2,569,384
Total restricted assets	<u>1,700,026</u>	<u>-</u>	<u>1,700,026</u>	<u>2,569,384</u>
Noncurrent assets:				
Due from other funds	2,900,146	-	2,900,146	-
Unamortized bond issue costs	178,707	-	178,707	-
Capital assets (net)	9,392,525	1,471,056	10,863,581	6,057,235
Total noncurrent assets	<u>12,471,378</u>	<u>1,471,056</u>	<u>13,942,434</u>	<u>6,057,235</u>
Total assets	<u>\$ 16,840,770</u>	<u>\$ 1,606,909</u>	<u>\$ 18,447,679</u>	<u>\$ 14,594,379</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 598,788	\$ 85,530	\$ 684,318	\$ 324,016
Sales tax payable	19,536	-	19,536	-
Compensated absences	33,490	2,473	35,963	-
Other liabilities	-	-	-	647,186
Notes payable, current	437,920	-	437,920	71,909
Total current liabilities	<u>1,089,734</u>	<u>88,003</u>	<u>1,177,737</u>	<u>1,043,111</u>
Liabilities payable from restricted assets:				
Customer deposits payable	283,952	-	283,952	-
Accrued interest payable	55,298	-	55,298	-
Bonds payable, current	410,000	-	410,000	-
Total liabilities payable from restricted assets	<u>749,250</u>	<u>-</u>	<u>749,250</u>	<u>-</u>
Noncurrent liabilities:				
Notes payable, non-current	6,205,843	-	6,205,843	120,214
Bonds payable, non-current	2,315,000	-	2,315,000	-
Total noncurrent liabilities	<u>8,520,843</u>	<u>-</u>	<u>8,520,843</u>	<u>120,214</u>
Total liabilities	<u>10,359,827</u>	<u>88,003</u>	<u>10,447,830</u>	<u>1,163,325</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,748,762	1,471,056	4,219,818	5,865,112
Restricted	305,536	-	305,536	50,006
Unrestricted	3,426,645	47,850	3,474,495	7,515,936
Total net assets	<u>\$ 6,480,943</u>	<u>\$ 1,518,906</u>	<u>\$ 7,999,849</u>	<u>\$ 13,431,054</u>

City of Perry, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012

	Public Utility Authority	Airport Authority	Total Enterprise Funds	Component Unit Municipal Hospital Authority
<u>Operating revenues:</u>				
Charges for services:				
Electric charges	\$ 7,588,134	\$ -	\$ 7,588,134	\$ -
Water charges	1,206,857	-	1,206,857	-
Sewer charges	564,416	-	564,416	-
Sanitation charges	557,467	-	557,467	-
Penalties	100,637	-	100,637	-
Net patient and service charges	-	-	-	7,240,101
Total charges for services	<u>10,017,511</u>	<u>-</u>	<u>10,017,511</u>	<u>7,240,101</u>
Lease and rental income	-	20,968	20,968	-
Other fees and charges	27,322	2,275	29,597	1,784,000
Fees & oil sales	-	105,185	105,185	-
Total operating revenues	<u>10,044,833</u>	<u>128,428</u>	<u>10,173,261</u>	<u>9,024,101</u>
<u>Operating expenses:</u>				
Personal services	1,190,958	69,843	1,260,801	2,553,528
Materials and supplies	433,786	26,372	460,158	3,247,872
Purchases for resale	4,451,996	101,765	4,553,761	-
Other services and charges	628,289	25,633	653,922	1,772,340
Depreciation and amortization	856,726	91,201	947,927	631,967
Total operating expenses	<u>7,561,755</u>	<u>314,814</u>	<u>7,876,569</u>	<u>8,205,707</u>
Net operating income	2,483,078	(186,386)	2,296,692	818,394
<u>Nonoperating revenue (expense):</u>				
Investment income	19,862	2	19,864	78,937
Royalty income	-	92,758	92,758	-
Intergovernmental	737,073	127,192	864,265	-
Interest expense	(408,548)	-	(408,548)	(15,816)
Bad debt	-	-	-	-
Contributions	58,153	-	58,153	160,098
Other revenue (expenses)	201,597	-	201,597	9,461
Total nonoperating revenue (expense)	<u>608,137</u>	<u>219,952</u>	<u>828,089</u>	<u>232,680</u>
Net Income before contributions and transfers	3,091,215	33,566	3,124,781	1,051,074
Transfers from other funds	1,100,342	-	1,100,342	-
Transfers to other funds	<u>(2,588,856)</u>	<u>-</u>	<u>(2,588,856)</u>	<u>-</u>
Change in net assets	1,602,701	33,566	1,636,267	1,051,074
Net assets-beginning of year	4,878,242	1,471,328	6,349,570	12,379,980
Prior period adjustment	-	14,012	14,012	-
Net assets-end of year	<u>\$ 6,480,943</u>	<u>\$ 1,518,906</u>	<u>\$ 7,999,849</u>	<u>\$ 13,431,054</u>

City of Perry, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Component Unit			
	Public Utility Authority	Airport Authority	Total Enterprise Funds	Municipal Hospital Authority
Cash flows from operating activities:				
Receipts from customers/patients	\$ 10,110,909	\$ 132,531	\$ 10,243,440	\$ 8,562,491
Payments to suppliers	(5,475,279)	(84,823)	(5,560,102)	(3,928,500)
Payments to employees	(1,188,567)	(69,020)	(1,257,587)	(3,521,517)
Net cash provided (used) by operating activities	3,447,063	(21,312)	3,425,751	1,112,474
Cash flows from non-capital financing activities:				
Transfers from other funds	1,100,342	-	1,100,342	-
Transfers to other funds	(2,588,856)	-	(2,588,856)	-
Interfund receipts/(payments)	(409,930)	-	(409,930)	-
Receipts from nonoperating income and contributions	228,919	92,758	321,677	58,666
Net cash provided (used) by non-capital financing activities	(1,669,525)	92,758	(1,576,767)	58,666
Cash flows from capital and related financing activities:				
Capital grants and contributions received	795,226	135,962	931,188	101,432
Purchases of capital assets	(1,206,255)	(198,943)	(1,405,198)	(942,238)
Principal paid on capital debt	(815,444)	-	(815,444)	(67,178)
Interest paid on capital debt	(417,305)	-	(417,305)	(15,623)
Net cash provided (used) by capital and related financing activities	(1,643,778)	(62,981)	(1,706,759)	(923,607)
Cash flows from investing activities:				
Net (purchase)/sale of certificates of deposits	-	-	-	75,233
Investment income	19,862	2	19,864	79,333
Net cash provided (used) by investing activities	19,862	2	19,864	154,566
Net increase (decrease) in cash and cash equivalents	153,622	8,467	162,089	402,099
Cash & cash equivalents, June 30, 2011	1,074,495	100,966	1,175,461	899,464
Cash & cash equivalents, June 30, 2012	\$ 1,228,117	\$ 109,433	\$ 1,337,550	\$ 1,301,563
Cash, including time deposits	\$ 638,699	\$ 109,433	748,132	\$ 1,301,563
Restricted cash, including time deposits	589,418	-	589,418	-
Total cash and cash equivalents, end of year	\$ 1,228,117	\$ 109,433	\$ 1,337,550	\$ 1,301,563
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 2,483,078	\$ (186,386)	\$ 2,296,692	\$ 818,394
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	856,726	91,201	947,927	631,967
Provision for bad debt	-	-	-	901,573
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	66,076	4,103	70,179	(1,313,183)
(Increase) decrease in inventory	-	(19,203)	(19,203)	(8,678)
(Increase) decrease in other assets	-	-	-	(16,719)
Increase (decrease) in accounts payable	28,042	88,150	116,192	88,327
Increase (decrease) in deposits subject to refund	10,750	-	10,750	-
Increase (decrease) in accrued vacation payable	2,391	823	3,214	-
Increase (decrease) in other liabilities	-	-	-	10,793
Total adjustments	963,985	165,074	1,129,059	294,080.00
Net cash provided (used) by operating activities	\$ 3,447,063	\$ (21,312)	\$ 3,425,751	\$ 1,112,474

**City of Perry, Oklahoma
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012**

	<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	\$ 2,682	\$ 2,049	\$ 796	\$ 5,527
Investments	-	120,648	-	120,648
Total assets	<u>\$ 2,682</u>	<u>\$ 122,697</u>	<u>\$ 796</u>	<u>\$ 126,175</u>
LIABILITIES				
Accounts payable	\$ 295	\$ -	\$ 188	\$ 483
Accrued vacation payable	1,998	-	590	2,588
Total liabilities	<u>2,293</u>	<u>-</u>	<u>778</u>	<u>3,071</u>
FUND BALANCES				
Restricted	-	122,697	-	122,697
Committed	389	-	18	407
Total fund balances	<u>389</u>	<u>122,697</u>	<u>18</u>	<u>123,104</u>
Total liabilities and fund balances	<u>\$ 2,682</u>	<u>\$ 122,697</u>	<u>\$ 796</u>	<u>\$ 126,175</u>

City of Perry, Oklahoma
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
June 30, 2012

	General Cemetery Fund	Cemetery Care Fund	Public Access Fund	Total Non-Major Funds
REVENUES				
Franchise taxes	\$ -	\$ -	\$ 44,860	\$ 44,860
Charges for services	44,739	6,658	200	51,597
Donations	-	-	1,050	1,050
Interest income	-	-	-	-
Total revenues	<u>44,739</u>	<u>6,658</u>	<u>46,110</u>	<u>97,507</u>
EXPENDITURES				
Cultural, parks and recreation:				
General cemetery	156,852	-	-	156,852
Public information network	-	-	60,637	60,637
Total cultural, parks and recreation	<u>156,852</u>	<u>-</u>	<u>60,637</u>	<u>217,489</u>
Capital outlay	-	7,000	-	7,000
Total expenditures	<u>156,852</u>	<u>7,000</u>	<u>60,637</u>	<u>224,489</u>
Excess (deficiency) of revenues over expenditures	<u>(112,113)</u>	<u>(342)</u>	<u>(14,527)</u>	<u>(126,982)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in/(out)	115,000	-	17,200	132,200
Total other financing sources and uses	<u>115,000</u>	<u>-</u>	<u>17,200</u>	<u>132,200</u>
Net change in fund balances	2,887	(342)	2,673	5,218
Fund balances - beginning	(2,498)	123,039	(2,655)	117,886
Fund balances - ending	<u>\$ 389</u>	<u>\$ 122,697</u>	<u>\$ 18</u>	<u>\$ 123,104</u>

(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 and 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 60 Oklahoma Statute 1961 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
JUNE 30, 2012

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 measurements 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 December 17, 2012, 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
NOTES TO FINANCIAL STATEMENTS
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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.

Equity Classifications

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council, the Town's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

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.

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 the current portion of compensated absences payable to employees.

(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, 2012, 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.

Revenue Bond Coverage

	1997 OWRB	2006 OWRB	2007 Series	2010 OWRB
Gross revenue available for debt service:				
Operating revenues of pledged utility system(s)	\$ 564,416	\$ 1,211,097	\$ 7,615,456	\$ 1,211,097
Pledged revenues (taxes, utilities)	-	652,876	522,300	484,442
Operating expenses of utility system(s)	(404,513)	(1,687,730)	(5,132,423)	(1,687,730)
Excluding depreciation and amortization	94,734	645,203	94,302	645,203
Net revenues available for debt service	<u>\$ 254,637</u>	<u>\$ 821,446</u>	<u>\$ 3,099,635</u>	<u>\$ 653,012</u>
Average annual debt service	77,495	586,359	515,188	51,585
Computed coverage	3.29	1.40	6.02	12.66
Coverage requirement	1.25	1.25	1.25	1.25

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 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				
<u>INVESTMENTS:</u>				
Certificates of deposit, pooled	\$ 2,697,246	\$ 2,697,246	N/A	185
Total investments	<u>2,697,246</u>	<u>2,697,246</u>		
Total primary government investments	<u>\$ 2,697,246</u>	<u>\$ 2,697,246</u>		

RECONCILIATION TO STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Investments, unrestricted	\$ 901,930	\$ 418,710	\$ 1,320,640
Investments, restricted	265,998	1,110,608	1,376,606
Total investments	<u>\$ 1,167,928</u>	<u>\$ 1,529,318</u>	<u>\$ 2,697,246</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, 2012. Refer to the Perry Memorial Hospital Authority and Controlled Entity June 30, 2012 audit report for further discussion of the investments held by PMHA.

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2012 follows:

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Land	\$ 173,856	\$ 191,088	\$ -	\$ 364,944
Construction in process	2,100	-	-	2,100
Buildings & structures	1,652,739	-	-	1,652,739
Machinery, furniture, & equipment	3,495,004	72,964	-	3,567,968
Infrastructure & improvements	7,046,947	-	-	7,046,947
Total	12,370,646	264,052	-	12,634,698
Less accumulated depreciation	5,610,253	657,802	-	6,268,055
Fixed assets, net	\$ 6,760,393	\$ (393,750)	\$ -	\$ 6,366,643

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2012 follows:

Perry Municipal Authority

	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Buildings	3,416,785	-	-	3,416,785
Machinery, furniture, & equipment	1,245,338	16,140	-	1,261,478
Infrastructure	15,055,965	562,770	-	15,618,735
Construction in process	230,938	897,477	88,850	1,039,565
Total	20,449,026	1,476,387	88,850	21,836,563
Less accumulated depreciation	10,042,716	930,266	-	10,972,982
Fixed assets, net	\$ 10,406,310	\$ 546,121	\$ (88,850)	\$ 10,863,581

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	\$ 73,599	Electric	\$ 94,302
Public safety & judiciary	125,271	Water	645,203
Transportation	259,555	Sewer	94,734
Cultural, parks & recreation	88,319	Customer service	4,827
Cemetery	10,410	Airport	91,200
Ambulance	3,844		
Economic development	96,804	Total depreciation expense	<u>\$ 930,266</u>
Total depreciation expense	<u>\$ 657,802</u>		

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

C. LONG-TERM DEBT

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2012:

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. \$ 151,810

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. 6,086,063

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. 405,890

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. 2,725,000

\$ 9,368,763

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

<u>Type of Debt</u>	<u>Balance at July 1, 2011</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2012</u>	<u>Due Within One Year</u>
Business-type activities:					
<i>Notes Payable</i>					
Sewer system	\$ 224,045	\$ -	\$ 72,235	\$ 151,810	\$ 74,660
Water system	6,840,161	-	348,208	6,491,953	363,260
<i>Bonds Payable</i>					
Street improvements	3,120,000	-	395,000	2,725,000	410,000
Total business-type activities	<u>\$ 10,184,206</u>	<u>\$ -</u>	<u>\$ 815,443</u>	<u>\$ 9,368,763</u>	<u>\$ 847,920</u>

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2012 follow:

Year Ending June 30	Notes Payable		Bonds Payable	
	Principal	Interest	Principal	Interest
2013	\$ 437,920	\$ 276,758	\$ 410,000	\$ 103,123
2014	456,098	259,179	430,000	86,812
2015	395,339	242,483	445,000	70,688
2016	412,438	225,613	460,000	50,000
2017	430,330	207,964	480,000	36,750
2018-2023	2,368,428	747,103	500,000	18,750
2024-2026	2,143,210	202,212	-	-
Totals	<u>\$ 6,643,763</u>	<u>\$ 2,161,312</u>	<u>\$ 2,725,000</u>	<u>\$ 366,123</u>

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2012 were as follows:

	<u>Due From</u>	<u>Due To</u>
GENERAL FUND		
Utility Authority	\$ -	\$ 2,964,423
UTILITY AUTHORITY		
General Fund	2,964,423	
	<u>\$ 2,964,423</u>	<u>\$ 2,964,423</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL FUND		
Public Access	\$ -	\$ 17,200
Cemetery	-	115,000
Utility Authority	2,588,856	-
Total General Fund	<u>2,588,856</u>	<u>132,200</u>
LIMITED PURPOSE SALES TAX		
Utility Authority	-	586,360
Total Limited Purpose Sales Tax	<u>-</u>	<u>586,360</u>
STREET IMPROVEMENT FUND		
Utility Authority	-	513,982
Total Street Improvement Fund	<u>-</u>	<u>513,982</u>
Public Access Fund		
General Fund	17,200	-
Total Public Access Fund	<u>17,200</u>	<u>-</u>
CEMETERY FUND		
General Fund	115,000	-
Total Cemetery Fund	<u>115,000</u>	<u>-</u>
UTILITY AUTHORITY		
General Fund	-	2,588,856
Street Improvement	513,982	-
Limited Purpose Sales Tax	586,360	-
Total Utility Authority	<u>1,100,342</u>	<u>2,588,856</u>
GRAND TOTAL	<u>\$ 3,821,398</u>	<u>\$ 3,821,398</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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

	As of
	March 2012
Retired participants and beneficiaries	12
Active participants	46
Total	58

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	
- Authorization	By City Ordinance
- Actuarially Determined	Yes
- Employer Rate	8.23% of covered payroll
- Employee Rate	4% of covered payroll
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 (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
01/01/12	2,895,021	3,325,303	429,283	87.1%	1,510,065	28.4%

- | | |
|--|-------------------------------|
| a. Date of last Actuarial Valuation | March 2012 |
| 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 |

CITY OF PERRY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

d. Amortization method

Level % of payroll

The City made \$141,554 in employer contributions to the Plan for fiscal year 2012; employee contributions were \$66,582.

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 (volunteer)	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 \$7.53 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	7/1/12	7/1/12
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 back 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.

(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, 2012

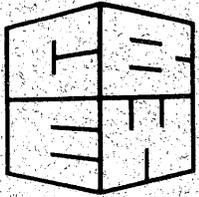
	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Taxes	\$ 580,873	\$ 347,000	\$ 927,873	\$ 1,066,296	\$ 138,423
Licenses & permits	4,650	-	4,650	21,718	17,068
Rents & royalties	128,500	-	128,500	130,672	2,172
Fines and forfeitures	141,700	101,600	243,300	198,614	(44,686)
Charges for services	227,500	110,000	337,500	185,510	(151,990)
Intergovernmental	246,882	3,000	249,882	79,705	(170,177)
Interest	65,000	2,000	67,000	28,792	(38,208)
Other revenues	46,500	14,500	61,000	181,645	120,645
Total revenues	<u>1,441,605</u>	<u>578,100</u>	<u>2,019,705</u>	<u>1,892,952</u>	<u>(126,753)</u>
EXPENDITURES					
Current:					
General government:					
General government	679,050	-	679,050	603,953	75,097
Total general government	<u>679,050</u>	<u>-</u>	<u>679,050</u>	<u>603,953</u>	<u>75,097</u>
Public safety and judiciary:					
Police	1,160,000	68,000	1,228,000	1,186,534	41,466
Code enforcement	46,250	5,000	51,250	32,338	18,912
Animal control	43,500	-	43,500	40,854	2,646
Fire	267,650	2,000	269,650	252,368	17,282
Municipal court	106,600	5,900	112,500	112,432	68
Total public safety and judiciary	<u>1,624,000</u>	<u>80,900</u>	<u>1,704,900</u>	<u>1,624,526</u>	<u>80,374</u>
Transportation:					
Street	717,250	40,000	757,250	705,469	51,781
Total transportation	<u>717,250</u>	<u>40,000</u>	<u>757,250</u>	<u>705,469</u>	<u>51,781</u>
Cultural, parks and recreation:					
Parks	270,760	-	270,760	244,186	26,574
Library	217,600	-	217,600	209,371	8,229
Total cultural, parks and recreation	<u>488,360</u>	<u>-</u>	<u>488,360</u>	<u>453,557</u>	<u>34,803</u>
Ambulance:					
Ambulance	279,250	310,000	589,250	588,218	1,032
Total ambulance	<u>279,250</u>	<u>310,000</u>	<u>589,250</u>	<u>588,218</u>	<u>1,032</u>
Economic development					
Economic development	122,000	141,000	263,000	191,965	71,035
Total economic development	<u>122,000</u>	<u>141,000</u>	<u>263,000</u>	<u>191,965</u>	<u>71,035</u>
Total expenditures	<u>3,909,910</u>	<u>571,900</u>	<u>4,481,810</u>	<u>4,167,688</u>	<u>314,122</u>
Revenue over (under) expenditures	(2,468,305)	6,200	(2,462,105)	(2,274,736)	(440,875)
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	2,470,000	-	2,470,000	1,942,674	(527,326)
Net other financing sources (uses)	<u>2,470,000</u>	<u>-</u>	<u>2,470,000</u>	<u>1,942,674</u>	<u>(527,326)</u>
Revenues and other financing sources over (under) expenditures and other uses	1,695	6,200	7,895	(332,062)	(968,201)
Fund balance at beginning of year (Non-GAAP budgetary basis)				2,107,623	2,107,623
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 1,775,561	<u>\$ 1,139,422</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				(446,949)	
Fund balance at end of year (GAAP basis)				<u>\$ 1,328,612</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, 2012

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Taxes	\$ 555,540	\$ -	\$ 555,540	\$ 644,201	\$ 88,661
Total revenues	555,540	-	555,540	644,201	88,661
Revenue over (under) expenditures	555,540	-	555,540	644,201	88,661
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	(586,360)	-	(586,360)	(586,359)	1
Net other financing sources (uses)	(586,360)	-	(586,360)	(586,359)	1
Revenues and other financing sources over (under) expenditures and other uses	(30,820)	-	(30,820)	57,842	88,662
Fund balance at beginning of year (Non-GAAP budgetary basis)				126,602	126,602
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 184,444	\$ 215,264
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Accrual adjustment				(9,264)	
Fund balance at end of year (GAAP basis)				\$ 175,180	

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, 2012

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Taxes	\$ 444,432	\$ -	\$ 444,432	\$ 515,360	\$ 70,928
Interest	-	-	-	-	-
Total revenues	<u>444,432</u>	<u>-</u>	<u>444,432</u>	<u>515,360</u>	<u>70,928</u>
EXPENDITURES					
Street Sales Tax	-	-	-	-	-
Capital projects	-	-	-	-	-
Debt Service	512,763	-	512,763	513,982	(1,219)
Transfer out	-	-	-	-	-
Total general government	<u>512,763</u>	<u>-</u>	<u>512,763</u>	<u>513,982</u>	<u>(1,219)</u>
Revenues and other financing sources over (under) expenditures and other uses	(68,331)	-	(68,331)	1,378	72,147
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>38,218</u>	<u>38,218</u>
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 39,596	<u>\$ 38,218</u>
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Taxes receivable				9,748	
Fund balance at end of year (GAAP basis)				<u>\$ 49,344</u>	



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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**

December 17, 2012

Honorable City Council
City of Perry
Perry, Oklahoma

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Perry, Oklahoma, (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

City of Perry
December 17, 2012

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

CBEW Professional Group LLP

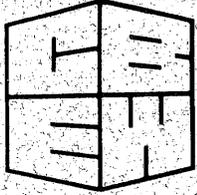
CBEW Professional Group, LLP
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CITY OF PERRY
Perry, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Transportation:</u>				
Federal Aviation Administration - Airport Improvement Program	20.106	127,192	127,192	127,192
<u>Passed through the Oklahoma Department of Transportation:</u>				
Federal Aid Surface Transportation Program	20.932	692,833	692,833	692,833
<u>Total U.S. Department of Transportation:</u>		<u>820,025</u>	<u>820,025</u>	<u>820,025</u>
<u>Environmental Protection Agency:</u>				
<u>Passed through the Oklahoma Water Resources Board:</u>				
Capitalization Grants for Clean Drinking Water Revolving	66.468	17,599	17,599	17,599
<u>Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and the Humanities:</u>				
<u>Passed through the Oklahoma Department of Libraries:</u>				
State Library Program	45.310	9,325	9,325	9,325
Total of Expenditures of Federal Awards		\$ <u>846,949</u>	\$ <u>846,949</u>	\$ <u>846,949</u>

Note A - This schedule was prepared on an accrual (GAAP) basis of accounting consistent with the preparation of the basic financial statements.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

December 17, 2012

Honorable City Council
City of Perry
Perry, Oklahoma

Compliance

We have audited the compliance of the City of Perry, Oklahoma, (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City of Perry, Oklahoma's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Perry, Oklahoma's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Perry, Oklahoma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Perry, Oklahoma's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

City of Perry
December 17, 2012

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

CBEW Professional Group, LLP

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Certified Public Accountants

**CITY OF PERRY
Perry, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Perry.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of City of Perry were disclosed during the audit.
4. No significant deficiencies to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance with Requirements That Could Have a Direct Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133".
5. The auditor's report on compliance for the major federal award programs for City of Perry expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for City of Perry are reported in this Schedule.
7. The program tested as major program includes: Surface Transportation – Discretionary Grants for Capital Investment – CFDA 20.932
8. The threshold used for distinguishing between Types A and B programs was \$300,000.
9. The City of Perry did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

1. None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. None

**CITY OF PERRY
Perry, Oklahoma**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2012**

No prior year findings.